

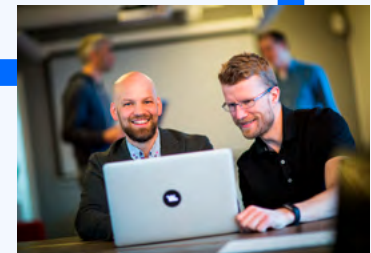
INTERIM REPORT  
**Q4 2019**  
WEBSTEP ASA



**WEBSTEP**

# Q4 AND FULL YEAR HIGHLIGHTS

- **Revenues flat in 2019**
  - Q4 revenues: NOK 176.8 million (+0.9 per cent)
  - 2019 revenues: NOK 660.5 million (-0.4 per cent)
- **EBITDA impacted by costs of growth initiatives**
  - Q4 EBITDA: NOK 12.0 million (-31.4 per cent)
  - 2019 EBITDA: NOK 60.4 million (-23.3 per cent)
- **Continued growth in headcount**
  - Average number of employees was 405 in Q4, up by 4.7 per cent year-over-year
  - Growth in headcount continues in Q1 2020
- **Rated number one consultancy by "Konsulentguiden" in terms of value creation and repeat purchase**
- **Strong financial position and positive outlook support dividend proposal of NOK 1.60 per share**



# KEY FIGURES

## CONSOLIDATED

<i>(Amounts in NOK million)</i>	Q4 2019	Q4 2018	Y/Y % growth	FY 2019	FY 2018	Y/Y % growth
Sales revenues	<b>176.8</b>	175.3	0.9%	<b>660.5</b>	663.2	(0.4%)
EBITDA <sup>1)</sup>	<b>12.0</b>	17.5	(31.4%)	<b>60.4</b>	78.8	(23.3%)
EBITDA margin <sup>1)</sup>	<b>6.8%</b>	10.0%		<b>9.1%</b>	11.9%	
EBITDA with former principles for leasing <sup>1)</sup>	<b>8.7</b>	17.5	(50.3%)	<b>52.7</b>	78.8	(33.1%)
EBITDA margin with former principles for leasing <sup>1)</sup>	<b>4.9%</b>	10.0%		<b>8.0%</b>	11.9%	
Net profit	<b>5.2</b>	11.8	(55.7%)	<b>36.1</b>	56.2	(35.8%)
Net cash flow	<b>16.6</b>	29.2	(43.3%)	<b>(8.0)</b>	26.9	(129.8%)
Earnings per share (NOK)	<b>0.20</b>	0.45	(55.9%)	<b>1.36</b>	2.13	(36.1%)
Earnings per share, fully diluted (NOK)	<b>0.20</b>	0.45	(55.9%)	<b>1.36</b>	2.12	(36.1%)
Number of employees, average (FTE)	<b>405</b>	387	4.7%	<b>397</b>	407	(2.4%)
Number of employees, end of period	<b>409</b>	394	3.8%	<b>409</b>	394	3.9%
Number of work days, Norway (excl. vacation)	<b>62</b>	62		<b>249</b>	249	
Number of work days, Sweden (excl. vacation)	<b>62</b>	62		<b>251</b>	251	
EBITDA per average employee <sup>1)</sup> (NOK thousand)	<b>29.7</b>	45.3	(34.4%)	<b>152.2</b>	193.6	(21.4%)
EBITDA per average employee with former principles <sup>1)</sup> (NOK thousand)	<b>21.5</b>	45.3	(52.5%)	<b>132.8</b>	193.6	(31.4%)

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

## NORWAY

(Amounts in NOK million)

	Q4 2019	Q4 2018	Y/Y % growth	FY 2019	FY 2018	Y/Y % growth
Sales revenues	152.2	150.5	1.1%	570.3	570.3	0.0%
EBITDA <sup>1)</sup>	9.7	17.5	(44.4%)	55.5	75.3	(26.3%)
EBITDA margin <sup>1)</sup>	6.4%	11.6%	-	9.7%	13.2%	
EBITDA with former principles for leasing <sup>1)</sup>	7.9	17.5	(55.0%)	50.5	75.3	(33.0%)
EBITDA margin with former principles for leasing <sup>1)</sup>	5.2%	11.6%		8.9%	13.2%	
Number of employees, average (FTE)	343	328	4.6%	337	348	(3.1%)
Number of employees, end of period	346	334	3.6%	346	334	3.7%
Number of work days, Norway (excl. vacation)	62	62		249	249	
EBITDA per average employee <sup>1)</sup> (NOK thousand)	28.3	53.2	(46.9%)	164.7	216.6	(24.0%)
EBITDA per average employee with former principles <sup>1)</sup> (NOK thousand)	22.9	53.2	(57.0%)	149.8	216.6	(30.8%)

## SWEDEN

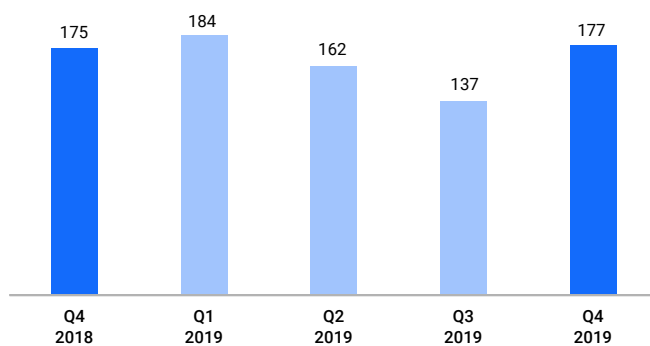
(Amounts in NOK million)

	Q4 2019	Q4 2018	Y/Y % growth	FY 2019	FY 2018	Y/Y % growth
Sales revenues	24.7	24.8	(0.4%)	90.2	92.8	(2.8%)
EBITDA <sup>1)</sup>	2.3	0.0	n.m.	4.9	3.5	41.4%
EBITDA margin <sup>1)</sup>	9.4%	0.2%	-	5.4%	3.7%	
EBITDA with former principles for leasing <sup>1)</sup>	0.8	0.0	n.m.	2.2	3.5	(35.5%)
EBITDA margin with former principles for leasing <sup>1)</sup>	3.4%	0.2%	-	2.5%	3.7%	
Number of employees, average (FTE)	62	58	6.3%	61	59	3.0%
Number of employees, end of period	63	60	4.2%	63	60	5.0%
Number of work days, Sweden (excl. vacation)	62	62	-	251	251	
EBITDA per average employee <sup>1)</sup> (NOK thousand)	37.3	0.8	n.m.	80.5	58.7	37.2%
EBITDA per average employee with former principles <sup>1)</sup> (NOK thousand)	13.6	0.8	n.m.	36.7	58.7	(37.4%)

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

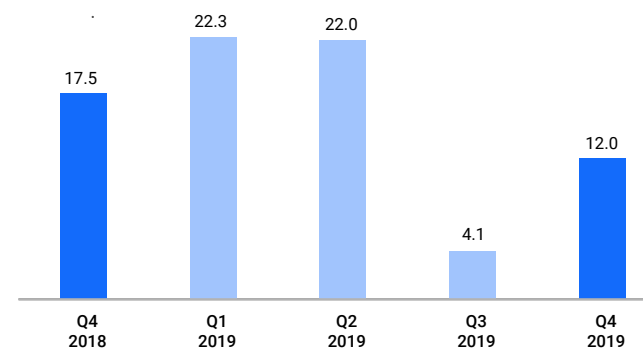
### Revenues by quarter

NOK million



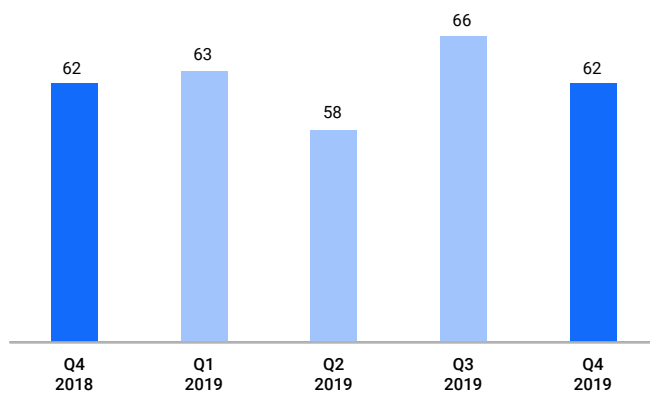
### EBITDA by quarter

NOK million



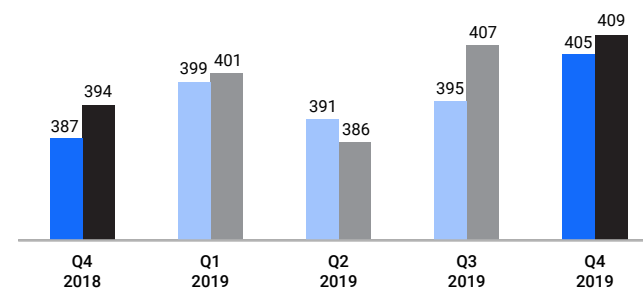
### Working days by quarter, Norway (excl. vacation)

NOK million



### Number of employees by quarter (average and end of period)

■ Average  
■ End of period



# INCREASED CAPACITY AND REVENUE GROWTH

Webstep reports a year-on-year revenue increase of 0.9 per cent in the fourth quarter. The impact of higher capacity and increased hourly rates was offset by lower revenues from subcontractors and lower utilisation. Webstep is conducting a range of initiatives aiming to restore growth. This impacted the EBITDA margin in Q4. Strong financial position and positive outlook support dividend proposal of NOK 1.60 per share.

Webstep ASA ("the Group" or "Webstep") recorded consolidated revenues in the fourth quarter of NOK 176.8 million, up 0.9 per cent from the same quarter last year. Revenues were affected by increased headcount and increased hourly rates year-on-year, which was offset by decrease in revenues from subcontractors. Utilisation was slightly lower year-on-year due to onboarding and the fact that utilisation was extraordinarily high in 2018. Revenues decreased by 0.4 per cent for the full year compared to 2018 and ended at NOK 660.5 million, reflecting the previously commu-

nicated situation with reduced capacity and fierce competition for IT expert consultants.

EBITDA for the fourth quarter amounted to NOK 12.0 million, down 31 per cent from the corresponding quarter of 2018. The fourth quarter EBITDA is affected by costs related to initiatives to strengthen the platform for future growth. Staffing up important functions within communication, finance, sales and recruiting are investments that will prepare the organisation for growth.

EBITDA for the full year ended at NOK

60.4 million, down by 23 per cent from 2018. The main reasons for the reduced EBITDA for 2019 are the increased use of subcontractors, costs related to the CEO recruitment and transition, expensed costs related to Internet of Things (IoT) and the aforementioned initiatives to increase growth capacity.

The EBITDA margin was 6.8 per cent (10.0 per cent)<sup>1)</sup> for the fourth quarter and 9.1 per cent (11.9 per cent) for the full year, reflecting the aforementioned situation.

The new reporting standard IFRS 16

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

Leases, which was implemented by the Group 1 January 2019, had a positive EBITDA effect of NOK 3.3 million in the fourth quarter and NOK 7.7 million for the full year. Adjusted EBITDA based on the former principles for classification of leasing was NOK 8.7 million (NOK 17.5 million) for the fourth quarter, and NOK 52.7 million (NOK 78.8 million) for the full year. Three Webstep offices changed premises in 2019, which has impacted lease costs, especially in the fourth quarter.

Net profit for the fourth quarter was NOK 5.2 million (NOK 11.8 million). Net profit for the full year was NOK 36.1 million (NOK 56.2 million).

In the fourth quarter, the Company sold a total of 120,383 treasury shares to employees through a share investment program for employees in Webstep's Norwegian entities. 55 per cent of the employees participated in the program. The financial position at 31 December was strong, with total equity of NOK 371.6 million

(NOK 376.6 million), corresponding to an equity ratio of 66 per cent (70 per cent).

Based on the Company's solid financial position, the board of directors intend to propose a dividend of NOK 1.60, representing 118 per cent of the annual net profit of the Group for 2019. Cash flow from operations in the fourth quarter amounted to NOK 18.6 million (NOK 68.1 million), and NOK 41.8 million (NOK 91.9 million) for the full year. Cash and cash equivalents at 31 December were NOK 25.5 million (NOK 33.5 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 enters 2020 with a very robust order book. The high demand has driven an increase in hourly rates throughout 2019. The effects of some of the growth initiatives have started to yield results, and headcount is expected to be further strengthened in the first quarter of 2020.

A strategic review was conducted during the last half of 2019 with the purpose of further strengthening Webstep's position 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 is subject to development and expansion. Measures are made to move up the value chain and to increase business opportunities by more actively offering a wider range of expert services. One example is the signing of a strategically important agreement with Telenor in the fourth quarter. Webstep was selected as Telenor's preferred partner to deliver integration, analytics and visualisation services to complement Telenor's IoT-platform; Managed IoT Cloud (MIC). The partnership will strengthen the companies' offerings to the market for IoT-solutions within smart cities, smart buildings and smart manufacturing.

A new brand strategy has been developed in the fourth quarter, with the objective of improving Webstep's brand recognition and reputation. As a consequence, the capacity and expertise within communication has been strengthened with the recruitment of a new Chief Communications

Officer, Otto Backer Solberg, in November. Mr Solberg previously had the position as Head of Communications of IBM Norway.

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 handle 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, and the board of directors intend to propose a dividend of NOK 1.60 representing 118 per cent of the annual net profit of the Group for 2019.

## FINANCIAL REVIEW

### PROFIT AND LOSS

#### Fourth Quarter

Fourth quarter consolidated revenues were NOK 176.8 million (NOK 175.3 million), up 0.9





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 fourth quarter of 2019 was 405 (387) and the number of working days was 62 (62) in both Norway and Sweden. Revenues from own consultants increased by NOK 5.0 million, while revenues from subcontractors decreased by NOK 3.5 million compared to the same quarter last year.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 22.6 million (NOK 25.4 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 fourth quarter.

Salaries and personnel costs amounted to NOK 129.3 million (NOK 119.3 million) for the quarter. The increase from 2018 is explained by higher revenue-based salaries for consultants, and recruitment of sales- and management personnel.

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. Total consolidated EBITDA in the fourth quarter amounted to NOK 12.0 million (NOK 17.5 million). The new reporting standard IFRS 16 Leases, which was implemented by the Group 1 January 2019, had a positive effect on EBITDA amounting to NOK 3.3 million for the fourth quarter. Adjusted EBITDA based on the former principles for classification of leasing was NOK 8.7 million (NOK 17.5 million) for the fourth quarter.

Depreciation and impairment for the fourth quarter amounted to NOK 4.2 million (NOK 1.0 million). The main reason for the increase

is the aforementioned implementation of IFRS 16 Leases which results in a reclassification of the majority of lease costs from other operating expenses to depreciation. Lease costs related to premises increased in the fourth quarter as Webstep relocated its head office in September. Two other Webstep offices have also relocated during 2019, which has contributed to increased lease costs year-on-year. Further, R&D investments related to IoT are depreciated from 1 January 2019.

Operating profit was NOK 7.8 million (NOK 16.5 million) for the fourth quarter. Net financial costs were NOK 0.7 million (NOK 0.6 million) and income tax amounted to NOK 1.9 million (NOK 4.1 million) for the fourth quarter. Net profit for the fourth quarter was NOK 5.2 million (NOK 11.8 million).

#### **Full year**

Revenues for the full year were NOK 660.5 million (NOK 663.2 million), down 0.4 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. Revenues from own consultants decreased by NOK 15.6 million, while revenues from subcontractors increased by 13.0 million in 2019 compared to 2018.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 84.2 million (NOK 70.6 million) for the full year. The increase is attributable to the aforementioned increase in the use of subcontractors. Salaries and personnel costs came to NOK 474.2 million (NOK 470.8 million) for the full year. The increase from 2018 is explained by recruitment of sales- and management personnel, including one-off effects related to the CEO transition, partly offset by lower revenue-based salaries for consultants.

Total consolidated EBITDA amounted to NOK 60.4 million (NOK 78.8 million) for the full year. The new reporting standard IFRS 16 Leases had a positive effect on EBITDA amounting to NOK 7.7 million

for the full year. Adjusted EBITDA based on the former principles for classification of leasing was NOK 52.7 million (NOK 78.8 million) for the full year.

The EBITDA margin for 2019 ended at 9.1 per cent and 8.0 per cent when adjusted for IFRS 16 (11.9 per cent). The main reasons for the reduced margin are the increased revenue from subcontractors, costs related to the recruitment and transition of CEO, expensed costs related to IoT and the aforementioned initiatives to increase growth capacity. One-off costs related to CEO recruitment and transition amounted to approximately NOK 2.8 million. Costs amounting to NOK 3.0 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 for the full year amounted to NOK 11.3 million (NOK 2.9 million). The main reasons for the increase



are the aforementioned implementation of IFRS 16 Leases, the increased lease costs related to premises and depreciation of R&D investments related to IoT.

Operating profit was NOK 49.1 million (NOK 75.9 million) for the full year. Net financial costs were NOK 2.5 million (NOK 2.3 million) for the full year, and income tax amounted to NOK 10.6 million (NOK 17.3 million). Net profit was NOK 36.1 million (NOK 56.2 million) for the full year.

## **FINANCIAL POSITION AND CASH FLOW**

Total assets at 31 December amounted to NOK 565.4 million (NOK 535.0 million). Non-current assets were NOK 428.1 million (NOK 393.3 million) and mainly consisted of intangible assets. Intangible assets amount to NOK 384.5 million (NOK 387.8 million), and primarily comprise acquisition-related goodwill of NOK 378.5 million, which is impairment tested annually. Right-of-use assets amounting to NOK 37.2 million has been

recognised in the balance sheet as a consequence 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 137.4 million (NOK 141.7 million) consisted of trade receivables, other current receivables and cash and short-term deposits. Trade receivables at the year end were NOK 104.8 million (NOK 103.3 million). Most receivables are due at month end. Other current receivables were NOK 7.1 million (NOK 5.0 million). Cash and short-term deposits amounted to NOK 25.5 million (NOK 33.5 million).

Total equity 31 December was NOK 371.6 million (NOK 376.6 million). The change is mainly related to earnings generated and 2018 dividends paid in 2019.

Non-current liabilities amounted to NOK 29.9 million (NOK 1.8 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 163.9 million (NOK 156.7 million). Current leasing liabilities arising from the implementation of IFRS 16, amounts to NOK 8.8 million.

Cash flow from operations in the fourth quarter amounted to NOK 18.6 million (NOK 68.1 million) and NOK 41.8 million (NOK 91.9 million) for the full year. The decreased cash flow in the fourth quarter compared to 2018 can be explained by change in trade receivables and other liabilities, and 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

As announced in the strategy update in November 2019, Webstep has ongoing initiatives that will strengthen the company's service offering within all three business areas:

- Technology Expert Consultancy services
- Technology Solutions
- Technology Advisory and Management

The continued high demand for Webstep's core business, Technology Expert Consultancy, is confirmed by a strong order book for 2020.

Webstep Solutions has built up a promising pipeline during the fourth quarter. In addition to the aforementioned partner agreement with Telenor, a partner agreement with IBM has been signed in the fourth quarter. Webstep Solutions will provide end-to-end digitisation services in cooperation with Webstep's strategic technology partners. This initiative is an important measure to both meet customer demand and expand the recruitment base.

An important milestone to strengthen the Webstep Advisory and Management services offering was reached in the fourth quarter, as Webstep was awarded the Amazon Web Services (AWS) Well-Architected Partner status. AWS partners must demonstrate deep AWS expertise and deliver solutions seamlessly on AWS. Only a few AWS partners in the Nordics have achieved this designation.

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 give Webstep a strong market offering and cross selling opportunities.

In order to be an attractive employer for the most talented people in today's competitive recruitment environment, one must remain relevant and ahead. Consultants seek employers that give them the opportunity to develop and grow their skills.

Finding the most interesting projects for the consultants is one of Webstep's main priorities. To emphasise this, the salesforce has been further strengthened in the fourth quarter. During the quarter, Webstep also hosted some of the world-leading experts within relevant technology areas who visited Webstep to share their knowledge. This has been inspiring and highly appreciated by both employees and clients.

The Webstep Group management team has been further strengthened in the fourth quarter with the recruitment of Otto Backer Solberg as new Chief Communications Officer. Mr Solberg previously had the position as Head of Communications of IBM Norway. Mr Solberg will play an important role in the ongoing work of strengthening the Webstep brand recognition and reputation.

The Group has 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.

### Fourth quarter

Total operating revenues for the fourth quarter came to NOK 152.2 million (NOK 150.5 million), an increase of 1.1 per cent



from the corresponding quarter last year. More employees and higher hourly rates compared to 2018 impacted revenue, but this was offset by decreased revenue from subcontractors and lower utilisation. EBITDA for the fourth quarter came to NOK 9.7 million (NOK 17.5 million). The reduced EBITDA is explained above. The positive effect of the implementation IFRS 16 on fourth quarter EBITDA was NOK 1.8 million.

#### **Full year**

Total operating revenues for 2019 were NOK 570.3 million (NOK 570.3 million), unchanged from 2018. The impact from higher hourly rates and increased use of subcontractors year-over-year has been offset by fewer employees and lower utilisation. EBITDA for the full year came to NOK 55.5 million (NOK 75.3 million). The EBITDA represents an EBITDA margin of 9.7 per cent (13.2 per cent) for the full year. The positive effect of the implementation IFRS 16 on EBITDA was NOK 5.0 million for the full year.

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.

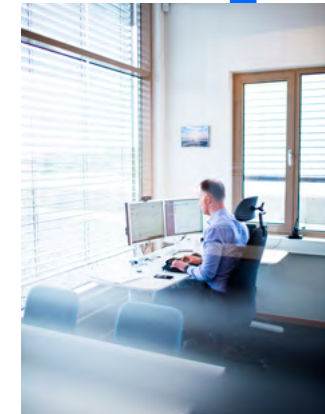
Webstep Norway had 346 employees at the end of 2019 (334 employees). The average number of employees in the quarter was 343 (328). The average number of employees in 2019 was 337 (348).

#### **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.

#### **Fourth quarter**

Operating revenues for the fourth quarter came to NOK 24.7 million (NOK 24.8 million), more or less unchanged from 2018. More





employees and higher hourly rates compared to 2018 impacted revenue, but this was offset by decreased revenue from subcontractors and lower utilisation. EBITDA came to NOK 2.3 million for the quarter (NOK 0.0 million). The positive effect of the implementation IFRS 16 on fourth quarter EBITDA, was NOK 1.5 million.

#### **Full year**

Operating revenues for the full year came to NOK 90.2 million (NOK 92.8 million), a decrease of 2.8 per cent compared to 2018. The impact from decreased revenue from subcontractors and lower utilisation has been partly offset by higher hourly rates compared to 2018. EBITDA came to NOK 4.9 million (NOK 3.5 million) for the full year which represents an EBITDA margin of 5.4 per cent (3.7 per cent). The positive effect of the implementation IFRS 16 on EBITDA was NOK 2.7 million.

Webstep Sweden had 63 employees at the end of 2019 (60 employees). The

average number of employees in the quarter was 62 (58). The average number of employees in 2019 was 61 (59).

## **STRATEGY**

A strategic review was conducted during the last half of 2019 with the purpose of clarifying the Group's ambitions and targets and developing strategies to further strengthen the market position. The outcome of the strategy review was presented in a strategy update with the third quarter results 7 November 2019.

The overall ambition for 2020–2022 is to strengthen Webstep's position as an IT expert consultancy in the Scandinavian market, 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 Webstep's 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 complete solutions. Increased focus on a wider range of services and delivery models, will also allow for additional price models.
- 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 has been developed in the fourth quarter, with the objective of strengthening Webstep's brand recognition and reputation.

The organisation is currently working on actions and initiatives to support this strategy, and several measures have been implemented in the fourth quarter.

## 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, artificial intelligence, machine learning etc is also expected to drive sustained high demand for Webstep's offering of IT expertise.

Webstep enters 2020 with a strong order book that confirms the good momentum. Feedback from more than 1000 Norwegian buyers of IT services in the newly issued IT trend report from "Konsulentguiden"

([www.konsulentguiden.no](http://www.konsulentguiden.no)) rank Webstep as the number one vendor when it comes to value creation and repeat purchase. This is an important confirmation of Webstep's strong position as an IT expert consultancy in the Norwegian market.

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 lower activity in the Swedish market in the fourth quarter, appears to have improved slightly in 2020.

The average number of employees is expected to increase in the first quarter of 2020 compared to the fourth quarter of 2019, and the average is expected to be higher than the corresponding quarter in 2019. Revenues from sub-contractors are expected to be lower than in the first quarter of 2019.

The intention behind the abovementioned growth strategies and initiatives is



to build a robust platform for future growth that supports 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 respec-

tively. However, measures to strengthen the capabilities to handle 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 pol-

icy remains unchanged, and the board of directors intend to propose a dividend of NOK 1.60 representing 118 per cent of the annual net profit of the Group for 2019.

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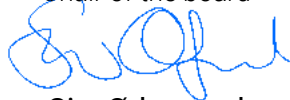
## THE BOARD OF DIRECTORS AND CEO OF WEBSTEP ASA

OSLO, 11 FEBRUARY 2020



**Klaus-Anders Nysteen**

Chair of the board



**Siw Ødegaard**

Board member



**Trond K. Johannessen**

Board member



**Bjørn Ivar Danielsen**

Board member



**Toril Nag**

Board member



**Arne L. Norheim**

Chief Executive Officer

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Sales revenues		<b>176 812</b>	175 291	<b>660 513</b>	663 153
<b>Total revenues</b>		<b>176 812</b>	175 291	<b>660 513</b>	663 153
Cost of services and goods		<b>22 639</b>	25 433	<b>84 200</b>	70 635
Salaries and personnel cost		<b>129 349</b>	119 251	<b>474 172</b>	470 813
Depreciation and impairment	9	<b>4 185</b>	991	<b>11 291</b>	2 927
Other operating expenses		<b>12 808</b>	13 093	<b>41 738</b>	42 909
<b>Operating profit(loss)</b>		<b>7 831</b>	16 524	<b>49 113</b>	75 868
Net financial items		<b>(723)</b>	(583)	<b>(2 478)</b>	(2 339)
<b>Profit before tax</b>		<b>7 108</b>	15 941	<b>46 635</b>	73 530
Income tax expenses		<b>1 863</b>	4 099	<b>10 550</b>	17 310
<b>Profit for the period</b>		<b>5 245</b>	11 843	<b>36 085</b>	56 220
Earnings per share (NOK)	6	<b>0.20</b>	0.45	<b>1.36</b>	2.13
Earnings per share, fully diluted (NOK)	6	<b>0.20</b>	0.45	<b>1.36</b>	2.12
<b>Other comprehensive income:</b>					
Currency translation differences		<b>1 483</b>	3 982	<b>(1 962)</b>	(2 109)
Other comprehensive income for the period, net of tax		<b>1 483</b>	3 982	<b>(1 962)</b>	(2 109)
<b>Total comprehensive income for the period, net of tax</b>		<b>6 728</b>	15 824	<b>34 123</b>	54 111
<b>Attributable to:</b>					
Shareholders in parent company		<b>6 728</b>	15 824	<b>34 123</b>	54 111

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1000)	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
Intangible assets	8	384 522	387 816
Fixed assets		5 917	5 011
Right-of-use assets	9	37 156	-
Non-current financial assets		10	10
Deferred tax assets		454	436
<b>Total non-current assets</b>		<b>428 059</b>	<b>393 274</b>
Trade receivables		104 797	103 288
Other current receivables		7 112	4 983
Cash and short-term deposits		25 454	33 478
<b>Total current assets</b>		<b>137 363</b>	<b>141 749</b>
<b>Total assets</b>		<b>565 422</b>	<b>535 023</b>

(Amounts in NOK 1000)	Note	31 Dec 2019	31 Dec 2018
<b>EQUITY</b>			
Share capital		26 967	26 967
Treasury shares	6	(294)	(486)
Share premium		156 914	153 964
Retained earnings		188 057	196 130
<b>Total equity</b>		<b>371 645</b>	<b>376 574</b>
<b>LIABILITIES</b>			
Non-current leasing liabilities	9	28 335	-
Deferred tax		1 539	1 753
<b>Total non-current liabilities</b>		<b>29 874</b>	<b>1 753</b>
Current leasing liabilities	9	8 821	-
Trade and other payables		18 901	21 558
Tax payable		8 587	16 530
Social taxes and VAT		56 399	53 738
Other short-term debt	11	71 195	64 868
<b>Total current liabilities</b>		<b>163 903</b>	<b>156 695</b>
<b>Total liabilities</b>		<b>565 422</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 holders of the parent	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>
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	-	-	-	-	36 085	36 085	-	<b>36 085</b>
Sales of treasury shares	-	193	4 304	-	-	4 497	-	<b>4 497</b>
Other comprehensive income/(loss)	-	-	-	(1 962)	-	(1 962)	-	<b>(1 962)</b>
Share incentive program	-	-	(1 354)	-	173	(1 181)	-	<b>(1 181)</b>
Dividends	-	-	-	-	(42 369)	(42 369)	-	<b>(42 369)</b>
<b>At 31 December 2019</b>	26 967	(293)	156 910	8 321	179 740	371 645	-	<b>371 645</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Q4 2019	Q4 2018	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
<i>(Amounts in NOK 1000)</i>					
<b>Operating activities</b>					
Profit/(loss) before tax		7 108	15 941	46 635	73 530
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment	9	4 185	991	11 291	2 927
Net change in trade and other receivables		(337)	33 197	(3 639)	20 860
Net change in other liabilities		17 360	18 762	6 330	2 846
Net foreign exchange differences		267	(329)	(176)	(192)
Income tax expenses		(10 029)	(483)	(18 652)	(8 043)
<b>Net cash flow from operating activities</b>		<b>18 555</b>	<b>68 079</b>	<b>41 788</b>	<b>91 927</b>
<b>Investing activities</b>					
Payments for R&D initiative		-	(831)	-	(2 762)
Purchase of property and equipment		(1 326)	(747)	(3 670)	(2 707)
<b>Net cash flow from investing activities</b>		<b>(1 326)</b>	<b>(1 578)</b>	<b>(3 670)</b>	<b>(5 469)</b>
<b>Financing activities</b>					
Repayments of lease liabilities	9	(3 116)	-	(7 088)	-
Change in bank overdraft	10	-	(41 521)	-	(24 287)
Payment of dividends		-	-	(42 369)	(39 535)
Sale of treasury shares	6	2 477	4 261	3 316	4 261
<b>Net cash flows from financing activities</b>		<b>(639)</b>	<b>(37 260)</b>	<b>(46 142)</b>	<b>(59 562)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>16 590</b>	<b>29 241</b>	<b>(8 024)</b>	<b>26 897</b>
Cash and cash equivalents at the beginning of the period		8 864	4 237	33 478	6 580
<b>Cash and cash equivalents at the end of the period</b>		<b>25 454</b>	<b>33 477</b>	<b>25 454</b>	<b>33 477</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 fourth quarter and the full year 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 fourth quarter were approved by the Board of Directors and the CEO 11 February 2020.

## **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 Q4 2019</b>	<b>IAS 17 Q4 2019</b>	IAS 17 Q4 2018	<b>IFRS 16 FY 2019</b>	<b>IAS 17 FY 2019</b>	IAS 17 FY 2018
Sales revenues	176 812	176 812	175 291	660 513	660 513	663 153
<b>Total revenues</b>	<b>176 812</b>	<b>176 812</b>	175 291	<b>660 513</b>	<b>660 513</b>	663 153
Cost of services and goods	22 639	22 639	25 433	84 200	84 200	70 635
Salaries and personnel cost	129 349	129 349	119 251	474 172	474 172	470 813
Other operating expenses	12 808	16 125	13 093	41 738	49 409	42 909
<b>Operating expenses before depreciation</b>	<b>164 796</b>	<b>168 113</b>	157 776	<b>600 110</b>	<b>607 781</b>	584 358
<b>EBITDA</b>	<b>12 016</b>	<b>8 699</b>	17 515	<b>60 404</b>	<b>52 732</b>	78 795
Depreciation and amortisation	4 185	1 143	991	11 291	4 277	2 927
<b>Operating profit/(loss)</b>	<b>7 831</b>	<b>7 556</b>	16 524	<b>49 113</b>	<b>48 455</b>	75 868
Net financial items	(723)	(448)	(583)	(2 478)	(1 820)	(2 339)
<b>Profit before tax</b>	<b>7 108</b>	<b>7 108</b>	15 941	<b>46 635</b>	<b>46 635</b>	73 530

## 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>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Revenue	<b>152.2</b>	150.5	<b>570.3</b>	570.3
Total costs	<b>142.4</b>	133.1	<b>514.8</b>	495.0
EBITDA <sup>1)</sup>	<b>9.7</b>	17.5	<b>55.5</b>	75.3
EBITDA margin <sup>1)</sup>	<b>6.4%</b>	11.6%	<b>9.7%</b>	13.2%

### SUMMARY PROFIT AND LOSS: SWEDEN

<i>(Amounts in NOK 1000)</i>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Revenue	<b>24.7</b>	24.8	<b>90.2</b>	92.8
Total costs	<b>22.3</b>	24.7	<b>85.3</b>	89.3
EBITDA <sup>1)</sup>	<b>2.3</b>	0.0	<b>4.9</b>	3.5
EBITDA margin <sup>1)</sup>	<b>9.4%</b>	0.2%	<b>5.4%</b>	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. Q4 2019 had the same amount of work day compared to Q4 2018.

## NOTE 6 EARNINGS PER SHARE

<i>(Amounts in NOK 1000)</i>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Profit for the period	<b>5 245</b>	11 843	36 085	56 220
Average number of shares (excl. treasury shares)	<b>26 561</b>	26 419	26 501	26 367
Average number of shares, fully diluted (excl. treasury shares)	<b>26 592</b>	26 512	26 572	26 471
<b>Earnings per share (NOK)</b>	<b>0.20</b>	0.45	1.36	2.13
<b>Earnings per share, fully diluted (NOK)</b>	<b>0.20</b>	0.45	1.36	2.12

There are dilutive effects on the number of shares due to the Saving shares programme (SSP) for the Group's employees and the Long-term incentive programme (LTI).

### **Saving shares programme (SSP):**

The SSP allowed participants who purchased shares in the employee offering ("Saving Shares") in the IPO in October 2017 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 programme accounts for 72 411 shares and the Matching Shares were issued to the eligible employees in October 2019.

**Long-term incentive programme (LTI):**

Under the LTI, share options of the parent are granted to senior executives of the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the senior executive remains employed during the vesting period. 515 876 options were granted to senior executives of the Group 18 November 2019.

The options will vest in the following tranches:

- 128 969 (25%) options vest 18 November 2020
- 128 969 (25%) options vest 18 November 2021
- 257 938 (50%) options vest 18 November 2022

The exercise price of the options granted 18 November 2019 is NOK 23.1. The potential dilution through the LTI programme accounts for 14 057 shares.

**Treasury shares:**

In the fourth quarter the Company sold a total of 120 383 shares to employees through a share investment program for employees in Webstep's Norwegian entities. 72 411 of the Company's own shares were transferred to eligible employees 16 October 2019 following the expiry of the Saving shares programme. The number of treasury shares held by Webstep following the transfer of Matching Shares and the sale of shares to employees in Q4 is 293 633.

## 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 0 31 December 2018).

The Group owns a limited amount of treasury shares at quarter end, 0.3 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>31 Dec 2019</b>	31 Dec 2018
Goodwill	<b>378 464</b>	380 244
Research and development	<b>6 058</b>	7 573
<b>Total</b>	<b>384 522</b>	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 equalling 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:

<i>(Amounts in NOK 1000)</i>	Company cars	Offices
Right-of-use assets	3 673	8 588
Lease liabilities	3 673	8 588
Effect on equity	-	-
<b>Reconciliation</b>		
Operating lease commitments at 31 December 2018 as disclosed in Groups consolidated financial statement	-	5 595
Additional leases due to exercises of option <sup>1)</sup>	-	3 337
Changes in principles for company cars	3 673	-
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>3 673</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 applying the implied rate i leasing contracts/incremental borrowing rate at 1 January 2019	-	(497)
<b>Lease liabilities recognised at 1 January – initial recognition</b>	<b>3 673</b>	<b>8 588</b>

<sup>1)</sup> The minimum rent on non-cancellable operating lease agreements as of 31 December 2018 did not include extension options assessed as “reasonably certain”.

<sup>2)</sup> 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 fulfil 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>	Company cars Sweden	Offices Sweden	Offices Norway	<b>Total</b>
Acquisition cost 1 January 2019 (initial recognition)	3 673	4 826	3 762	<b>12 261</b>
Addition of right-of-use assets	868	-	31 291	<b>32 159</b>
Currency exchange differences	(100)	(151)	-	<b>(251)</b>
<b>Acquisition cost 31 December 2019</b>	<b>4 441</b>	<b>4 675</b>	<b>30 513</b>	<b>44 169</b>
<b>Depreciation</b>				
Accumulated depreciation 1 January 2019	-	-	-	-
Depreciation for the period	1 003	1 470	4 541	<b>7 014</b>
Accumulated depreciation 31 December 2019	1 003	1 470	4 541	<b>7 014</b>
<b>Carrying amount of right-of-use assets 31 December 2019</b>	<b>3 438</b>	<b>3 205</b>	<b>30 513</b>	<b>37 156</b>
Lower of remaining lease term or economic life	1-3 years	1-3 years	1-5 years	
Depreciation method	Progressive	Progressive	Progressive	



## Lease liabilities

<i>(Amounts in NOK 1000)</i>	Company cars Sweden	Offices Sweden	Offices Norway	Total
<b>Undiscounted lease liabilities and maturity of cash outflows</b>				
Less than 1 year	525	1 664	7 017	<b>9 206</b>
1-2 years	306	1 697	8 382	<b>10 385</b>
2-3 years	47	426	7 767	<b>8 240</b>
3-4 years	-	-	7 553	<b>7 553</b>
4-5 years	-	-	5 266	<b>5 266</b>
More than 5 years	-	-	-	<b>-</b>
<b>Total undiscounted lease liabilities at 31 December 2019</b>	<b>878</b>	<b>3 788</b>	<b>35 985</b>	<b>40 650</b>
<b>Summary of the lease liabilities in the financial statements</b>				
At initial recognition 1 January 2019	3 673	4 826	3 762	<b>12 261</b>
New lease liabilities recognised in the year	868	-	31 291	<b>32 159</b>
Cash payment of the lease liabilities	(1 003)	(1 470)	(4 541)	<b>(7 014)</b>
Currency exchange differences	(100)	(151)	-	<b>(251)</b>
<b>Total lease liabilities 31 December 2019</b>	<b>3 438</b>	<b>3 205</b>	<b>30 512</b>	<b>37 156</b>
Current lease liabilities	1 080	1 529	6 212	<b>8 821</b>
Non-current lease liabilities	2 360	1 677	24 300	<b>28 335</b>
Cash outflows for lease liabilities	(1 003)	(1 470)	(4 541)	<b>(7 014)</b>
Interest expenses on lease liabilities	(34)	(165)	(459)	<b>(658)</b>
<b>Total cash outflows for leases</b>	<b>(1 036)</b>	<b>(1 635)</b>	<b>(5 000)</b>	<b>(7 672)</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, instalment 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; i) accrued salaries for the past month, for payment to employees in accordance with the salary model and ii) 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>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Operating profit	<b>7 831</b>	16 524	<b>49 113</b>	75 868
Depreciation	<b>4 185</b>	991	<b>11 291</b>	2 927
<b>EBITDA</b>	<b>12 016</b>	17 515	<b>60 404</b>	78 795

**Profit measures – EBITDA**

<i>(Amounts in NOK 1000)</i>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Operating profit IFRS 16 (2019)	<b>7 831</b>	-	<b>49 113</b>	-
Depreciation IFRS 16 (2019)	<b>4 185</b>	-	<b>11 291</b>	-
<b>EBITDA IFRS 16</b>	<b>12 016</b>	-	<b>60 404</b>	-

Operating profit IAS 17 (former principle for leasing recognition)	<b>7 556</b>	16 524	<b>48 455</b>	75 868
Depreciation IAS 17 (former principle for leasing recognition)	<b>1 143</b>	991	<b>4 277</b>	2 927
<b>EBITDA IAS 17 (former principle for leasing recognition)</b>	<b>8 699</b>	17 515	<b>52 732</b>	78 795

<b>Differences EBITDA IFRS 16 and IAS 17</b>	<b>3 317</b>	-	<b>7 671</b>	-
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**Reconciliation of differences to EBITDA**

Rental expenses recognised as depreciation and interest expenses	<b>3 317</b>	-	<b>7 671</b>	-
Rental expenses recognised as depreciation	<b>3 042</b>	-	<b>7 014</b>	-

## 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.

### Net interest bearing debt (NIBD)

<i>(Amounts in NOK 1000)</i>	<b>31 Dec 2019</b>	31 Dec 2018
Cash and cash equivalents (minus indicates positive amount)	<b>(25 454)</b>	(33 478)
Restricted cash	<b>786</b>	459
Debt to credit institutions	-	-
<b>Net interest bearing debt</b>	<b>(24 668)</b>	(33 019)

### Group equity ratio

<i>(Amounts in NOK 1000)</i>	<b>31 Dec 2019</b>	31 Dec 2018
Total equity	<b>371 645</b>	376 574
Total assets	<b>565 422</b>	535 023
<b>Group equity ratio</b>	<b>0.66</b>	0.70

*Group equity ratio covenant threshold < 0,3.*

**NIBD/EBITDA**

	<b>31 Dec 2019</b>	31 Dec 2018
<i>(Amounts in NOK 1000)</i>		
EBITDA rolling 12 months	<b>52 732</b>	78 795
NIBD	<b>(24 668)</b>	(33 181)
<b>NIBD/EBITDA</b>	<b>(0.47)</b>	(0.42)

*NIBD/EBITDA covenant threshold < 3*

## 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 fourth quarter and full year 2019 have been prepared in accordance with IFRS as adopted by the EU and IAS 34 Interim Financial Accounting, 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.

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

OSLO, 11 FEBRUARY 2020



Klaus-Anders Nysteen

Chair of the board



Siw Ødegaard

Board member



Trond K. Johannessen

Board member



Bjørn Ivar Danielsen

Board member



Toril Nag

Board member



Arne L. Norheim

Chief Executive Officer



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