

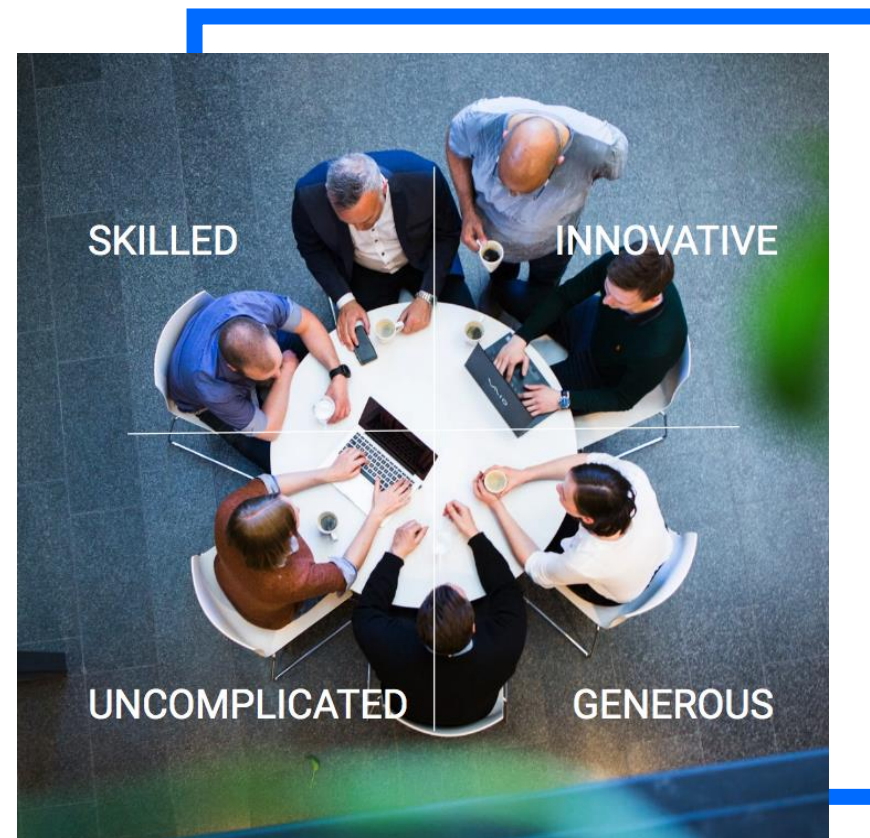
INTERIM REPORT  
**Q3** 2020  
WEBSTEP ASA



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## Q3 HIGHLIGHTS

- Revenue growth continued in Q3:
  - Q3: NOK 146.2 million (NOK 137.2 million)
  - YTD: NOK 501.6 million (NOK 483.7 million)
- EBIT:
  - Q3: NOK 2.8 million (NOK 1.5 million)
  - YTD: NOK 39.1 million (NOK 41.3 million)
- Utilization slightly below normal levels
- Market improving for IT expert services
- Headcount +4 in Q3 and +11 last 12 months
- High focus on recruitment
- Continued positive development in Sweden
- Solid financial position and positive outlook support dividend distribution for 2019 of NOK 1.60 per share (ex-date 15 October)



## KEY FIGURES

### CONSOLIDATED

<i>(Amounts in NOK million)</i>	<b>Q3 2020</b>	Q3 2019	Y/Y % change	<b>YTD 2020</b>	YTD 2019	Y/Y % change	FY 2019
Sales revenues	<b>146.2</b>	137.2	6.5%	<b>501.6</b>	483.7	3.7%	660.5
EBITDA	<b>6.4</b>	4.1	55.3%	<b>49.6</b>	48.4	2.4%	60.4
EBITDA margin	<b>4.3%</b>	3.0%	1.3 pts	<b>9.9%</b>	10.0%	(0.1 pts)	9.1%
EBIT	<b>2.8</b>	1.5	85.8%	<b>39.1</b>	41.3	(5.3%)	49.1
EBIT margin	<b>1.9%</b>	1.1%	0.8 pts	<b>7.8%</b>	8.5%	(0.7 pts)	7.4%
Net profit	<b>1.7</b>	0.6	173.4%	<b>28.9</b>	30.8	(6.2%)	36.1
Net cash flow	<b>2.6</b>	3.2	18.8%	<b>27.9</b>	(24.6)	213.3%	(8.0)
Earnings per share (NOK)	<b>0.06</b>	0.02	211.5%	<b>1.08</b>	1.16	(6.5%)	1.36
Earnings per share, fully diluted (NOK)	<b>0.06</b>	0.02	211.5%	<b>1.08</b>	1.16	(6.5%)	1.36
Number of employees, average (FTE)	<b>415</b>	395	4.9%	<b>412</b>	395	4.3%	397
Number of employees, end of period	<b>418</b>	407	2.7%	<b>418</b>	407	2.7%	409
Number of work days, Norway (excl. vacation)	<b>66</b>	66		<b>189</b>	187		249
Number of work days, Sweden (excl. vacation)	<b>66</b>	66		<b>189</b>	189		251
EBITDA per average employee (NOK thousand)	<b>15.3</b>	10.4	47.5%	<b>120.3</b>	122.5	(1.8%)	152.2
EBIT per average employee (NOK thousand)	<b>6.7</b>	3.8	77.1%	<b>94.9</b>	104.5	(9.2%)	132.8

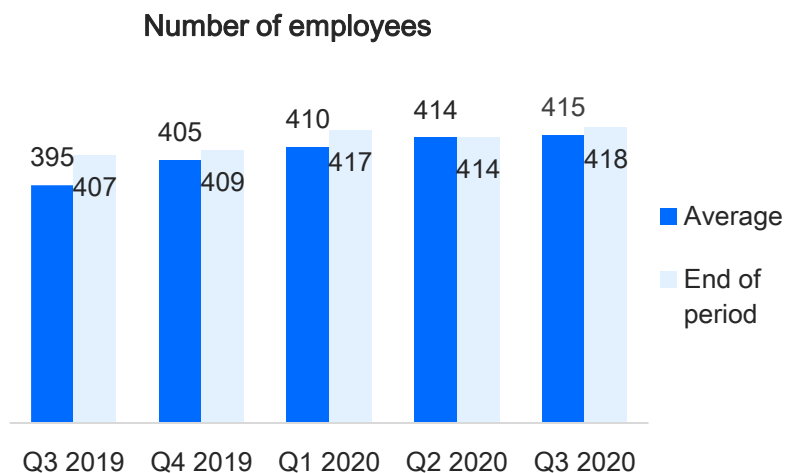
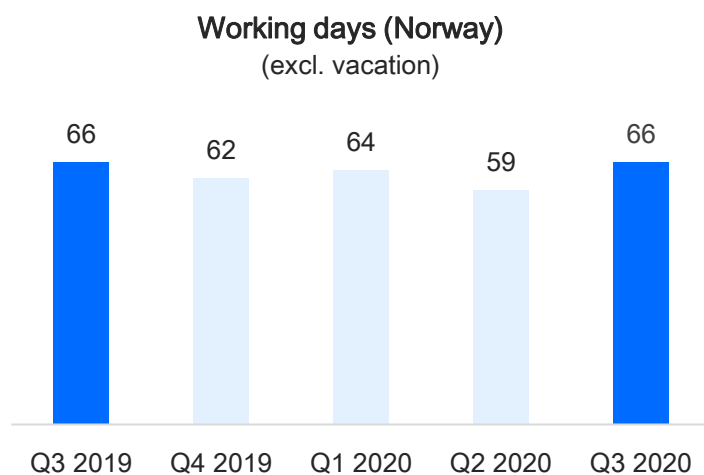
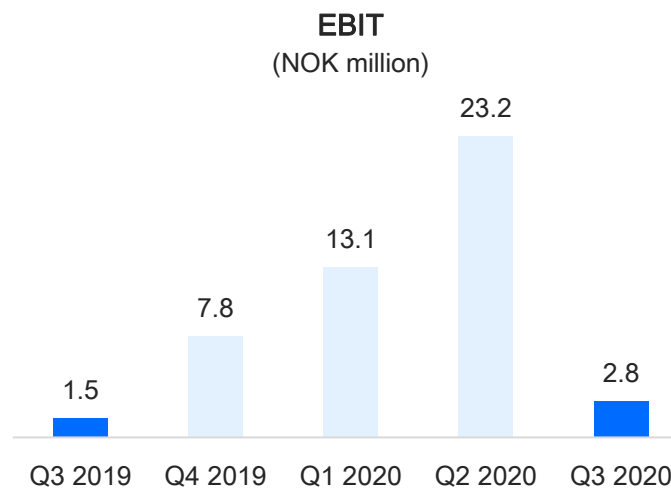
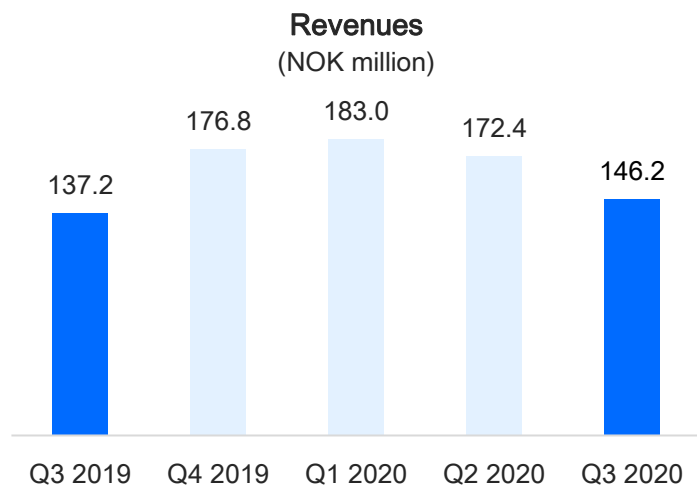
**NORWAY**

<i>(Amounts in NOK million)</i>	<b>Q3 2020</b>	Q3 2019	Y/Y % change	<b>YTD 2020</b>	YTD 2019	Y/Y % change	FY 2019
Sales revenues	<b>124.3</b>	118.1	5.3%	<b>425.4</b>	418.1	1.7%	570.3
EBIT	<b>1.7</b>	1.6	9.5%	<b>32.8</b>	39.8	(17.5%)	46.7
EBIT margin	<b>1.4%</b>	1.4%	-	<b>7.7%</b>	9.5%	(1.8 pts)	8.2%
Number of employees, average (FTE)	<b>353</b>	335	5.3%	<b>350</b>	334	4.7%	337
Number of employees, end of period	<b>357</b>	345	3.5%	<b>357</b>	345	3.5%	346
Number of work days, Norway (excl. vacation)	<b>66</b>	66		<b>189</b>	187		249
EBIT per average employee (NOK thousand)	<b>5.0</b>	4.8	3.9%	<b>93.9</b>	119.1	(21.2%)	138.6

**SWEDEN**

<i>(Amounts in NOK million)</i>	<b>Q3 2020</b>	Q3 2019	Y/Y % change	<b>YTD 2020</b>	YTD 2019	Y/Y % change	FY 2019
Sales revenues	<b>21.8</b>	19.1	14.0%	<b>76.2</b>	65.6	16.2%	90.2
EBIT	<b>1.0</b>	(0.1)	1,085.6%	<b>6.3</b>	1.5	314.6%	2.4
EBIT margin	<b>4.7%</b>	(0.5%)	5.2 pts	<b>8.2%</b>	2.3%	5.9 pts	2.7%
Number of employees, average (FTE)	<b>62</b>	60	2.8%	<b>63</b>	60	4.7%	61
Number of employees, end of period	<b>61</b>	62	(1.6%)	<b>61</b>	62	(1.6%)	63
Number of work days, Sweden (excl. vacation)	<b>66</b>	66		<b>189</b>	189		251
EBIT per average employee (NOK thousand)	<b>16.6</b>	(1.7)	1,058.4%	<b>99.8</b>	25.2	296.1%	39.3

## KEY VALUE DRIVERS



## THIRD QUARTER 2020

Webstep reports revenue growth and increased EBIT-margin for the quarter. The revenue growth of 6.5 per cent was driven by increased capacity and higher hourly rates. EBIT strengthened compared to 2019 and ended at NOK 2.8 million. The demand for Webstep's services has remained strong during the third quarter.

Webstep ASA ("the Group" or "Webstep") recorded consolidated revenues in the third quarter of NOK 146.2 million, up by 6.5 per cent from 137.2 million in the same quarter last year. Year to date revenues increased by 3.7 per cent, from NOK 483.7 million in 2019 to NOK 501.6 million in 2020. Revenues were positively affected by increased headcount and higher hourly rates, but the growth has been partly offset by lower utilization and less use of subcontractors.

EBIT for the third quarter amounted to NOK 2.8 million, up from NOK 1.5 million in the corresponding quarter 2019. Seasonality effects influence EBIT in the third quarter every year due to the summer holidays. Year to date EBIT amounted to NOK 39.1 million, down from NOK 41.3 million in 2019. Both year to date and third quarter EBIT were impacted by increased headcount which has resulted in higher revenues, but also increased personnel cost. The COVID-19 salary program introduced in March, combined with slightly lower utilization following the COVID-outbreak and the turbulence in the oil related industries, had a negative impact on the EBIT-margin both for the third quarter and year to date. The increased personnel cost has partly been offset by cost savings as a result of COVID-19 restrictions.

The EBIT margin was 1.9 per cent (1.1 per cent) for the third quarter, and 7.8 per cent (8.5 per cent) year to date. Net profit for the third quarter was NOK 1.7 million (NOK 0.6 million), and NOK 28.9 million (NOK 30.8 million) year to date.

Webstep had 418 employees at the end of the third quarter, an increase of 4 employees from the last quarter and an increase of 11 employees the last twelve months. Webstep has continued to recruit new employees throughout the COVID-19 period, but the recruitment activities slowed down during the second quarter which had an impact on the number of employees onboarded in the third quarter.

The financial position 30 September was strong, with total equity of NOK 410.0 million (NOK 362.4 million), corresponding to an equity ratio of 68.3 per cent (68.1 per cent). On 13 October 2020, the Board of Directors resolved to distribute an ordinary dividend of NOK 1.60 per share based on the Group's net profit for the 2019 financial year. The resolution was based on the authorization granted by the annual general meeting 7 May 2020. The total dividend amounted to NOK 42.7 million, which corresponds to 118% of the net profit for 2019. The dividend was distributed on 26 October 2020.

Cash and cash equivalents 30 September were NOK 53.3 million (NOK 8.9 million) and the Group had an unutilized revolving credit facility of NOK 110.0 million in Norway and SEK 5.0 million in Sweden. The Group had a net cash flow of NOK 2.6 million (NOK 3.2 million) in the third quarter and NOK 27.9 million (NOK -24.6 million) year to date. Extended payment terms for taxes had a positive effect on cash flow of NOK 8.6 million year to date.

Webstep Sweden has continued the positive development with increased revenues and profitability during the third quarter. A positive currency effect

impacted revenues and EBIT contribution from Webstep Sweden to the consolidated figures in the third quarter and year to date 2020.

There is still uncertainty regarding the effects that the COVID-19 outbreak will have on the markets in which Webstep operates, but based on the experiences from the past quarters, the outlook for Webstep is positive. The ongoing projects and newly won contracts build a solid foundation for the coming quarters. The recruitment drive has picked up to further strengthen the organization and enhance revenue growth.

## FINANCIAL REVIEW

### PROFIT AND LOSS

#### Third quarter

Third quarter consolidated revenues were NOK 146.2 million (NOK 137.2 million), up 6.5 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 2020 was 415 (395) and the number of working days was 66 (66) in Norway and Sweden. Revenues from own consultants increased by 9.6 per cent to NOK 129.7 million, while revenues from subcontractors decreased by 12.7 per cent to NOK 16.5 million compared to the same quarter last year. The revenue growth is driven by increased number of consultants and higher hourly rates but is offset by slightly lower utilization compared to normal levels for Webstep.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 16.0 million (NOK 17.9 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. Webstep's salary model is a merit based model where the consultant directly benefits

from his or her attractiveness in the market through a fixed share of the billable rate. Due to the extraordinary situation created by the COVID-19, a number of consultants were impacted directly through loss of projects while others were unaffected. In response to this unique situation, Webstep decided to establish a minimum base salary for consultants that are impacted by the COVID-19 outbreak ("the COVID-19 salary program"). This initiative provides security and predictability for the employees and for the company during these unprecedented times. The program will last until October 2020, and has to a large extent been funded by the COVID-19 related cost savings. Salaries and personnel costs amounted to NOK 117.9 million (NOK 106.2 million) for the quarter. The increase from 2019 is explained by higher revenue-based salaries for consultants, higher number of sales- and management personnel, and the increase caused by the abovementioned minimum base salary.

The Group decided to spend NOK 1.0 million in the third quarter on development of the solution "Samla" which is a reporting system to visualize key population metrics and changes in demography for municipalities. The solution is developed by Webstep consultants in cooperation with the Norwegian municipality, Larvik, and it will be launched in November. The subscription based solution will be introduced to other municipalities in Norway and Sweden.

The newly established business area, Webstep Solutions, continued strong signings and counted 16 employees at the end of the third quarter. The team is fully engaged in creating new opportunities, enhancing and broadening the partner network and delivering their services to clients. Revenues from Webstep Solutions in the third quarter amounted to NOK 3.1 million, while total costs amounted to NOK 5.9 million. NOK 1.0 million of total costs relates to the abovementioned solution "Samla".

Depreciation and impairment for the third quarter amounted to NOK 3.6 million (NOK 2.6 million). The main reason for the increase is relocation of four Webstep offices, which has contributed to increased lease costs year-on-year.

The Group uses earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) as alternative performance measures, as described in note 15 to the interim report. Total consolidated EBIT in the third quarter amounted to NOK 2.8 million (NOK 1.5 million) and EBITDA amounted to NOK 6.4 million (NOK 4.1 million).

Net financial costs were NOK 0.6 million (NOK 0.7 million) and income tax amounted to NOK 0.5 million (NOK 0.2 million) for the quarter. Net profit for the third quarter was NOK 1.7 million (NOK 0.6 million).

### **Year to date**

Year to date consolidated revenues were NOK 501.6 million (NOK 483.7 million), up 3.7 per cent from the same period in 2019. The average number of employees year to date 2020 was 412 (395) and the number of working days was 189 (187) and 189 (189) in Norway and Sweden, respectively. Revenues from own consultants increased by 5.8 per cent to NOK 443.7 million, while revenues from subcontractors decreased by 10.1 per cent to NOK 57.9 million compared to the corresponding period in 2019. The COVID-19 outbreak affected revenues negatively by approximately NOK 13 million in the first half year, and the turbulence in the oil related industries has had a further negative effect on utilization continuing into the third quarter. This relates only to the business in Norway, and mainly to the offices on the west coast.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 55.6 million (NOK 61.6 million) year to date.

Salaries and personnel costs amounted to NOK 373.6 million (NOK 344.8 million) year to date. The increase from 2019 is explained by higher revenue-based salaries for consultants, increase caused by the abovementioned COVID-19 salary program, and sales- and management personnel employed in the last half of 2019. The increase has been partly offset by government grants following the reduction in social security contribution and extended family care benefit refunds amounting to NOK 5.0 million year to date, and reduced social activity costs following the COVID-19 restrictions.

Revenues from Webstep Solutions year to date amounted to NOK 6.5 million, while total costs amounted to NOK 12.8 million. NOK 1.0 million of total costs relates to the abovementioned solution "Samla".

Depreciation and impairment year to date amounted to NOK 10.5 million (NOK 7.1 million). The main reason for the increase was the relocation of four Webstep offices, which has contributed to increased lease costs year-on-year.

Total consolidated EBIT year to date amounted to NOK 39.1 million (NOK 41.3 million) and EBITDA amounted to NOK 49.6 million (NOK 48.4 million).

Net financial costs were NOK 2.1 million (NOK 1.8 million) and income tax amounted to NOK 8.1 million (NOK 8.7 million) year to date. Net profit year to date was NOK 28.9 million (NOK 30.8 million).

### **FINANCIAL POSITION AND CASH FLOW**

Total assets 30 September amounted to NOK 600.0 million (NOK 532.5 million). Non-current assets were NOK 428.8 million (NOK 412.0 million) and consisted mainly of intangible assets. Intangible assets amounted to NOK 390.7 million (NOK 383.6 million), and comprise primarily of acquisition-related goodwill of NOK 385.7 million. Currently, there are no indications that impairment is required for any of the reporting units. Right-of-use assets related to office rentals and car leases have been recognized in the balance sheet at the total amount of NOK 31.0 million (NOK 22.7 million).

Total current assets of NOK 171.2 million (NOK 120.4 million) consisted of trade receivables, other current receivables and cash and short-term deposits. Trade receivables amounted to NOK 113.6 million (NOK 106.0 million). Most receivables are due at month end. Other current receivables were NOK 4.3 million (NOK 5.6 million). Cash and short-term deposits amounted to NOK 53.3 million (NOK 8.9 million).

Total equity 30 September was NOK 410.0 million (NOK 362.4 million). The change is mainly related to earnings generated. Non-current liabilities amounted to NOK 23.3 million (NOK 16.8 million) and consisted mainly of



non-current leasing liabilities of NOK 21.5 million (NOK 15.1 million). Current liabilities of NOK 166.8 million (NOK 153.3 million) consisted of current leasing liabilities, trade payables, tax payables, social taxes and VAT and other short-term liabilities.

Cash flow from operations year to date amounted to NOK 37.0 million (NOK 23.2 million). The increased cash flow from operations year to date compared to 2019 can primarily be explained by change in trade and other liabilities. The Webstep Group had an unutilized Revolving Credit Facility (RCF) with SpareBank1 SR-Bank of NOK 110 million and SEK 5 million with SEB. The Group has not been in breach with the covenants of the RCF during the third quarter of 2020. See note 11 and 15 for further details.

## ORGANIZATION

Webstep had 418 employees at the end of the third quarter, an increase of 4 employees the last quarter and an increase of 11 employees the last twelve months. The employees are distributed across 9 regional offices in major cities in Norway and Sweden. Webstep believes in the power of local business and the decentralized model is based on strong local presence. The regional offices provide expertise and capacity to local clients, while leveraging the full organizational capacity.

Webstep's consultants have on average more than 10 years of relevant experience. This creates a solid foundation for a strong professional environment and high-quality deliveries. The Webstep work culture is driven by the values of being skilled, innovative, generous and uncomplicated.

During the COVID-19 lock-down, the employees were encouraged to keep delivering services to the customers as long as this was possible and did not compromise the security or well-being of the employees, the customers or their families. In Sweden, in response to the Swedish authorities' recommendations, the employees adopted home offices when possible. During the third quarter, most of the employees have continued to work from home.

The Webstep organization has been leveraging collaborative tools and video conferencing for many years. The collaborative culture among employees has ensured a smooth transition to working from home as the new normal, and the customers have also adapted well to the situation.

Building and sharing of competence and skills is vital to Webstep. The concept «Webstep Community» now fuels initiatives across Webstep, labeled Webstep Discover, Webstep Learn and Webstep Create. On-site live productions all over Webstep will be made digitally available for all employees, as sources of inspiration, learning and innovation. The Webstep Community concept corresponds to the core Webstep values: Skilled, Innovative, Uncomplicated and Generous.

To further strengthen the community feeling among Webstep employees, various digital social initiatives emerged across regions. From virtual "Friday meetups", to joint Personal Trainer sessions with colleagues across regions, the ingenuity and creativity shown has been great.

The Group has not resorted to any temporary layoffs or furloughs during the COVID-19 outbreak and none are planned at this time.

## MARKET UPDATE

The market Webstep is addressing is improving, and there is a continuous demand for IT expert services as the digital shift continues. Still, utilization was slightly lower in the third quarter compared to normal levels for the Group. Particularly the regions on the west coast of Norway have experienced a slowdown in the market following the COVID-outbreak and the turbulence in the oil-related industries.

Managing change is the new reality in the uncertain times the world is experiencing. Changes must be adopted and put to work in order to create value. And that's why change management skills have never been more important than now, and there is a growing market for consultancy services within this area.

Over the past quarter the company has invested in skill enhancement of employees. Webstep has more than 50 Prosci Change Management certifications and 80 certified cloud professionals covering Amazon Web Services (AWS), Microsoft Azure and Google Cloud. There has been a major increase in certifications the past few months, and this ensures a relevant mix of competencies in a market where services related to the digital shift, cloud services and change management is in demand.

There has been an inflow of new opportunities over the past quarter covering all regions in both Norway and Sweden. In challenging times this is a positive signal indicating that Webstep's expert services are considered relevant in the market. Through solving business challenges for the customers, Webstep is increasingly being perceived as a change agent and a trusted advisor. This is in line with Webstep's go-to-market strategy.

## SEGMENTS

Webstep has two reporting segments; Norway and Sweden. Norway accounts for around 85 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 digitization, cloud services and integration. In addition, Webstep is steadily taking advantage of key fast-growing markets, including Internet of Things ("IoT"), machine learning, IT security, robotics and analytics. The establishment of Webstep Solutions in 2019 is a result of an increased ambition to expand in the market for team deliveries and end-to-end solutions.

### Third quarter

Total operating revenues for the third quarter came to NOK 124.3 million (NOK 118.1 million), up 5.3 per cent from the corresponding quarter last year. More employees and higher hourly rates compared to 2019 impacted revenue, partly offset by less use of subcontractors and lower utilization.

Particularly the regions on the west coast of Norway have experienced lower utilization than normal following the COVID-outbreak and the turbulence in the oil related industries. EBIT for the third quarter came to NOK 1.7 million (NOK 1.6 million). EBIT is impacted by higher revenue from consultants, but the impact is offset by higher personnel cost due to the COVID-19 salary program and increased number of sales- and management personnel. This has been partly offset by cost savings from reduced travel activity and social activities. The negative EBIT in the newly established business area, Webstep Solutions, of NOK 2.8 million have also affected the results for the third quarter. A total of NOK 1.0 million has been spent on development of the cloud-based solution, Samla, as mentioned above.

### Year to date

Total operating revenues year to date came to NOK 425.4 million (NOK 418.1 million), up 1.7 per cent compared to 2019. More employees, fewer holidays and higher hourly rates compared to 2019 impacted revenue, but this was partly offset by less use of subcontractors and lower utilization. The COVID-19 outbreak affected revenues negatively by approximately NOK 13 million in the first half year, and the turbulence in the oil related industries has had a further negative effect on utilization continuing into the third quarter.

EBIT year to date came to NOK 32.8 million (NOK 39.8 million). The reduced EBIT is explained by increased salary costs which relates to the COVID-19 salary program, in addition to recruitment of sales- and management personnel during 2019. Increased lease costs and decreased profit from subcontractors have also impacted EBIT. Cost savings, reduced social security contributions and increased care benefit refunds have partly offset the abovementioned impact of cost increases from the COVID-19 salary program. Reduced social security contributions and increased care benefit refunds amounted to NOK 4.3 million year to date. The negative EBIT in the newly established business area, Webstep Solutions, of NOK 6.4 million have also affected the results year to date.

Webstep Norway had 357 employees at the end of September (345 employees). The average number of employees in the quarter was 353 (335) and 350 (334) year to date.

## SWEDEN

Webstep Sweden has offices in Stockholm, Malmö, and Uppsala. 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 digitalization offering.

### Third quarter

Operating revenues for the third quarter came to NOK 21.8 million (NOK 19.1 million), an increase of 14.0 per cent. Revenues were impacted by more employees and a positive currency effect, partly offset by decreased revenues from subcontractors. Adjusted for fluctuation in exchange rates, revenue increased by 1.1 per cent from the corresponding quarter last year. EBIT came to NOK 1.0 million for the quarter (negative NOK 0.1 million). The increased EBIT is driven by higher revenues from own consultants and cost savings.

### Year to date

Operating revenues year to date came to NOK 76.2 million (NOK 65.6 million), an increase of 16.2 per cent. Revenues were impacted by more employees and a positive currency effect, partly offset by decreased revenues from subcontractors. Adjusted for fluctuation in exchange rates, revenue grew by 5.0 per cent compared to 2019. EBIT came to NOK 6.3 million (NOK 1.5 million) year to date. The increased EBIT is driven by higher revenues from own consultants and cost savings. The support offered by the government has had a positive impact on EBIT, in particular through lower social security contributions amounting to NOK 0.7 million year to date.

Webstep Sweden had 61 employees at the end of September (62 employees). The average number of employees in the quarter was 62 (60) and 63 (60) year to date.

## OUTLOOK

Although there is still uncertainty regarding the continued effects that the COVID-19 outbreak will have on the markets in which Webstep operates, the outlook is positive. The organization and the customers have proved their ability to adapt to the situation. Although utilization has been slightly lower than the past quarters compared to the normal level for the organization, the demand in the market for IT services is strong.

Webstep curtailed recruiting in the second quarter due to the COVID-19 uncertainty. Both quarter end and average headcount increased in the third quarter compared to the second quarter. In the fourth quarter, however, the paused recruitment activities in the period from March to mid-August is expected to have a lagging effect on new hires. Quarter end and average headcount in the fourth quarter is expected to be flat compared to the third quarter.

Webstep has put great emphasis on providing security, predictability and flexibility for the employees during these uncertain times. The COVID-19 salary program will last until end October, and Webstep will continuously adapt its internal guidelines regarding home office, travels and social gatherings to the guidelines from the Norwegian and Swedish governments.

The acceleration in the digital shift following the pandemic, creates opportunities for IT expert companies such as Webstep. The ongoing projects and the newly won contracts are expected to build a solid foundation for the coming quarters. Recruitment activities have picked up in the third quarter to further strengthen the organization and enhance revenue growth. Focus will be on organic growth in existing locations through recruitment and increased utilization.

## 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 nine month ended 20 September 2020 have been prepared in accordance with IAS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Group, and includes a description of the material risks that the board of directors, at the time of this report, deem might have a significant impact on the financial performance of the Group.

OSLO, 11 NOVEMBER 2020



**Trond Klethagen Johannessen**  
Chair of the board



**Bjørn Ivar Danielsen**  
Board member



**Toril Nag**  
Board member



**Siw Ødegaard**  
Board member



**Trygve Christian Moe**  
Board member



**Arne L. Norheim**  
Chief Executive Officer

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	<b>Q3 2020</b>	<b>Q3 2019</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>FY 2019</b>
Sales revenues	4,5	<b>146,173</b>	137,237	<b>501,587</b>	483,701	660,513
<b>Total revenues</b>		<b>146,173</b>	137,237	<b>501,587</b>	483,701	660,513
Cost of services and goods		<b>16,013</b>	17,894	<b>55,635</b>	61,561	84,200
Salaries and personnel cost	13	<b>117,850</b>	106,176	<b>373,619</b>	344,823	474,172
Depreciation and amortization	8,9	<b>3,586</b>	2,602	<b>10,497</b>	7,106	11,291
Other operating expenses		<b>5,952</b>	9,073	<b>22,744</b>	28,930	41,738
<b>Operating profit(loss)</b>		<b>2,772</b>	1,492	<b>39,092</b>	41,282	49,113
Net financial items		<b>(649)</b>	(712)	<b>(2,066)</b>	(1,755)	(2,478)
<b>Profit before tax</b>		<b>2,123</b>	780	<b>37,026</b>	39,527	46,635
Income tax expenses		<b>461</b>	173	<b>8,109</b>	8,687	10,550
<b>Profit for the period</b>		<b>1,662</b>	608	<b>28,917</b>	30,840	36,085
Earnings per share (NOK)	6	<b>0.06</b>	0.02	<b>1.08</b>	1.16	1.36
Earnings per share, fully diluted (NOK)	6	<b>0.06</b>	0.02	<b>1.08</b>	1.16	1.36
<b>Other comprehensive income:</b>						
Currency translation differences		<b>842</b>	587	<b>8,456</b>	(3,444)	(1,962)
Other comprehensive income for the period, net of tax		<b>842</b>	587	<b>8,456</b>	(3,444)	(1,962)
<b>Total comprehensive income for the period, net of tax</b>		<b>2,504</b>	1,194	<b>37,373</b>	27,395	34,123
<b>Attributable to:</b>						
Shareholders in parent company		<b>2,504</b>	1,194	<b>37,373</b>	27,395	34,123

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	<b>30 Sep 2020</b>	30 Sep 2019	31 Dec 2019
<b>Assets</b>				
Intangible assets	8	<b>390,664</b>	383,595	384,522
Fixed assets		<b>6,658</b>	5,354	5,917
Right-of-use assets	9	<b>31,034</b>	22,655	37,156
Non-current financial assets		<b>10</b>	10	10
Deferred tax assets		<b>454</b>	436	454
<b>Total non-current assets</b>		<b>428,820</b>	412,049	428,059
Trade receivables	10	<b>113,567</b>	105,999	104,797
Other current receivables	10	<b>4,306</b>	5,574	7,112
Cash and short-term deposits		<b>53,337</b>	8,864	25,454
<b>Total current assets</b>		<b>171,210</b>	120,437	137,363
<b>Total assets</b>		<b>600,030</b>	532,486	565,422
<b>Equity</b>				
<b>Shareholders' equity</b>	14	<b>409,982</b>	362,438	371,645
<b>Liabilities</b>				
Non-current leasing liabilities	9	<b>21,542</b>	15,128	28,335
Deferred tax		<b>1,711</b>	1,635	1,539
<b>Total non-current liabilities</b>		<b>23,253</b>	16,763	29,874
Current leasing liabilities		<b>9,493</b>	7,527	8,821
Trade and other payables	9	<b>15,568</b>	18,503	18,901
Tax payable		<b>5,464</b>	16,624	8,587
Social taxes and VAT	13	<b>61,526</b>	46,909	56,399
Other short-term liabilities	12	<b>74,744</b>	63,722	71,195
<b>Total current liabilities</b>		<b>166,795</b>	153,285	163,903
<b>Total liabilities</b>		<b>190,048</b>	170,048	193,777
<b>Total equity and liabilities</b>		<b>600,030</b>	532,486	565,422

**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	<b>Total equity</b>
<b>1 January 2019</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>31 December 2019</b>	26,967	(293)	156,910	8,321	179,740	371,645	-	<b>371,645</b>
Profit for the period	-	-	-	-	28,917	28,917	-	<b>28,917</b>
Other comprehensive income/(loss)	-	-	-	8,456	-	8,456	-	<b>8,456</b>
Share incentive program	-	-	-	-	964	964	-	<b>964</b>
<b>30 September 2020</b>	<b>26,967</b>	<b>(293)</b>	<b>156,910</b>	<b>16,777</b>	<b>209,622</b>	<b>409,982</b>	-	<b>409,982</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	<b>Q3 2020</b>	<b>Q3 2019</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>FY 2019</b>
<b>Operating activities</b>						
Profit/(loss) before tax		<b>2,123</b>	780	<b>37,026</b>	39,527	46,635
Adjustments for:						
Depreciation of property, plant and equipment	8,9	<b>3,586</b>	2,602	<b>10,497</b>	7,106	11,291
Net change in trade and other receivables		<b>(6,195)</b>	32,512	<b>(5,964)</b>	(3,302)	(3,639)
Net change in trade and other liabilities	13	<b>6,278</b>	912	<b>5,344</b>	(11,031)	6,330
Net foreign exchange differences		<b>135</b>	(357)	<b>1,195</b>	(443)	(176)
Income tax expenses		<b>(219)</b>	(434)	<b>(11,090)</b>	(8,624)	(18,652)
<b>Net cash flow from operating activities</b>		<b>5,710</b>	36,015	<b>37,008</b>	23,233	41,788
<b>Investing activities</b>						
Purchase of property and equipment		<b>(1,036)</b>	(650)	<b>(3,281)</b>	(2,344)	(3,670)
<b>Net cash flow from investing activities</b>		<b>(1,036)</b>	(650)	<b>(3,281)</b>	(2,344)	(3,670)
<b>Financing activities</b>						
Repayments of lease liabilities	9	<b>(2,345)</b>	(1,531)	<b>(6,807)</b>	(3,972)	(7,088)
Change in bank overdraft	7,11	-	(30,942)	-	-	-
Payment of dividends		-	-	-	(42,369)	(42,369)
Sale of treasury shares, EIP and incentive program	6	<b>248</b>	280	<b>963</b>	838	3,316
<b>Net cash flows from financing activities</b>		<b>(2,097)</b>	(32,193)	<b>(5,844)</b>	(45,503)	(46,142)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,577</b>	3,172	<b>27,883</b>	(24,614)	(8,024)
Cash and cash equivalents at the beginning of the period		<b>50,759</b>	5,692	<b>25,454</b>	33,478	33,478
<b>Cash and cash equivalents at the end of the period</b>		<b>53,337</b>	8,864	<b>53,337</b>	8,864	25,454



# NOTES TO THE CONSOLIDATED INTERIM 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 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, IT security, robotics and analytics.

## NOTE 2 BASIS OF PREPARATION AND STATEMENT

### 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 the first nine months of 2020 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 2019. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for 2019, 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 were approved by the Board of Directors and the CEO 11 November 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. Changes to IFRSs which have been effective from 1 January 2020 have had no material impact on the Group's financial statements.

## 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 2019 and as described in note 3 to the 2019 statements.

**NOTE 4 SEGMENT INFORMATION**

The Group has currently two reportable segments: Norway and Sweden. 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 EBIT performance. Assets and liabilities are not allocated between the segments.

Elimination consists of hiring of one consultant from Sweden to Norway and management fee from Sweden to Norway.

**Q3 2020**

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	<b>Total</b>
Revenues	124,887	21,829	(543)	<b>146,173</b>
EBITDA	5,460	1,798	-	<b>6,358</b>
EBIT	1,747	1,025	-	<b>2,772</b>
EBIT margin	1.4%	4.7%	-	<b>1.9%</b>

**Q3 2019**

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	<b>Total</b>
Revenues	118,554	19,142	(459)	<b>137,237</b>
EBITDA	3,829	265	-	<b>4,094</b>
EBIT	1,596	(104)	-	<b>1,492</b>
EBIT margin	1.3%	(0.5%)	-	<b>1.1%</b>

**YTD 2020**

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	<b>Total</b>
Revenues	427,327	76,163	(1,903)	<b>501,587</b>
EBITDA	41,149	8,440	-	<b>49,589</b>
EBIT	32,823	6,269	-	<b>39,092</b>
EBIT margin	7.7%	8.2%	-	<b>7.8%</b>

**YTD 2019**

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	<b>Total</b>
Revenues	419,839	65,559	(1,697)	<b>483,701</b>
EBITDA	45,787	2,601	-	<b>48,388</b>
EBIT	39,770	1,512	-	<b>41,282</b>
EBIT margin	9.5%	2.3%	-	<b>8.5%</b>

**FY 2019**

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	<b>Total</b>
Revenues	572,718	90,218	(2,424)	<b>660,513</b>
EBITDA	55,493	4,911	-	<b>60,404</b>
EBIT	46,700	2,413	-	<b>49,113</b>
EBIT margin	8.2%	2.7%	-	<b>7.4%</b>

In the following table, the major revenue lines are disaggregated by geographical areas. Figures are local currencies and does not include eliminations except Group.

**Q3 2020**

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	124,887	20,932	<b>146,125</b>
Other	-	46	<b>48</b>
Total revenues from contracts with customers	124,887	20,978	<b>146,173</b>

**Q3 2019**

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	118,554	20,734	<b>137,237</b>
Other	-	-	<b>-</b>
Total revenues from contracts with customers	118,554	20,743	<b>137,237</b>

**YTD 2020**

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	427,327	74,423	<b>501,462</b>
Other	-	122	<b>125</b>
Total revenues from contracts with customers	427,327	74,545	<b>501,587</b>

**YTD 2019**

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	419,839	70,936	<b>483,622</b>
Other	-	85	<b>79</b>
Total revenues from contracts with customers	419,839	71,021	<b>483,701</b>

**FY 2019**

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	572,566	96,892	<b>660,434</b>
Other	152	85	<b>79</b>
Total revenues from contracts with customers	572,718	96,977	<b>660,513</b>

## NOTE 5 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 recognized 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 2020 had the same number of working days compared to Q3 2019. The first nine months in 2020 had two more working days compared to last year in Norway, while Sweden had one more working day compared to last year.

## NOTE 6 EARNINGS PER SHARE

There are no dilutive effects on the number of shares due to the Long-term incentive programme (LTI) in Q3 or YTD 2020. 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.

## 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 at 30 September 2019). The Group owns a limited amount of treasury shares at quarter end, 0.3 million, booked at face value.

### Earnings per share

<i>(Amounts in NOK 1000)</i>	<b>Q3 2020</b>	<b>Q3 2019</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>FY 2019</b>
Profit for the period	<b>1,662</b>	608	<b>28,917</b>	30,840	36,085
Average number of shares (excl. treasury shares)	<b>26,673</b>	26,481	<b>26,673</b>	26,481	26,501
Average number of shares, fully diluted (excl. treasury shares)	<b>26,673</b>	26,553	<b>26,673</b>	26,565	26,572
Earnings per share (NOK)	<b>0.06</b>	0.02	<b>1.08</b>	1.16	1.36
Earnings per share, fully diluted (NOK)	<b>0.06</b>	0.02	<b>1.08</b>	1.16	1.36

**NOTE 8 INTANGIBLE ASSETS AND GOODWILL**

<i>(Amounts in NOK 1000)</i>	Goodwill Norway	Goodwill Sweden	R&D	<b>Total</b>
<b>Cost</b>				
1 January 2020	313,575	64,889	7,573	<b>386,037</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Exchange adjustments	-	7,278	-	<b>7,278</b>
<b>30 September 2020</b>	<b>313,575</b>	<b>72,167</b>	<b>7,573</b>	<b>393,315</b>
<b>Depreciation and impairment</b>				
1 January 2020	-	-	(1,515)	<b>(1,515)</b>
Impairment	-	-	-	-
Depreciation charge for the year	-	-	(1,136)	<b>(1,136)</b>
<b>30 September 2020</b>	<b>-</b>	<b>-</b>	<b>(2,651)</b>	<b>(2,651)</b>
<b>Net book value</b>				
<b>30 September 2020</b>	<b>313,575</b>	<b>72,167</b>	<b>4,922</b>	<b>390,664</b>
Useful life	Infinite	Infinite	5 years	
Depreciation method	N/A	N/A	Straight line	

Goodwill includes the value from acquisition of Webstep AS in 2011 and Webstep AB in 2012, where NOK 313.5 million and NOK 58.6 million was added to goodwill respectively. Goodwill acquired through business combinations has been allocated to two individual cash generating units (CGUs), which are also defined as reportable segments according to note 4. Goodwill is not amortized but tested yearly or when there are indications of impairment. The COVID-19 pandemic is identified as an impairment

indicator for the CGUs, and management has estimated the recoverable amount and compared this to the carrying amount for each CGUs. Based on the impairment tests performed, no impairment is identified in the first nine months of 2020. Depending on the duration of the COVID-19 pandemic, and to what extent the business is affected in the medium to longer term, it may have an impact on assumptions applied for calculating the recoverable amount for goodwill.

Capitalized R&D include investments in the strategic initiative Webstep Internet of Things (IoT), where a total of NOK 4.9 million is recognized at balance date. The reclassification and recognition as an intangible asset is based on the management's assessment of future economic benefits from the projects and that the criteria in IAS 38.57 is met.

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

The Group has applied its weighted average incremental borrowing rate for all the leases, recognized as financial, due to the similar characteristics of the leases. The rate applied is 4.7 per cent and is based on the rate agreed upon in current Revolving Credit Facility and identified as the incremental borrowing rate. The Group's right-of-use assets are exclusively identified as office rentals and company cars in Sweden. The right-of-use assets are recognized 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 exercised, 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.

**Right-of-use assets***(Amounts in NOK 1000)*

	Company cars Sweden	Offices Sweden	Offices Norway	<b>Total</b>
Acquisition cost 1 January 2020	4,441	4,675	35,053	44,169
Addition of right-of-use assets	-	-	-	-
Currency exchange differences	361	325	-	686
<b>Acquisition cost 30 September 2020</b>	<b>4,802</b>	<b>5,000</b>	<b>35,053</b>	<b>44,855</b>
Accumulated depreciation 1 January 2020	1,003	1,470	4,541	7,014
Depreciation for the period	890	1,247	4,671	6,807
Accumulated depreciation 30 September 2020	1,892	2,717	9,212	13,821
<b>Carrying amount of right-of-use assets 30 September 2020</b>	<b>2,909</b>	<b>2,283</b>	<b>25,842</b>	<b>31,034</b>
Lower of remaining lease term or economic life	1-3 years	1-3 years	1-5 years	
Depreciation method	Amortization	Amortization	Amortization	

**Lease liabilities***(Amounts in NOK 1000)*

	Company cars Sweden	Offices Sweden	Offices Norway	<b>Total</b>
<b>Undiscounted lease liabilities and maturity of cash outflows</b>				
Less than 1 year	1,073	1,888	7,211	<b>10,171</b>
1-2 years	1,778	474	7,743	<b>9,996</b>
2-3 years	-	-	7,530	<b>7,530</b>
3-4 years	-	-	6,489	<b>6,489</b>
4-5 years	-	-	-	-
More than 5 years	-	-	-	-
<b>Total undiscounted lease liabilities 30 September 2020</b>	<b>2,851</b>	<b>2,362</b>	<b>28,973</b>	<b>34,186</b>

(Amounts in NOK 1000)		Company cars Sweden	Offices Sweden	Offices Norway	Total
<b>Summary of the lease liabilities in the financial statements</b>					
At initial recognition 1 January 2020	Financial position	3,438	3,205	30,512	<b>37,156</b>
New lease liabilities recognized in the year	Financial position	-	-	-	-
Cash payment of the lease liabilities	Cash flows	(890)	(1,247)	(4,671)	<b>(6,807)</b>
Currency exchange differences	Financial position	361	325	-	<b>686</b>
<b>Total lease liabilities 30 September 2020</b>	Financial position	<b>2,909</b>	<b>2,283</b>	<b>25,841</b>	<b>31,034</b>
Current lease liabilities	Financial position	1,080	3,092	5,320	<b>9,493</b>
Non-current lease liabilities	Financial position	1,829	2,100	17,612	<b>21,542</b>
Cash outflows for lease liabilities	Cash flows	(890)	(1,247)	(4,671)	<b>(6,807)</b>
Interest expenses on lease liabilities	Comprehensive income	33	(110)	(605)	<b>(682)</b>
<b>Total cash outflows for leases</b>	Cash flows	<b>(857)</b>	<b>(1,357)</b>	<b>(5,276)</b>	<b>(7,490)</b>

## NOTE 10 TRADE AND OTHER RECEIVABLES

### Trade and other receivables

(Amounts in NOK 1000)	30 Sep 2020	30 Sep 2019	31 Dec 2019
Trade receivables – net of related parties	<b>114,385</b>	106,816	105,614
Provision for bad debt	<b>(817)</b>	<b>(817)</b>	(817)
<b>Trade receivables net of provision</b>	<b>113,567</b>	<b>105,999</b>	104,797
Prepayments and other receivables	<b>4,306</b>	5,574	7,112
<b>Total trade and other receivables</b>	<b>117,873</b>	<b>111,573</b>	111,909

All trade and other receivables are due within one year. For receivables due within one year, fair value is equal to nominal amount.

(Amounts in NOK 1000)	Total	Not due	Less than 30 days	30 – 60 days	Above 60 days
Trade receivables – net of related parties	<b>114,385</b>	112,052	(214)	1,210	1,337

**NOTE 11 INTEREST-BEARING DEBT**

The Group has a NOK 110 million Revolving Credit Facility ("RCF") with SpareBank 1 SR-Bank. 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 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 pay-outs 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 15.

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 12 OTHER SHORT-TERM LIABILITIES**

Other short-term liabilities mainly consist 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 13 COVID-19 EFFECTS**

The COVID-19 pandemic has affected the entire market in the countries and regions where Webstep operates. The COVID-19 outbreak affected revenues negatively by approximately NOK 13 million in the first half year, mainly due to the increase in personal leave among the employees following the closing of schools and kindergartens in Norway, but also due to some

abruptly cancelled or postponed projects. The Webstep Management introduced a temporary COVID-19 salary program in March to compensate consultants in Norway impacted by cancelled customer projects. The program has an impact on salary costs from March until October. This program has to a large extent been funded by the COVID-19 related cost savings such as savings from reduced travel, events, social activities etc. in addition to the support measures from the government.

Webstep has made use of certain relief and support measures available from governments in the countries where Webstep operates to mitigate the effects of COVID-19. Such measures primarily relate to reduced social security contributions, care benefit refunds and delays in payment terms of taxes and other levies. Reduced social security contributions and care benefit refunds in Norway and Sweden have a positive effect on operating profit of NOK 5.0 million year to date.

The total effect on EBIT from COVID-19 is estimated to negative NOK 3 million year to date.

It is apparent that the pandemic will impact the full year figures for 2020 negatively, but it is still too early to predict how severe the pandemic will affect the business in a short- and long-term perspective.

There is a temporary positive effect on cash flow from operating activities of approximately NOK 8.6 million from the changes in payment terms of taxes year to date.

**NOTE 14 EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD**

On 13 October 2020, the Board of Directors resolved to distribute a dividend of NOK 1.60 per share based on the Group's net profit for the 2019 financial year. The total dividend amounted to NOK 42.7 million, which corresponds to 118% of the net profit for 2019. The dividend was distributed on 26 October 2020.



## NOTE 15 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 period.

- **EBITDA** is short for Earnings before Interest and other financial items, Taxes, Depreciation and Amortization 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 Amortization divided by the average number of employees.
- **EBIT** is short for Earnings before Interest and other financial items and Taxes and is a term commonly used by equity analysts and investors.
- **EBIT per employee** is Earnings before Interest and other financial items and Taxes divided by the average number of employees.
- **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 Amortization (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 profit measures:

#### Profit measures - EBITDA

(Amounts in NOK 1000)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Operating profit (EBIT)	2,772	1,492	39,092	41,282	49,113
Depreciation	3,586	2,602	10,497	7,106	11,291
<b>EBITDA</b>	<b>6,358</b>	<b>4,094</b>	<b>49,589</b>	<b>48,388</b>	<b>60,404</b>

**Balance sheet and covenant measures:**

All figures "frozen GAAP " (IAS 17) according to agreement with Bank.

**Net Interest Bearing Debt (NIBD)**

	30 Sep 2020	30 Sep 2019	31 Dec 2019
<i>(Amounts in NOK 1000)</i>			
Cash and cash equivalents (minus indicates positive amount)	(53,337)	(8,864)	(25,454)
Restricted cash	1,644	473	786
Debt to credit institutions	-	-	-
<b>Net interest bearing debt</b>	<b>(51,693)</b>	<b>(8,391)</b>	<b>(24,668)</b>

**Group equity ratio**

	30 Sep 2020	30 Sep 2019	31 Dec 2019
<i>(Amounts in NOK 1000)</i>			
Total equity	409,982	362,438	371,645
Total assets (excluding right-of-use-assets)	568,995	509,832	528,266
<b>Group equity ratio</b>	<b>0.72</b>	<b>0.71</b>	<b>0.70</b>

Group equity ratio covenant threshold > 0,3

**NIBD/EBITDA**

	30 Sep 2020	30 Sep 2019	31 Dec 2019
<i>(Amounts in NOK 1000)</i>			
EBITDA rolling 12 months (based on frozen GAAP)	61,605	61,548	52,732
NIBD	(51,693)	(8,391)	(24,668)
<b>NIBD/EBITDA</b>	<b>(0.84)</b>	<b>(0.14)</b>	<b>(0.47)</b>

NIBD/EBITDA covenant threshold < 3

## APPENDIX – QUARTERLY FIGURES

### KEY FIGURES

#### CONSOLIDATED

<i>(Amounts in NOK million)</i>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>
Sales revenues	<b>146.2</b>	172.4	183.0	176.8	137.2
EBITDA	<b>6.4</b>	26.7	16.5	12.0	4.1
EBITDA margin	<b>4.3%</b>	15.5%	9.0%	6.8%	3.0%
EBIT	<b>2.8</b>	23.2	13.1	7.8	1.5
EBIT margin	<b>1.9%</b>	13.5%	7.1%	4.4%	1.1%
Net profit	<b>1.7</b>	17.7	9.6	5.2	0.6
Net cash flow	<b>2.6</b>	11.6	13.7	16.6	3.2
Earnings per share (NOK)	<b>0.06</b>	0.66	0.36	0.20	0.02
Earnings per share, fully diluted (NOK)	<b>0.06</b>	0.66	0.36	0.20	0.02
Number of employees, average (FTE)	<b>415</b>	414	410	405	395
Number of employees, end of period	<b>418</b>	414	417	409	407
Number of work days, Norway (excl. vacation)	<b>66</b>	59	64	62	66
Number of work days, Sweden (excl. vacation)	<b>66</b>	60	63	62	66
EBITDA per average employee (NOK thousand)	<b>15.3</b>	64.6	40.3	29.7	10.4
EBIT per average employee (NOK thousand)	<b>6.7</b>	56.2	32.0	19.3	3.8

## SEGMENTS

### NORWAY

<i>(Amounts in NOK million)</i>	<b>Q3 2020</b>	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Sales revenues	<b>124.3</b>	145.7	155.4	152.2	118.1
EBIT	<b>1.7</b>	20.5	10.6	6.9	1.6
EBIT margin	<b>1.4%</b>	14.0%	6.8%	4.6%	1.4%
Number of employees, average (FTE)	<b>353</b>	351	346	343	335
Number of employees, end of period	<b>357</b>	351	354	346	345
Number of work days, Norway (excl. vacation)	<b>66</b>	59	64	62	66
EBIT per average employee (NOK thousand)	<b>5.0</b>	58.3	30.6	20.1	4.8

### SWEDEN

<i>(Amounts in NOK million)</i>	<b>Q3 2020</b>	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Sales revenues	<b>21.8</b>	26.7	27.6	24.7	19.1
EBIT	<b>1.0</b>	2.8	2.5	0.9	(0.1)
EBIT margin	<b>4.7%</b>	10.4%	8.9%	3.7%	(0.5%)
Number of employees, average (FTE)	<b>62</b>	63	64	62	60
Number of employees, end of period	<b>61</b>	63	64	63	62
Number of work days, Sweden (excl. vacation)	<b>66</b>	60	63	62	66
EBIT per average employee (NOK thousand)	<b>16.6</b>	43.8	38.4	14.5	(1.7)

**CONSOLIDATED INCOME STATEMENT**

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
<i>(Amounts in NOK 1000)</i>					
Sales revenues	146,173	172,394	183,020	176,812	137,237
<b>Total revenues</b>	<b>146,173</b>	<b>172,394</b>	<b>183,020</b>	<b>176,812</b>	<b>137,237</b>
Cost of services and goods	16,013	19,822	19,799	22,639	17,894
Salaries and personnel cost	117,850	119,110	136,659	129,349	106,176
Depreciation and amortization	3,586	3,481	3,430	4,185	2,602
Other operating expenses	5,952	6,737	10,056	12,808	9,073
<b>Operating profit(loss)</b>	<b>2,772</b>	<b>23,244</b>	<b>13,076</b>	<b>7,831</b>	<b>1,492</b>
Net financial items	(649)	(604)	(813)	(723)	(712)
<b>Profit before tax</b>	<b>2,123</b>	<b>22,640</b>	<b>12,263</b>	<b>7,108</b>	<b>780</b>
Income tax expenses	461	4,961	2,687	1,863	173
<b>Profit for the period</b>	<b>1,662</b>	<b>17,679</b>	<b>9,576</b>	<b>5,245</b>	<b>608</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
<i>(Amounts in NOK 1000)</i>					
Intangible assets	390,664	390,335	390,768	384,522	383,595
Fixed assets	6,658	6,483	6,784	5,917	5,354
Right-of-use assets	31,034	33,332	35,589	37,156	22,655
Non-current financial assets	10	10	10	10	10
Deferred tax assets	454	454	454	454	436
<b>Total non-current assets</b>	<b>428,820</b>	<b>430,613</b>	<b>433,605</b>	<b>428,059</b>	<b>412,049</b>
Trade receivables	113,567	105,128	120,446	104,797	105,999
Other current receivables	4,306	6,551	7,834	7,112	5,574
Cash and short-term deposits	53,337	50,759	39,147	25,454	8,864
<b>Total current assets</b>	<b>171,210</b>	<b>162,438</b>	<b>167,427</b>	<b>137,363</b>	<b>120,437</b>
<b>Total assets</b>	<b>600,030</b>	<b>593,051</b>	<b>601,032</b>	<b>565,422</b>	<b>532,486</b>
<b>Total equity</b>	<b>409,982</b>	<b>407,229</b>	<b>389,267</b>	<b>371,645</b>	<b>362,438</b>
Non-current leasing liabilities	21,542	23,727	25,948	28,335	15,128
Deferred tax	1,711	1,694	1,696	1,539	1,635
<b>Total non-current liabilities</b>	<b>23,253</b>	<b>25,422</b>	<b>27,644</b>	<b>29,874</b>	<b>16,763</b>
Current leasing liabilities	9,493	9,604	9,641	8,821	7,527
Trade and other payables	15,568	15,911	17,016	18,901	18,503
Tax payable	5,464	5,236	5,455	8,587	16,624
Social taxes and VAT	61,526	69,336	58,984	56,399	46,909
Other short-term debt	74,744	60,314	93,026	71,195	63,722
<b>Total current liabilities</b>	<b>166,795</b>	<b>160,400</b>	<b>184,121</b>	<b>163,903</b>	<b>153,285</b>
<b>Total liabilities</b>	<b>190,048</b>	<b>185,822</b>	<b>211,765</b>	<b>193,777</b>	<b>170,048</b>
<b>Total liabilities and equity</b>	<b>600,030</b>	<b>593,051</b>	<b>601,032</b>	<b>565,422</b>	<b>532,486</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>(Amounts in NOK 1000)</i>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>
<b>Operating activities</b>					
Profit/(loss) before tax	<b>2,123</b>	22,640	12,263	7,108	780
Adjustments for:					
Depreciation of property, plant and equipment	<b>3,586</b>	3,481	3,430	4,185	2,602
Net change in trade and other receivables	<b>(6,195)</b>	16,602	(16,371)	(337)	32,512
Net change in other liabilities	<b>6,278</b>	(23,465)	22,531	17,360	912
Net foreign exchange differences	<b>135</b>	14	1,046	267	(357)
Income tax expenses	<b>(219)</b>	(5,206)	(5,666)	(10,029)	(434)
<b>Net cash flow from operating activities</b>	<b>5,710</b>	14,065	17,233	18,555	36,015
<b>Investing activities</b>					
Purchase of property and equipment	<b>(1,036)</b>	(557)	(1,688)	(1,326)	(650)
<b>Net cash flow from investing activities</b>	<b>(1,036)</b>	(557)	(1,688)	(1,326)	(650)
<b>Financing activities</b>					
Repayments of lease liabilities	<b>(2,345)</b>	(2,253)	(2,210)	(3,116)	(1,531)
Change in bank overdraft	-	-	-	-	(30,942)
Sale of treasury shares, EIP and incentive program	<b>248</b>	358	357	2,477	280
<b>Net cash flows from financing activities</b>	<b>(2,097)</b>	(1,895)	(1,852)	(639)	(32,193)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,577</b>	11,613	13,693	16,590	3,172
Cash and cash equivalents at the beginning of the period	<b>50,759</b>	39,147	25,454	8,864	5,692
<b>Cash and cash equivalents at the end of the period</b>	<b>53,337</b>	50,759	39,147	25,454	8,864



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