

INTERIM REPORT
Q3 2018
WEBSTEP ASA



WEBSTEP

Q3 HIGHLIGHTS

- Continued revenue growth
 - Q3: NOK 138.1 million (+11%)
 - YTD: NOK 487.9 million (+13%)
- Positive EBITDA development
 - Q3: NOK 8.9 million (+25%)
 - YTD: NOK 61.3 million (+19%)
- High utilisation and increased rates driven by high demand
- New strategic technology partnerships established
- Changes in Group management



KEY FIGURES

CONSOLIDATED

(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Sales revenues	138.1	124.9	487.9	430.6	596.5
EBITDA ¹⁾	8.9	7.1	61.3	51.5	57.1
EBITDA margin ¹⁾	6.4%	5.7%	12.6%	12.0%	9.6%
EBITDA excl. non-recurring costs ¹⁾	8.9	7.1	61.3	51.5	71.0
EBITDA margin excl. non-recurring costs ¹⁾	6.4%	5.7%	12.6%	12.0%	11.9%
Net profit	5.9	2.2	44.4	29.5	33.9
Net cash flow	(2.3)	(78.5)	(2.3)	(78.5)	(73.8)
Earnings per share (NOK)	0.22	0.11	1.68	1.43	1.55
Earnings per share, fully diluted (NOK)	0.22	0.11	1.68	1.43	1.55
Number of employees, average (FTE)	404	394	414	392	393
Number of employees, end of period	394	393	394	393	402
Number of work days, Norway (excl. vacation)	65	65	187	188	251
Number of work days, Sweden (excl. vacation)	65	65	189	188	251
EBITDA per average employee ¹⁾ (tNOK)	22.0	18.0	148.0	131.4	145.2
EBITDA per average employee excl. non-recurring costs ¹⁾ (tNOK)	22.0	18.0	148.0	131.4	180.7

1) See note 12 to the consolidated financial statements for alternative performance measures.

NORWAY

(Amounts in NOK million)

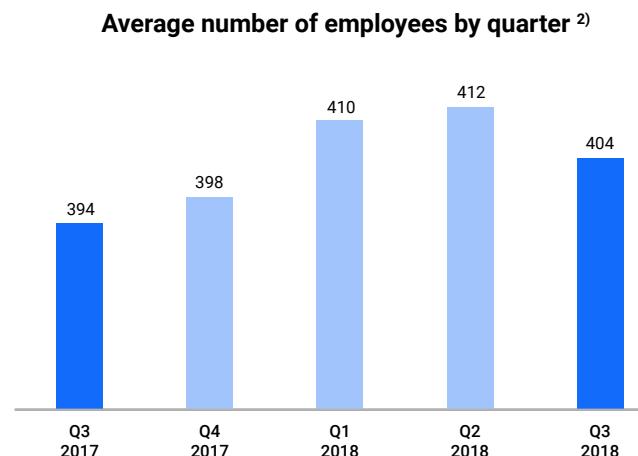
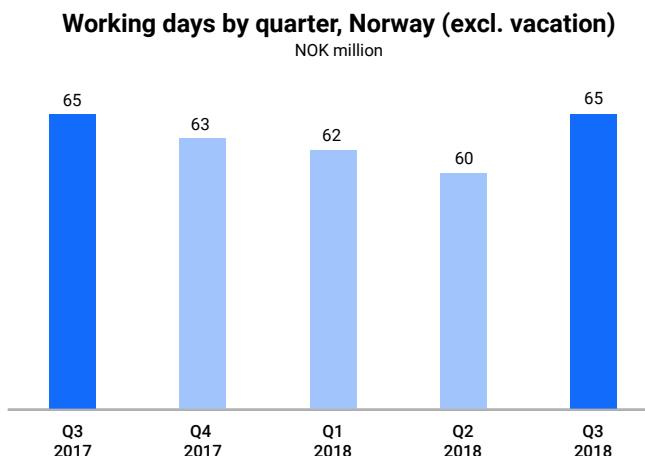
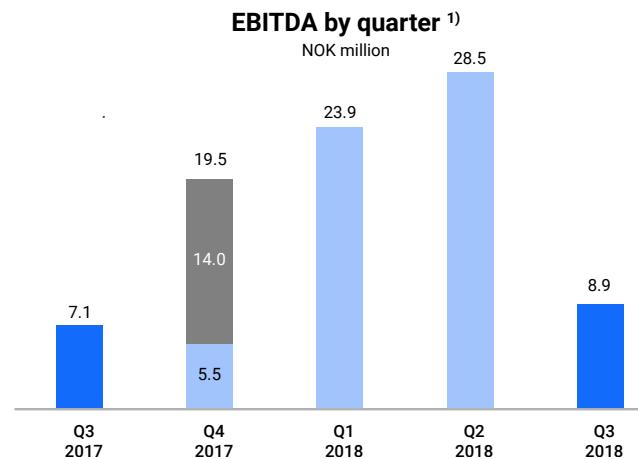
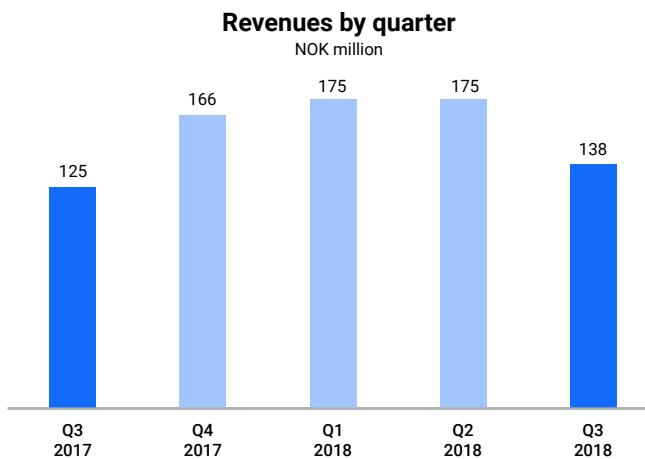
	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Sales revenues	120.2	102.7	419.8	359.4	495.3
EBITDA ¹⁾	8.8	5.9	57.9	46.3	51.4
EBITDA margin ¹⁾	7.3%	5.8%	13.8%	12.9%	10.4%
EBITDA excl. non-recurring costs ¹⁾	8.8	5.9	57.9	46.3	65.4
EBITDA margin excl. non-recurring costs ¹⁾	7.3%	5.8%	13.8%	12.9%	13.2%
Number of employees, average (FTE)	346	329	354	328	331
Number of employees, end of period	338	328	338	328	342
Number of work days, Norway (excl. vacation)	65	65	187	188	251
EBITDA per average employee ¹⁾ (tNOK)	25.4	18.0	163.3	141.0	155.6
EBITDA per average employee excl. non-recurring costs ¹⁾ (tNOK)	25.4	18.0	163.3	141.0	197.8

SWEDEN

(Amounts in NOK million)

	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Sales revenues	17.8	22.3	68.1	71.2	101.2
EBITDA ¹⁾	0.1	1.2	3.4	5.3	5.7
EBITDA margin ¹⁾	0.6%	5.3%	5.0%	7.4%	5.6%
EBITDA excl. non-recurring costs ¹⁾	0.1	1.2	3.4	5.3	5.7
EBITDA margin excl. non-recurring costs ¹⁾	0.6%	5.3%	5.0%	7.4%	5.6%
Number of employees, average (FTE)	58	65	59	64	63
Number of employees, end of period	56	65	56	65	60
Number of work days, Sweden (excl. vacation)	65	65	189	188	251
EBITDA per average employee ¹⁾ (tNOK)	1.7	18.1	57.7	82.6	90.1
EBITDA per average employee excl. non-recurring costs ¹⁾ (tNOK)	1.7	18.1	57.7	82.6	90.1

1) See note 12 to the consolidated financial statements for alternative performance measures.



1) IPO costs and other non-recurring items of NOK 14 million recorded in Q4 2017

2) Average number of employees in Q1 and Q2 2018 has been adjusted compared to previous interim reports due to an error in headcount. Q1 has been adjusted by +7 and Q2 by +9.

CONTINUED GROWTH

Webstep reports another quarter of profitable growth. The continued strong demand drives high utilisation and increased rates. The general shortage of IT experts creates an increasingly competitive environment for recruitment.

Webstep ASA recorded total consolidated revenues in the third quarter of NOK 138.1 million, up 10.5 per cent from the same quarter last year. Revenues for the first nine months of 2018 rose by 13.3 per cent from the same period last year and ended at NOK 487.9 million (NOK 430.6 million).¹⁾

EBITDA for the third quarter amounted to NOK 8.9 million (NOK 7.1 million). The growth of 24.8 per cent from the corresponding quarter last year is mainly a consequence of the revenue growth combined with the benefits of high utilisation and higher rates achieved. Consequently, the EBITDA-margin was strengthened and came to 6.4

per cent, compared to 5.7 per cent in the third quarter of 2017. EBITDA for the first nine months ended at NOK 61.3 million (NOK 51.5 million), with an EBITDA margin of 12.6 per cent, also strengthened from last year's 12 per cent.

Net profit for the third quarter was NOK 5.9 million, up from NOK 2.2 million in the same quarter last year. Net profit for the first nine months was NOK 44.4 million (NOK 29.5 million).

Total equity at 30 September was NOK 357.3 million (NOK 228 million), corresponding to an equity ratio of 66.8 per cent (43 per cent).

Cash flow from operations in the first nine months was improved and amounted to NOK 23.8 million (negative NOK 23.8 million). Affected by dividend payment of 39.5 million, the net cash flow in the first nine months of 2018 was negative NOK 2.3 million. Net cash flow for the same period last year was negative NOK 78.6 million, impacted by repayment of borrowings and higher increase of receivables in 2017.

The market growth continues, with generally high demand for Webstep's core digitalisation offering. Sales of New Services, such as IoT, analytics and machine learning are also growing, in part due to the compa-

¹⁾ Numbers in brackets refer to the corresponding reporting period/reporting date in 2017, unless otherwise specified

ny's strong emphasis on sharing knowledge and expertise across the organisation. This is strengthening the offering to existing and new clients in all Webstep locations.

Webstep has a strong market position and a solid financial position with a very robust order book. The general outlook for 2018 is positive. However, the situation with unexpected high churn at a single branch in the Oslo office in the second quarter has impacted the growth capacity to some extent due to time consuming replacement processes and increased competition for IT experts. As previously communicated, growth in the last quarter of 2018 is therefore expected to be lower than the earlier quarters this year.

Webstep will continue its focus on organic growth and recruitment. However, in response to the increasingly challenging market conditions for recruitment of IT experts, the Company will consider a stronger focus on M&A activities as part of its growth strategy going forward.

FINANCIAL REVIEW

PROFIT AND LOSS

Third quarter consolidated revenues were NOK 138.1 million (NOK 124.9 million), up 10.5 per cent from the same quarter last year. Revenues for the first nine months were NOK 487.9 million, up 13.3 per cent from NOK 430.6 million in the corresponding period last year.

Webstep's revenue model is primarily based on hourly fees, with revenue capacity dependent on the number of consultants, number of working days and hourly rates. The growth in the first nine months of 2018 is partly a result of higher capacity than in 2017, but also the high demand that has paved the way for high utilisation and higher rates, and hence improved profitability compared to the corresponding period last year.

Calendar effects may also cause differences in revenue capacity between quarters. The first nine months of 2018 had 1 working day less than the same period of 2017 (Norway).



Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 12.9 million (NOK 11 million) for the quarter and NOK 45.2 million (NOK 32.7 million) for the first nine months.

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 affects personnel expenses in periods with high onboarding activity.

Salaries and personnel cost came to NOK 107.3 million (NOK 98.3 million) for the third quarter and NOK 351.6 million (NOK 319.9 million) for the first nine months. Increased salaries reflect the capacity and revenue increase since the corresponding periods in 2017. In September every year, significant investments are made in competence development and social activities for the employees. These annual recurring events affect both personnel cost and other operating expenses, and they also have an impact on

the number of available billable hours in Q3.

The Group uses earnings before interest, taxes and depreciations (EBITDA) as an alternative performance measure, as described in note 12 to the consolidated financial statements for the first nine months of 2018. Total consolidated EBITDA in the third quarter amounted to NOK 8.9 million (NOK 7.1 million) for the third quarter and NOK 61.3 million for the first nine months (NOK 51.5 million). The increase in EBITDA is mainly due to the revenue growth, with high utilisation and higher hourly rates.

Operating profit was NOK 8.2 million for the quarter (NOK 4.9 million) and NOK 59.3 million year to date (NOK 45 million). Depreciation and impairment decreased from NOK 2.2 million in the third quarter last year to NOK 0.7 million this year, and from NOK 6.4 million in the first nine months last year to NOK 1.9 million this year. The reduction is mainly related to capitalised customer relationships being fully amortised by year end 2017.

Net financial costs were NOK 0.6 million (NOK 2 million) in the quarter and NOK 1.8 million year to date (NOK 6.3 million). The reduction is mainly related to the lower debt level after the refinancing that took place in connection with the IPO in the fall of 2017.

Income tax amounted to NOK 1.7 million (NOK 0.7 million) in the third quarter and NOK 13.2 million in the first nine months of 2018 (NOK 9.3 million). Net profit for the quarter was NOK 5.9 million (NOK 2.2 million), while net profit year to date was NOK 44.4 million (NOK 29.5 million).

FINANCIAL POSITION AND CASH FLOW

Total assets at 30 September amounted to NOK 534.6 million (NOK 529.8 million). Non-current assets were NOK 388.9 million (NOK 392 million) and mainly consisted of intangible assets. Intangible assets primarily comprise acquisition-related goodwill of NOK 376.7 million, which is impairment tested annually.

Total current assets of NOK 145.7 million (NOK 137.9 million) mainly consisted of trade receivables and cash and short-term deposits. Trade receivables at quarter end were NOK 138.3 million (NOK 128.8 million). The increase is mainly related to the higher level of revenues in 2018.

Cash and short-term deposits amounted to NOK 4.2 million (NOK 1.8 million).

Total equity at 30 September was NOK 357.3 million (NOK 228 million). The change is mainly related to earnings generated, and the share capital issue in connection with the IPO in October 2017, offset by dividend paid in 2018.

Non-current liabilities amounted to NOK 1.5 million (NOK 137.6 million). The debt reduction is a consequence of the new capital structure following the IPO in 2017. Current liabilities amounted to NOK 175.8 million (NOK 164.2 million).

Cash flow from operations in the first nine months of NOK amounted to NOK 23.8 million (negative NOK 23.8 million).

Cash flow from investing activities was negative NOK 3.9 million (negative NOK 5.9 million) year to date.

Cash flow from financing activities year to date was negative NOK 22.3 million (negative NOK 48.9 million). The improvement is mainly attributable to the low debt level post IPO offset by dividends paid in 2018.

ORGANISATION

Webstep's Group Management was further strengthened in the third quarter. Liv Annike Kverneland assumed the position as Chief Financial Officer on 1 September. On 15 August, Rolf Helle assumed the new position as Director Business Development and will also be responsible for the M&A activities. Further, Hans Sigvart Hansen stepped up and assumed the role as Chief Operating Officer of Webstep Norway on 15 August. This function was previously part of the Chief Executive Officer role.



SEGMENTS

Webstep has two reporting segments; Norway and Sweden. Norway accounts for around 86 per cent of total revenues.

NORWAY

Webstep Norway is headquartered in Oslo and also has offices in Bergen, Stavanger, Trondheim and Kristiansand. The company provides high-end IT consultancy services to more than 200 public and private clients across the country. The core digitalisation offering consists of digitisation, cloud services and integration. In addition, Webstep is steadily taking advantage of key fast-growing markets, including Internet of Things ("IoT"), machine learning and analytics.

Total operating revenues for the quarter came to NOK 138.1 million (NOK 124.9 million), an increase of 10.5 per cent from the corresponding quarter last year. Customers' demand for Webstep's core IT services remains high. Total operating revenues year to date were 487.9 million (NOK 430.6 million).

EBITDA for the third quarter came to NOK 8.9 million (NOK 7.1 million), which represents an EBITDA margin of 8.9 per cent (7.1 per cent). EBITDA year to date was NOK 61.3 million, up from NOK 51.5 million in the same period last year.

The market situation remains very favourable, with generally high order intake and backlog and particularly high demand for Webstep's core digitalisation services.

The strong focus on cloud services has been a success, with a significant increase in sales since 2017. Cloud services are now considered as part of Webstep's Core Services. To be able to broaden the cloud services offering and meet the clients' demand, Webstep now also has become Google Cloud Platform Services Partner in addition to the valued relationship with Amazon Web Services.

In order to further enhance Webstep's focus on robotic process automation (RPA), the company also entered

a partnership with Blue Prism in Q3, a company behind cutting-edge technology within the RPA space.

There is also increased demand for other New Services like machine learning, AI and IoT.

Building Centres of Excellence (CoE) is proving to be a success in terms of extending the service offerings in the existing geographical locations. The CoE for Cloud Services is a good example, with its contributions to cross selling processes, and its expert team that delivers high-end cloud services to prestige projects in Norway.

There is a strong demand from Webstep's clients for IT expert services. Due to the unexpected churn at one department in Oslo, the company is increasing the use of subcontractors to fulfil clients' demand in the short term. Replacement of staff has top priority, but the competition for the best talents is fierce. Consequently, Webstep expects its growth capacity to be challenged in the last quarter of 2018.

A change to the Norwegian Working Environment Act (Arbeidsmiljøloven) is expected to come into force 1 January 2019. The change is related to the so-called "zero-hour-contracts" ("nulltimerskontrakter"). Only minor adjustments to the employee contracts will be necessary to ensure full compliance when the law comes into force. The changes will be implemented in Q4 and are not expected to affect the company's profitability significantly.

Webstep Norway had 338 employees at the end of the third quarter (328 employees). The average number of employees in the quarter was 346 (329).

SWEDEN

Webstep Sweden has offices in Stockholm and Malmö and serves 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 third quarter were NOK 17.8 million (NOK 22.3 million), a decrease from the same quarter last year, mainly due to lower capacity than the same period last year, less use of subcontractors and currency effect. Total operating revenues year to date came to NOK 68.1 million (NOK 71.2 million). NOK 2.1 million of the decrease by NOK 3.2 million, can be explained by the depreciation of SEK in 2018. EBITDA came to NOK 0.1 million for the third quarter (NOK 1.2 million), while the year to date EBITDA ended at NOK 3.4 million (NOK 5.3 million).

Like Norway, the Swedish branch makes extraordinary investments in its consultants in Q3 every year in terms of competence development and social activities. However, in 2017, this event took place in Q4 instead of Q3 which affects the YOY comparability. The margin level in Sweden is somewhat lower than in Norway and reflects the strategic use of subcontractors. The strong focus on recruitment continues, in an environment



where the competition for IT experts has increased further.

Webstep Sweden had 56 employees at the end of the third quarter (65 employees). The average number of employees in the quarter was 58 (65).

Webstep sees the presence in the Swedish market as strategically important, partly as it plays an important role in the enrolment of New Services.

The order intake and backlog for Webstep Sweden is strong and forms a solid base for growth and increased profitability.

OUTLOOK

The overall market outlook is robust, following the general trend with high investment activity in digitalisation of the private and public sectors. This is expected to drive sustained high demand for Webstep's offering of IT expertise. The continued strong order book confirms the good momentum. The high

demand for Webstep's Core Services – digitisation, cloud and integration – is expected to continue.

Cloud is the main prerequisite for the use of data for IoT, machine learning and analytics. These are all becoming important growth areas. Investments in expertise and capacity in these services remain highly prioritised due to a more mature market.

In the first nine months of 2018, Webstep has won an increasing number of Cloud and New Services projects. These areas are growing and Webstep sees great potential in further increasing its cross border and cross technology sales.

Although high churn at one department in Oslo will have an impact on the number of employees, Webstep secures customer relations through temporarily increased use of subcontractors in Norway.

The systematic and continuous recruitment efforts are further strengthened. Webstep has a strong position as preferred

employer, yet recruitment processes are time consuming and the competition for the best talents is fierce. Consequently, Webstep expects growth in the fourth quarter to be lower than the first nine months of 2018.

Going forward, several measures are being taken to secure new growth capacity for 2019.

In addition to continue its strong focus on recruitment in existing locations, the Group will seek to utilise its strong brand through establishments in new geographic locations in both Norway and Sweden. A new office will be opening in Haugesund shortly, and further expansions are planned for 2019.

In response to the increasingly challenging market conditions for recruitment

of IT experts, the Group will consider a stronger focus on M&A activities as part of its growth strategy going forward.

The over-all and long-term ambition remains unchanged; to exceed the market average both in terms of profitability and growth.

THE BOARD OF DIRECTORS AND CEO OF WEBSTEP ASA

OSLO, 7 NOVEMBER 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	Q3 2018	Q3 2017	Q3 YTD 2018	Q3 YTD 2017	Full year 2017
Sales revenues		138 060	124 942	487 862	430 640	596 519
Total revenues		138 060	124 942	487 862	430 640	596 519
Cost of services and goods		12 898	11 037	45 203	32 718	49 333
Salaries and personell cost		107 309	98 308	351 562	319 861	448 395
Depreciation and impairment		661	2 201	1 936	6 424	8 156
Other operating expenses		8 983	8 492	29 817	26 550	41 705
Operating profit(loss)		8 209	4 903	59 344	45 086	48 929
Net financial items		(601)	(1 968)	(1 756)	(6 269)	(8 565)
Profit before tax		7 607	2 936	57 588	38 817	40 364
Income tax expenses		1 749	716	13 211	9 322	6 514
Profit for the period		5 859	2 219	44 377	29 495	33 851
Earnings per share (NOK)	6	0.22	0.11	1.68	1.43	1.55
Earnings per share, fully diluted (NOK)	6	0.22	0.11	1.68	1.43	1.55
Other comprehensive income:						
Currency translation differences		652	(862)	(6 090)	1 621	3 544
Other comprehensive income for the period, net of tax		652	(862)	(6 090)	1 621	3 544
Total comprehensive income for the period, net of tax		6 510	1 358	38 287	31 116	37 395
Attributable to:						
Shareholders in parent company		6 510	1 358	38 287	31 116	37 395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1000)	Note	30 Sept 2018	30 Sept 2017	31 Dec 2017	(Amounts in NOK 1000)	Note	30 Sept 2018	30 Sept 2017	31 Dec 2017
ASSETS									
Non-current assets					Share capital		26 967	21 256	26 967
Intangible assets	8	383 425	385 770	387 082	Treasury shares		(610)	(610)	(610)
Fixed assets		5 250	4 420	5 228	Share premium		150 664	32 108	149 827
Non-current financial assets		-	1 444	-	Retained earnings		180 306	175 279	181 554
Deferred tax asset		232	320	232	Non-controlling interest		-	-	-
Total non-current assets		388 907	391 953	392 542	Total equity		357 327	228 033	357 738
Current assets									
Trade receivables		138 335	128 791	125 546	LIABILITIES				
Other current receivables		3 133	7 338	3 585	Non-current liabilities				
Cash and short-term deposits	9	4 237	1 761	6 580	Borrowings	9	-	135 000	-
Total current assets		145 705	137 890	135 711	Deferred tax		1 485	2 589	1 616
Total assets		534 612	529 843	528 252	Total non-current liabilities		1 485	137 589	1 616

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK 1000)	Note	Q3 YTD 2018	Q3 YTD 2017	Full year 2017
Operating activities				
Profit/(loss) before tax		57 588	38 817	40 364
Adjustments for:				
Depreciation of property, plant and equipment		1 936	6 424	8 156
Net change in trade and other receivables		(12 337)	(49 379)	(40 939)
Net change in other liabilities		(15 916)	(8 336)	16 975
Net foreign exchange differences		137	(450)	693
Income tax expenses		(7 560)	(10 871)	(17 206)
Net cash flow from operating activities		23 849	(23 795)	8 043
Investing activities				
Payments for R&D initiative	11	(1 930)	(2 780)	(3 561)
Purchase of property and equipment	11	(1 960)	(3 111)	(4 456)
Net cash flow from investing activities		(3 890)	(5 891)	(8 017)
Financing activities				
Repayment of borrowings		-	(26 250)	(192 500)
Change in bank overdraft		17 234	(22 613)	(4 446)
Net proceeds from equity		-	-	123 189
Payment of dividends		(39 535)	-	-
Net cash flows from financing activities		(22 302)	(48 863)	(73 758)
Net increase/(decrease) in cash and cash equivalents		(2 343)	(78 550)	(73 731)
Cash and cash equivalents at 1 January		6 580	80 311	80 311
Cash and cash equivalents at end of period		4 237	1 761	6 580

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 2017	21 256	(610)	32 109	8 847	135 316	196 918	-	196 918
Profit for the period	-	-	-	-	33 851	33 851	-	33 851
Other comprehensive income/(loss)	-	-	-	3 544	-	3 544	-	3 544
Net purchase of treasury shares	-	-	-	-	-	-	-	-
Shared issued	5 711	-	117 477	-	-	123 189	-	123 189
Share incentive program	-	-	237	-	-	237	-	237
At 31 December 2017	26 967	(610)	149 823	12 391	169 167	357 738	-	357 738
Profit for the period	-	-	-	-	44 377	44 377	-	44 377
Other comprehensive income/(loss)	-	-	-	(6 090)	-	(6 090)	-	(6 090)
Share incentive program	-	-	837	-	-	837	-	837
Dividends	-	-	-	-	(39 535)	(39 535)	-	(39 535)
At 30 September 2018	26 967	(610)	150 660	6 301	174 009	357 326	-	357 326

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 Stock Exchange 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 third quarter of 2018 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 the information required for full annual financial statements of the Group and should consequently be read in conjunction with the consolidated financial statements for 2017. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for 2017, which are available on www.webstep.com and upon request from the Company's registered office at Lilleakerveien 8, 0283 Oslo, Norway.

These condensed consolidated interim financial statements for the third quarter 2018 were approved by the Board of Directors and the CEO on 7 Nov 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 2017.

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 2017 and as described in note 2 to the 2017 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 2017 for more information on the segments.

SUMMARY P&L: NORWAY

(Amounts in NOK 1000)	Q3 2018	Q3 2017	Q3 YTD 2018	Q3 YTD 2017	Full year 2017
Revenue	120.2	102.7	419.8	359.4	495.3
Total costs	111.5	96.7	362.0	313.1	443.9
EBITDA ¹⁾	8.8	5.9	57.9	46.3	51.4
EBITDA margin ¹⁾	7.3%	5.8%	13.8%	12.9%	10.4%

SUMMARY P&L: SWEDEN

(Amounts in NOK 1000)	Q3 2018	Q3 2017	Q3 YTD 2018	Q3 YTD 2017	Full year 2017
Revenue	17.8	22.3	68.1	71.2	101.2
Total costs	17.7	21.1	64.6	66.0	95.6
EBITDA ¹⁾	0.1	1.2	3.4	5.3	5.7
EBITDA margin ¹⁾	0.6%	5.3%	5.0%	7.4%	5.6%

1) See note 12 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' during quarters and whether they fall on weekdays or not impact revenues. Q3 2018 had the same number of working days as Q3 2017. The first nine months of 2018 had one day less in Norway and one day more in Sweden, compared to the same period of 2017.

NOTE 6 EARNINGS PER SHARE

There are dilutive effects on the number of shares due to the share program for the Group's employees. The program allows 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 96 000 shares as per 30 September. At 30 September 2018, the Company had 26 356 716 shares outstanding (excl. treasury shares).

(Amounts in NOK 1000)	Q3 2018	Q3 2017	Q3 YTD 2018	Q3 YTD 2017	Full year 2017
Profit for the period	5 859	2 219	44 377	29 495	33 851
Average number of shares (excl. treasury shares)	26 357	20 645	26 357	20 645	21 879
Average number of shares, fully diluted (excl. treasury shares)	26 458	20 645	26 458	20 645	21 906
Earnings per share (NOK)	0.22	0.11	1.68	1.43	1.55
Earnings per share, fully diluted (NOK)	0.22	0.11	1.68	1.43	1.55

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 41.5 million (NOK 37.4 million at 30 September 2017).

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) and investments in R&D.

Net book value (NOK 1000)	30 Sept 2018	30 Sept 2017	31 Dec 2017
Goodwill	378 038	379 673	382 271
Customer relationship	-	4 432	-
Research and development	5 763	2 126	4 811
Total	383 801	386 230	387 082

As presented in quarterly reports in 2017

Net book value (NOK 1000)	30 Sept 17
Goodwill	380 615
Customer relationship	1 125
Research and development	-
Total	381 740

Investments in R&D were reclassified from long term financial assets to intangible assets in connection with the 2017 annual report. Comparative figures for the 2017 quarterly reports have therefore been restated to reflect this change.

For further details, please refer to note 10 to the Company's consolidated annual financial statements for 2017.

NOTE 9 INTEREST-BEARING DEBT

Net proceeds of NOK 123 million from new equity issued in the IPO in Q3 2017 was used to partly repay a former long-term loan (balance of NOK 170 million at 30 September 2017). The remainder of the loan was converted to a new credit facility as described below.

A NOK 110 million Revolving Credit Facility ("RCF") with SpareBank 1 SR-Bank ASA was entered into by the Company in connection with 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. These figures have previously been reported separately under assets and debt respectively, and 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.

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 RESEARCH AND DEVELOPMENT

The classification of R&D expenses in the annual report for 2017 has been changed retrospectively with effect for comparative figures presented in the "Consolidated statements of cash flows" for the first nine months of 2017. The restatement is presented in the Consolidated statement of cash flows, it affects the items "Net foreign exchange differences", "Purchase of property and equipment" and adds the line "Payments for R&D initiative"

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 equity 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.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

(Amounts in NOK 1000)	Q3 2018	Q3 2017	Q3 YTD 2018	Full year 2017
Operating profit	8 209	4 903	59 344	45 086
Depreciation	661	2 201	1 936	6 424
EBITDA	8 869	7 105	61 280	51 510
Non recurring costs	-	-	-	13 948
EBITDA excluding non-recurring costs	8 869	7 105	61 280	65 458



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