

INTERIM REPORT  
Q4 2018  
WEBSTEP ASA



WEBSTEP

# Q4 AND FULL YEAR HIGHLIGHTS

- Strong revenue growth in 2018
  - Q4: NOK 175.3 million (+6%)
  - FY 2018: NOK 663.2 million (+11%)
- Solid EBITDA
  - Q4: NOK 17.5 million (+214%, -10% excluding non-recurring costs in Q4 2017)
  - FY 2018: NOK 78.8 million (+38%, +11% excluding non-recurring costs in 2017)
- Very strong order book at year end
- Solid financial position, with equity ratio of 70% (68%)



# KEY FIGURES

## CONSOLIDATED

(Amounts in NOK million)	Q4 2018	Q4 2017	YTD 2018	FY 2017
Sales revenues	175.3	165.9	663.2	596.5
EBITDA <sup>1)</sup>	17.5	5.6	78.8	57.1
EBITDA margin <sup>1)</sup>	10.0%	3.4%	11.9%	9.6%
EBITDA excl. non-recurring costs <sup>1)</sup>	17.5	19.5	78.8	71.0
EBITDA margin excl. non-recurring costs <sup>1)</sup>	10.0%	11.8%	11.9%	11.9%
Net profit	11.8	4.4	56.2	33.9
Net cash flow	29.2	4.8	26.9	(73.7)
Earnings per share (NOK)	0.45	0.17	2.13	1.55
Earnings per share, fully diluted (NOK)	0.45	0.17	2.12	1.55
Number of employees, average (FTE)	387	398	407	393
Number of employees, end of period	394	402	394	402
Number of work days, Norway (excl. vacation)	62	63	249	251
Number of work days, Sweden (excl. vacation)	62	63	251	251
EBITDA per average employee <sup>1)</sup> (tNOK)	45.3	14.0	193.6	145.3
EBITDA per average employee excl. non-recurring costs <sup>1)</sup> (tNOK)	45.3	49.1	193.6	180.7

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

## NORWAY

(Amounts in NOK million)

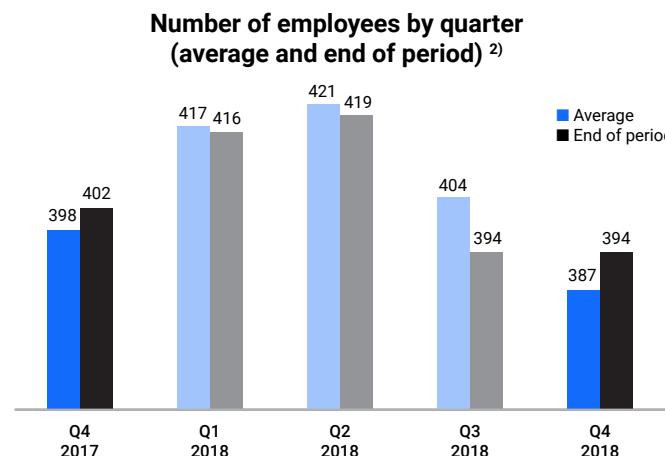
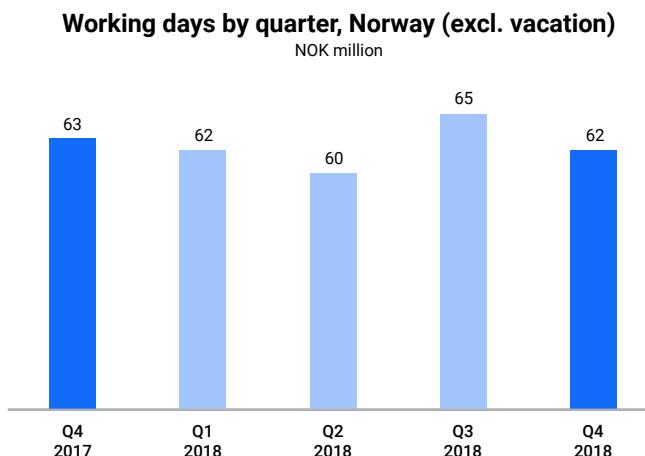
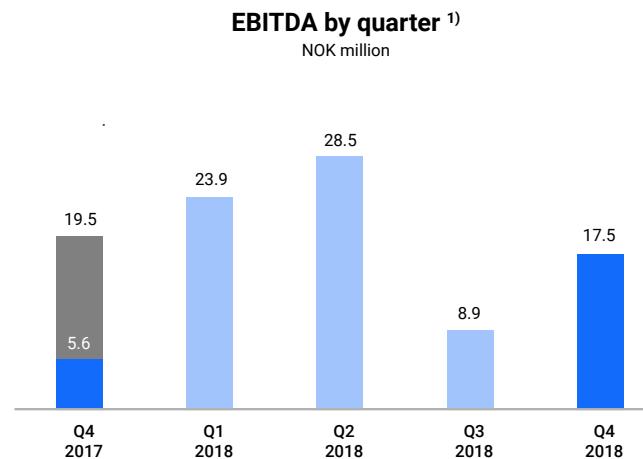
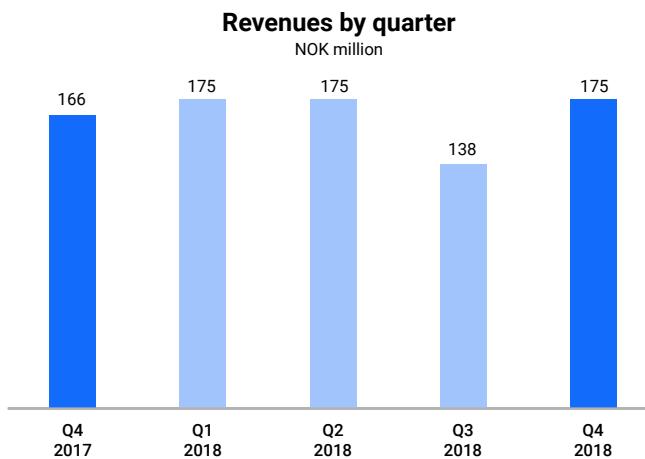
	Q4 2018	Q4 2017	YTD 2018	FY 2017
Sales revenues	<b>150.5</b>	135.8	<b>570.3</b>	495.2
EBITDA <sup>1)</sup>	<b>17.5</b>	5.2	<b>75.3</b>	51.4
EBITDA margin <sup>1)</sup>	<b>11.6%</b>	3.8%	<b>13.2%</b>	10.4%
EBITDA excl. non-recurring costs <sup>1)</sup>	<b>17.5</b>	19.1	<b>75.3</b>	65.4
EBITDA margin excl. non-recurring costs <sup>1)</sup>	<b>11.6%</b>	14.1%	<b>13.2%</b>	13.2%
Number of employees, average (FTE)	<b>328</b>	338	<b>348</b>	331
Number of employees, end of period	<b>334</b>	342	<b>334</b>	342
Number of work days, Norway (excl. vacation)	<b>62</b>	63	<b>249</b>	251
EBITDA per average employee <sup>1)</sup> (tNOK)	<b>53.2</b>	15.3	<b>216.6</b>	155.4
EBITDA per average employee excl. non-recurring costs <sup>1)</sup> (tNOK)	<b>53.2</b>	56.6	<b>216.6</b>	197.5

## SWEDEN

(Amounts in NOK million)

	Q4 2018	Q4 2017	YTD 2018	FY 2017
Sales revenues	<b>24.8</b>	30.1	<b>92.8</b>	101.3
EBITDA <sup>1)</sup>	<b>0.0</b>	0.4	<b>3.5</b>	5.7
EBITDA margin <sup>1)</sup>	<b>0.2%</b>	1.3%	<b>3.7%</b>	5.6%
EBITDA excl. non-recurring costs <sup>1)</sup>	<b>0.0</b>	0.4	<b>3.5</b>	5.7
EBITDA margin excl. non-recurring costs <sup>1)</sup>	<b>0.2%</b>	1.3%	<b>3.7%</b>	5.6%
Number of employees, average (FTE)	<b>58</b>	60	<b>59</b>	63
Number of employees, end of period	<b>60</b>	60	<b>60</b>	60
Number of work days, Sweden (excl. vacation)	<b>62</b>	63	<b>251</b>	251
EBITDA per average employee <sup>1)</sup> (tNOK)	<b>0.8</b>	6.7	<b>58.7</b>	89.7
EBITDA per average employee excl. non-recurring costs <sup>1)</sup> (tNOK)	<b>0.8</b>	6.7	<b>58.7</b>	89.7

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 the Q1 and Q2 interim reports due to an error in headcount. Q1 has been adjusted by +7 and Q2 by +9.

# CONTINUED GROWTH IN A FAVOURABLE MARKET

Webstep reports another quarter of growth. A strong market for IT experts and digitalisation services is expected to continue in 2019. Several initiatives are pursued to build new growth capacity, including new regional establishments.

Webstep ASA recorded consolidated revenues in the fourth quarter of NOK 175.3 million, up 5.7 per cent from the same quarter last year. Full year revenues for 2018 rose by 11.2 per cent from 2017 and ended at NOK 663.2 million.

EBITDA for the fourth quarter amounted to NOK 17.5 million, compared to NOK 5.6 million in the corresponding quarter of 2017 (NOK 19.5 million excluding non-recurring costs)<sup>1</sup>. The favourable market conditions continued through 2018 with revenue growth, high utilisation and higher rates. This resulted in an EBITDA-margin of 10.0 per cent, compared to 3.4 per cent in the

fourth quarter of 2017 (11.8 per cent excluding non-recurring costs). EBITDA for the full year ended at NOK 78.8 million, up from NOK 57.1 million in 2017 (NOK 71.0 million excluding non-recurring costs). The EBITDA margin for 2018 ended at 11.9 per cent, compared to last year's 9.6 per cent (11.9 per cent excluding non-recurring costs).

Net profit for the fourth quarter was NOK 11.8 million, up from NOK 4.4 million in the same quarter last year. Net profit for the full year was NOK 56.2 million, up from NOK 33.9 million in 2017.

In the fourth quarter, the company sold a

total of 123,874 treasury shares to employees through a share investment program for employees in Webstep's Norwegian entities. 63 per cent of the employees participated in the program. The financial position is strong, with total equity 31 December of NOK 376.6 million (NOK 357.7 million), corresponding to an equity ratio of 70 per cent (68 per cent).

Cash flow from operations in 2018 was improved from last year and amounted to NOK 91.9 million (NOK 8 million). Net cash flow in 2018 came to NOK 26.9 million against negative NOK 73.7 million in 2017. The 2017 figures were impacted by repay-

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

ment of borrowings (NOK 192.5 million negative effect) and IPO effects (NOK 123.2 positive effect) in the last quarter of 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 company'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.

The general outlook for 2019 is positive, as Webstep has a strong market position and a solid financial position with a very robust order book.

The company will continue its focus on organic growth and recruitment in 2019. However, the growth capacity will be challenged by an already high utilisation and the increasingly challenging market conditions for recruitment of IT experts. These challenges will be met with new recruitment initiatives at existing offices and through geographical expansion, which has previously

proved to be a successful growth strategy. The company will at the same time search for potential M&A-targets which can match the high quality standards of Webstep.

31 January 2019 Webstep announced that Kjetil Bakke Eriksen has decided to pursue other opportunities after serving as the company's CEO for 13 years. Arne Norheim will assume the position as CEO 2 May 2019.

## FINANCIAL REVIEW

### Profit and loss

Fourth quarter consolidated revenues were NOK 175.3 million (NOK 165.9 million), up 5.7 per cent from the same quarter last year. The number of employees was lower in the fourth quarter of 2018 compared to same quarter of 2017. More subcontractors were engaged to meet the increasing demand. Hence, the revenue increase in the quarter is mainly attributable to the increased use of subcontractors. However, the impact of reduced capacity in the fourth quarter, following fewer employees and



one less work day, was more or less offset by increased hourly rates and utilisation.

Revenues for the full year were NOK 663.2 million (NOK 596.5 million), up 11.2 per cent from 2017. 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 2018 is partly a result of higher average capacity than in 2017, but also the high demand that has paved the way for high utilisation and higher rates. The full financial year 2018 had two working days less than 2017 (Norway).

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 25.4 million (NOK 16.6 million) for the quarter and NOK 70.6 million (NOK 49.3 million) for the full year. The increase is attributable to the aforementioned increase in the use of subcontractors.

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 costs came to NOK 119.3 million (NOK 128.5 million, NOK 117.8 million excluding non-recurring costs) for the fourth quarter. 2018 figures include costs related to the share investment program (NOK 0.6 million) offered to all employees in the Norwegian entities, where 63 per cent of the employees acquired shares with 20 per cent discount to the market price. Full year salaries and personnel costs were NOK 470.8 million (NOK 448.4 million, NOK 437.7 million excluding non-recurring costs), reflecting the higher average number of employees in 2018, and higher revenue-based salaries for consultants, following the revenue growth.

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 fourth quarter and full year 2018. Total consolidated EBITDA in the fourth quarter amounted to NOK 17.5 million (NOK 5.6 million, NOK 19.5 million excluding non-recurring costs). The EBITDA-margin ended at 10.0 per cent, which is lower compared to the EBITDA-margin of 11.8 per cent for the same quarter in 2017 when adjusted for non-recurring costs. The main reason for this, is the increased revenue from subcontractors which has a lower margin than revenue from Webstep's own employees. EBITDA for the full year ended at NOK 78.8 million (NOK 57.1 million, NOK 71.0 million excluding non-recurring costs). The increase in EBITDA is mainly due to the revenue growth, with high utilisation and higher hourly rates, combined with the impact of non-recurring costs of NOK 13.9 million in 2017.

Operating profit was NOK 16.5 million for the quarter (NOK 3.8 million) and NOK 75.9 million for the full year (NOK 48.9 million).

Net financial costs were NOK 0.6 million

(NOK 2.3 million) in the quarter and NOK 2.3 million for the full year (NOK 8.6 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 4.1 million (negative NOK 2.8 million) in the quarter and NOK 17.3 million for the full year (NOK 6.5 million). Net profit for the quarter was NOK 11.8 million (NOK 4.4 million), while net profit for the full year was NOK 56.2 million (NOK 33.9 million).

## FINANCIAL POSITION AND CASH FLOW

Total assets 31 December 2018 amounted to NOK 535.0 million (NOK 528.3 million). Non-current assets were NOK 393.3 million (NOK 392.5 million) and mainly consisted of intangible assets. Intangible assets primarily comprise acquisition-related goodwill of NOK 380.2 million, which is impairment tested annually.

Total current assets of NOK 141.7 million (NOK 135.7 million) mainly consisted of trade receivables and cash and short-term deposits. Trade receivables at quarter end were NOK 103.3 million (NOK 125.5 million). The higher amount at year end 2017 was mainly a consequence of 31 December 2017 falling on a Sunday, and concurrently being the due date for a significant part of the receivables.

Cash and short-term deposits amounted to NOK 33.5 million (NOK 6.6 million).

Total equity 31 December was NOK 376.6 million (NOK 357.7 million). The change is mainly related to earnings generated, offset by dividends paid in 2018.

Non-current liabilities amounted to NOK 1.8 million (NOK 1.6 million). Current liabilities amounted to NOK 156.7 million (NOK 168.9 million).

Cash flow from operations in Q4 2018 improved compared to Q4 2017 and amounted to NOK 68.1 million (NOK 31.8 million). The improved cash flow is explained by the positive cash effects from profit generated



and change in receivables. 31 December falling on a weekday in 2018 and on a Sunday in 2017 explains the increased change in receivables, as most receivables are due the last day of the month. Cash flow from operations for the full year improved compared to 2017 and amounted to NOK 91.9 million (NOK 8 million). The increase reflects the positive cash effects of profit generated as well as the lower level of trade receivables. Net cash flow in 2018 came to NOK 26.9 million against negative NOK 73.7 million in 2017. The 2017 figures were impacted by the abovementioned plus repayment of borrowings and IPO effects in the last quarter of 2017.

## ORGANISATION

In December 2018, Webstep announced the opening of new offices in Haugesund, Norway and Uppsala, Sweden. The offices will be headed by managers who have extensive experience from Webstep and the IT consulting industry. An organic growth strategy with

establishments in new geographical markets with high demand for IT expert services has previously proved successful for the company.

## 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, Kristiansand and Haugesund. 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 150.5 million (NOK 135.8 million), an increase of 10.8 per cent from the corresponding quarter last year. Customers' demand for Webstep's core IT services remains high, and the company has increased the use of subcontractors in order to be able to meet the demand. Most of the revenue increase is attributable to the increased use of subcontractors. Total operating revenues for 2018 were NOK 570.3 million (NOK 495.2 million), up 15.2 per cent from 2017. Approximately 29 per cent of the revenue increase is attributable to increased use of subcontractors.

EBITDA for the fourth quarter came to NOK 17.5 million (NOK 5.2 million, NOK 19.1 million excluding non-recurring costs), which represents an EBITDA margin of 11.6 per cent (3.8 per cent, 14.1 per cent excluding non-recurring costs). The EBITDA for the full year was NOK 75.3 million (NOK 51.4 million, NOK 65.4 million excluding non-recurring costs).

The market situation in Norway 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.

In the Amazon Web Services (AWS) field, Webstep has pursued certification initiatives among the consultants to further strengthen the position as an AWS Advanced Consulting Partner. As a new Google Cloud Platform Partner, Webstep has, together with Google, worked on further preparing and qualifying consultants to meet market demands.

In the market for robotic process automation (RPA) services, public institutions have been ramping up RPA initiatives, following a period of knowledge building and pilots. The finance industry has been early robotics movers, and lately municipalities, universities

and other public institutions have increased their requests. This market situation significantly actualises the new Webstep Blue Prism Partnership. 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, along with Webstep's strong CoE for machine learning. These CoEs contribute to cross selling processes, and their expert teams deliver high-end services to several prestige projects in Norway.

There is a high demand from Webstep's clients for IT expert services and the order book for 2019 is strong. Recruitment has top priority in order to meet our clients' needs, but the competition for the best talents is fierce. The highly competitive environment for recruitment is expected to continue in 2019.

A change to the Norwegian Working Environment Act (Arbeidsmiljøloven) came

into force 1 January 2019. The change is related to the so-called "zero-hour-contracts" ("nulltimerskontrakter"). Only minor adjustments to the employee contracts were necessary to ensure full compliance, and the changes were implemented in Q4. The changes are not expected to affect the company's profitability in 2019.

Webstep Norway had 334 employees at the end of the fourth quarter (342 employees). The average number of employees in the quarter was 328 (338). The average number of employees in 2018 was 348 (331).

## Sweden

Webstep Sweden has offices in Stockholm, Malmö and Uppsala. The latter was recently opened as an extension of the Stockholm office. Webstep Sweden serves clients in different industries, mainly in the private sector and delivers the same high-end IT consultancy services as the Norwegian counterpart, primarily within the company's core digitalisa-

tion offering. Although most revenue comes from core services, Webstep sees the presence in the Swedish market as strategically important, partly as it plays an important role in the enrolment of New Services.

In spite of higher utilisation and hourly rates, total operating revenues for the fourth quarter came to NOK 24.8 million, a decrease from NOK 30.1 million the same quarter last year. The decrease is mainly due to less use of subcontractors and currency effects, although one work day less and fewer employees also had a negative impact. Total operating revenues for the full year came to NOK 92.8 million (NOK 101.3 million). The main explanation for the decrease is fewer employees and lower utilisation on average in 2018, but NOK 3.1 million of the decrease can be explained by the depreciation of SEK in 2018. EBITDA came to NOK 0.0 million for the quarter (NOK 0.4 million), while the full year EBITDA ended at NOK 3.5 million (NOK 5.7 million).

The margin level in the Swedish segment is



lower than in the Norwegian segment for several reasons. Firstly, the hourly rates are lower in the Swedish market than in the Norwegian market. Secondly, Webstep Sweden has a higher cost level relative to revenues due to investments in management capacity and marketing initiatives to support growth. The strong focus on recruitment continues, in an environment where the competition for IT experts has increased further.

Webstep Sweden had 60 employees at the end of the year (60 employees). The average number of employees in the quarter was 58 (60). The average number of employees in 2018 was 59 (63).

The order intake and backlog for Webstep Sweden is good and together with new regional establishments, this forms a base for growth and increased profitability.

## OUTLOOK

The overall market outlook is robust, following the continued 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 New Services such as IoT, machine learning and analytics. These are all becoming important growth areas. Investments in expertise and capacity in New Services remain highly prioritised due to a more mature market.

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

Webstep has a strong market position and a solid financial position with a very robust order book. The general outlook for 2019 is positive. The company continues its system-

atic recruitment efforts to meet clients' demand. Webstep has a strong position as preferred employer, yet recruitment processes are time consuming and the competition for the best talents is fierce. Total headcount 31 December 2018 was 394 full time employees, down from 402 at the same date in 2017.

2018 has been a year where the Group's capacity has been more or less fully utilised, with increasing hourly rates as a consequence of the high demand. Hourly rates are expected to continue to grow in 2019, and the number of employees is expected to be higher at the end of period Q1 than end of period Q4. Still, the company currently expects that, due to somewhat lower capacity expected in the first half of 2019 compared to the corresponding period in 2018, revenue growth for the first half year of 2019 can be a challenge.

Going forward, several measures are being taken to secure new growth capacity. In addition to continue its strong focus on

recruitment in existing locations, the Webstep Group will seek to utilise its strong brand through establishments in new geographic locations in both Norway and Sweden. Following the opening of the new office in Haugesund, there are plans for at least one new establishment in Norway during 2019. Webstep Sweden will open two new regional offices, the first coming in Uppsala in Q1 2019. This will bring the Group's Scandinavian presence up to eleven cities during 2019, from seven during most of 2018.

In sum it is expected that these numerous growth initiatives will give Webstep a solid growth platform in the second half of 2019 and beyond. The over-all and long-term ambition remains unchanged; to exceed the market average both in terms of profitability and growth.

### EVENTS AFTER THE BALANCE SHEET DATE

As announced 31 January 2019, Kjetil Bakke Eriksen has decided to pursue other opportu-

nities after serving as the company's CEO for 13 years. The Board of directors has appointed Arne Norheim as Chief Executive Officer of the Webstep Group to succeed Mr Eriksen. Mr Norheim has extensive experience from IBM and has served as the Country General Manager of IBM Norway since July 2013. Mr Norheim will assume his new position 2 May 2019, and Mr Eriksen will continue as CEO until this date.

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## THE BOARD OF DIRECTORS AND CEO OF WEBSTEP ASA

Oslo, 13 February 2019



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 2018	Q4 2017	Full year 2018	Full year 2017
Sales revenues		175 291	165 880	663 153	596 519
<b>Total revenues</b>		<b>175 291</b>	<b>165 880</b>	<b>663 153</b>	<b>596 519</b>
Cost of services and goods		25 433	16 615	70 635	49 333
Salaries and personell cost		119 251	128 534	470 813	448 395
Depreciation and impairment		991	1 733	2 927	8 156
Other operating expenses		13 093	15 156	42 909	41 705
<b>Operating profit(loss)</b>		<b>16 524</b>	<b>3 843</b>	<b>75 868</b>	<b>48 929</b>
Net financial items		(583)	(2 296)	(2 339)	(8 565)
<b>Profit before tax</b>		<b>15 941</b>	<b>1 547</b>	<b>73 530</b>	<b>40 364</b>
Income tax expenses		4 099	(2 808)	17 310	6 514
<b>Profit for the period</b>		<b>11 843</b>	<b>4 355</b>	<b>56 220</b>	<b>33 851</b>
Earnings per share (NOK)	6	0.45	0.17	2.13	1.55
Earnings per share, fully diluted (NOK)	6	0.45	0.17	2.12	1.55
<b>Other comprehensive income:</b>					
Currency translation differences		3 982	1 052	(2 109)	3 544
Other comprehensive income for the period, net of tax		3 982	1 052	(2 109)	3 544
<b>Total comprehensive income for the period, net of tax</b>		<b>15 824</b>	<b>5 407</b>	<b>54 111</b>	<b>37 395</b>
<b>Attributable to:</b>					
Shareholders in parent company		15 824	5 407	54 111	37 395

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1000)	Note	31 Dec 2018	31 Dec 2017	(Amounts in NOK 1000)	Note	31 Dec 2018	31 Dec 2017				
<b>ASSETS</b>											
<b>Non-current assets</b>											
Intangible assets	8	<b>387 816</b>	387 082	Share capital		<b>26 967</b>	26 967				
Fixed assets		<b>5 011</b>	5 228	Treasury shares	6	<b>(486)</b>	(610)				
Non-current financial assets		<b>10</b>	-	Share premium		<b>153 964</b>	149 827				
Deferred tax asset		<b>436</b>	232	Retained earnings		<b>196 130</b>	181 554				
<b>Total non-current assets</b>		<b>393 274</b>	392 542	Non-controlling interest		-	-				
<b>Current assets</b>											
Trade receivables		<b>103 288</b>	125 546	<b>Total equity</b>		<b>376 574</b>	357 738				
Other current receivables		<b>4 983</b>	3 585	<b>LIABILITIES</b>							
Cash and short-term deposits		<b>33 478</b>	6 580	<b>Non-current liabilities</b>							
Total current assets		<b>141 749</b>	135 711	Borrowings	9	-	-				
<b>Total assets</b>		<b>535 023</b>	528 252	Deferred tax		<b>1 753</b>	1 616				
<b>EQUITY</b>				<b>Total non-current liabilities</b>		<b>1 753</b>	1 616				
<b>Debt to credit institutions</b>				<b>Current liabilities</b>							
<b>Trade and other payables</b>				Debt to credit institutions	9	-	24 287				
<b>Tax payable</b>				Trade and other payables		<b>21 558</b>	16 659				
<b>Dividends payable</b>				Tax payable		<b>16 530</b>	7 293				
<b>Social taxes and VAT</b>				Dividends payable		-					
<b>Other short-term debt</b>				Social taxes and VAT		<b>53 738</b>	49 255				
<b>Total current liabilities</b>				Other short-term debt	10	<b>64 868</b>	71 404				
<b>Total equity and liabilities</b>				<b>Total current liabilities</b>		<b>156 695</b>	168 898				
				<b>Total equity and liabilities</b>		<b>535 023</b>	528 252				

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK 1000)	Note	Q4 2018	Q4 2017	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
<b>Operating activities</b>					
Profit/(loss) before tax		15 941	1 547	73 530	40 364
Adjustments for:					
Depreciation of property, plant and equipment		991	1 733	2 927	8 156
Net change in trade and other receivables		33 197	8 440	20 860	(40 939)
Net change in other liabilities		18 762	25 310	2 846	16 975
Net foreign exchange differences		(329)	1 143	(192)	693
Income tax expenses		(483)	(6 335)	(8 043)	(17 206)
<b>Net cash flow from operating activities</b>		<b>68 079</b>	<b>31 839</b>	<b>91 927</b>	<b>8 043</b>
<b>Investing activities</b>					
Payments for R&D initiative	11	(831)	(781)	(2 762)	(3 561)
Purchase of property and equipment	11	(747)	(1 345)	(2 707)	(4 456)
<b>Net cash flow from investing activities</b>		<b>(1 578)</b>	<b>(2 125)</b>	<b>(5 469)</b>	<b>(8 017)</b>
<b>Financing activities</b>					
Repayment of borrowings		-	(166 250)	-	(192 500)
Change in bank overdraft		(41 521)	18 167	(24 287)	(4 446)
Net proceeds from equity		-	123 189	-	123 189
Payment of dividends		-	-	(39 535)	-
Sale of treasury shares	6	4 261	-	4 261	-
<b>Net cash flows from financing activities</b>		<b>(37 260)</b>	<b>(24 895)</b>	<b>(59 562)</b>	<b>(73 758)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29 241</b>	<b>4 819</b>	<b>26 897</b>	<b>(73 731)</b>
Cash and cash equivalents at the beginning of the period		4 237	1 761	6 580	80 311
<b>Cash and cash equivalents at the end of the period</b>		<b>33 477</b>	<b>6 580</b>	<b>33 477</b>	<b>6 580</b>

## 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
<b>At 1 January 2017</b>	21 256	(610)	32 109	8 847	135 316	196 918	-	<b>196 918</b>
Profit for the period	-	-	-	-	33 851	33 851	-	<b>33 851</b>
Other comprehensive income/(loss)	-	-	-	3 544	-	3 544	-	<b>3 544</b>
Net purchase of treasury shares	-	-	-	-	-	-	-	-
Shared issued	5 711	-	117 477	-	-	123 189	-	<b>123 189</b>
Share incentive program	-	-	237	-	-	237	-	<b>237</b>
<b>At 31 December 2017</b>	<b>26 967</b>	<b>(610)</b>	<b>149 823</b>	<b>12 391</b>	<b>169 167</b>	<b>357 738</b>	-	<b>357 738</b>
Profit for the period	-	-	-	-	56 220	56 220	-	<b>56 220</b>
Sales treasury shares	-	124	3 020	-	-	3 144	-	<b>3 144</b>
Other comprehensive income/(loss)	-	-	-	(2 109)	-	(2 109)	-	<b>(2 109)</b>
Share incentive program	-	-	1 117	-	-	1 117	-	<b>1 117</b>
Dividends	-	-	-	-	(39 535)	(39 535)	-	<b>(39 535)</b>
<b>At 31 December 2018</b>	<b>26 967</b>	<b>(486)</b>	<b>153 960</b>	<b>10 282</b>	<b>185 851</b>	<b>376 574</b>	-	<b>376 574</b>

# 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 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 new focus areas Internet of Things (IoT), machine learning, robotics 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 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](http://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 fourth quarter 2018 were approved by the Board of Directors and the CEO 13 February 2019.

### **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 3 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 5 to the annual consolidated financial statements for 2017 for more information on the segments.

### SUMMARY P&L: NORWAY

(Amounts in NOK 1000)	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue	<b>150.5</b>	135.8	<b>570.3</b>	495.2
Total costs	<b>133.1</b>	130.7	<b>495.0</b>	443.8
EBITDA <sup>1)</sup>	<b>17.5</b>	5.2	<b>75.3</b>	51.4
EBITDA margin <sup>1)</sup>	<b>11.6%</b>	3.8%	<b>13.2%</b>	10.4%

### SUMMARY P&L: SWEDEN

(Amounts in NOK 1000)	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue	<b>24.8</b>	30.1	<b>92.8</b>	101.3
Total costs	<b>24.7</b>	29.7	<b>89.3</b>	95.6
EBITDA <sup>1)</sup>	<b>0.0</b>	0.4	<b>3.5</b>	5.7
EBITDA margin <sup>1)</sup>	<b>0.2%</b>	1.3%	<b>3.7%</b>	5.6%

1) See note 12 for alternative performance measures.

## **NOTE 5 EXPLANATORY COMMENTS ABOUT THE SEASONALITY OR CYCICALITY 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. Q4 2018 had one less work day compared to Q4 2017. The full financial year had two work days less in Norway, while Sweden had the same amount of work days compared to 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 91 500 shares as per 31 December. 31 December 2018, the Company had 26 418 653 shares outstanding (excl. treasury shares). In the fourth quarter the Company sold a total of 123 874 treasury shares to employees through a share investment program for employees in Webstep's Norwegian entities. The number of treasury shares held by Webstep following the sale in Q4 is 486 427.

<i>(Amounts in NOK 1000)</i>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>Full year 2018</b>	<b>Full year 2017</b>
Profit for the period	<b>11 843</b>	4 355	<b>56 220</b>	33 851
Average number of shares (excl. treasury shares)	<b>26 419</b>	25 581	<b>26 367</b>	21 879
Average number of shares, fully diluted (excl. treasury shares)	<b>26 512</b>	25 688	<b>26 471</b>	21 906
Earnings per share (NOK)	<b>0.45</b>	0.17	<b>2.13</b>	1.55
Earnings per share, fully diluted (NOK)	<b>0.45</b>	0.17	<b>2.12</b>	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 0 million (NOK 24.3 million 31 December 2017).

The Group owns a limited amount of treasury shares at quarter end, 0.5 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)	31 Dec 18	31 Dec 17
Goodwill	380 244	382 271
Customer relationship	-	-
Research and development	7 573	4 811
<b>Total</b>	<b>387 816</b>	<b>387 082</b>

### As presented in quarterly reports in 2017

Net book value (NOK 1000)	31 Dec 17
Goodwill	382 271
Customer relationship	-
Research and development	-
<b>Total</b>	<b>382 271</b>

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 Q4 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 Q4 report for 2017 has been changed retrospectively with effect for comparative figures presented in the "Consolidated statements of cash flows". The restatement is presented in the Consolidated statement of cash flows, it affects the item "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 and Amortisation excluding impact of non-recurring items as specified when such costs occur, divided by the average number of employees.

## Reconciliation of alternative performance measures

(Amounts in NOK 1000)	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating profit	16 524	3 843	75 868	48 929
Depreciation	991	1 733	2 927	8 156
<b>EBITDA</b>	<b>17 515</b>	5 576	<b>78 795</b>	57 086
Non recurring costs	-	13 948	-	13 948
<b>EBITDA excluding non-recurring costs</b>	<b>17 515</b>	19 523	<b>78 795</b>	71 034

## STATEMENT BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

We confirm to the best of our knowledge that: the consolidated financial statements for the second half of 2018 have been prepared in accordance with IAS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for the second half of 2018 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and the Group, and includes a description of the material risks that the board of directors, at the time of this report, deem might have a significant impact on the financial performance of the Group.

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### THE BOARD OF DIRECTORS AND CEO OF WEBSTEP ASA

Oslo, 13 February 2019



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



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