

INTERIM REPORT
Q4 2017
WEBSTEP ASA



WEBSTEP

Q4 AND FULL YEAR HIGHLIGHTS

- Revenue growth in line with expectations
 - +10.7% for Q4 2017
 - +6.0% for FY 2017
- EBITDA margin 2017 impacted by non-recurring costs¹⁾
 - Q4 and FY EBITDA margin excl. non-recurring costs of 11.8% and 11.9% respectively
 - Q4 and FY EBITDA margin incl. non-recurring costs of 3.4% and 9.6% respectively
- Continued successful recruitment, securing further growth capacity
- Strong financial position support dividend proposal of NOK 1.50 per share, representing 117% of annual net profit



¹⁾ IPO costs and other non-recurring items of NOK 14 million recorded in Q4. See note 12 of the consolidated accounts for alternative performance measures.

KEY FIGURES

CONSOLIDATED

(Amounts in NOK million)	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Sales revenues	165.9	149.9	596.5	562.5
EBITDA ¹⁾	5.6	20.7	57.1	72.7
EBITDA margin ¹⁾	3.4%	13.8%	9.6%	12.9%
EBITDA excl. non-recurring costs ¹⁾	19.5	20.7	71.0	72.7
EBITDA margin excl. non-recurring costs ¹⁾	11.8%	13.8%	11.9%	12.9%
Net profit	4.4	13.9	33.9	40.5
Net cash flow	4.8	56.2	(73.7)	12.5
Earnings per share (NOK)	0.17	0.67	1.55	2.02
Earnings per share, fully diluted (NOK)	0.17	0.67	1.55	2.02
Number of employees, average (FTE)	398	385	393	394
Number of employees, end of period	402	384	402	384
Number of work days, Norway (excl. vacation)	63	64	251	253
Number of work days, Sweden (excl. vacation)	63	64	251	253
EBITDA per average employee ¹⁾ (tNOK)	14.0	53.8	145.3	184.6
EBITDA per average employee excl. non-recurring costs ¹⁾ (tNOK)	49.1	53.8	180.7	184.6

1) See note 12 of the consolidated accounts for alternative performance measures.

NORWAY

(Amounts in NOK million)

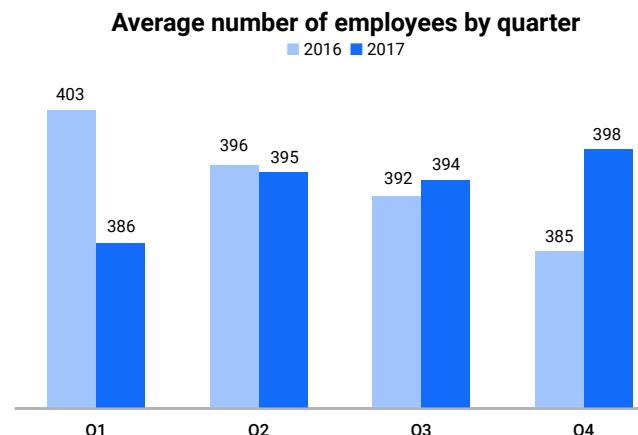
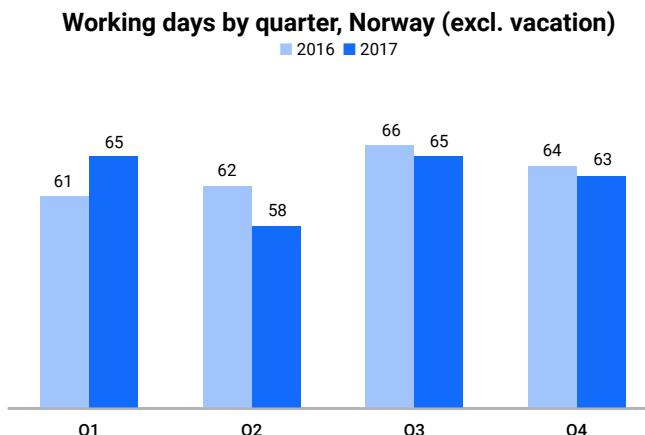
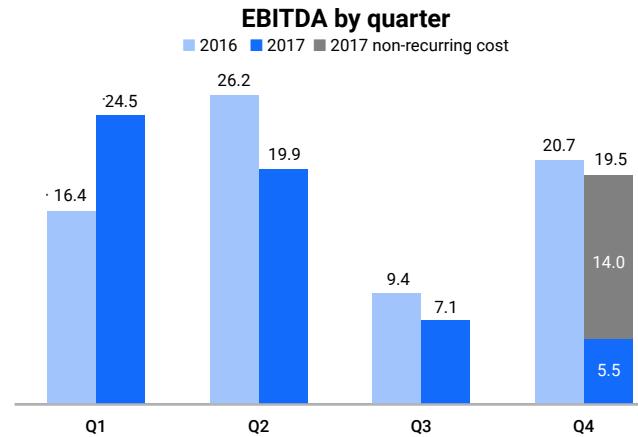
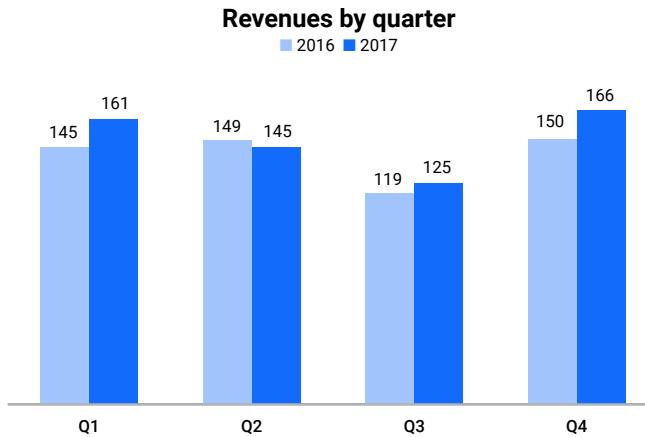
	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Sales revenues	135.8	128.1	495.2	478.5
EBITDA ¹⁾	5.2	20.3	51.4	67.5
EBITDA margin ¹⁾	3.8%	15.9%	10.4%	14.1%
EBITDA excl. non-recurring costs ¹⁾	19.1	20.3	65.4	67.5
EBITDA margin excl. non-recurring costs ¹⁾	14.1%	15.9%	13.2%	14.1%
Number of employees, average (FTE)	338	324	331	329
Number of employees, end of period	342	323	342	323
Number of work days, Norway (excl. vacation)	63	64	251	253
EBITDA per average employee ¹⁾ (tNOK)	15.3	62.8	155.4	205.1
EBITDA per average employee excl. non-recurring costs ¹⁾ (tNOK)	56.6	62.8	197.5	205.1

SWEDEN

(Amounts in NOK million)

	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Sales revenues	30.1	21.8	101.3	84.0
EBITDA ¹⁾	0.4	0.4	5.7	5.3
EBITDA margin ¹⁾	1.3%	1.6%	5.6%	6.2%
EBITDA excl. non-recurring costs ¹⁾	0.4	0.4	5.7	5.3
EBITDA margin excl. non-recurring costs ¹⁾	1.3%	1.6%	5.6%	6.2%
Number of employees, average (FTE)	60	62	63	65
Number of employees, end of period	60	61	60	61
Number of work days, Sweden (excl. vacation)	63	64	251	253
EBITDA per average employee ¹⁾ (tNOK)	6.7	5.8	89.7	80.8
EBITDA per average employee excl. non-recurring costs ¹⁾ (tNOK)	6.7	5.8	89.7	80.8

1) See note 12 of the consolidated accounts for alternative performance measures.



CONTINUED GROWTH AND STRONG OUTLOOK

Webstep delivers substantial revenue growth in 2017. Successful recruitment in a highly competitive market have secured new capacity and the company is well positioned to deliver further growth in 2018. The financial position is strong, enabling the board to propose a dividend in the upper range of the dividend policy.

Webstep ASA recorded consolidated revenues in the fourth quarter of 2017 of NOK 165.9 million, up 10.7 per cent from the corresponding quarter last year. Revenues for the full year 2017 grew by 6.0 per cent from the year before and ended at NOK 596.5 million.

Strong market fundamentals and particularly high demand for Core Services are observed in all Webstep locations. Increasing demand from customers is met with increased delivery capacity, resulting in a strong order backlog. Adding new expertise and capacity continues to be prioritised, as key success factors to realise future profitable growth.

Webstep completed a successful Initial

Public Offering (IPO) on 10 October, followed by a listing of the Company's shares on the Oslo Stock Exchange on 11 October. New equity was raised as part of the IPO, with net proceeds of NOK 123 million. Results for the fourth quarter include IPO expenses and other non-recurring items totalling NOK 14 million. The previously announced high onboarding and recruitment activities for the quarter impacted results due to recruitment and general onboarding costs, as well as a higher degree of minimum salaries for new employees.

Fourth quarter EBITDA excluding non-recurring cost was NOK 19.5 million compared to NOK 20.7 million last year, when

no significant non-recurring items were recorded. EBITDA for the quarter including non-recurring cost came to NOK 5.6 million.

EBITDA for 2017 before non-recurring items was NOK 71.0 million, compared to NOK 72.7 million in 2016. The slight decrease in EBITDA before non-recurring items is mainly a consequence of investments in new services and the high number of new expert hires, giving a higher amount of minimum salary in the initial employment period. EBITDA including non-recurring items for the full year 2017 came to NOK 57.1 million.

Net proceeds from the share capital issue were used to partly repay debt and has strengthened the Company's financial

position significantly. This, combined with the strong order backlog and positive outlook for 2018, are main reasons behind the Board of director's intention to propose a dividend of NOK 1.50 per share, representing 117 per cent of the annual net profit for 2017.

Webstep maintains its ability to attract highly skilled employees, securing new experienced experts and increased billable capacity for 2018.

The strong focus on employer branding and recruitment will continue in order to increase future growth capacity.

FINANCIAL REVIEW

(Numbers in brackets refer to the corresponding reporting period/reporting date in 2016, unless otherwise specified)

PROFIT AND LOSS

Fourth quarter consolidated revenues were NOK 165.9 million (NOK 149.9 million). Full year consolidated revenues amounted to NOK 596.5 million, (NOK 562.5 million), up

6.0 per cent from 2016 and in line with the Company's previously communicated expectations.

Significant non-recurring costs in the fourth quarter were announced in the third quarter report. Non-recurring items of NOK 14 million have been recorded in the fourth quarter, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program. EBITDA for the fourth quarter and full year 2017 is presented in this report including and excluding non-recurring items.

Webstep's revenue model is based on hourly fees, with revenue capacity depending on the number of consultants and number of working days available. Calendar effects therefore cause differences in revenue capacity between quarters. The fourth quarter of 2017 had one calendar day less than 2016 and the full year 2017 had two calendar days less than 2016.

Cost of services and goods sold amounted to NOK 16.6 million (NOK 10.0



million) for the quarter and NOK 49.3 million (NOK 33.9 million) year to date, reflecting normal variations in the mix of internal resources and subcontractors used in projects, as well as positive client development utilising subcontractors in Sweden.

The group has a highly flexible and efficient cost base.

Personnel expenses include salaries and benefits, pension, tax, vacation pay and other items. A high proportion of salary is variable. New consultants receive a guaranteed base salary in the onboarding phase, which is the main driver for higher personnel expenses in periods with high onboarding activity.

Salaries and personnel cost for the fourth quarter came to NOK 128.5 million (NOK 108.0 million) and reflect higher than normal recruitment and onboarding activity, as well as non-recurring costs related to the IPO and the recruitment incentive program

Salaries and personnel costs on a year to date basis came to NOK 448.4 million (417.9 million). The increase

is mainly related to the same items as referred to for the fourth quarter.

EBITDA for the fourth quarter excluding non-recurring cost came to NOK 19.5 million (NOK 20.7 million). The slight decrease in EBITDA is due to investments in new services and a high number of new expert hires, giving a higher amount of minimum salary in the initial employment period. EBITDA for the fourth quarter came to NOK 5.6 million including non-recurring cost of NOK 14 million.

EBITDA excluding non-recurring cost for the full year 2017 came to NOK 71.0 million, and EBITDA after non-recurring cost was 57.1 million, compared to NOK 72.7 million in 2016. The slight decrease in EBITDA before non-recurring items is due to the same reasons as explained for the quarter.

Operating profit was NOK 3.8 million for the quarter (NOK 18.7 million) and NOK 48.9 million (62.1 million) for the full year 2017. The variations between 2016 and 2017 are explained above.

Net financial costs were NOK 2.3. mil-

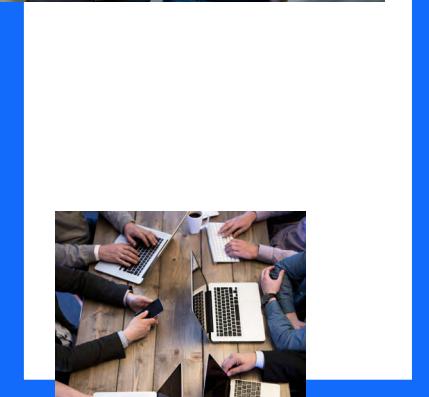
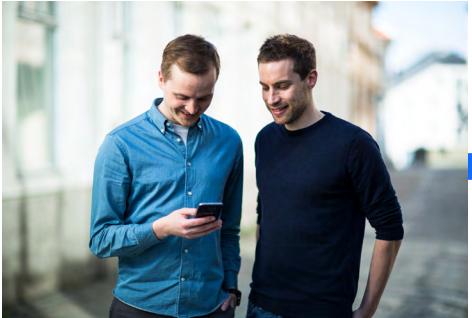
lion (income of 0.4 million) for the quarter. The reduction is mainly related to the refinancing of the group in connection with the IPO. Net financial cost year to date were NOK 8.6 million (NOK 7.6 million).

Income tax in the fourth quarter amounted to an income of NOK 2.8 million (expense of NOK 5.1 million) and NOK 6.5 million (NOK 14.0 million) year to date. The taxes for the period is affected by the significant non-recurring costs in Q4 2017, as previously described.

Net profit was NOK 4.4 million (NOK 14.0 million) for the quarter and NOK 33.9 million (NOK 40.5 million) year to date.

FINANCIAL POSITION AND CASH FLOW

Total assets at 31 December amounted to NOK 528.3 million (NOK 557.8 million). Non-current assets were NOK 392.5 million (NOK 390.7 million) and mainly consisted of intangible assets. Intangible assets are solely acquisition-related goodwill of NOK 382.3



million, which is impairment tested annually.

Total current assets of NOK 135.7 million (NOK 167.1 million) mainly consisted of trade receivables and cash and short-term deposits. Trade receivables at year end were NOK 125.5 million (NOK 82.6 million). The increase from the same balance date in 2016 is primarily a consequence of 31 December 2017 falling on a Sunday, and concurrently being the due date for a significant part of the receivables. Such payments are normally registered as cash received after the weekend. Consequently, trade receivables dropped significantly in the first days of January. Approximately NOK 45 million were paid by 3 January 2018, leaving trade receivables at approximately NOK 80 million after this date.

Cash and short-term deposits amounted to NOK 6.6 million (NOK 80.3 million), impacted by the same effect as described above, with a NOK 45 million increase by 3 January as payments falling due on 31 December had been recorded as payments received.

The change in cash and short-term

deposits between 31 December 2016 and the same date 2017 is partly a result of the group's cash pooling system after refinancing through the IPO. Webstep entered into new bank agreements, which include a cash pooling account system for the Norwegian operation. Cash and short-term deposits and overdraft facilities are now being reported as a net figure, while it has previously been reported as separate gross figures on the balance sheet. The amounts reported at 31 December 2016 as cash and debt to credit institution should therefore be restated in order to be comparable with the net figure reported as of 31 December 2017. A restated overview of net cash and overdraft as of 31 December 2016 is included in note 9 to the accounts, explaining the impact.

Total equity at 31 December was NOK 357.7 million (NOK 196.9 million). The change is mainly related to the share capital issue in connection with the IPO of the Company's shares, as well as retained earnings generated in 2017. Non-current liabilities

amounted to NOK 1.6 million (164.8 million). The debt reduction is a consequence of the new capital structure following the IPO. The current liabilities amounted to NOK 168.9 million (NOK 196 million). The changes are mainly due to reduced debt to credit institutions following the new capital structure.

Net cash flow year to date was a decrease of NOK 73.7 million (increase of NOK 12.6 million). The decrease is primarily a consequence of the net effect of the financial restructuring post IPO and deferred client payments as described above.

SEGMENTS

Webstep has two reporting segments; Norway and Sweden. Norway is the largest segment and accounts for ~83 per cent of total revenues.

NORWAY

Webstep Norway is located in Oslo, Bergen, Stavanger, Trondheim and Kristiansand and provides high-end IT consultancy services to

more than 200 public and private clients. The core digitalisation offering consists of digitalisation, cloud implementation, migration and integration. In addition, Webstep is steadily taking advantage of key fast-growing markets with other core focus areas, including Internet of Things ("IoT"), machine learning and analytics.

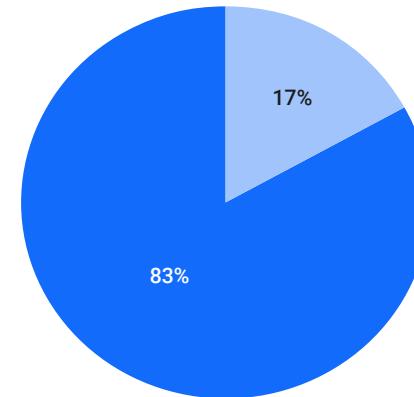
Total operating revenues for the quarter came to NOK 135.8 million (NOK 128.1 million), an increase of 6 per cent from the corresponding quarter last year. There is a high demand for Webstep's core IT services. Revenue growth in the fourth quarter was however impacted by onboarding activity and investments in new services, as well as calendar effects (one working day less than the same quarter 2016).

Total operating revenues year to date were NOK 495.2 million (NOK 478.5 million).

EBITDA for the fourth quarter excluding non-recurring cost came to NOK 19.1 million (NOK 20.3 million), which represents an EBITDA margin of 14.1 per cent (15.9 per

Revenue breakdown

Norway Sweden



cent). EBITDA including non-recurring cost of NOK 14 million related to the IPO and a terminated recruitment incentive program came to NOK 5.2 million, representing an EBITDA margin of 3.8 per cent (15.9 per cent).

EBITDA excluding non-recurring cost year to date was NOK 65.4 million (NOK 67.5 million), at an EBITDA margin of 13.2 per cent (14.1 per cent). EBITDA including non-recurring expenses as detailed above,

was NOK 51.4 million (NOK 67.5 million), representing an EBITDA margin of 10.4 per cent (14.1 per cent).

Webstep Norway had 342 employees at the end of the fourth quarter (323 employees). The average number of employees in the quarter was 338 (324). Strong focus on recruitment has proven successful. A high number of new employees has been onboarded in the past months, giving Webstep Norway a strong momentum entering 2018.

The order intake and backlog for Webstep Norway is generally high, with particularly high demand for the core digitalisation services.

SWEDEN

Webstep Sweden has offices in Stockholm and Malmö and serves more than 50 clients in different industries, mainly in the private sector. Webstep Sweden delivers the same high-end IT consultancy services as the Norwegian counterpart, primarily within the company's core digitalisation offering.

Total operating revenues for the fourth quarter were NOK 30.1 million (NOK 21.8 million), an increase of 38 per cent from the same quarter last year. Total operating revenues year to date were NOK 101.3 million (NOK 84.0 million), up 21 per cent from the same period last year. The growth in the quarter and year to date is mainly a consequence of strong utilisation and client development, utilising subcontractors to build new client relations.

EBITDA for the fourth quarter came to NOK 0.4 million (NOK 0.4 million), representing an EBITDA margin of 1.3 per cent (1.6 per cent). EBITDA year to date was NOK 5.7 million (NOK 5.3 million), and the EBITDA margin was 5.6 per cent (6.2 per cent). The slightly weaker margin level in Sweden reflects the strategic use of subcontractors, which has enabled Webstep to increase revenue growth in Sweden and to build new

client relationships. This alongside strong focus on recruitment lays a good basis for future growth in the Swedish market.

Webstep Sweden had 60 employees at the end of the fourth quarter (61 employees). The average number of employees in the quarter was 60 (62).

The order intake and backlog for Webstep Sweden continues to be strong.

INITIAL PUBLIC OFFERING

Webstep completed a successful Initial Public Offering (IPO), followed by a public listing of the company's shares on Oslo Børs on 11 October 2017. Gross proceeds of NOK 138 million were raised through the IPO. Net proceeds of NOK 123 million were used to repay long term debt and hence strengthen the financial position of the company.

A total of 5.7 million new shares were issued in the IPO. The total number of outstanding shares by 31 December 2017 was 26.4 million (excl. treasury shares).

The IPO included an employee offering,

in which Webstep's employees were offered shares. The employee offering was very successful, with approximately 57 per cent of the employees subscribing for shares.

OUTLOOK

The overall market outlook is robust, following the general trend with high investment activity in digitalisation of private and public sector. This is expected to drive continued high demand for Webstep's offering of IT expertise. A very strong order book entering 2018 confirms these substantial trends.

The share based Employee Incentive Program (EIP) that was introduced in connection with the IPO will have a slight impact on personnel costs going forward, starting in the fourth quarter of 2017. Costs related to matching shares earned through the two-year program will be allocated on a monthly basis. Based on the share price of 31 December 2017, the allocated cost for 2018 is estimated to be NOK 1.3 million.

Following the IPO, the company's per-



sonnel costs will also be slightly impacted by higher board compensation, going forward. Costs related to board compensation for 2018 is expected to be around NOK 1.6 million, up from NOK 0.2 million before the IPO, and in line with the general market level for comparable listed companies.

The high demand for Webstep's core services - digitisation, cloud and integration - is expected to continue. Cloud services show positive development and represent further potential. Webstep has taken a high-end

position as strategic advisor and designer of Cloud strategies for clients. In the fourth quarter, there has been a significant increase in the number of customers running comprehensive cloud adoption programs.

Cloud is also the main prerequisite for the use of data for IoT, Machine Learning and Analytics, all expected to become important growth areas, though still in an early phase. Investments in expertise and capacity in these services is therefore still highly prioritized, knowing that sales processes for new

services generally take longer time. Lower utilisation of these experts should still be expected in a short-term perspective.

Webstep will continue to have a strong focus on employer branding and recruitment of experienced experts going forward, in order to increase future growth capacity.

The over-all ambition remains unchanged; profitable growth above market and maintaining EBITDA margin levels above the average market level, as demonstrated over the last years.

THE BOARD OF DIRECTORS AND CEO OF WEBSTEP ASA

OSLO, 14 FEBRUARY 2018

Klaus-Anders Nysteen

Chair of the board

Siw Ødegaard

Board member

Terje Bakken

Board member

Bjørn Ivar Danielsen

Board member

Toril Nag

Board member

Kjetil Bakke Eriksen

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1000)	Note	Q4 2017	Q4 2016	Q4 YTD 2017	Q4 YTD 2016
Sales revenues		165 880	149 875	596 519	562 515
Total revenues		165 880	149 875	596 519	562 515
Cost of services and goods		16 615	9 985	49 333	33 836
Salaries and personell cost		128 534	108 000	448 395	417 897
Depreciation and impairment		1 733	2 018	8 156	10 563
Other operating expenses		15 156	11 182	41 705	38 063
Operating profit(loss)		3 843	18 689	48 929	62 155
Net financial items		(2 296)	359	(8 565)	(7 603)
Profit before tax		1 547	19 048	40 364	54 553
Income tax expenses		(2 809)	5 124	6 514	14 033
Profit for the period		4 356	13 924	33 851	40 519
Earnings per share (NOK)	6	0.17	0.67	1.55	2.02
Earnings per share, fully diluted (NOK)	6	0.17	0.67	1.55	2.02
Other comprehensive income:					
Currency translation differences		1 923	(2 995)	3 544	(6 438)
Other comprehensive income for the period, net of tax		1 923	(2 995)	3 544	(6 438)
Total comprehensive income for the period, net of tax		6 279	10 929	37 395	34 081
Attributable to:					
Shareholders in parent company		6 279	10 929	37 395	34 081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1000)	Note	31 Dec 2017	31 Dec 2016	(Amounts in NOK 1000)	Note	31 Dec 2017	31 Dec 2016
ASSETS							
Non-current assets				Share capital		26 967	21 256
Intangible assets	8	382 271	384 970	Treasury shares		(610)	(610)
Fixed assets		5 228	2 738	Share premium		149 827	32 109
Non-current financial assets		4 811	2 693	Retained earnings		181 554	144 164
Deferred tax asset		232	320	Non-controlling interest		-	-
Total non-current assets		392 542	390 720	Total equity		357 738	196 918
Current assets							
Trade receivables		125 546	82 610	Non-current liabilities			
Other current receivables		3 585	4 139	Borrowings	9	-	161 250
Cash and short-term deposits		6 580	80 311	Deferred tax		1 616	3 596
Total current assets		135 711	167 060	Total non-current liabilities		1 616	164 846
Total assets		528 252	557 781	Debt to credit institutions	9	24 287	59 983
				Trade and other payables		16 659	10 615
				Tax payable		7 293	15 689
				Dividends payable		-	-
				Social taxes and VAT		49 255	48 895
				Other short-term debt	10	71 404	60 833
				Total current liabilities		168 898	196 017
				Total equity and liabilities		528 252	557 781

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1000)	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity owners parents	Non-controlling interest	Total equity
At 1 January 2016	20 126	(604)	181 031	15 285	110 215	326 053	10 592	336 645
Profit for the period	-	-	-	-	40 519	40 519	-	40 519
Other comprehensive income/(loss)	-	-	-	(6 438)	-	(6 438)	-	(6 438)
Net purchase of treasury shares	-	(6)	-	-	279	273	(1 001)	(728)
Restructuring of sub-group	1 130	-	21 078	-	(12 617)	9 591	(9 591)	-
Dividends to NCI	-	-	-	-	(3 080)	(3 080)	-	(3 080)
Dividends	-	-	(170 000)	-	-	(170 000)	-	(170 000)
At 31 December 2016	21 256	(610)	32 109	8 847	135 316	196 918	-	196 918
Profit for the period	-	-	-	-	33 851	33 850	-	33 850
Shares issued	5 711	-	117 477	-	-	123 189	-	123 189
Other comprehensive income/(loss)	-	-	-	3 544	-	3 544	-	3 544
Share incentive program	-	-	237	-	-	237	-	237
At 31 December 2017	26 967	(610)	149 823	12 391	169 167	357 737	-	357 737

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK 1000)	Q4 YTD 2017	Q4 YTD 2016
Operating activities		
Profit/(loss) before tax	40 364	54 553
Adjustments for:		
Depreciation of property, plant and equipment	8 156	10 563
Net change in trade and other receivables	(44 500)	(2 732)
Net change in other liabilities	16 975	2 652
Net foreign exchange differences	693	604
Income tax expenses	(17 206)	(15 167)
Net cash flow from operating activities	4 482	50 473
Investing activities		
Purchase of property and equipment	(4 456)	(1 730)
Net cash flow from investing activities	(4 456)	(1 730)
Financing activities		
Proceeds from borrowings	-	200 000
Repayment of borrowings	(196 946)	(62 384)
Net proceeds from equity	123 189	-
Purchase of treasury shares	-	(130)
Payment of dividends	-	(173 679)
Payment of seller credit	-	-
Unrealized value of financial instruments	-	-
Net cash flows from financing activities	(73 758)	(36 193)
Net increase/(decrease) in cash and cash equivalents	(73 731)	12 550
Cash and cash equivalents at 1 January	80 311	67 761
Cash and cash equivalents at end of period	6 580	80 311
Cash and cash equivalent in the balance sheet	6 580	80 311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

THE COMPANY AND THE GROUP

Webstep ASA (the Company) is a Norwegian public limited liability company. The General Meeting held on 14 September 2017 resolved to transform the company from a private limited liability company to a public limited liability company and a name change from Azure Holding AS to Webstep ASA. The shares of the Company were listed on Oslo Børs on 11 October 2017.

The Company and its subsidiaries (together the Webstep Group/the Group) are leading providers of IT expert consultants in Norway and Sweden. The Group aims to be at the forefront of the technological development and to assist its customers in their digitalisation through the offering of cutting-edge IT expertise. The Group's core digitalisation offerings are digitalisation, cloud migration and integration, in addition to its other core focus areas Internet of Things (IoT), machine learning and analytics.

NOTE 2 BASIS OF PREPARATION AND STATEMENTS

BASIS FOR PREPARATION

The financial statements are presented in NOK, rounded to the nearest thousand, unless otherwise stated.

As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

STATEMENTS

These condensed consolidated interim financial statements for the fourth quarter 2017 have been prepared in accordance with IAS 34 as approved by the EU (IAS 34). They have not been audited or subject to a review by the auditor. They do not include all of the information required for full annual financial statements of the Group and should consequently be read in conjunction with the consolidated financial statements for 2016. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for 2016, which are available upon request from the Company's registered office at Lilleakerveien 8, 0283 Oslo, Norway.

These condensed consolidated interim financial statements for the fourth quarter 2017 were approved by the Board of Directors and the CEO on 14 February 2018.

ACCOUNTING POLICIES

The Group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU (International Financial Reporting Standards - IFRS) and the Norwegian Accounting Act. References to IFRS in these accounts refer to IFRS as approved by the EU. The date of transition was 1 January 2016. The accounting policies adopted are consistent with those of the previous financial year.

At the time of approval for issue of these condensed consolidated interim financial statements, some new standards, amendments to standards and interpretations have been published, but are not yet effective and have therefore not been applied in preparing these consolidated financial statements. Those that may be relevant for the Group are described in note 1 to the annual consolidated financial statements for 2016.

NOTE 3 ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements for 2016 and as described in note 2 to the 2016 statements.

NOTE 4 SEGMENTS

The Group has two geographical reporting segments. Revenues and expenses are reported in the legal entity where they occur and hence reported in the segment in which the legal entity belongs. Segment performance is evaluated on the basis of revenue and EBITDA performance. Assets and liabilities are not allocated between the segments. Please refer to note 3 to the annual consolidated financial statements for 2016 for more information on the segments.

SUMMARY P&L: NORWAY

	Q4 2017	Q4 2016	Q4 YTD 2017	Q4 YTD 2016
Revenue	135.8	128.1	495.2	478.5
Total costs	130.7	107.7	443.8	411.0
Total costs excl. non-recurring costs ¹⁾	116.7	107.7	429.8	411.0
EBITDA	5.2	20.3	51.4	67.5
EBITDA margin	3.8%	15.9%	10.4%	14.1%
EBITDA excl. non-recurring costs ¹⁾	19.1	20.3	65.4	67.5
EBITDA margin excl. non-recurring costs ¹⁾	14.1%	15.9%	13.2%	14.1%

SUMMARY P&L: SWEDEN

	Q4 2017	Q4 2016	Q4 YTD 2017	Q4 YTD 2016
Revenue	30.1	21.8	101.3	84.0
Total costs	29.7	21.4	95.6	78.8
Total costs excl. non-recurring costs ¹⁾	29.7	21.4	95.6	78.8
EBITDA	0.4	0.4	5.7	5.3
EBITDA margin	1.3%	1.6%	5.6%	6.2%
EBITDA excl. non-recurring costs ¹⁾	0.4	0.4	5.7	5.3
EBITDA margin excl. non-recurring costs ¹⁾	1.3%	1.6%	5.6%	6.2%

1) See note 12 of the consolidated accounts for alternative performance measures.

NOTE 5 EXPLANATORY COMMENTS ABOUT THE SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group's net operating revenues are affected by the number of working days within each reporting period while employee expenses are recognised for full calendar days.

The number of working days in a month is affected by public holidays and vacations. The timing of public holidays' (e.g. Easter) during quarters and whether they fall on weekends or weekdays impacts revenues. Generally, the Company's employees are granted leave during Easter and Christmas. The Christmas holidays impact the month of December and the fourth quarter. Notable for the period is that Q4 2017 had one working day less than the same quarter of 2016.

NOTE 6 EARNINGS PER SHARE

The fourth quarter of 2017 had dilutive effects on the number of shares due to the Initial Public Offering (IPO). A total of 5 711 285 new shares were issued, following the IPO.

In relation to the IPO, the company implemented a share program for the Group's employees. The program allowed participants who purchased shares in the employee offering ("Saving Shares") in the IPO to receive shares ("Matching Shares") free of charge after a vesting period of two years, provided that they remain employed by the Group and retain all the purchased Saving Shares throughout the said vesting period. The potential dilution through this program accounts for approximately 107 000 shares.

The company has at 31 December 2017 a total of 26 356 714 outstanding shares (excl. treasury shares).

(Amounts in NOK 1000)	Q4 2017	Q4 2016	Q4 YTD 2017	Q4 YTD 2016
Profit for the period	4 356	13 924	33 851	40 519
Average number of shares (excl. treasury shares)	25 581	20 645	21 879	20 023
Average number of shares, fully diluted (excl. treasury shares)	25 688	20 645	21 906	20 023
Earnings per share	0.17	0.67	1.55	2.02
Earnings per share, fully diluted	0.17	0.67	1.55	2.02

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are primarily trade receivables and other receivables, cash and cash equivalents and accounts payables, for which the book value is a good approximation of fair value.

The Group's interest-bearing liabilities are mainly debt to credit institutions, amounting to NOK 24.3 million (NOK 193.0 million at 31 December 2016).

The Group owns a limited amount of treasury shares at quarter end (0.6 million), booked at face value.

NOTE 8 INTANGIBLE ASSETS

Intangible assets mainly consist of goodwill arisen from Webstep ASA's acquisitions of Webstep AS (Norway) in 2011 and Webstep AB in 2012/2013 (Sweden).

Net book value (NOK 1000)	31 Dec 2017	31 Dec 2016	31 Dec 2016
Goodwill	382 271	378 765	378 765
Customer relationships	-	6 025	6 025
Total	382 271	384 790	384 790

For further details, please refer to note 6 to the Company's consolidated annual financial statements for 2016.

NOTE 9 INTEREST-BEARING DEBT AND CASH POSITION

Net proceeds of NOK 123 million from new equity was used to partly repay the former long-term loan (balance of NOK 170 million at 30 September 2017). The remainder of the loan was converted to the a new credit facility, which is detailed below.

A NOK 110 million Revolving Credit Facility ("RCF") with SpareBank 1 SR-Bank ASA was entered into by the Company as a part of the IPO process. The RCF became effective on 11 October 2017 upon (i) completion of the offering with minimum gross proceeds from the offer of the New Shares of NOK 100 million, (ii) repayment and cancellation of the former Senior Facility Arrangement and (iii) cancellation of the former Overdraft Facility of NOK 40 million. The RCF may be utilised by each member of the Group having acceded to the cash pooling account system related to the RCF.

The term of the RCF is two years, after which it is subject to renewal. The total payable interest rate is based on 3 months NIBOR in addition to an agreed margin of 2.85% per annum. The interest calculation is based on the net of cash and overdraft. The quarterly charge for the credit facility is 0.25% of the granted credit. Under the RCF, the Company have pledged security over the shares, inventory, insurance payouts and accounts receivable in Webstep AS and negative pledge over the shares in Webstep AB. The covenants for the RCF are: 1) Group equity ratio >30 per cent, measured quarterly, and 2) NIBD / EBITDA ratio maximum 3, measured quarterly, rolling 12 months.

With the refinancing of the debt structure, new bank agreements were entered into. The new agreements include a cash pooling account system in the Norwegian operation, which implies a change in how the Group reports cash, short term deposits and bank overdraft. While these figures have previously been reported separately under assets and debt respectively, the same figures are now reported as one net figure, either asset or debt, depending on the net figure, to reflect the actual interest-bearing figure at balance date.

The cash and overdraft figures reported as of 31 December 2016 have therefore been restated in the tables below, in order to ease comparison between the 2017 and 2016.

(Amounts in NOK 1000)	31 Dec 2017	Prev.reported 31 Dec 2016	Restated 31 Dec 2016
Cash and short-term deposits	6 580	80 311	51 578
Debt to credit institutions (overdraft)	24 287	28 733	-

NOTE 10 OTHER SHORT TERM DEBT

Other short-term debt mainly consists of two components; 1) accrued salaries for the past month, for payment to employees in accordance with the salary model and 2) accrued holiday pay as required by law, for payment to employees in June every year.

NOTE 11 SUBSEQUENT EVENTS

No particular subsequent events to report.

NOTE 12 ALTERNATIVE PERFORMANCE MEASURES

Webstep discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Webstep believes that the alternative performance measures provide useful supplemental information to management, investors, equity analysts and other stakeholders. These measures are commonly used and are meant to provide an enhanced insight into the financial development of Webstep's business operations and to improve comparability between periods.

PROFIT MEASURES

EBITDA is short for Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation and is a term commonly used by analysts and investors.

EBITDA excl. non-recurring costs is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation excluding impact of non-recurring items as specified when such costs occur.

EBITDA per employee is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation divided by the average number of employees.

EBITDA per employee excl. non-recurring costs is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation excluding impact of non-recurring items as specified when such costs occur.

The table below show how certain of the above measures are derived from the IFRS consolidated financial statements:

(Amounts in NOK 1000)	Q4 2017	Q4 2016	FY 2017
Operating profit	3 843	18 689	48 929
Depreciation	1 733	2 018	8 156
EBITDA	5 576	20 707	57 086
Non recurring costs	13 948	-	13 948
EBITDA excluding non-recurring costs	19 523	20 707	71 034

Non-recurring items of NOK 14.4 million have been recorded in the fourth quarter of 2017, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program.



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