

INTERIM REPORT  
**Q3 2019**  
WEBSTEP ASA



**WEBSTEP**

# Q3 HIGHLIGHTS

- **Revenue growth hampered**
  - Q3 revenues: NOK 137.2 million (-0.6 per cent)
  - YTD revenues: NOK 483.7 million (-0.9 per cent)
- **EBITDA negatively impacted by increased use of subcontractors and costs of growth initiatives**
  - Q3 EBITDA: NOK 4.1 million (-53.8 per cent)
  - YTD EBITDA: NOK 48.4 million (-21 per cent)
- **Capacity growth initiatives starting to yield results:**
  - 407 employees at quarter end, up by 5.3 per cent from end of Q2
  - Growth in headcount continues in Q4
- **Key strategies developed to restore growth capacity and realise growth potential:**
  - Expand service offerings and delivery models in response to customer demand
  - Expand recruitment base; recruiting new types of expertise
  - Expand operations in current and new key locations in Scandinavia
  - Further strengthen capacity, expertise and processes within recruitment and sales
  - Further improve the Group's position as preferred employer



# KEY FIGURES

## CONSOLIDATED

<i>(Amounts in NOK million)</i>	<b>Q3 2019</b>	Q3 2018	<b>YTD 2019</b>	YTD 2018	FY 2018
Sales revenues	<b>137.2</b>	138.1	<b>483.7</b>	487.9	663.2
EBITDA <sup>1)</sup>	<b>4.1</b>	8.9	<b>48.4</b>	61.3	78.8
EBITDA margin <sup>1)</sup>	<b>3.0%</b>	6.4%	<b>10.0%</b>	12.6%	11.9%
EBITDA with former principles for leasing <sup>1)</sup>	<b>2.4</b>	8.9	<b>44.0</b>	61.3	78.8
EBITDA margin with former principles for leasing <sup>1)</sup>	<b>1.7%</b>	6.4%	<b>9.1%</b>	12.6%	11.9%
Net profit	<b>0.6</b>	5.9	<b>30.8</b>	44.4	56.2
Net cash flow	<b>3.2</b>	(2.3)	<b>(24.6)</b>	(2.3)	26.9
Earnings per share (NOK)	<b>0.02</b>	0.22	<b>1.16</b>	1.68	2.13
Earnings per share, fully diluted (NOK)	<b>0.02</b>	0.22	<b>1.16</b>	1.68	2.12
Number of employees, average (FTE)	<b>395</b>	404	<b>395</b>	414	407
Number of employees, end of period	<b>407</b>	394	<b>407</b>	394	394
Number of work days, Norway (excl. vacation)	<b>66</b>	65	<b>187</b>	187	249
Number of work days, Sweden (excl. vacation)	<b>66</b>	65	<b>189</b>	189	251
EBITDA per average employee <sup>1)</sup> (NOK thousand)	<b>10.4</b>	22.0	<b>122.5</b>	148.0	193.6
EBITDA per average employee with former principles <sup>1)</sup> (NOK thousand)	<b>6.1</b>	22.0	<b>111.5</b>	148.0	193.6

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

## NORWAY

(Amounts in NOK million)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Sales revenues	118.1	120.2	418.1	419.8	570.3
EBITDA <sup>1)</sup>	3.8	8.8	45.8	57.9	75.3
EBITDA margin <sup>1)</sup>	3.2%	7.3%	11.0%	13.8%	13.2%
EBITDA with former principles for leasing <sup>1)</sup>	2.5	8.8	42.6	57.9	75.3
EBITDA margin with former principles for leasing <sup>1)</sup>	2.1%	7.3%	10.2%	13.8%	13.2%
Number of employees, average (FTE)	335	346	334	354	348
Number of employees, end of period	345	338	345	338	334
Number of work days, Norway (excl. vacation)	66	65	187	187	249
EBITDA per average employee <sup>1)</sup> (NOK thousand)	11.4	25.3	137.1	163.4	216.4
EBITDA per average employee with former principles <sup>1)</sup> (NOK thousand)	7.5	25.3	127.6	163.4	216.4

## SWEDEN

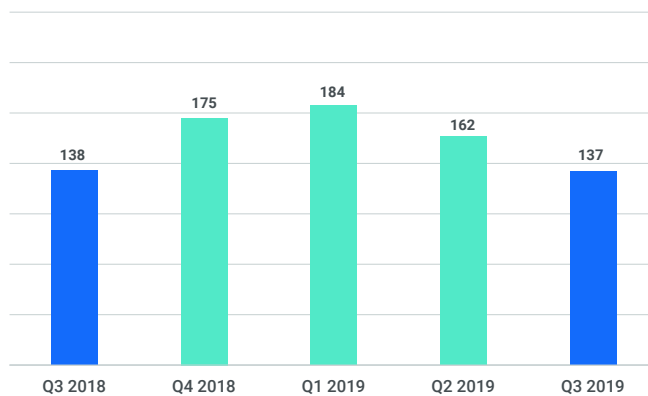
(Amounts in NOK million)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Sales revenues	19.1	17.8	65.6	68.1	92.8
EBITDA <sup>1)</sup>	0.3	0.1	2.6	3.4	3.5
EBITDA margin <sup>1)</sup>	1.4%	0.6%	4.0%	5.0%	3.7%
EBITDA with former principles for leasing <sup>1)</sup>	(0.1)	0.1	1.4	3.4	3.5
EBITDA margin with former principles for leasing <sup>1)</sup>	(0.7%)	0.6%	2.1%	5.0%	3.7%
Number of employees, average (FTE)	60	58	60	59	59
Number of employees, end of period	62	56	62	56	60
Number of work days, Sweden (excl. vacation)	66	65	189	189	251
EBITDA per average employee <sup>1)</sup> (NOK thousand)	4.4	1.7	43.3	58.0	58.9
EBITDA per average employee with former principles <sup>1)</sup> (NOK thousand)	(2.3)	1.7	23.3	58.0	58.9

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

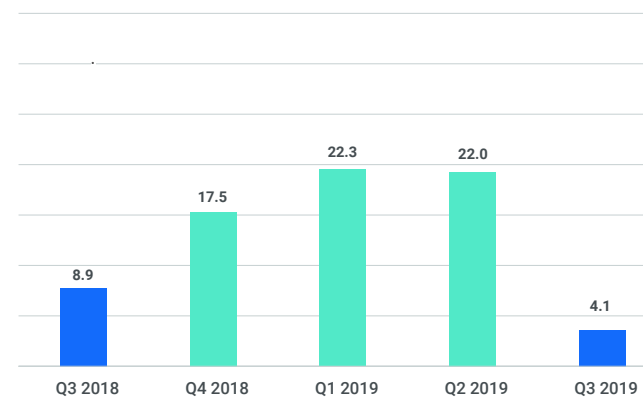
### Revenues by quarter

NOK million



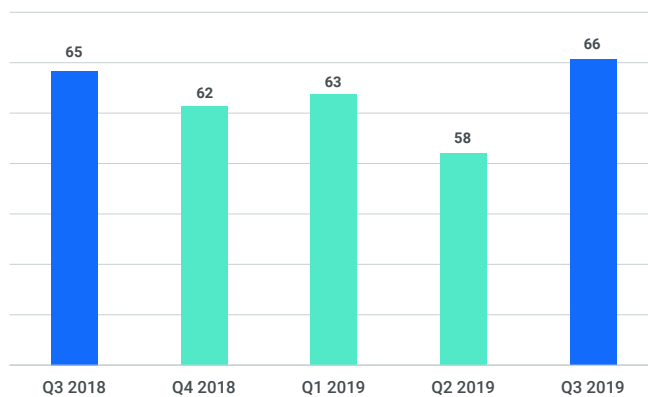
### EBITDA by quarter

NOK million



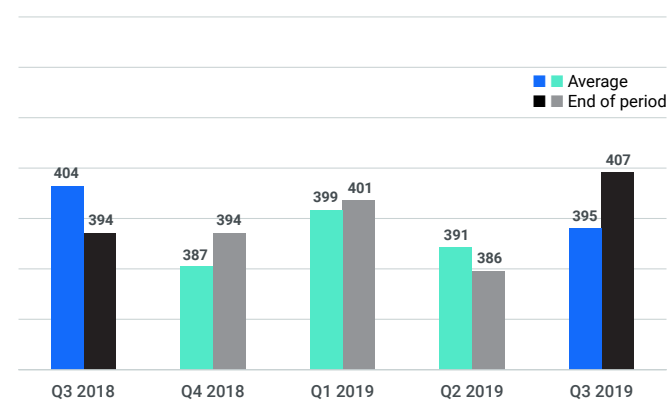
### Working days by quarter, Norway (excl. vacation)

NOK million



### Number of employees by quarter

(average and end of period)



# STRENGTHENING THE PLATFORM FOR FUTURE GROWTH

Webstep reports a slight revenue decrease in the third quarter, due to lower capacity year-on-year. Margins were negatively affected by increased use of subcontractors, costs of increased recruiting- and sales capacity and other initiatives to re-establish growth. A comprehensive set of strategic initiatives will be implemented to restore growth capacity and realise untapped growth potential towards 2022.

Webstep ASA ("the Group" or "Webstep") recorded consolidated revenues in the third quarter of NOK 137.2 million, down 0.6 per cent from the same quarter last year. Revenues were affected by reduced headcount year-on-year, but the reduction was offset by increased hourly rates and increased use of subcontractors. Revenues decreased by 0.9 per cent year to date compared to last year and ended at NOK 483.7 million. The reduction reflects the reduced capacity following the fierce competition for IT expert consultants.

EBITDA for the third quarter amounted to NOK 4.1 million, down 53.8 per cent

from the corresponding quarter of 2018. Seasonality effects influence EBITDA in the third quarter every year due to the summer holidays and annual investments that Webstep makes in competence development and social activities for the employees each September. The third quarter EBITDA is also affected by the increased use of subcontractors and costs related to strategic initiatives implemented to strengthen the platform for future growth, such as additional recruiting- and sales capacity. Lower utilisation and higher onboarding costs also had an effect on third quarter EBITDA as a

consequence of the increased headcount.

EBITDA year to date ended at NOK 48.4 million, down by 21 per cent from the same period last year. The main reasons for the reduced EBITDA year to date 2019 are the increased use of subcontractors, costs related to the change of CEO, expensed costs related to Internet of Things (IoT) and the aforementioned initiatives to increase growth capacity.

The EBITDA margin was 3.0 per cent (6.4 per cent)<sup>1</sup> for the third quarter and 10.0 per cent (12.6 per cent) year to date, reflecting the abovementioned situation.

*1) Numbers in brackets refer to the corresponding reporting period/reporting date in 2018, unless otherwise specified.*

The new reporting standard IFRS 16 Leases, which was implemented by the Group 1 January 2019, had a positive EBITDA effect of NOK 1.7 million in the third quarter and NOK 4.4 million the first nine months. Adjusted EBITDA based on the former principles for classification of leasing was NOK 2.4 million (NOK 8.9 million) for the third quarter, and NOK 44.0 million (NOK 61.3 million) year to date.

Net profit for the third quarter was NOK 0.6 million, down from NOK 5.9 million in the same quarter last year. Net profit year to date was NOK 30.8 million down from NOK 44.4 million in the same period in 2018.

The financial position at 30 September is strong, with total equity of NOK 362.4 million (NOK 357.3 million), corresponding to an equity ratio of 68 per cent (67 per cent).

Cash flow from operations in the third quarter amounted to NOK 36.0 million (NOK 1.3 million), and NOK 23.2 million (NOK 23.8 million) year to date. Cash and cash equivalents at 30 September

were NOK 8.9 million (NOK 4.2 million).

The market growth continues, with generally high demand for Webstep's core digitalisation offering. The growth in sales of New Services, such as IoT and advanced analytics, continues and contributes to a stronger offering to existing and new customers in all locations.

The general outlook remains positive. The expectation of a long-term market growth is supported by the fact that Webstep has won some large, long term contracts and frame agreements in 2019.

Webstep enjoys a strong position in an attractive growth market and has a robust order book. The high demand has driven an increase in hourly rates compared to 2018.

However, growth capacity is still a challenge, following the already high utilisation and the continuously challenging market conditions for recruitment of IT experts. The effects of some of the growth initiatives have started to yield results, and headcount is expected be

further strengthened in the fourth quarter.

Webstep Sweden saw reduced demand for its services and exited the third quarter with some excess capacity. There are indications that the market in Sweden is cooling. A higher emphasis will therefore be put on sales rather than recruitment going forward.

A strategic review has been conducted with the purpose of further strengthening Webstep's position towards 2022, as an IT expert consultancy in the Scandinavian market.

A set of strategies have been developed to restore growth capacity in the Technology Expert business area and at the same time realise untapped growth potential in the Tech Advisory & Management and the Solutions business areas.

Market focus going forward will remain on current and new locations in key cities in Scandinavia. The growth strategy will mainly be organic, but M&A may be utilised as a strategic tool to access new customer relations or new expertise.

The business model will be subject to development and expansion. Measures will be made to move up the value chain and increase business opportunities by more actively offering a wider range of expert services, as mentioned above.

Webstep's three business areas will be made clearer, with focus on positioning Webstep as the preferred partner through the customers' complete digital journey, and with a stronger service offering:

- Further strengthening of the core business area; Technology expert consultancy services.
- Technology advice and management will be further developed and strengthened to meet increased demand.
- Solutions will be further developed and strengthened with more deliveries of complete solutions in cooperation with our network of technology partners.

Increase of recruitment and reduction of employee turnover are prerequisites for growth. Initiatives will be made to expand the recruitment universe, strengthen recruitment capacity, expertise and processes. Measures will also be made to further improve the Group's position as preferred employer.

A new brand strategy is under development, with the objective of strengthening Webstep's brand recognition and reputation. As a consequence, the capacity and expertise within branding, marketing and communication will be further strengthened.

The long-term ambition to exceed the market average in terms of revenue growth and EDBITA margin remains unchanged. However, measures to strengthen the capabilities to support future growth are needed and will include costs that may create a short-term challenge for the ability to maintain an EBITDA margin above the average market level. The dividend policy remains unchanged.







## FINANCIAL REVIEW

### PROFIT AND LOSS

#### Third Quarter

Third quarter consolidated revenues were NOK 137.2 million (NOK 138.1 million), down 0.6 per cent from the same quarter 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 average number of employees in the third quarter of 2019 was 395 (404) and the number of working days was 66 (65) in both Norway and Sweden.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 17.9 million (NOK 12.9 million) for the quarter.

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 may affect personnel expenses in periods with high onboarding activity, which is the case for the third quarter.

Salaries and personnel costs amounted to NOK 106.2 million (NOK 107.3 million) for the quarter. The decrease from 2018 is explained by lower revenue-based salaries for consultants, partly offset by recruitment of sales- and management personnel. 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 the third quarter.

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 2019. Total consolidated EBITDA in the third quarter amounted to NOK 4.1 million (NOK 8.9 million). The new reporting stand-

ard IFRS 16 Leases, which was implemented by the Group 1 January 2019, had a positive effect on EBITDA amounting to NOK 1.7 million for the third quarter. Adjusted EBITDA based on the former principles for classification of leasing was NOK 2.4 million (NOK 8.9 million) for the third quarter.

Depreciation and impairment for the third quarter amounted to NOK 2.6 million (NOK 0.7 million). The main reason for the increase is the abovementioned implementation of IFRS 16 Leases which results in a reclassification of the majority of lease costs from other operating expenses to depreciation. Further, R&D investments related to IoT are depreciated from 1 January 2019.

Operating profit was NOK 1.5 million (NOK 8.2 million) for the third quarter. Net financial costs were NOK 0.7 million (NOK 0.6 million) for the third quarter. Income tax amounted to NOK 0.2 million (NOK 1.7 million) for the third quarter. Net profit for the third quarter was NOK 0.6 million (NOK 5.9 million).

#### **Year to Date**

Revenues year to date were NOK 483.7 million (NOK 487.9 million), down 0.9 per cent from the same period last year. The negative revenue impact caused by lower capacity in 2019 has been more or less offset by higher hourly rates and increased use of subcontractors.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 61.6 million (NOK 45.2 million) year to date. The significant increase is attributable to the aforementioned increase in the use of subcontractors.

Salaries and personnel costs came to NOK 344.8 million (NOK 351.6 million) year to date. The decrease from 2018 is explained by lower revenue-based salaries for consultants, partly offset by recruitment of sales- and management personnel, including one-off effects related to the change of CEO.

Total consolidated EBITDA amounted to NOK 48.4 million (NOK 61.3 million) year

to date. The new reporting standard IFRS 16 Leases had a positive effect on EBITDA amounting to NOK 4.4 million year to date. Adjusted EBITDA based on the former principles for classification of leasing was NOK 44.0 million (NOK 61.3 million) year to date.

The EBITDA margin year to date was 10.0 per cent and 9.1 per cent when adjusted for IFRS 16 (12.6 per cent). The main reasons for the reduced margin are the increased revenue from subcontractors, costs related to the change of CEO, expensed costs related to IoT and the aforementioned initiatives to increase growth capacity. One-off costs related to change of CEO amounted to approximately NOK 2.8 million. Costs amounting to NOK 2.1 million that have previously been capitalised as R&D investments in IoT are recognised as expenses in profit and loss from 1 January 2019 as the investments have started to generate revenue.

Depreciation and impairment year to date amounted to NOK 7.1 million (NOK 1.9 million). The main reasons for the



increase are the abovementioned implementation of IFRS 16 Leases and depreciation of R&D investments related to IoT.

Operating profit was NOK 41.3 million year to date (NOK 59.3 million). Net financial costs were NOK 1.8 million (NOK 1.8 million) year to date, and income tax amounted to NOK 8.7 million (NOK 13.2 million). Net profit was NOK 30.8 million (NOK 44.4 million) year to date.

## **FINANCIAL POSITION AND CASH FLOW**

Total assets at 30 September amounted to NOK 532.5 million (NOK 534.6 million). Non-current assets were NOK 412.0 million (NOK 388.9 million) and mainly consisted of intangible assets. Intangible assets amount to NOK 383.6 million (NOK 383.4 million), and primarily comprise acquisition-related goodwill of NOK 377.2 million, which is impairment tested annually. Right-of-use assets amounting to NOK 22.7 million has been recognised in the balance sheet as a con-

sequence of the implementation of IFRS 16 Leases. The right to use the leased objects of operational lease agreements are now classified as fixed assets.

Total current assets of NOK 120.4 million (NOK 145.7 million) consisted of trade receivables, other current receivables and cash and short-term deposits. Trade receivables at quarter end were NOK 106.0 million (NOK 138.3 million). Most receivables are due at month end. Other current receivables were NOK 5.6 million (NOK 3.1 million). Cash and short-term deposits amounted to NOK 8.9 million (NOK 4.2 million).

Total equity 30 September was NOK 362.4 million (NOK 357.3 million). The change is mainly related to earnings generated and 2018 dividends paid in 2019.

Non-current liabilities amounted to NOK 16.8 million (NOK 1.5 million). Non-current liabilities mainly consist of the liabilities related to the abovementioned lease contracts, which are classified as non-current

liabilities in accordance with IFRS 16. Current liabilities amounted to NOK 153.3 million (NOK 175.8 million). Current leasing liabilities arising from the implementation of IFRS 16, amounts to NOK 7.5 million.

Cash flow from operations in the third quarter of 2019 amounted to NOK 36.0 million (NOK 1.3 million) and NOK 23.2 million (NOK 23.8 million) year to date. The increased cash flow in the third quarter compared to 2018 can be explained by change in trade receivables and other liabilities, offset by reduced profit. The initial recognition of right-of-use assets and borrowings following the implementation of IFRS 16 are non-cash transactions. However, the implementation has an effect on the presentation of the cash flow statement: Lease costs related to premises that were previously classified as cash flow from operating activities, are now partly classified as operating activities, and partly as repayment of borrowings.

## ORGANISATION

Webstep relocated its head office from Lysaker outside of Oslo to the Oslo city centre in September. The head office is now located at the Epicenter building, an innovative workspace housing about 60 technology companies. Two other Webstep offices have also relocated during 2019 to more central locations to use the offices for branding purposes and to create a positive and vibrant atmosphere for the employees, customers and other visitors. These are some of many initiatives implemented in 2019 to support growth.

Recruitment and retention remain key priorities and the effects of the numerous initiatives and persistent efforts are starting to yield results. As part of the strategic review process, Webstep has explored opportunities that can grow the recruitment base. Some of the initiatives will be implemented in the coming quarters such as:

- Expansion of service offerings and delivery models to meet customer demand will

require new types of expertise and hence expand the recruitment base

- Recruiting and sales capacity, expertise and processes will be furthered strengthened
- Measures to further improve the Group's position as preferred employer

These measures are also expected to have a positive effect on employee retention.

The Group's capacity within cloud services, the strong partnerships with market leaders such as Amazon Web Services, Google and Blue Prism, and the successful establishment of highly skilled machine learning and analytics expertise environments, are all measures that have strengthened Webstep's market offering and cross selling opportunities.

The Group has also made recruitments within New Services in 2019 where the market is yet to mature. This is also considered an important investment for future growth.

## 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 Group provides high-end IT consultancy services to more than 200 public and private clients across the country. The core 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, robotics and analytics.

### Third quarter

Total operating revenues for the third quarter came to NOK 118.1 million (NOK 120.2 million), a decrease of 1.8 per cent from the corresponding quarter last year. Fewer

employees compared to 2018 had a negative effect on revenue, but this was partly offset by increased revenue from subcontractors and one more work day compared to 2018. EBITDA for the third quarter came to NOK 3.8 million (NOK 8.8 million). The reduced EBITDA is explained above. The positive effect of the implementation IFRS 16 on third quarter EBITDA was NOK 1.3 million.

### Year to date

Total operating revenues year to date were NOK 418.1 million (NOK 419.8 million), more or less unchanged from 2018. The negative effect caused by fewer employees in 2019 compared to 2018 has been offset by increased use of subcontractors and higher hourly rates. EBITDA year to date came to NOK 45.8 million (NOK 57.9 million). The EBITDA represents an EBITDA margin of 11.0 per cent (13.8 per cent) year to date. The positive effect of the implementation IFRS 16 on EBITDA was NOK 3.2 million year to date.



The market conditions in Norway remain very favourable, with generally high order intake and backlog, and particularly high demand for Webstep's core digitalisation services.

Webstep Norway had 345 employees at the end of the third quarter (338 employees). The average number of employees in the quarter was 335 (346).

## **SWEDEN**

Webstep Sweden has offices in Stockholm, Malmö, Uppsala and Sundsvall. Webstep Sweden serves clients in different industries, mainly in the private sector, and delivers the same high-end IT consultancy services as Webstep Norway, primarily within the Group's core digitalisation offering.

### **Third quarter**

Operating revenues for the third quarter came to NOK 19.1 million (NOK 17.8 million), an increase of 7.4 per cent compared to the same quarter last year. There are no signifi-

cant effects from currency translation when comparing figures for the third quarter of 2019 versus the same quarter of 2018. The revenue increase is attributable to increased use of subcontractors and increased hourly rates, but a slightly lower utilisation in the third quarter had a negative effect on both revenue and EBITDA. EBITDA came to NOK 0.3 million for the quarter (NOK 0.1 million). The positive effect of the implementation IFRS 16 on third quarter EBITDA, was NOK 0.4 million.

### **Year to date**

Operating revenues year to date came to NOK 65.6 million (NOK 68.1 million), a decrease of 3.7 per cent compared to the same period in 2018. The decrease is attributable to less use of subcontractors and a negative currency effect of NOK 1.2 million. EBITDA came to NOK 2.6 million (NOK 3.4 million) year to date which represents an EBITDA margin of 4.0 per cent (5.0 per cent). The positive effect of the





implementation IFRS 16 on EBITDA was NOK 1.2 million.

The margin level in Webstep Sweden is lower than in Webstep Norway. Hourly rates in the Swedish market are lower than in the Norwegian market, and Webstep Sweden also has a higher cost level relative to revenues due to investments in management capacity and marketing initiatives to support future growth.

Webstep Sweden had 62 employees at the end of the quarter (56 employees). The average number of employees in the quarter was 60 (58).

## STRATEGIC UPDATE

A strategic review has recently been conducted with the purpose of clarifying the Group's ambitions and targets and developing strategies to further strengthen the market position. The overall ambition for 2020-2022 is to strengthen Webstep's position as an IT expert consultancy in the Scandinavian mar-

ket, by restoring growth capacity and meeting customers demand for a wider range of services, expertise and capacity.

A set of strategies have been developed to restore growth capacity in the Technology Expert business area and at the same time realise untapped growth potential in the Tech Advisory & Management and the Solutions business areas:

- Market focus will be on current and new locations in key cities in Scandinavia. The growth strategy will mainly be organic, but M&A may be utilised as a strategic tool to access new customer relations or new expertise.
- A recent customer survey reveals that there is an increasing number of requests for full teams that can deliver end-to-end solutions. As a response to this, the Solutions business area will be further developed and strengthened with more deliveries of complete solutions in cooperation with our network of technology partners. The

survey also confirms increased demand for strategic technology advice for the customers' complete digital journey. This will be met with a stronger offering of advisory services.

- The business model will be developed and expanded, with focus on moving up the value chain and increasing business opportunities by offering a wider range of expert services, as mentioned above. Webstep's three business areas will be made clearer; with continued strong emphasis on the Technology expert consultancy offering, and a stronger emphasis on the offering of trusted advisors, project managers and providers of solutions. Increased focus on a wider range of services and delivery models, will also allow for alternative revenue streams.
- Increase of recruitment and reduction of employee turnover are prerequisites for growth. The recruitment strategy will



include initiatives to expand the recruitment universe, strengthen recruitment capacity, expertise and processes. The retention strategy includes measures to further improve the Group's position as preferred employer.

- A new brand strategy is under development, with the objective of strengthening Webstep's brand recognition and reputation. As a consequence, the capacity and expertise within branding, marketing and communication will be further strengthened. A new position as Chief Marketing and Communication Officer has been established from 1 November 2019.

## OUTLOOK

The overall market outlook is strong, following the continued general trend with high investment activity in digitalisation of the private and public sectors.

External market research reports and a recent customer survey both support the

general expectations of continued market growth and the specific growth in demand for a wider range of services:

- "Digitalisation wave 2" is expected to drive growth in "End to end" digitalisation of core business processes as well as demand for new products and services, new business processes and models
- Industrialisation of IT will drive demand for mass produces and standardised products from a few global players with innovative power and benefits of scale.
- Demand for cyber security services will grow, as mid-size businesses also start acknowledging the risk.
- Increasing application of new technologies, such as IoT, blockchain. AI, ML etc is also expected to drive sustained high demand for Webstep's offering of IT expertise.



Webstep has a strong order book that confirms the good momentum.

The general capacity utilisation is expected to remain high going forward, although affected in the near-term by onboarding of new employees and recruitment of expertise and capacity within the New Services. The indications of somewhat lower activity in the Swedish market may also affect utilisation to some extent. Webstep Sweden will focus on sales rather

than recruitment in the coming quarter.

The average number of employees is expected to increase in the fourth quarter compared to the third quarter of 2019, and the average is expected to be higher than the corresponding quarter in 2018. Revenues from subcontractors are expected to be lower than in the fourth quarter of 2018.

The intention behind the abovementioned growth strategies and initiatives is to build a robust platform for future growth that sup-

ports the unchanged over-all and long-term ambition of the Group; to exceed the market average in terms of growth and profitability, measured as revenue growth and EBITDA-margin level respectively. However, measures to strengthen the capabilities to support future growth are needed and will include costs that may create a short-term challenge for the ability to maintain an EBITDA margin above the average market level. The dividend policy remains unchanged.

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## THE BOARD OF DIRECTORS AND CEO OF WEBSTEP ASA

OSLO, 6 NOVEMBER 2019

**Klaus-Anders Nysteen**

Chair of the board

**Trond K. Johannessen**

Board member

**Toril Nag**

Board member

**Siw Ødegaard**

Board member

**Bjørn Ivar Danielsen**

Board member

**Arne L. Norheim**

Chief Executive Officer

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1000)	Note	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Sales revenues		137 237	138 060	483 701	487 862	663 153
<b>Total revenues</b>		<b>137 237</b>	<b>138 060</b>	<b>483 701</b>	<b>487 862</b>	<b>663 153</b>
Cost of services and goods		17 894	12 898	61 561	45 203	70 635
Salaries and personnel cost		106 176	107 309	344 823	351 562	470 813
Depreciation and impairment	9	2 602	661	7 106	1 936	2 927
Other operating expenses		9 073	8 983	28 930	29 817	42 909
<b>Operating profit(loss)</b>		<b>1 492</b>	<b>8 209</b>	<b>41 282</b>	<b>59 344</b>	<b>75 868</b>
Net financial items		(712)	(601)	(1 755)	(1 756)	(2 339)
<b>Profit before tax</b>		<b>780</b>	<b>7 607</b>	<b>39 527</b>	<b>57 588</b>	<b>73 530</b>
Income tax expenses		173	1 749	8 687	13 211	17 310
<b>Profit for the period</b>		<b>608</b>	<b>5 859</b>	<b>30 840</b>	<b>44 377</b>	<b>56 220</b>
Earnings per share (NOK)	6	0.02	0.22	1.16	1.68	2.13
Earnings per share, fully diluted (NOK)	6	0.02	0.22	1.16	1.68	2.12
<b>Other comprehensive income:</b>						
Currency translation differences		587	652	(3 444)	(6 090)	(2 109)
Other comprehensive income for the period, net of tax		587	652	(3 444)	(6 090)	(2 109)
<b>Total comprehensive income for the period, net of tax</b>		<b>1 194</b>	<b>6 510</b>	<b>27 395</b>	<b>38 287</b>	<b>54 111</b>
<b>Attributable to:</b>						
Shareholders in parent company		1 194	6 510	27 395	38 287	54 111

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1000)	Note	30 Sept 2019	30 Sept 2018	31 Dec 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	8	383 595	383 425	387 816
Fixed assets		5 354	5 250	5 011
Right-of-use assets	9	22 655	-	-
Non-current financial assets		10	-	10
Deferred tax asset		436	232	436
<b>Total non-current assets</b>		<b>412 049</b>	<b>388 907</b>	<b>393 274</b>
<b>Current assets</b>				
Trade receivables		105 999	138 335	103 288
Other current receivables		5 574	3 133	4 983
Cash and short-term deposits		8 864	4 237	33 478
<b>Total current assets</b>		<b>120 437</b>	<b>145 705</b>	<b>141 749</b>
<b>Total assets</b>		<b>532 486</b>	<b>534 612</b>	<b>535 023</b>

(Amounts in NOK 1000)	Note	30 Sept 2019	30 Sept 2018	31 Dec 2018
<b>EQUITY</b>				
Share capital		26 967	26 967	26 967
Treasury shares	6	(486)	(610)	(486)
Share premium		154 803	150 664	153 964
Retained earnings		181 155	180 306	196 130
Non-controlling interest		-	-	-
<b>Total equity</b>		<b>362 438</b>	<b>357 327</b>	<b>376 574</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Non current leasing liabilities	9	15 128	-	-
Deferred tax		1 635	1 485	1 753
<b>Total non-current liabilities</b>		<b>16 763</b>	<b>1 485</b>	<b>1 753</b>
<b>Current liabilities</b>				
Debt to credit institutions	10	-	41 521	-
Current leasing liabilities	9	7 527	-	-
Trade and other payables		18 503	11 986	21 558
Tax payable		16 624	12 876	16 530
Dividends payable		-	-	-
Social taxes and VAT		46 909	47 786	53 738
Other short-term debt	11	63 722	61 631	64 868
<b>Total current liabilities</b>		<b>153 285</b>	<b>175 800</b>	<b>156 695</b>
<b>Total equity and liabilities</b>		<b>532 486</b>	<b>534 612</b>	<b>535 023</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in NOK 1000)</i>	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 2018</b>	26 967	(610)	149 823	12 391	169 167	357 738	-	<b>357 738</b>
Profit for the period	-	-	-	-	56 220	56 220	-	<b>56 220</b>
Sales of 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>
Other comprehensive income/(loss)	-	-	-	-	-	-	-	<b>-</b>
Dividends	-	-	-	-	(39 535)	(39 535)	-	<b>(39 535)</b>
<b>At 31 December 2018</b>	26 967	(486)	153 960	10 282	185 851	376 574	-	<b>376 574</b>
Profit for the period	-	-	-	-	30 840	30 840	-	<b>30 840</b>
Sales treasury shares	-	-	-	-	-	-	-	<b>-</b>
Other comprehensive income/(loss)	-	-	-	(3 444)	-	(3 444)	-	<b>(3 444)</b>
Share incentive program	-	-	839	-	-	839	-	<b>839</b>
Dividends	-	-	-	-	(42 369)	(42 369)	-	<b>(42 369)</b>
<b>At 30 September 2019</b>	26 967	(486)	154 799	6 838	174 322	362 438	-	<b>362 438</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK 1000)	Note	Q3 2019	Q3 2018	1 Jan - 30 Sept 2019	1 Jan - 30 Sept 2018	1 Jan - 31 Dec 2018
<b>Operating activities</b>						
Profit/(loss) before tax		780	7 607	39 527	57 588	73 530
<b>Adjustments for:</b>						
Depreciation of property, plant and equipment	9	2 602	661	7 106	1 936	2 927
Net change in trade and other receivables		32 512	5 623	(3 302)	(12 337)	20 860
Net change in other liabilities		912	(12 760)	(11 031)	(15 916)	2 846
Net foreign exchange differences		(357)	95	(443)	137	(192)
Income tax expenses		(434)	36	(8 624)	(7 560)	(8 043)
<b>Net cash flow from operating activities</b>		<b>36 015</b>	<b>1 263</b>	<b>23 233</b>	<b>23 849</b>	<b>91 927</b>
<b>Investing activities</b>						
Payments for R&D initiative		-	(558)	-	(1 930)	(2 762)
Purchase of property and equipment		(650)	(771)	(2 344)	(1 960)	(2 707)
<b>Net cash flow from investing activities</b>		<b>(650)</b>	<b>(1 328)</b>	<b>(2 344)</b>	<b>(3 890)</b>	<b>(5 469)</b>
<b>Financing activities</b>						
Repayments of lease liabilities	9	(1 531)	-	(3 972)	-	-
Change in bank overdraft	10	(30 942)	(2 261)	-	17 234	(24 287)
Net proceeds from equity		-	-	-	-	-
Payment of dividends		-	-	(42 369)	(39 535)	(39 535)
Sale of treasury shares	6	280	-	838	-	4 261
<b>Net cash flows from financing activities</b>		<b>(32 193)</b>	<b>(2 261)</b>	<b>(45 503)</b>	<b>(22 302)</b>	<b>(59 562)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 172</b>	<b>(2 326)</b>	<b>(24 614)</b>	<b>(2 343)</b>	<b>26 898</b>
Cash and cash equivalents at the beginning of the period		5 692	6 563	33 478	6 580	6 580
<b>Cash and cash equivalents at the end of the period</b>		<b>8 864</b>	<b>4 237</b>	<b>8 864</b>	<b>4 237</b>	<b>33 478</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 shares of the Company were listed on Oslo Stock Exchange 11 October 2017. The Company has two fully owned subsidiaries: Webstep AS in Norway and Webstep AB located in Sweden.

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 third quarter and first nine months of 2019 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 2018. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for 2018, which are available on [www.webstep.com](http://www.webstep.com) and upon request from the Company's registered office at Edvard Storms gate 2, 0166 Oslo, Norway.

These condensed consolidated interim financial statements for the third quarter and first nine months of 2019 were approved by the Board of Directors and the CEO 6 November 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, apart for the implementation of IFRS 16 Leases 1 January 2019.

### **IFRS 15 Revenue from contracts**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The nature of the contracts in the Group, where billable consultancy hours are recognised when delivered to the customer at an amount that reflect the Group's expected consideration in exchange for the hours provided, is such that no impact on established principles for revenue recognition have been identified applying the model from IFRS 15. The Group has no fixed price contracts with the customers that mandates revenue recognition over time.

### **IFRS 16 Leases**

The new standard for leases, IFRS 16, has been implemented with effect from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. The Group as a lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group has reviewed its lease agreements and assessed the effects of IFRS 16 on its consolidated financial statements. The Group has implemented IFRS 16 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures will not be restated by using the modified retrospective method.

In accordance with the standard exemptions are made for low-value assets (less than NOK 50 000) and short-term leases (less than 12 months).

See note 9 for further information regarding IFRS 16 and the implementation effects.



### Comparative figures IFRS 16 versus IAS 17

<i>(Amounts in NOK 1000)</i>	<b>IFRS 16 Q3 2019</b>	<b>IAS 17 Q3 2019</b>	IAS 17 Q3 2018	IFRS 16 YTD 2019	IAS 17 YTD 2019	IAS 17 YTD 2018
Sales revenues	<b>137 237</b>	<b>137 237</b>	138 060	483 701	483 701	487 862
<b>Total revenues</b>	<b>137 237</b>	<b>137 237</b>	138 060	483 701	483 701	487 862
Cost of services and goods	<b>17 894</b>	<b>17 894</b>	12 898	61 561	61 561	45 203
Salaries and personnel cost	<b>106 176</b>	<b>106 176</b>	107 309	344 823	344 823	351 562
Other operating expenses	<b>9 073</b>	<b>10 775</b>	8 983	28 930	33 284	29 817
<b>Operating expenses before depreciation</b>	<b>133 143</b>	<b>134 845</b>	129 191	435 314	439 668	426 582
<b>EBITDA</b>	<b>4 094</b>	<b>2 392</b>	8 869	48 388	44 033	61 280
Depreciation and impairment	<b>2 602</b>	<b>1 071</b>	661	7 106	3 134	1 936
<b>Operating profit(loss)</b>	<b>1 492</b>	<b>1 321</b>	8 209	41 282	40 899	59 344
Net financial items	<b>(712)</b>	<b>(541)</b>	(601)	(1 755)	(1 372)	(1 756)
<b>Profit before tax</b>	<b>780</b>	<b>780</b>	7 607	39 527	39 527	57 588

### 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 2018 and as described in note 3 to the 2018 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 2018 for more information on the segments.

### SUMMARY PROFIT AND LOSS: NORWAY

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	Q3 2018	<b>Q3 YTD 2019</b>	Q3 YTD 2018	Full year 2018
Revenue	<b>118.1</b>	120.2	<b>418.1</b>	419.8	570.3
Total costs	<b>114.3</b>	111.5	<b>372.4</b>	362.0	495.0
EBITDA <sup>1)</sup>	<b>3.8</b>	8.8	<b>45.8</b>	57.9	75.3
EBITDA margin <sup>1)</sup>	<b>3.2%</b>	7.3%	<b>11.0%</b>	13.8%	13.2%

### SUMMARY PROFIT AND LOSS: SWEDEN

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	Q3 2018	<b>Q3 YTD 2019</b>	Q3 YTD 2018	Full year 2018
Revenue	<b>19.1</b>	17.8	<b>65.6</b>	68.1	92.8
Total costs	<b>18.9</b>	17.7	<b>63.0</b>	64.6	89.3
EBITDA <sup>1)</sup>	<b>0.3</b>	0.1	<b>2.6</b>	3.4	3.5
EBITDA margin <sup>1)</sup>	<b>1.4%</b>	0.6%	<b>4.0%</b>	5.0%	3.7%

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 2019 had one more work day compared to Q3 2018 in Norway and Sweden.

## 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 dilution through this program accounts for 72 411 shares. 30 September 2019, the Company had 26 480 590 shares outstanding (excl. treasury shares). The number of treasury shares held by Webstep is 486 427. Following the transfer of Matching Shares on 16 October 2019, the Company holds 414 016 own shares.

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>Q3 YTD 2019</b>	<b>Q3 YTD 2018</b>	<b>Full year 2018</b>
Profit for the period	<b>608</b>	5 859	<b>30 840</b>	44 377	56 220
Average number of shares (excl. treasury shares)	<b>26 481</b>	26 357	<b>26 481</b>	26 357	26 367
Average number of shares, fully diluted (excl. treasury shares)	<b>26 553</b>	26 458	<b>26 565</b>	26 462	26 470
<b>Earnings per share (NOK)</b>	<b>0.02</b>	0.22	<b>1.16</b>	1.68	2.13
<b>Earnings per share, fully diluted (NOK)</b>	<b>0.02</b>	0.22	<b>1.16</b>	1.68	2.12

## 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 (NOK 41.5 million 30 September 2018).

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.

<i>Net book value (NOK 1000)</i>	<b>30 Sept 2019</b>	30 Sept 2018	31 Dec 2018
Goodwill	<b>377 158</b>	376 684	380 244
Research and development	<b>6 437</b>	6 741	7 573
<b>Total</b>	<b>383 595</b>	383 425	387 816

For further details, please refer to note 10 to the Group's consolidated annual financial statements for 2018.

## NOTE 9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has changed accounting principle for its rented premises in accordance with IFRS 16. The rental cost was previously recognised as operational leasing according to IAS 17. As of 1 January 2019 the Group has recognised right-of-use premises at values equaling remaining lease liabilities of its rented premises. The practical expedients in IFRS 16 paragraph C10(a), C10(b), C10(c) and C10(e) are applied to initial application of the Standard. Previous periods statements have not been restated in accordance with IFRS 16 paragraph C7 and C5(b).

The Group has applied its weighted average incremental borrowing rate for all the leases, recognised as financial, due to the similar characteristics of the leases. The rate applied is 4.12 per cent and is based on the rate agreed upon in current Revolving Credit Facility and identified as the incremental borrowing rate.

### Implementation effects

The initial recognition of the financial leases 1 January 2019 is presented in the table below:

*(Amounts in NOK 1000)*

Right-of-use assets	8 588
Lease liabilities	8 588
Effect on equity	-
<b>Reconciliation</b>	
Operating lease commitments at 31 December 2018 as disclosed in Groups consolidated financial statements	5 595
Changes to estimate due to exercises of options <sup>1)</sup>	3 337
Changes in estimate on agreements less than 12 months <sup>2)</sup>	382
<b>Operating lease commitments at nominal value at 31 December 2018</b>	<b>9 314</b>
Exemptions for short-term leases (less than 12 months)	(382)
Exemptions for low-value leases (less than 50 000 NOK)	-
Changes to lease agreements due to price adjustments	153
Discounted using incremental borrowing rate at 1 January 2019	(497)
<b>Lease liabilities recognised at 1 January - initial recognition</b>	<b>8 588</b>

1) Several options have been exercised on rental agreements that was not assessed "reasonably certain" on the time of the financial disclosure of 31 December 2018 figures.

2) Agreements less than 12 months were not included in the figure at year end 2018

### Right-of-use assets

The Group's right-of-use assets are exclusively identified as office rentals. Leases of private cars for exclusive use by named employees in Sweden, and where these employees have the right and commitment to decide to buy out these cars at residual value at either termination of employment or end of contract period, thus the power of directing the use of the asset rests with the employee. Hence, the agreements do not fulfill the criteria for a lease contract according to IFRS 16. Total operating expenses on these contracts was NOK 1 095 thousand in 2018.

<i>(Amounts in NOK 1000)</i>	Offices Sweden	Offices Norway	<b>Total</b>
Acquisition cost 1 January 2019 (initial recognition)	4 826	3 762	<b>8 588</b>
Addition of right-of-use assets	-	18 264	<b>18 264</b>
Currency exchange differences	(225)	-	<b>(225)</b>
<b>Acquisition cost 30 September 2019</b>	<b>4 601</b>	<b>22 026</b>	<b>26 627</b>
<b>Depreciation</b>			
Accumulated depreciation 30 September 2019	1 071	2 901	<b>3 972</b>
<b>Carrying amount of right-of-use assets 30 September 2019</b>	<b>3 530</b>	<b>19 125</b>	<b>22 655</b>
Lower of remaining lease term or economic life	1-3 years	1-5 years	
Depreciation method	Progressive	Progressive	

## Lease liabilities

<i>(Amounts in NOK 1000)</i>	Offices Sweden	Offices Norway	Total
<b>Undiscounted lease liabilities and maturity of cash outflows</b>			
Less than 1 year	1 631	6 717	<b>8 348</b>
1-2 years	1 663	6 542	<b>8 205</b>
2-3 years	418	2 991	<b>3 409</b>
3-4 years	-	2 682	<b>2 682</b>
4-5 years	-	1 954	<b>1 954</b>
More than 5 years	-	-	-
<b>Total undiscounted lease liabilities at 30 September 2019</b>	<b>3 711</b>	<b>20 887</b>	<b>24 598</b>
<b>Summary of the lease liabilities in the financial statements</b>			
At initial recognition 1 January 2019	4 826	3 762	<b>8 588</b>
New lease liabilities recognised in the year	-	18 264	<b>18 264</b>
Cash payment of the lease liabilities	(1 071)	(2 901)	<b>(3 972)</b>
Currency exchange differences	(225)	-	<b>(225)</b>
<b>Total lease liabilities 30 September 2019</b>	<b>3 530</b>	<b>19 125</b>	<b>22 655</b>
Current lease liabilities	1 509	6 017	<b>7 527</b>
Non-current lease liabilities	2 020	13 108	<b>15 128</b>
Cash outflows for lease liabilities	(1 071)	(2 901)	<b>(3 972)</b>
Interest expense on lease liabilities	(131)	(252)	<b>(383)</b>
<b>Total cash outflows for leases</b>	<b>(1 202)</b>	<b>(3 153)</b>	<b>(4 355)</b>

The right-of-use assets are recognised at the estimated present value of the leasing liabilities as calculated at the date of initial recognition. Contracts with options for extensions that would, with reasonably certainty, be exer-

cised, are estimated at net present value including the optional rental period. Contracts with penalties if options for extensions not are exercised and where the certainty for exercising the options is assessed as not reasonable, the estimated or actual penalty amounts are provided for and treated as a part of the rental cost of the contracts. The amount is decomposed to depreciation, installment and interest.

The initial recognition of right-of-use assets and borrowings following the implementation of IFRS 16 are non-cash transactions which are excluded from the Statement of Cash Flow.

## **NOTE 10 INTEREST BEARING DEBT**

A NOK 110 million Revolving Credit Facility ("RCF") with SpareBank 1 SR-Bank ASA was entered into by the Company in October 2017. The RCF may be utilised by each member of the Group having acceded to the cash pooling account system related to the RCF.

The RCF was renewed with the same conditions during Q2 2019. 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 has 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. Alternative performance measures are described in note 12. The cash pooling account system is 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 11 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 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 per employee** is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation divided by the average number of employees.

Reconciliation of alternative profit performance measures:

**Profit measures – EBITDA**

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>YTD 2019</b>	<b>YTD 2018</b>
Operating profit	1 492	8 209	41 282	59 344
Depreciation	2 602	661	7 106	1 936
<b>EBITDA</b>	<b>4 094</b>	<b>8 869</b>	<b>48 388</b>	<b>61 280</b>

**Profit measures – EBITDA**

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>YTD 2019</b>	<b>YTD 2018</b>
Operating profit IFRS 16 (2019)	1 492	-	41 282	-
Depreciation IFRS 16 (2019)	2 602	-	7 106	-
<b>EBITDA IFRS 16</b>	<b>4 094</b>	<b>-</b>	<b>48 388</b>	<b>-</b>

Operating profit IAS 17 (former principle for leasing recognition)	1 321	8 209	40 899	59 344
Depreciation IAS 17 (former principle for leasing recognition)	1 071	661	3 134	1 936
<b>EBITDA IAS 17 (former principle for leasing recognition)</b>	<b>2 392</b>	<b>8 869</b>	<b>44 033</b>	<b>61 280</b>
<b>Differences EBITDA IFRS 16 and IAS 17</b>	<b>1 702</b>	<b>-</b>	<b>4 355</b>	<b>-</b>

**Reconciliation of differences to EBITDA**

Rental expenses recognised as depreciation and interest expenses	1 702	-	4 355	-
Rental expenses recognised as depreciation	1 531	-	3 972	-

## BALANCE SHEET AND FINANCING MEASURES

**NIBD** is short for Net Interest Bearing Debt and is defined as interest bearing debt minus unrestricted cash and cash equivalents. Net Interest Bearing Debt does not include the effects of IFRS 16 Leasing.

**Group equity ratio** is defined as the total consolidated equity of the Group divided by total assets.

**NIBD/EBITDA** is calculated as Net Interest Bearing Debt divided by Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation (EBITDA). The ratio is one of the debt covenants of the Company and it is based on the rolling twelve months EBITDA. If the Company has more cash than debt, the ratio can be negative. The leverage ratio does not include the effects of IFRS 16 Leasing, as covenants are based on frozen GAAP. Reconciliation of Alternative Performance Balance Sheet and Financing Measures:

### Net interest bearing debt (NIBD)

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>1 Jan 2019</b>	<b>31 Dec 2018</b>
Cash and cash equivalents (minus indicates positive amount)	<b>(8 864)</b>	(4 237)	(33 478)	(33 478)
Restricted cash	<b>473</b>	297	459	459
Debt to credit institutions	-	41 521	-	-
<b>Net interest bearing debt (NIBD)</b>	<b>(8 391)</b>	37 581	(33 019)	(33 019)

### Group equity ratio

<i>(Amounts in NOK 1000)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>1 Jan 2019</b>	<b>31 Dec 2018</b>
Total equity	<b>362 438</b>	357 327	376 574	376 574
Total assets	<b>509 832</b>	534 612	535 023	535 023
<b>Group equity ratio</b>	<b>0.71</b>	0.67	0.70	0.70

*Group equity ratio covenant threshold > 0,3*

**NIBD/EBITDA**

	<b>Q3 2019</b>	Q3 2018	1 Jan 2019	31 Dec 2018
<i>(Amounts in NOK 1000)</i>				
EBITDA rolling 12 months	<b>61 548</b>	66 856	78 795	78 795
NIBD	<b>(8 391)</b>	37 581	(33 019)	(33 019)
<b>NIBD/EBITDA</b>	<b>(0.14)</b>	0.56	(0.42)	(0.42)

*NIBD/EBITDA covenant threshold < 3*



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