

EVRY

Digital  
+Advantage

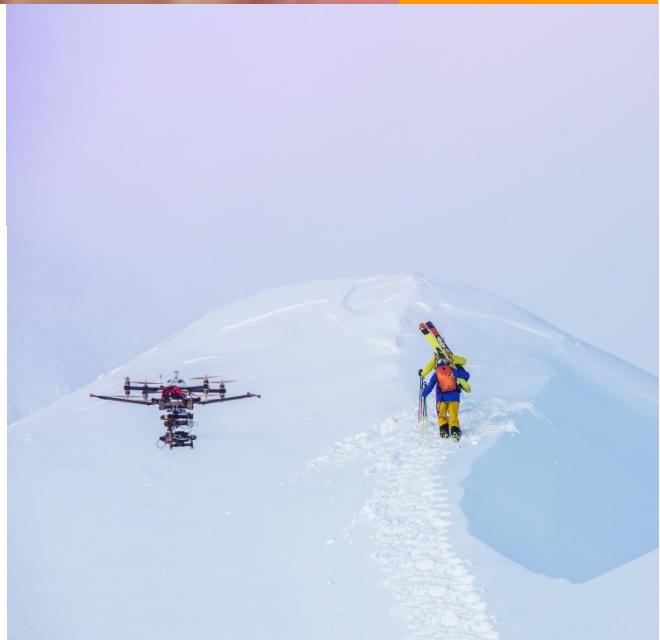


Interim Report for Q4 2018  
and preliminary full year 2018

OSLO BØRS TICKER: EVRY

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# About EVRY

EVRY is one of the leading IT services and software providers in the Nordic region and has more than 10 000 customers across the private and public sectors. Every day more than five million people in the Nordic region use solutions delivered by EVRY. Through its strong local presence and in-depth technological and commercial insight, EVRY is a driving force for innovation and modernisation at its customers. EVRY reported turnover of NOK 12.9 billion in 2018 and has around 8 800 employees across nine countries. Its headquarter is located at Fornebu just outside Oslo, and the company is listed on Oslo stock exchange.

[www.evry.com](http://www.evry.com)

# Financial highlights

## Strong Net Profit and Free Cash Flow combined with significant increase in Backlog

- Total revenue of NOK 3 413 million in Q4 2018, in line with Q4 2017. Organic growth<sup>2</sup> of 0.4% in Q4 2018 (3.7% in Q4 2017)
- Total revenue of NOK 12 912 million in 2018 (NOK 12 596 million in 2017) resulting in an organic growth of 3.0% in 2018 (2.4% in 2017)
- EBITA<sup>1</sup> in Q4 2018 of NOK 475 million (NOK 495 million in 2017), representing an EBITA<sup>1</sup> margin of 13.9% in 2018 (14.5% in 2017)
- EBITA<sup>1</sup> in 2018 of NOK 1 582 million (NOK 1 569 million in 2017), representing an EBITA<sup>1</sup> margin of 12.3% in 2018 (12.5% in 2017)
- Net profit of NOK 640 million in 2018, an increase of NOK 901 million from 2017
- Free cash flow in 2018 of NOK 997 million, up 9.2% from NOK 913 million in 2017
- Backlog of NOK 19.4 billion as of 31 December 2018, increased by NOK 1.4 billion from NOK 18.0 billion as of 31 December 2017
- EPS<sup>1</sup> in 2018 of NOK 2.89 compared to NOK 2.82 in 2017
- Other income and expenses down to NOK 545 million in 2018 (excluding provisions to former CEO) from NOK 1 215 million in 2017 in line with guidance
- Board of Directors proposes dividend of NOK 1.75 per share, equal to 61% of Adjusted Net Profit

(NOK million)	Q4 2018	Q4 2017	2018	2017
Operating revenue	3 413	3 413	12 912	12 596
Organic growth	0.4 %	3.7 %	3.0 %	2.4 %
EBITDA <sup>1</sup>	543	557	1 812	1 821
EBITDA margin (%) <sup>1</sup>	15.9 %	16.3 %	14.0 %	14.5 %
EBITA <sup>1</sup>	475	495	1 582	1 569
EBITA margin (%) <sup>1</sup>	13.9 %	14.5 %	12.3 %	12.5 %
Other income and expenses	204 <sup>3</sup>	261	560 <sup>4</sup>	1 215
Profit/-loss for the period	219	138	640	-261
Free cash flow	994	946	997	913
Cash conversion (LTM)			86.2 %	91.6 %
Backlog (NOK billion)			19.4	18.0
Earnings per share (average shares) <sup>1</sup>	1.01	0.91	2.89	2.82
Earnings per share (shares per 31.12.) <sup>1</sup>			2.89	2.82

1) Before other income and expenses

2) Organic growth is defined as revenue adjusted for impacts from acquisitions, divestment and foreign currency effects

3) Including provisions to former CEO

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Per Hove, CEO at EVRY says

*- What we have achieved in 2018 is a solid step in the right direction. We have had an exciting year, with growth outside of the Nordics in the financial market and a breakthrough in Finland.*

# Business update

## DELIVERING ON OUR STRATEGY

EVRY is operating in the industry of our time where digital transformation is on every leader's agenda – public or private. This is reflected in the fourth quarter of 2018 through multiple new contract wins, and the broad pipeline of digital projects that have been implemented and delivered during the quarter.

## GROWING PRESENCE IN INTERNATIONAL MARKETS AND CONTRACT WINS IN FINANCIAL SERVICES

EVRY's integrated service offerings and broad experience within the banking domain and in areas such as core banking, payment solutions, ATM and Card, have placed the company in a unique position. EVRY is now not only the leading Financial Service provider in the Nordics, but has also expanded internationally. The fourth quarter of 2018 marked a breakthrough for EVRY's Financial Services business in Finland, when it signed a new contract with Handelsbanken. For Handelsbanken, EVRY will deliver a complete portfolio of banking solutions including next-generation core banking and payment solutions. The agreement also covers internet banking for personal and corporate customers, loan management and back office solutions for Handelsbanken's employees, as well as a full value chain of card services. This is a major step in EVRY and Financial Services' Nordic strategy, which enables the company to take a strong position in Finland and grow the presence further in the international markets. The Handelsbanken contract in Finland has a total value of approximately NOK 650 million over a period of eight years.

In November EVRY entered into a new and extended agreement with one of its key customers, SpareBank1, related to digital workplace services. EVRY is pleased that SpareBank1 once again has put its trust in EVRY and extended its collaboration where EVRY will deliver a service that will ensure that SpareBank1's nearly 8 000 users have an efficient working day. Under the agreement EVRY will provide server and client operations services, and it includes options for the banks to access contingency solutions and public and private cloud services. The workplace contract with SpareBank1 has a value of approximately NOK 170 million.

Security and compliance are on top of the agenda for banks globally, as it also is for EVRY across all industries. In this context, EVRY is pleased that DNB in November renewed its agreement with EVRY for card fraud prevention and software solutions to enhance its level of security and compliance. Since the solutions work in real time, fraudulent transactions can be stopped before they are completed. Adopting artificial intelligence and machine learning will make the hunt for fraud even more sophisticated and accurate.

The leverage and advantages that comes out of the partner ecosystem in EVRY, can be illustrated by the new contract with Monobank this quarter. EVRY sees increased activity in the card and mobile payment space as margins come under pressure from regulation, competition and new technology. EVRY experience growing demand across all tiers and geographies, from top tier incumbent banks right through to

new challenger banks. Monobank launched Google Pay for banks in the Nordic region where it will introduce Google's mobile payment solution for its customers. EVRY has enabled use of Google's mobile payment solution by digitising customers' bank cards on their mobile phones.

## A CHANGING MARKET CREATES UNLIMITED OPPORTUNITIES

EVRY is also leveraging its existing customer relations for expanding and developing expertise for new clients in other markets. An example is the new partnership with Bankgirot in Sweden, where Bankgirot will be outsourcing its IT operations to EVRY. The partnership will enable Bankgirot to adopt a more dynamic delivery organisation and modernise its digital infrastructure. The total contract value is approximately SEK 700 million and runs for a period of seven years with effect from December 2018.

The substantial changes in market dynamics related to the digitalisation trend experienced across all market segments require EVRY and its customers to adapt to a new business landscape. EVRY holds an attractive position in this market environment, as it has the consultancy expertise, local knowledge of its customer's markets and the right mix of technological competence. This, in combination with high-value add business solutions and a broad partner ecosystem, allows EVRY to be well positioned to compete with the global players that is entering the Nordic market.

A proof point of this competitive advantage is the contract that EVRY was awarded from Yara (the world's leading fertilizer company), where EVRY has been assigned the task of building a system for loading and unloading an autonomous ship. Yara chose EVRY as one of their partners realizing the world's first fully electric and autonomous container ship ("Yara Birkeland"), where the ship will improve NOx and CO2 emissions by reducing diesel-powered truck transport by around 40 000 journeys per year. This eco-initiative will help meet the UN sustainability goals and improve road safety and congestion.



EVRY and Systembolaget have partnered to explore how they together can build the "future store", and how digital solutions can be implemented into retail stores. In this project, EVRY is to perform a cloud transformation in combination with design methodology to create a more inspirational digital environment. EVRY has a long relationship with Systembolaget and is an important contributor to the establishment of Systembolaget's future store concept.

Moreover, together with its partner IFS, EVRY has won several important deals during the fourth quarter where deep

industry knowledge and good understanding of the customer and the customer's business have been key. One of the new customers is the Derome Group, which is one of Sweden's largest family-owned wood and timber companies. Derome modernises and increases efficiency throughout the organization by linking the company's internal processes within finance, sales, manufacturing, logistics and customer service, where Derome have chosen IFS Applications with EVRY as implementation partner for all their operations.

#### LEVERAGING SKILLS AND DIVERSITY

To meet the new "digital world" where technology is the key for innovation, EVRY needs to continuously focus on skills and diversity. Skills is the company's "backbone" and EVRY has in 2018 hired more than 800 new employees in Norway and Sweden. The future success factor is an employee force with a balanced mix of backgrounds, competencies, experiences, age and gender.

In EVRY, there are more than 2 100 consultants across the Nordics and more than 5 000 consultants in total (including Global Delivery). The ambition for EVRY's consulting business is to expand and focus on seven key practice areas, which fall under digital consulting services and application services. These services are delivered on top of the digital platform services that create repeatable and scalable solutions together with its partners.

#### MOVING TO THE CLOUD IS A FOUNDATION FOR LOWERING RISK AND INCREASING AGILITY AND ADAPTABILITY

EVRY's Cloud Direct solution implies that EVRY takes full responsibility for customers' cloud services, both in terms of implementation and operation. This gives the customer more time to focus on their core business and work on innovation, as Cloud Direct offers a wide range of standardised services and solutions that are easily available.

In the fourth quarter, EVRY signed two large Cloud Direct agreements for its cloud-based solution from Microsoft Azure Public Cloud; Flytoget (the airport express train in Norway) and Jernbanedirektoratet (the Norwegian Railway Directorate). The agreements comprise that Flytoget and Jernbanedirektoratet will move all technological operations to the cloud and buy all services from EVRY through an "as a service" (SaaS) solution.

In the third quarter of 2018, EVRY signed a full ERP solution contract based on Unit4 with NORCE (Norwegian Research Centre). In the fourth quarter of 2018 the implementation of the advanced project management tool, including financial/accounting, HR and payroll modules for their projects, was delivered successfully and in record time. The contract was signed in August and already in production from December. The project was delivered on time, at cost and with the highest quality, and merged five large research institutes in Western Norway into one. With the delivery from EVRY, the customer has gone from 25 different solutions to one and has a large digital advantage in building the company further.

EVRY has also entered into two new contracts in the quarter with Fjellinjen and Vegfinans, where EVRY will help to collect toll in an efficient way through an Unit4 solution.

#### A FOCUSED GO TO MARKET MODEL ACCELERATES GROWTH

Within the Public and Health sector, EVRY won a new contract with Skatteetaten at the end of 2018 as a vendor of Workspace services for 6.500 employees. The contract size is around NOK 260 million and runs for a period of four years. This is the first time Skatteetaten is outsourcing such a service, where security and local delivery was one of the key criteria's in the tender process. This is a good example of EVRY winning contracts with existing customers, where experience and leverage from other customer contracts was essential (i.e. the Sparebank1 contract mentioned above).

Moreover, EVRY has been chosen as a digital partner to the City of Gothenburg to drive innovation and digitalisation, and help the city communicate with its citizens in a more environmentally friendly way. The goal is for all citizens to choose freely how to receive information from the city for all outgoing communication including documents and invoices. EVRY will deliver its multichannel solution as a service with a clear focus on, for example, enabling payment of invoices in new ways. For EVRY's Information Logistics this is a breakthrough and an important strategic deal for doing business with a municipal of this size. Gothenburg is the second largest city in Sweden and situated by the port with a strategic location between Oslo and Copenhagen. By collaborating with EVRY, the City of Gothenburg also gets a partner to help and support further development and find new solutions for tomorrow's communications channels. EVRY is now in the transition phase where it already has the possibility to respond to the city's need for more services, and the contract gives a real chance for EVRY to add on more services during the contract time.

#### CAPITAL MARKETS DAY AND NEW CEO

In the capital markets day held in November, EVRY pinpointed higher focus on divestment of non-core and margin dilutive business. As a result of this, the D365 Microsoft Dynamics unit in Finland has been sold to eCraft. This business is value add and accretive in Norway and Sweden, but subscale in Finland due to the operations that EVRY currently have in this geographical area.

Another important milestone taking place in the fourth quarter for EVRY, was Per Hove taking over as Group CEO from Björn Ivroth. Per Hove joined EVRY as Sales Director in 2015, he subsequently became Executive Vice President in September 2017, and has been Head of both EVRY Digital Platform Services and EVRY Norway.

*"New technology and disruptive models are changing the day-to-day reality of both businesses and private individuals. I am looking forward to building an EVRY that works with its customers to understand what lies behind these big changes and how they can make use of new technologies such as artificial intelligence and robotics", comments Hove.*

In January 2019 EVRY announced that Karin Schreil was appointed as Executive Vice President of EVRY Sweden and will start in her new position in May 2019.

## Backlog

The EVRY Group's backlog was NOK 19.4 billion at the end of 2018, where of NOK 7.4 billion (38 percent) are to be delivered in 2019. The corresponding backlog figure for the Group was NOK 18.0 billion at year-end 2017.

EVRY's backlog at year-end 2018 is not solely a result of a year with some few big contracts for the company. The backlog underlines the trend and fact that customers in general are changing their purchasing behaviour. Instead of entering into large and complex contracts, the agreements are becoming more project based with multiple small and medium sized contracts.

EVRY Financial Services closed the year with a backlog of NOK 8.6 billion whereof NOK 3.0 billion will be delivered in 2019. The corresponding backlog figure for the EVRY Financial Services business area was NOK 7.6 billion as of 31 December 2017.

EVRY Norway's order backlog at 31 December 2018 ended at NOK 7.4 billion, where of NOK 3.0 billion will be delivered in 2019. The corresponding backlog figure for the EVRY Norway business area was NOK 6.9 billion at year-end 2017.

EVRY Sweden's order backlog at 31 December 2018 was NOK 3.3 billion, where of NOK 1.4 billion will be delivered in 2019. The corresponding backlog figure for the EVRY Sweden business area was NOK 3.5 billion at year-end 2017.

# Group performance

## Summary of the fourth quarter of 2018

Organic growth  
in Q4 2018

0.4 %

Operating revenue  
in Q4 2018

3 413  
NOK million

EBITA<sup>1</sup>  
in Q4 2018

475  
NOK million

EBITA margin<sup>1</sup>  
in Q4 2018

13.9%

This interim report relates to EVRY's development in the fourth quarter of 2018 relative to the fourth quarter of 2017 and full year 2018 compared to full year 2017. All figures are in NOK million unless otherwise stated. All comments regarding EBITDA and EBITA exclude other income and expenses. Please refer to page 31 for a description of the Alternative Performance Measures.

## Revenues

The Group reported operating revenue for the fourth quarter of 2018 of NOK 3 413 million, in line with the fourth quarter of 2017. Adjusted for currency impact and acquisitions, the organic growth was 0.4% in the fourth quarter of 2018.

EVRY reported a backlog of NOK 19.4 billion at the end of December 2018, an increase of NOK 1.4 billion from NOK 18.0 billion at the end of December 2017. See "Business Update" for more information about new contracts and projects awarded in the fourth quarter.

The Group's revenues are divided into different service lines based on the type of product or services that are offered:

**Consulting Services:** Bringing together business strategy, design thinking and technology, and making the best use of new, emerging IT technologies and competencies in consultancy and advisory services on digital strategy and service in business development

**Application Services:** Addressing customers' needs for business solutions by implementing and running systems developed by the Group or based upon third-party vendor software

**Digital Platform Services:** Providing access to efficient and reliable IT infrastructure and focusing on hybrid cloud solutions with related application services to enable customers' digital business

**Fulfilment Services:** Supply of devices and software for customers' workforces, including i.e. laptops, mobile devices and equipment for collaboration

### CONSULTING SERVICES

Revenues within Consulting Services was NOK 1 151 million, equal to 32.2% of total group revenues in the fourth quarter of 2018. In the fourth quarter of 2017 Consulting Services revenues amounted to NOK 1 176 million or 33.3% of total group revenues. Organically this implies a decrease of 3.4% year on year.

1) Before other income and expenses

The utilisation rate in the fourth quarter of 2018 (Norway and Sweden combined) was 79.4%, a decrease of 0.8 percentage point compared to the same quarter last year.

#### APPLICATION SERVICES

Revenues within Application Services was NOK 1 110 million in the fourth quarter of 2018, which represent 31.1% of total group revenues. In the fourth quarter of 2017 Application Services revenues amounted to NOK 1 104 million or 31.3% of total group revenues. Organically this implies a growth of 1.8% in the fourth quarter of 2018.

Of the revenues within Application Services, Financial Services amounted to NOK 554 million or 49.9% of the Application Services revenues. The business area reported an organic growth of 1.7% in the fourth quarter of 2018.

#### DIGITAL PLATFORM SERVICES AND FULFILMENT SERVICES

Revenues within Digital Platform Services (Infrastructure Services) was NOK 987 million, equal to 27.6% of total group revenues in the fourth quarter of 2018. In the fourth quarter of 2017, Digital Platform Services revenues amounted to NOK 973 million (27.6% of total group revenues). Organically this segment grew 2.5% in the fourth quarter of 2018.

Revenues within Fulfilment Services was NOK 323 million, equal to 9.0% of total group revenues in the fourth quarter of 2018. In the fourth quarter of 2017 Fulfilment Services revenues amounted to NOK 276 million (7.8% of total group revenues).

#### CONSULTING SERVICES

(NOK million)	Q4 2018	Q4 2017	Organic growth	2018	2017	Organic growth
Revenues Consulting Services	1 151	1 176	-3.4 %	4 360	4 385	-0.9 %
In % of total group revenues <sup>1</sup>	32.2 %	33.3 %		32.3 %	33.1 %	
Utilisation Norway (in percent)	80.9 %	82.1 %		80.9 %	81.1 %	
Utilisation Sweden (in percent)	77.4 %	77.6 %		78.5 %	79.6 %	
Utilisation Norway and Sweden (in percent)	79.4 %	80.2 %		79.9 %	80.5 %	
Number of billable consultants Norway				1 190	1 103	
Number of billable consultants Sweden				933	840	
Number of billable consultants Norway & Sweden				2 123	1 943	

#### APPLICATION SERVICES

(NOK million)	Q4 2018	Q4 2017	Organic growth	2018	2017	Organic growth
Revenues Application Services	1 110	1 104	1.8 %	4 180	3 956	6.5 %
In % of total group revenues <sup>1</sup>	31.1 %	31.3 %		30.9 %	29.9 %	
Where of revenues within Financial Services	554	547	1.7 %	2 072	1 933	7.4 %
In % of total revenues <sup>1</sup>	49.9 %	49.6 %		49.6 %	48.9 %	

#### DIGITAL PLATFORM SERVICES AND FULFILMENT SERVICES

(NOK million)	Q4 2018	Q4 2017	Organic growth	2018	2017	Organic growth
Revenues Digital Platform Services	987	973	2.5 %	3 811	3 856	-0.4 %
In % of total group revenues <sup>1</sup>	27.6 %	27.6 %		28.2 %	29.1 %	
Revenues Fulfilment Services	323	276	19.0 %	1 156	1 035	12.9 %
In % of total group revenues <sup>1</sup>	9.0 %	7.8 %		8.6 %	7.8 %	

1) Before Group eliminations

# Profitability

## EBITDA AND EBITA BEFORE OTHER INCOME AND EXPENSES

EBITDA in the fourth quarter of 2018 was NOK 543 million, compared to NOK 557 million in the fourth quarter of 2017. The EBITA in the fourth quarter of 2018 was NOK 475 million, representing an EBITA margin of 13.9%. In the fourth quarter of 2017 the corresponding figures was an EBITA of NOK 495 million and an EBITA margin of 14.5%.

The reduction in profitability in the fourth quarter of 2018 relative to the fourth quarter of 2017, was mainly within the business area EVRY Sweden. EVRY Sweden experienced lower activity level in the fourth quarter of 2018 which is a continuation of the performance from previous quarters in 2018 and reported both lower utilisation and higher employee turnover. The loss of contracts within Infrastructure Services area had also a negative impact on the profitability in the fourth quarter of 2018

EVRY Norway reported an increased EBITA in the fourth quarter of 2018 relative to the fourth quarter of 2017. In EVRY Norway the positive profitability development was driven by relatively more delivery of Application Services, partly offset by somewhat lower activity level within the consultancy business and lower add-on sales within infrastructure services.

EVRY Financial Services reported slightly lower profitability in the fourth quarter of 2018 compared to the fourth quarter of 2017, due to a very high activity level within Card Services in the fourth quarter of 2017.

## OTHER INCOME AND EXPENSES

Other income and expenses totalled NOK 204 million in the fourth quarter of 2018, where of NOK 189 million was related to the IBM partnership transition and transformation project and settlements at the end of 2018. In addition, NOK 15 million was booked in relation to the change of the Group CEO, which was announced in November 2018. In the fourth quarter of 2017 other income and expenses totalled NOK 261 million, which implies a reduction of NOK 57 million.

## NET FINANCIAL EXPENSES, PROFIT BEFORE TAX AND EARNINGS PER SHARE

Net financial expenses for the fourth quarter of 2018 was NOK 51 million, an increase of NOK 16 million from NOK 35 million for the corresponding period in 2017. The net financial expenses were positively impacted by an agio effect of NOK 14 million in the fourth quarter of 2017, compared to a positive agio effect of NOK 5 million in the fourth quarter of 2018. Financial expenses in the fourth quarter of 2018 was also impacted by higher interest rates in 2018 compared to 2017, and interest rate swaps that had full effect in 2018.

Profit before tax (EBT) for the fourth quarter of 2018 was NOK 221 million as compared to a profit NOK 196 million for the fourth quarter of 2017. The effective tax rate for the fourth quarter of 2018 was 1.0%, representing a tax expense of NOK 2 million. The effective tax rate for the fourth quarter of 2017

was 29.7%, representing a tax expense of NOK 58 million. The effective tax rate for the fourth quarter of 2018 was positively impacted by a change in valuation allowance of deferred tax asset in Norway. The effective tax rate in both the fourth quarter of 2018 and 2017 was negatively impacted by change in tax rates in Norway, leading to an increased effective tax rate.

Earnings per share (EPS) was NOK 0.59 for the fourth quarter of 2018, compared to NOK 0.37 per share for the fourth quarter of 2017. Adjusted for other income and expenses, the EPS was NOK 1.01 for the fourth quarter of 2018 compared to NOK 0.91 per share for the corresponding quarter of 2017.

## Summary of the full year 2018

### Revenues

Organic growth  
in 2018

3.0 %

Operating revenue  
in 2018

12 912  
NOK million

EBITA<sup>1</sup>  
in 2018

1 582  
NOK million

EBITA margin<sup>1</sup>  
in 2018

12.3%

The Group reported operating revenue for 2018 of NOK 12 912 million compared to NOK 12 596 million in 2017. Adjusted for currency impact and acquisitions, the organic growth was 3.0% in 2018 relative to 2017.

#### CONSULTING SERVICES

Revenues within Consulting Services was NOK 4 360 million in 2018, equal to 32.3% of total group revenues. In 2017 Consulting Services revenues amounted to NOK 4 385 million, or 33.1% of total revenues. Organically this was a decrease of 0.9% in 2018 compared to 2017.

The utilisation in 2018 (Norway and Sweden combined) was 79.9%, a decrease of 0.6 percentage point compared to last year. The decrease was mainly due to lower utilisation within the consultancy business in Sweden.

#### APPLICATION SERVICES

Revenues within Application Services was NOK 4 180 million in 2018, which represent 30.9% of total group revenues. In 2017 Application Services revenues amounted to NOK 3 956 million or 29.9% of total group revenues. This represents an organic growth of 6.5% in 2018 and is a result of the Group's focus on change in business and revenue mix, as well as high activity within Financial Services.

Of the revenues within Application Services, Financial Services amounted to NOK 2 072 million (equal to 49.6% of the Application Services revenues), compared to NOK 1 933 million in 2017. This implies an organic growth of 7.4%, where the card business has been the major growth driver in 2018.

#### DIGITAL PLATFORM SERVICES AND FULFILMENT SERVICES

Revenues within Digital Platform Services (Infrastructure Services) was NOK 3 811 million, equal to 28.2% of total group revenues in 2018. In 2017 Digital Platform Services revenues amounted to NOK 3 856 million, or 29.1% of total group revenues. Organically this was a decline of 0.4% in 2018. EVRY has over the last years been able to change the business mix to include relatively more higher-margin services, with less basic infrastructure and higher volume of value-added Application Services.

Revenues within Fulfilment Services was NOK 1 156 million, equal to 8.6% of total group revenues in 2018. In 2017 Fulfilment Services revenues amounted to NOK 1 035 million, or 7.8% of total revenues.

1) Before other income and expenses

# Profitability

## EBITDA AND EBITA BEFORE OTHER INCOME AND EXPENSES

EBITDA in 2018 was NOK 1 812 million, compared to NOK 1 821 million in 2017. The EBITA in 2018 was NOK 1 582 million, compared to NOK 1 569 million in 2017. The EBITA margin was 12.3% in 2018, compared to 12.5% in 2017.

## OTHER INCOME AND EXPENSES

Other income and expenses totalled NOK 560 million in 2018, whereof NOK 545 million was related to the IBM transition and transformation project. This is as per guidance December 2017. In addition, NOK 15 million was booked related to the change of the Group CEO in the fourth quarter of 2018. In 2017 other income and expenses totalled NOK 1 215 million, whereof NOK 941 million was related to the implementation of the IBM partner agreement, NOK 241 million was related to the IPO transaction and refinancing costs, and NOK 33 million to restructuring expenses.

## NET FINANCIAL EXPENSES, PROFIT BEFORE TAX AND EARNINGS PER SHARE

Net financial expenses in 2018 was NOK 231 million, a decrease of NOK 442 million from NOK 673 million for the corresponding period in 2017. The net financial expenses in 2017 were driven by the refinancing of the Group's debt facilities completed in connection with the IPO in June 2017, where refinancing costs added up to NOK 313 million. Additionally, the reduction in net financial expenses in 2018 were due to significantly lower leverage during the year compared to 2017. The net financial expenses were positively impacted by an agio effect of NOK 13 million in 2017, compared to a negative effect of NOK 27 million in 2018.

Profit before tax (EBT) in 2018 was NOK 791 million as compared to a loss of NOK 333 million in 2017. The effective tax rate in 2018 was 19.1%, representing a tax expense of NOK 151 million, including withholding tax of NOK 20 million. The effective tax rate for 2018 was positively impacted by a change in valuation allowance of deferred tax asset in Norway. The effective tax rate in 2017 was 21.6%, representing a tax expense of NOK 72 million.

Earnings per share (EPS) was NOK 1.73 per share in 2018, compared to NOK -0.82 per share in 2017. Adjusted for other income and expenses, the EPS was NOK 2.89 per share in 2018 compared to NOK 2.82 per share in 2017.

# Cash flow

## CASH CONVERSION AND DSO

LTM Cash conversion as of 31 December 2018 ended at 86.2%, compared to 91.6% as of LTM 31 December 2017. The reduced cash conversion is mainly explained by higher working capital outflow, and reduced EBITDA relative to operational cash flow before paid interests for the last twelve months ended 31 December 2018.

EVRY continue to improve its cash collection processes and has improved the DSO significantly over the last years. As of 31 December 2018, the LTM DSO was 36.5 days, slightly above the 36.3 days as of LTM 31 December 2017.

## NET CASH FLOW AND FREE CASH FLOW

Net cash flow from operations in the fourth quarter of 2018 was NOK 900 million, an improvement of NOK 149 million from NOK 751 million in the fourth quarter of 2017. Adjusted operational cash flow for the fourth quarter of 2018 was NOK 1 112 million, up from NOK 1 068 million for the corresponding quarter in 2017. The fourth quarter of 2018 was less negatively impacted by transition and transformation expenses related to the IBM partner agreement, as these were reduced from NOK 230 million to NOK 203 million in the fourth quarter of 2018.

Net cash flow from operations in 2018 was NOK 713 million as compared to negative NOK 495 million in 2017. Adjusted operational cash flow in 2018 was NOK 1 374 million, compared to NOK 1 272 million in 2017. The operational cash flow in both 2017 and 2018 was negatively impacted by payments to IBM in relation to the transformation and transitions projects, as well as the IPO and refinancing process in 2017.

Net operational investments for 2018 amounted to NOK 377 million, compared to NOK 359 million in 2017. Investment in tangible operating assets amounted to NOK 138 million in 2018, while investment in in-house developed software amounted to NOK 260 million. The corresponding figures in 2017 were NOK 176 million and NOK 206 million respectively.

Investment in group companies amounted to NOK 157 million in 2018, where the major part was related to the acquisition of Findwise AB and Exonor Group in Sweden, and the acquisition of the remaining 10% shares of EVRY Financing AS.

Net cash flow from financing in 2018 was negative NOK 414 million. The company paid out a dividend to the shareholders of NOK 464 million in May 2018, where temporary draw downs on the Revolving Credit Facility has been done to bridge the payment. The net cash flow from financing in 2017 was NOK 770 million, explained by the IPO process (private placement) and refinancing completed in June 2017.

Free cash flow in 2018 was NOK 997 million compared to NOK 913 million in 2017. The financial items paid in 2018 was NOK 189 million, reduced by NOK 206 million from NOK 395 million in 2017. This was partly offset by higher net working capital outflow in 2018 compared to 2017.

# Equity and capital structure

The equity as of 31 December 2018 was NOK 2 984 million, equal to an equity ratio of 25.7%, compared to an equity of NOK 3 238 million and an equity ratio of 28.4% at the end of December 2017. The reduced book equity is mainly due to the dividend payment in May of NOK 464 million, and the negative effect of implementing IFRS 15 (of NOK 391 million). The implementation effect is due to the change in recognition of

revenues related to software licenses within Financial Services (see note 1 to the Interim Financial Statement for more information).

The Group had total outstanding long-term debt of NOK 4 700 million and a cash balance of NOK 646 million as of 31 December 2018. This implies a net interest-bearing debt (NIBD) of NOK 4,104 million and a net leverage of 2.26x LTM Adjusted EBITDA.

#### FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. EVRY has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of EVRY.

Although EVRY believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the IT services and software markets in general or EVRY including those described in the Prospectus provided in connection with the IPO and other information made available by EVRY. As a result, you should not rely on these forward-looking statements. EVRY undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

# Business Area Performance

The Group's activities are divided into three reporting business areas for 2018. The business areas reflect the main markets served and correspond with the structure used for reporting to the Group's decision makers.

Operating revenue (NOK million)	Q4 2018	Q4 2017	Organic growth	2018	2017	Organic growth
EVRY Norway	1 478	1 521	-2.8%	5 765	5 769	-0.1%
EVRY Sweden	892	876	2.5%	3 301	3 312	0.2%
EVRY Financial Services	913	889	3.3%	3 392	3 222	5.6%
Other	129	127		454	294	
<b>Group</b>	<b>3 413</b>	<b>3 413</b>	<b>0.4%</b>	<b>12 912</b>	<b>12 596</b>	<b>3.0%</b>

EBITA (NOK million)	Q4 2018	Q4 2017	2018	2017
EVRY Norway	182	177	604	603
EVRY Sweden	55	94	248	325
EVRY Financial Services	123	126	456	432
Other	115	99	274	209
<b>Group (before other income and expenses)</b>	<b>475</b>	<b>495</b>	<b>1 582</b>	<b>1 569</b>
<b>Other income and expenses</b>	<b>-204</b>	<b>-261</b>	<b>-560</b>	<b>-1 215</b>
<b>Group</b>	<b>271</b>	<b>234</b>	<b>1 022</b>	<b>353</b>
EBITA margin (%)	Q4 2018	Q4 2017	2018	2017
EVRY Norway	12.3 %	11.6 %	10.5 %	10.5 %
EVRY Sweden	6.2 %	10.7 %	7.5 %	9.8 %
EVRY Financial Services	13.5 %	14.2 %	13.4 %	13.4 %
<b>Group (before other income and expenses)</b>	<b>13.9 %</b>	<b>14.5 %</b>	<b>12.3 %</b>	<b>12.5 %</b>
<b>Group</b>	<b>8.0 %</b>	<b>6.9 %</b>	<b>7.9 %</b>	<b>2.8 %</b>

# EVRY Norway

Operating revenue for EVRY Norway for the fourth quarter of 2018 was NOK 1 478 million, a decline of NOK 43 million, or -2.8% organically, from 2017. The utilisation related to billable consultants was 80.9% in the fourth quarter of 2018, compared to 82.1% in the fourth quarter of 2017.

EVRY Norway reported an EBITA of NOK 182 million for the fourth quarter of 2018, an increase of NOK 5 million from NOK 177 million in the fourth quarter of 2017. The EBITA margin for the fourth quarter of 2018 increased to 12.3% as compared to 11.6% in the same period of 2017.

EVRY Norway's order backlog at 31 December 2018 was NOK 7.4 billion, an increase of NOK 0.5 billion from NOK 6.9 billion at the end of December 2017. Of the total backlog at the end of December 2018, 41% are to be delivered in 2019.

# EVRY Sweden

Operating revenue for EVRY Sweden for the fourth quarter of 2018 was NOK 892 million, an increase of NOK 16 million from NOK 876 million in the fourth quarter of 2017 equal to an organic growth of 2.5%. The utilisation of the billable consultants was 77.4% in the fourth quarter of 2018, compared to 77.6% in the fourth quarter of 2017.

EVRY Sweden reported an EBITA of NOK 55 million for the fourth quarter of 2018, compared to NOK 94 million in the fourth quarter of 2017. The reduced profitability was mainly due to lower sales within the infrastructure services and lower utilisation within the consultancy business area. The EBITA margin for the fourth quarter of 2018 was 6.2% as compared to 10.7% in the fourth quarter of 2017.

EVRY Sweden's order backlog at 31 December 2018 was NOK 3.3 billion, a decrease of NOK 0.2 billion from NOK 3.5 billion at the end of December 2017. Of the total backlog at the end of December 2018, 42% are to be delivered in 2019.

# EVRY Financial Services

Operating revenue for Financial Services for the fourth quarter of 2018 was NOK 913 million, an increase of NOK 24 million from NOK 889 million for the fourth quarter of 2017. This was equivalent to an organic growth of 3.3% relative to the fourth quarter of 2017. The growth in the fourth quarter of 2018 came from the banking area. The Card Services area has shown sustainable revenue growth over the past two years, but reported slightly lower revenues in the fourth quarter in 2018, compared to a very high performance and activity level in the fourth quarter of 2017. Growth in the fourth quarter was also powered by increases in the number and volume of card transactions processed across countries.

EVRY Financial Services reported an EBITA of NOK 123 million for the fourth quarter of 2018, compared to NOK 126 million for the fourth quarter of 2017. The card services are delivered an EBITA margin of 10.7%, a decrease of 1.2% percentage point compared to the fourth quarter of 2017. The Banking area reported an EBITA margin of 14.5% in the fourth quarter of 2018, compared to 15.1% for the corresponding period in 2017.

EVRY Financial Services' order backlog at 31 December 2018 was NOK 8.6 billion, an increase of NOK 1.0 billion from NOK 7.6 billion at the end of December 2017. Of the total backlog at the end of December 2018, 35% are to be delivered in 2019.

## FINANCIAL SERVICES

(NOK million)	Q4 2018	Q4 2017	2018	2017
<b>Cards</b>				
Revenue	254	262	989	912
EBITA	27	31	148	119
EBITA margin	10.7 %	11.9 %	15.0 %	13.0 %
<b>Banking</b>				
Revenue	659	627	2 403	2 310
EBITA	96	95	308	313
EBITA margin	14.5 %	15.1 %	12.8 %	13.5 %
<b>Financial Services Total</b>				
Revenue	913	889	3 392	3 222
EBITA	123	126	456	432
EBITA margin	13.5 %	14.2 %	13.4 %	13.4 %

# Other

Revenue related to EVRY's Global Delivery organisation totalled NOK 287 million for the fourth quarter of 2018, an increase of NOK 43 million from NOK 244 million in the fourth quarter of 2017.

EBITA for the fourth quarter of 2018 was NOK 53 million, compared to NOK 38 million in the same period of 2017. The EBITA margin for the fourth quarter of 2018 was 18.3% as compared to 15.6% for the fourth quarter of 2017. The EBITA margin in the fourth quarter of 2018 was positively impacted by high utilisation in EVRY India and the USD and EUR strengthening against the local Indian currency.

Approximately 60% of the revenue within Global Delivery relates to external customers outside EVRY Group. In addition to providing services to customers in Norway and Sweden, the centres in Ukraine and India also address markets in Western Europe and the United States. The Global Delivery units consist of more than 3 000 FTEs across India, Ukraine and Latvia, and have had high utilisation over several quarters while delivering a stable EBITA margin.

Intra-group eliminations totalled NOK 157 million for the fourth quarter of 2018 as compared to NOK 117 million for the fourth quarter of 2017. Expenses associated with corporate functions that were not allocated to EVRY's segments totalled NOK -63 million in the fourth quarter of 2018, at the same level as in the fourth quarter of 2017.

## OTHER

(NOK million)	Q4 2018	Q4 2017	2018	2017
<b>Global Delivery</b>				
Revenue	287	244	1 048	930
EBITA	53	38	172	140
EBITA margin	18.3 %	15.6 %	16.4 %	15.0 %
<b>Group eliminations/Group costs</b>				
Revenue	-157	-117	-594	-636
EBITA	63	61	102	69
<b>Other total</b>				
Revenue	129	127	454	294
EBITA	115	99	274	209

# Key figures and financial ratios

This interim report relates to EVRY's performance in the fourth quarter of 2018 relative to the fourth quarter of 2017 and the performance in 2018 relative to 2017. All figures are in NOK million unless otherwise stated. All comments regarding EBITDA and EBITA exclude other income and expenses. Please refer to page 31 for a description of the Alternative Performance Measures.

(NOK million)	Q4 2018	Q4 2017	2018	2017
<b>Income statement</b>				
Operating revenue	3 413	3 413	12 912	12 596
EBITDA	340	296	1 252	629
Adjusted EBITDA	543	557	1 812	1 821
Adjusted EBITDA margin (%)	15.9%	16.3%	14.0%	14.5%
EBITA	271	234	1 022	353
Adjusted EBITA	475	495	1 582	1 569
Adjusted EBITA margin (%)	13.9%	14.5%	12.3%	12.5%
Other income and expenses	204	261	560	1 215
Operating profit (EBIT)	273	231	1 021	339
Net financial items	-51	-35	-231	-673
Profit/-loss for the period	219	138	640	-261
Adjusted profit/-loss for the period attributable to the shareholders (owners of the parent company)	376	336	1 071	899
<b>Cash flow</b>				
Adjusted operational cash flow	1 112	1 068	1 374	1 272
Net operational investments (CAPEX)	-117	-122	-377	-359
Free cash flow	994	946	997	913
Cash conversion (LTM)			86.2%	91.6%
Net working capital			-401	-476
DSO (LTM)			36.5	36.3
<b>Financial position (per end of period)</b>				
Total assets			11 596	11 383
Goodwill			5 850	5 736
Total equity			2 984	3 238
Equity ratio			25.7%	28.5%
Net interest-bearing liabilities (NIBD)			4 104	3 807
<b>Employees</b>				
Number of employees end of period			8 807	8 545
Global Delivery in percent of total employees			36.5%	35.7%
Full-time employees (in percent)			97.8%	97.6%
Number of billable consultants (Norway and Sweden)			2 123	1 943
Utilisation (Norway and Sweden)	79.4%	80.2%	79.9%	80.5%
<b>Growth/Sales</b>				
Total revenue growth	0.0%	5.4%	2.5%	2.9%
Currency effects	1.5%	-1.4%	1.1%	0.5%
Acquisition and Divestment impact	-1.1%	-0.3%	-0.7%	-1.0%
Organic growth	0.4%	3.7%	3.0%	2.4%
Backlog (NOK billion)			19.4	18.0
<b>Stock market ratios</b>				
Earnings per share (NOK)	0.59	0.37	1.73	-0.82
Diluted earnings per share	0.59	0.37	1.72	-0.82
Adjusted earnings per share (NOK)	1.01	0.91	2.89	2.82
Number of shares issued	370 806 077	370 806 077	370 806 077	370 806 077
Number of treasury shares	1 501 744	-	1 501 744	-
Average number of shares	370 806 077	370 806 077	370 806 077	319 072 529
Average number of shares (diluted)	372 178 739	370 806 077	371 562 291	319 072 529

# Condensed consolidated interim financial statements

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# Condensed consolidated statement of comprehensive income

(NOK million)	Note	Q4 2018	Q4 2017	2018	2017
Operating revenue	3	3 413	3 413	12 912	12 596
Cost of goods sold		1 115	1 164	4 354	4 281
Salaries and personnel costs		1 493	1 408	5 612	5 341
Other operating costs		261	283	1 133	1 154
Other income and expenses	4	204	261	560	1 215
Depreciation and write-down of tangible assets and in-house developed software		68	62	230	252
Operating profit/-loss before amortisation of customer contracts (EBITA)		271	234	1 022	353
Amortisation of customer contracts		-1	4	1	14
Operating profit/-loss (EBIT)		273	231	1 021	339
Net financial items		-51	-35	-231	-673
Profit/-loss before tax		221	196	791	-333
Taxes		2	58	151	-72
Profit/-loss for the period		219	138	640	-261
<b>Other comprehensive income</b>					
Cash flow hedges		-10	-	13	99
Currency translation differences		109	43	-22	50
Actuarial gains/-losses on defined benefit pension plans		-6	-41	-6	-41
Total other comprehensive income		94	2	-16	108
Total comprehensive income for the period		313	140	624	-153
<b>Total comprehensive income for the period is allocated as follows</b>					
Owners of the parent		313	140	624	-154
Non-controlling interests		-	-	-	1
<b>Earnings per share (basic and diluted)</b>					
Earnings per share, basic (NOK)		0.59	0.37	1.73	-0.82
Earnings per share, diluted (NOK)		0.59	0.37	1.72	-0.82

# Condensed consolidated statement of financial position

(NOK million)	Note	31.12.18	31.12.17
Goodwill		5 850	5 736
Other intangible assets		1 577	1 310
<b>Total intangible assets</b>		<b>7 426</b>	<b>7 046</b>
 Total tangible assets		314	376
Total non-current financial assets	3	400	339
<b>Total non-current assets</b>		<b>8 140</b>	<b>7 762</b>
 Accounts receivable		1 701	1 663
Other current receivables	3	1 109	1 078
Bank deposits		646	880
<b>Total current assets</b>		<b>3 456</b>	<b>3 621</b>
 <b>Total assets</b>		<b>11 596</b>	<b>11 383</b>
 Equity		2 984	3 238
Non-controlling interests		-	1
<b>Total equity and non-controlling interests</b>		<b>2 984</b>	<b>3 239</b>
 Provision for liabilities		287	274
Non-current non-interest-bearing liabilities	3	394	12
Non-current interest-bearing liabilities	5	4 700	4 623
<b>Total non-current liabilities</b>		<b>5 381</b>	<b>4 910</b>
 Accounts payable		842	934
Duties payable, vacation allowance		1 026	986
Other current liabilities	3	1 363	1 314
<b>Total current liabilities</b>		<b>3 232</b>	<b>3 234</b>
 <b>Total equity and liabilities</b>		<b>11 596</b>	<b>11 383</b>

# Condensed consolidated statement of cash flow

(NOK million)	Q4 2018	Q4 2017	2018	2017
Profit/-loss before tax	221	196	791	-333
Depreciation, write-down and amortization	67	66	231	290
Tax paid	-36	27	-69	-52
Net financial items	1	-9	42	278
Change in net working capital	643	679	-265	-177
Other changes	215	109	644	1 268
Cash effect from other income and expenses	-212	-317	-661	-1 767
Net cash flow from operations	900	751	713	-495
Investment in tangible operating assets	-48	-64	-138	-176
Investment in in-house developed software	-73	-64	-260	-206
Sale of tangible operating assets (sales proceeds)	4	6	21	24
Investment in group companies	-8	-0	-157	-9
Net cash flow from investments	-125	-122	-534	-368
Draw down of new debt	-	0	925	5 240
Repayment of debt	-377	-100	-828	-7 637
Proceeds from equity issued	-15	0	-47	3 167
Dividends paid	-0	-	-464	-
Net cash flow from financing	-392	-100	-414	770
Changes in foreign exchange rates	4	6	1	-17
Net change in cash flow	386	534	-234	-110
Opening balance bank deposits	260	346	880	990
Closing balance bank deposits	646	880	646	880

# Condensed consolidated statement of changes in equity

(NOK million)	Attributable to equity holders of the parent				Non-controlling interests	Total equity
	Share capital	Own shares	Other paid-in capital	Other equity		
Equity as of 31 December 2017	649	-	2 589	-	3 238	1 3 239
Implementation effect of IFRS 15			-391		-391	-391
Tax rate impact of implementation of IFRS 15			-5		-5	-5
Equity as of 1 January 2018	649	-	2 193	-	2 842	1 2 843
Profit/-loss for the period			640	640	-	639
Other comprehensive income			-16	-16	-	-16
Purchase/sale of treasury shares		-3	-42	-45	-	-45
Transactions with non-controlling interests			-	-	-1	-1
Dividend			-464	-464		-464
Sharebased options employees			27	27	-	27
Equity as of 31 December 2018	649	-3	2 193	145	2 984	- 2 984

(NOK million)	Attributable to equity holders of the parent				Non-controlling interests	Total equity
	Share capital	Own shares	Other paid-in capital	Other equity		
Equity as of 1 January 2017	468	-	-	-275	193	1 194
Profit/-loss for the period			-262	-262	1	-261
Other comprehensive income			109	109	-	109
Issue of share capital	181		2 999	-	3 180	- 3 180
Sharebased options employees			18	18	-	18
Allocation of equity			-410	410	-	-
Equity as of 31 December 2017	649	-	2 589	-	3 238	1 3 239

# Notes

## NOTE 1 – GENERAL ACCOUNTING PRINCIPLES

EVRY (Group) consists of EVRY ASA and its subsidiaries. EVRY ASA is a limited liability company, incorporated in Norway and listed on the Oslo Stock Exchange as of 21 June 2017. These condensed consolidated interim accounts cover the Group and the Group's interests in associated companies and joint arrangements. As a result of rounding differences, numbers or percentages may not add up to the totals given.

These interim condensed consolidated accounts for the nine months ending 30 September 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not contain all the information and disclosures required in an annual financial report and should be read in conjunction with the Group's annual report for 2017. The annual report can be found at [investor.evry.com](http://investor.evry.com).

The interim consolidated financial accounts have been produced in accordance with the accounting policies followed in the Group's annual financial accounts for the year ended 31 December 2017, except for the implementation of the new revenue recognition standard IFRS 15 *Revenue from Contract with Customers* which has been implemented from 1 January 2018. In addition, EVRY has implemented IFRS 9 *Financial Instruments*, however this has not had any significant impact on the Group's consolidated interim financial statements.

### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The new standard establishes a five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method where the cumulative effect of the implementation has been applied only to the most current period presented. Only contracts not completed at 31 December 2017 have been subject to transition to IFRS 15. The implementation effect on equity 1 January 2018 is related to sale of licenses in the Financial Services business area and amount to NOK 391 million. Below is the implementation effect specified on the relevant line items:

(NOK million)

Deferred tax asset	117
Retained earnings	391
Deferred income	-508

### Consulting Services

Consulting services are performed over time and thereby will be recognised over time, as the customer simultaneously receives and consumes the benefits of the services. Total hours incurred will be used to measure the progress in the over-time revenue recognition.

For consulting services with fixed prices, the revenue recognition will be made linearly over the contract period.

### Application Services

Sale of licenses (right to use) that are distinct are recognised at a point in time when the customer is able to use and benefit from the license. Sale of licenses that are part of a bundled contract (right to access) are not distinct and are recognised over the contract period.

Revenue from software developed specifically for customers is recognised over the development period in line with the degree of completion. The degree of completion is calculated on the basis of the number of hours of work delivered to date divided by the total number of hours estimated for the delivery in total.

### Digital Platform Services

Where operating services are provided through volume-based contracts, revenue is recognised on the basis of the actual use of services by the customer, or on a linear basis over the period of the contract for term-based contracts. Sales of dialogue services are recognised as revenue on the basis of actual customer usage. Revenue from service and maintenance contracts is recognised in the accounts over the period of the contract, as the customer simultaneously consumes the service and maintenance as it is performed.

Revenue from a transition project that is an integrated part of a subsequent operating services contract is recognised on a linear basis over the period of the operating services contract as this is when the customer receives and consumes the benefits from the project. Revenue from a transition project that is not related to an operating services contract is recognised when the customer receives and benefits from the project.

## NOTE 1 – GENERAL ACCOUNTING PRINCIPLES (CONT.)

### Fulfilment services

Sale of software and hardware will be recognised at a point in time when the customer obtains control of the goods, which is assumed to be at delivery.

### Variable considerations

Some contracts can have transaction prices which vary based on contract terms. Variable consideration includes discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The variable consideration is estimated at contract inception and constrained until the related uncertainty is resolved.

For EVRY, the most common variable consideration relates to SLA penalties, volume discounts and price regulations. Variable consideration will be estimated using either an 'expected value' or 'most likely amount' method, whichever better predicts the consideration to which EVRY will be entitled and will be treated as an adjustment to the transaction price (reduction of revenue). SLA and price regulations are allocated to the service, which is a series of distinct services and will be accounted for as it occurs (SLA) or based on calculations of volume fluctuations (at year-end). Price regulations will not be allocated to services already performed, only prospectively.

### Warranty obligations

The standard defines two types of warranties;

- (i) Assurance-type warranties, and
- (ii) Service-type warranties

Assurance-type warranties are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, while service-type warranties represent a distinct service and is a separate performance obligation. EVRY's contracts do not contain any warranties that could have been sold separately. EVRY does not provide any warranties beyond promising that the deliverables meet the agreed specifications, i.e. SLA, and these warranties therefore do not represent separate performance obligations.

### Principal versus agent considerations

EVRY often uses subcontractors or partners to fulfil its contracts with customers. When using partners or subcontractors, the issue is whether EVRY should report revenue based on the gross amount billed (EVRY is the principal) or the net amount retained (that is, the amount billed to the customer less the amount paid to the subcontractor), because EVRY has only earned a commission fee (EVRY is the agent). In most cases, EVRY is fully responsible for the goods and services delivered towards the customer and has the discretion in setting the prices to the customer and is regarded as principal in the contract.

### Contract costs

Under the new standard, there are two types of contract costs where an asset must be recognised;

- (i) incremental costs of obtaining a contract, and
- (ii) costs incurred in fulfilling a contract

Incremental costs of obtaining a contract (e.g. sales commission) will be recognised as an asset if EVRY expects to recover them, either directly through reimbursement, or indirectly through the inherent margin in the contract. Costs such as bid costs, negotiations, meetings and contract writing are not considered incremental and are expensed as incurred, unless they are explicitly chargeable to the customer.

Under IFRS 15, entities will capitalise the costs to fulfil a contract if they relate directly to the contract, generate or enhance the resources used to satisfy performance obligations and are expected to be recovered. These costs include direct labour, direct materials, allocation of costs directly related to the contract, costs explicitly chargeable to the customer and other costs that are only incurred because the entity entered into the contract. However, costs that relate to past performance or performance obligations that have already been transferred to the customer and have already been expensed, cannot be capitalised. In order for costs to meet the 'expected to be recovered' criterion, costs need to be either explicitly reimbursable under the contract or reflected in the pricing on the contract and recoverable through margin.

IFRS 15 requires these costs to be recognised as an asset and amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

### Presentation and disclosure requirements

As required for the condensed interim financial statements, EVRY disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 3 for the disclosure of disaggregated revenue.

## NOTE 1 – GENERAL ACCOUNTING PRINCIPLES (CONT.)

### IFRS 16 LEASES

The new standard for leases, IFRS 16, is effective for the financial period beginning on or after 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. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group has in 2018 reviewed its lease agreements and assessed the potential effects of IFRS 16 on its consolidated financial statements. The Group will implement 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.

The Group's assessment has identified a potential increase on the Group's balance sheet (assets and liabilities) in the range of NOK 1.6 bn to NOK 1.9 bn, with no effect on the book value of total equity (Right of Use Asset equal to Lease Liability). This implies a reduction of the equity ratio as of 31 December 2018 of approximately 3.1 – 3.6pp (i.e. equity ratio of 22.1 – 22.6%).

## NOTE 2 – ESTIMATES

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognized as assets and liabilities, income and expenses. The important assessments underlying the application of the Group's accounting policies and the main sources of uncertainty are the same for the interim financial statements as for the consolidated financial statements for 2017.

## NOTE 3 - REVENUES AND CONTRACT ASSETS/LIABILITIES

EVRY aggregates its revenues from contracts with customers by geographic location and service area as EVRY believes that this best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

### Q4 2018

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
<b>Service line</b>					
Consulting Services	47	525	292	287 <sup>1)</sup>	1 151
Application Services	554	341	215	-	1 110
Digital Platform Services	312	449	226	-	987
Fulfilment Services	-	163	159	-	323
Group eliminations	-	-	-	-157	-157
<b>Total</b>	<b>913</b>	<b>1 478</b>	<b>892</b>	<b>129</b>	<b>3 413</b>

1) Global Delivery

### 2018

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
<b>Service line</b>					
Consulting Services	184	2 070	1 057	1 048 <sup>1)</sup>	4 360
Application Services	2 072	1 255	852	-	4 180
Digital Platform Services	1 136	1 807	868	-	3 811
Fulfilment Services	-	632	524	-	1 156
Group eliminations	-	-	-	-594	-594
<b>Total</b>	<b>3 392</b>	<b>5 765</b>	<b>3 301</b>	<b>454</b>	<b>12 912</b>

1) Global Delivery

### CONTRACT ASSETS AND CONTRACT LIABILITIES

EVRY receives payment from customers based on billing schedules as established in the contracts. Contract assets relate to EVRY's unconditional right to consideration for the completed performance under the contracts. Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liabilities relate to payments received in advance of performance under the contracts. Contract liabilities are recognised as revenue as (or when) EVRY perform under the contracts.

Contract assets mainly consist of implementation projects where the customers have not yet been invoiced. Contract liabilities consist of prepaid amounts from customers.

Net contract assets/-liabilities consist of the following:

(NOK million)	31.12.2018	01.01.2018
Contract assets	363	336
Contract liabilities - current	-402	-314
Contract liabilities - non-current	-394	-416
<b>Net contract assets/-liabilities</b>	<b>-433</b>	<b>-394</b>

Included in contract liabilities is the implementation effect of NOK 508 million (deferred income), whereof NOK 101 million is classified as current. See note 1 for further information on implementation effects.

## NOTE 4 - OTHER INCOME AND EXPENSES

### OTHER INCOME AND EXPENSES

(NOK million)	Q4 2018	Q4 2017	2018	2017
IBM partner agreement	189	230	545	941
Provisions CEO	15	-	15	-
Provision for restructuring	-	-	-	33
Transaction costs, IPO and refinancing	-	31	-	241
Total other income and expenses	204	261	560	1 215

## NOTE 5 - NON-CURRENT INTEREST-BEARING LIABILITIES

(NOK million)	31.12.2018	31.12.2017
Financial lease	13	16
Liabilities to credit institution	4 734	4 668
Capitalised arrangement fee	-47	-61
Non-current interest-bearing liabilities	4 700	4 623

All former long-term debt was repaid as part of the IPO in June 2017 and replaced by a new bank syndicate with a 5-year senior debt facility term loan of NOK 4 539 million, and a Revolving Credit Facility of NOK 1 500 million.

## NOTE 6 - FINANCIAL INSTRUMENTS

### FAIR VALUE HIERARCHY

Financial instruments that are valued at fair value in the statement of financial position are grouped on the basis of the following fair value hierarchy:

- Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2:** Instruments for which observable information is available, but for which there is no active market.
- Level 3:** Instruments for which there is no observable market data and the determination of fair value accordingly uses company specific/subjective information.

(NOK million)	Level 1	Level 2	Level 3	Total book value	Fair Value
<b>Assets</b>					
Non-current receivables	14			386	400
Accounts receivable				1 701	1 701
Other current receivables				1 109	1 109
Bank deposits				646	646
<b>Total assets</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>3 842</b>	<b>3 856</b>
<b>Liabilities</b>					
Non-current interest bearing liabilities				4 700	4 700
Other non-current liabilities		-		681	681
Accounts payable				842	842
Other current liabilities				2 390	2 390
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 612</b>	<b>8 612</b>

During the reporting period 1 January 2018 to 31 December 2018, there were no transfers between the levels in the fair value hierarchy.

## NOTE 7 - MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There have been no events subsequent to the end of 31 December 2018 that have a material effect on the interim financial statements.

# Additional information - EVRY Financial Services

The product and services within Financial Services can be split into two main areas, based on the products being offered; Cards Services and delivery of Banking solutions and products (i.e. the core banking platform and payment solutions).

The Card Services area covers the complete card value chain from card issuing to card acquiring, physical card production and development of virtual cards, as well as card switching. The Banking area includes sale of solutions for all core banking services and payment solutions. The portfolio includes a wide range of solutions and products for retail and commercial banking services, whether this relates to interfaces with end-customers or solutions to support a bank's internal or back-office processes and employees. The portfolio is module-

(NOK million)	Q4 2018	Q4 2017	2018	2017
<b>Cards</b>				
Revenue	254	262	989	912
EBITA	27	31	148	119
EBITA margin	10.7%	11.9%	15.0%	13.0%
<b>Banking</b>				
Revenue	659	627	2 403	2 310
EBITA	96	95	308	313
EBITA margin	14.6%	15.1%	12.8%	13.5%
<b>Financial Services Total</b>				
Revenue	913	889	3 392	3 222
EBITA	123	126	456	432
EBITA margin	13.5%	14.2%	13.4%	13.4%

(NOK million)	Q4 2018	Q4 2017	2018	2017
<b>Revenue Cards</b>				
Consulting Services	-	-	-	-
Application Services	254	262	989	912
Digital Platform Services	-	-	-	-
Total Revenue Cards	254	262	989	912
<b>Revenue Banking</b>				
Consulting Services	47	51	184	174
Application Services	300	285	1 083	1 021
Digital Platform Services	312	291	1 136	1 115
Total Revenue Banking	659	627	2 403	2 310
<b>Revenue Financial Services Total</b>				
Consulting Services	47	51	184	174
Application Services	554	547	2 072	1 933
Digital Platform Services	312	291	1 136	1 115
Total Revenue Financial Services	913	889	3 392	3 222

# Alternative performance measures

The EVRY Group's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition to the ordinary financial performance measures prepared in accordance with IFRS, it is management's intent to provide alternative performance measures to enhance the understanding of the Group's underlying performance. These alternative performance measures take into consideration other income and expenses defined as items regarded as special due to their nature and include among others provision for restructuring, write-downs, strategic processes and refinancing.

## ORGANIC REVENUE GROWTH

Organic revenue growth is a measurement for the company's ability to grow organically by additional net sales to existing and new customers as opposed to acquired growth. Organic growth is defined as revenue adjusted for impacts from acquisitions, divestments and foreign currency effects. Organic growth is an important key figure to EVRY and to the users of the financial statements as it illustrates the underlying operational growth excluding effects not related to the operations.

(NOK million)	Fourth quarter		Growth in percent	Year		Growth in percent
	2018	2017		2018	2017	
Reported revenues	3 413	3 413	0.0 %	12 912	12 596	2.5 %
Currency effects		-50	1.5 %		-141	1.1 %
Acquisition and Divestment impact	-	36	-1.1 %		84	-0.7 %
Basis for organic revenue growth	3 413	3 399	0.4 %	12 912	12 539	3.0 %

## ADJUSTED EBITA AND EBITDA

Earnings before tax, interests and amortisation of customer contracts and write-down of other intangible assets (EBITA) is an important performance measure for EVRY. EBITDA is before depreciations and write-down of tangible assets and in-house developed software. Adjusted EBITA/EBITDA is defined as EBITA/EBITDA less items defined as other income and expenses, which includes inter alia, write-downs and restructuring. These performance measures are considered useful to the users of the financial statements when evaluating operational profitability on a more variable cost basis as they exclude amortisation and depreciation expense related to capital expenditure, and also items not considered as a part of ordinary operations.

(NOK million)	Fourth quarter		Year	
	2018	2017	2018	2017
Adjusted EBITA	475	495	1 582	1 569
IBM partner agreement	-189	-230	-545	-941
Provisions CEO	-15	-	-15	-
Provision for restructuring	-	-	-	-33
Transaction costs, IPO and refinancing	-	-31	-	-241
EBITA	271	234	1 022	353

(NOK million)	Fourth quarter		Year	
	2018	2017	2018	2017
EBITA	271	234	1 022	353
Depreciation and write-down of tangible assets and in-house developed software	68	62	230	275
EBITDA	340	296	1 252	628
IBM partner agreement	189	230	545	918
Provisions CEO	15	-	15	-
Provision for restructuring	-	-	-	33
Transaction costs, IPO and refinancing	-	31	-	241
Adjusted EBITDA	543	557	1 812	1 821

### ADJUSTED OPERATIONAL CASH FLOW

Adjusted operational cash flow is defined as cash flow from operating activities less cash effect from other income and expenses. EVRY is of the opinion that this performance measure provides a better expression of the underlying cash flow from operations as it takes into consideration cash effects of items not directly related to the underlying operations, and which will be useful to the users of the financial statements in analysing the company's operational profitability.

(NOK million)	Fourth quarter		Year	
	2018	2017	2018	2017
Adjusted operational cash flow	1 112	1 068	1 374	1 272
Payments related to restructuring processes	-9	-39	-82	-195
Transaction, IPO and refinancing payments	-	-49	-22	-343
Payments related to IBM partner agreement	-203	-230	-557	-1 229
Net cash flow from operations	900	751	713	-495

### NET OPERATIONAL INVESTMENTS (CAPEX)

Net operational investments represent the cash flow the investment spending in tangible operating assets and in-house developed software, less sale of tangible operating assets.

(NOK million)	Fourth quarter		Year	
	2018	2017	2018	2017
Investment in tangible operating assets	-48	-64	-138	-176
Investment in in-house developed software	-73	-64	-260	-206
Sale of tangible operating assets	4	6	21	24
Net operational investments (CAPEX)	-117	-122	-377	-359

### FREE CASH FLOW

Free cash flow represents the cash flow that EVRY is able to generate after the necessary investments have been made. Free cash flow is defined as operational cash flow adjusted for cash effect of other income and expenses less net operational investments.

(NOK million)	Fourth quarter		Year	
	2018	2017	2018	2017
Adjusted operational cash flow	1 112	1 068	1 374	1 272
Net operational investments (CAPEX)	-117	-122	-377	-359
Free cash flow	994	946	997	913

### CASH CONVERSION

Cash conversion measures how EBITDA is converted into cash and is defined as adjusted operational cash flow before paid interests divided by adjusted EBITDA. In addition, cash conversion is also calculated after investments in tangible operating assets and in-house developed software and sale of tangible assets.

(NOK million)	Year	
	2018	2017
Adjusted operational cash flow	1 374	1 272
Paid interest	189	395
Adjusted EBITDA	1 812	1 821
Cash conversion (in percent)	86.2%	91.6%

Cash Conversion Rates presented for the year ended 31 December 2017 and 2018 are based on adjusted EBITDA for the latest twelve months ended 31 December.

## ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is calculated as profit/-loss for the year attributable to shareholders (owners of the parent company) adjusted for other income and expenses after tax, and finance expenses related to refinancing divided by the

(NOK million)	Fourth quarter		Year	
	2018	2017	2018	2017
Profit/-loss for the period attributable to shareholders (owners of the parent company)	219	138	640	-262
Other income and expenses	204	261	560	1 215
Finance expenses related to refinancing	-	-	-	313
Tax effect other income and expenses	-47	-63	-129	-367
Adjusted profit/-loss for the period attributable to shareholders (owners of the parent company)	376	336	1 071	899
Average number of shares outstanding	370 806 077	370 806 077	370 806 077	319 072 529
Adjusted earnings per share	1.01	0.91	2.89	2.82

## NET INTEREST-BEARING LIABILITIES (NIBD)

Net interest-bearing liabilities represent current interest-bearing liabilities plus non-current interest-bearing liabilities (before adjustments for capitalised arrangement fees) less bank deposits.

(NOK million)	As of 31 December	
	2018	2017
Non-current interest-bearing liabilities (excluding the capitalised arrangement fee)	4 747	4 683
Current interest-bearing liabilities	3	3
Bank deposits	-646	-880
Net interest-bearing liabilities (NIBD)	4 104	3 807
Capitalised arrangement fee	47	61
Non-current interest-bearing liabilities (including the capitalised arrangement fee)	4 700	4 623

## NET LEVERAGE

Net leverage represents NIBD divided by adjusted EBITDA.

(NOK million)	As of 31 December	
	2018	2017
Net interest-bearing liabilities (NIBD)	4 104	3 807
Adjusted EBITDA	1 812	1 821
Net leverage	2.26	2.09

Net leverage presented is based on adjusted EBITDA for the latest twelve months ended 31 December.

## WORKING CAPITAL

Net working capital is a measure of the Group's liquidity and operational efficiency.

(NOK million)	As of 31 December	
	2018	2017
Accounts receivable	1 701	1 663
Other current receivables	1 109	1 078
Accounts payable	-842	-934
Duties payable, vacation allowance	-1 026	-986
Other current liabilities	-1 363	-1 314
less accrued financial expenses	17	14
less current interest bearing liabilities	3	3
Net working capital	-401	-476

EVRY

