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Q3

OSLO BØRS TICKER: EVRY

Interim report for Q3 2019

Content

About EVRY

EVRY is a leading Nordic tech and consulting company. Together with our customers and an ecosystem of the best global digital experts, we shape the future today by applying new technologies to improve end user experiences, and the performance of people, processes and systems.

We are close to our customers and represent a Nordic mindset of responsibility, quality and security.

We leverage our Nordicness to do business in more than 18 countries. EVRY is listed on Oslo Stock Exchange under the ticket code EVRY. Our 9 000 employees are passionate about creating digital advantage and shaping the future – today.

EVRY reported turnover of NOK 12.9 billion in 2018 and the company's headquarters are located at Fornebu just outside Oslo.

www.evry.com

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.

Financial highlights

Continued growth in consultancy and application services in line with the strategy, supported by a solid EBITA margin in the quarter

- Total revenue of NOK 3 092 million in Q3 2019 (NOK 3 005 million in Q3 2018)
- Total revenue of NOK 9 599 million YTD 2019 (NOK 9 499 million YTD 2018)
- Organic growth[2] of 2.5% in Q3 2019 (4.0% in Q3 2018)
- Organic growth[2] of 0.9% YTD 2019 (3.9% YTD 2018)
- EBITA[1] in Q3 2019 of NOK 422 million (NOK 413 million in Q3 2018), representing an EBITA[1] margin of 13.7% in Q3 2019, in line with Q3 2018
- EBITA[1] YTD 2019 of NOK 1 108 million (NOK 1 107 million YTD 2018), representing an EBITA[1] margin of 11.5% YTD 2019 (11.7% YTD 2018)
- Increased cash conversion LTM 2019 of 90.5%, up from 82.8% LTM 2018
- EPS[1] in Q3 2019 of NOK 0.67 (NOK 0.79 in Q3 2018)
- Backlog of NOK 16.7 billion as of 30 September 2019
- The TietoEVRY merger is progressing according to plan

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Operating revenue	3 092	3 005	9 599	9 499	12 912
Organic growth	2.5 %	4.0 %	0.9 %	3.9 %	3.0 %
EBITDA[1]	542	467	1 469	1 269	1 812
EBITDA margin (%)[1]	17.5 %	15.5 %	15.3 %	13.4 %	14.0 %
EBITA[1]	422	413	1 108	1 107	1 582
EBITA margin (%)[1]	13.7 %	13.7 %	11.5 %	11.7 %	12.3 %
Free cash flow	139	34	125	3	997
Cash conversion (LTM)			90.5 %	82.8 %	86.2 %
Backlog (NOK billion)			16.7	17.8	19.4
Earnings per share[1]	0.67	0.79	1.73	1.87	2.89

1) Before other income and expenses
2) Organic growth is defined as revenue adjusted for impacts from acquisitions, divestments and foreign currency effects

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Per Hove, EVRY's CEO, comments:

"I am pleased to inform that EVRY is progressing well towards our goal to become a Nordic technology and consulting powerhouse. We see that our strategic choices are now leading to solid growth and positive impact, also in Sweden. It makes me very proud to see how strong EVRY's employer brand and value proposition are now - and especially how we are recognised for our efforts to become a more gender balanced company.

The TietoEVRY merger integration planning is also on track and has been well received by both customers and employees. The announced Group structure and leadership team constitute an important part of the TietoEVRY integration programme, and I believe we have landed on a strong leadership team that is well-equipped to take us into the future as one company."

Business update

TIETO AND EVRY: LATEST UPDATE

On 18 June 2019, Tieto and EVRY announced a merger agreement to create one of the most competitive digital services and software companies in the Nordics. With combined revenue of around NOK 30 billion and 24 000 professionals, the merged company will be well positioned to create digital advantages for both Nordic businesses and society at large. The transaction will be highly complementary from a geography, offering and customer perspective.

The extraordinary general assembly of EVRY and Tieto approved the merger on 2 and 3 September, respectively, while the transaction is still pending approval by competition authorities in the countries involved.

On 16 October Tieto and EVRY announced the planned Group leadership and structure for the combined TietoEVRY. The country teams and service lines will constitute the businesses of TietoEVRY's focus on driving customer experience and integrating all the capabilities of the company to the benefit of the customers. The service lines will focus on developing services and best practices to ensure TietoEVRY's competitiveness in the market. The joint Group functions include CFO, HR, Operations and Strategy, which will support the different businesses such as strategy, performance management, employee development, communications, marketing, global delivery and business development. TietoEVRY's integration programme is also an essential part of the Group structure and leadership team.

LEVERAGING THE ADVANTAGES OF BEING A NORDIC DIGITAL CONSULTING POWERHOUSE

In the third quarter, EVRY has continued the journey towards positioning the company as a Nordic consulting powerhouse, to meet the increasing demand for tech consulting services that drive business outcomes. The new cross-Nordic organisation established in the first half year has taken important steps to benefit from its Nordic scale. The customers will benefit from EVRY leveraging on the full breadth and depth of our skills through joint service offerings and aligned go-to-marked activities, based on the implementation of the seven practices:

1. Digital Experience
2. Business Consulting
3. Application Innovation
4. Business Applications
5. AI, Analytics & Insight
6. Cloud & Infrastructure
7. Security & Risk

Through benefits of scale the company now start to see positive results of how the seven practices create value for customers who need help meeting their business challenges, for employees who are keen to take on new and more complex tasks, for future talents who want a varied professional community and for partners who are looking for someone who can support their solutions.

Another important part of EVRY's strategy is to maintain and continuously improve the attractiveness as an employer for digital consultants. To further improve EVRY's strong brand, the company continues the focus on implementing the comprehensive Nordic competence development communities and platform in the third quarter. The competence development concept has been well received by the employees, proof of which is an increase in employee engagement.

SHAPING UP TO TAKE A POSITION IN INDUSTRY SOFTWARE AND CONSULTING IN SWEDEN

The growing IT market in Sweden creates an increased demand for strategic digitalisation in both the public and the private business sectors. Through a consistent and focused agenda aimed at positioning the company in the Swedish market with a clearer and sharper consulting offering, while increasing the current commitment to existing customers, EVRY has during the past quarter seized opportunities and managed to reverse the previous quarter's negative development.

In the third quarter of 2019, EVRY has continued to transform the consulting business in Sweden through a continued shift in competence, to meet the strategic needs of tomorrow's leaders and future opportunities in the market. This entails a continued shift in competence to meet the strategic needs of tomorrow's leaders and the future opportunities in the market. This is ensured through recruitment and development in new and strategic areas of expertise, as well as a consistent incorporation and positioning of the seven new "practices" in Sweden. Together with the subsidiaries NetRelations and Findwise, EVRY has successfully developed the company's offerings within Artificial Intelligence, Analytics & Insight and Digital Experice. A strengthened collaboration has responded well to the market and resulted in increased value for the customers. At the same time, EVRY has benefited from new-found synergies, skills development and joint deliveries.

STRONG DIGITALISATION PARTNER FOR A SUSTAINABLE SOCIETY

In Sweden, a stronger sense of climate awareness is currently causing a 10% increase in train traveling per year. SilverRail Technology plays a key role in meeting the growing trend, as the company coordinates train ticket bookings and timetables in Sweden. SilverRail is part of the global travel group Expedia. EVRY has helped SilverRail move its infrastructure to a modern, distributed and scalable platform. Serving a vital role in society, SilverRail's platform provides high availability and security, creating opportunities for continued digitalisation and usage of cloud services based on EVRY Cloud Direct. Considering EVRY's sound knowledge in the field of logistics and transportation, in combination with EVRY's technical and business expertise and how to work with the customers, SilverRail has chosen EVRY as its close partner.

The next phase of Innlandskraft's EnergiLab project in Norway has been confirmed with EVRY. A proof of concept will be made for a tool that makes it easier to digitalise families' climate footprint more easily and provide guidance for sustainable living, to be piloted in 2020. EVRY will also create a structured overview of how Innlandskraft should work on innovation concepts in a more consistent and scalable way. The project is based on the idea that profitable customer growth must take place through the development of new products and services that support the core business stream, by combining innovation, business development and technology.

Klimanjaro is an initiative to make Fjordkraft's supply chain climate neutral, but also establish climate neutrality as a new standard in the energy market. The Norwegian initiative won the UN Climate Action Award in 2018. Now, Fjordkraft wants to build KlimaHub, a searchable database to track companies' climate neutrality and status. It will contain large amounts of data and information for companies that want to deliver greener services. EVRY challenged Fjordkraft to expand KlimaHub from being just a database of businesses' carbon budgets to become an ecosystem for trading of green services and products. This will further strengthen Fjordkraft's position as a driving force for a greener society.

DIGITAL ADVANTAGES IN PUBLIC & HEALTH SECTOR

In the third quarter, EVRY entered into a four-year agreement to provide the Norwegian Labour and Welfare Administration (NAV) with fibre infrastructure for data communications for all the 650 NAV offices in Norway. The fibre infrastructure will connect all the NAV offices to central services in NAV's data centres. The delivery also includes internet access and security services to protect NAV against adverse events from external sources. The agreement stipulates a high uptime requirement and a fault rectification timetable that demands a quick response to any fault situation that arises. NAV will have the flexibility to make changes in relation to user patterns and service scope. The agreement runs for four years and has an estimated total contract value of approximately NOK 60 million, with an option to extend for two years.

In Sweden, EVRY has in the third quarter entered several agreements in the public & health sector. EVRY works together with Inera AB in developing e-services for the national health care system. Inera is owned by the Swedish municipalities and healthcare regions and is responsible for coordinating and developing joint services for the benefit of the society, as well as for health care employees and decision makers. On behalf of Inera, EVRY is developing a service called "Journalen", which gives patients online access to their medical record. All regions in Sweden are now connected to the service. In the third quarter, EVRY entered a new agreement with Inera to develop another service, called "Ombudstjänsten" (Guardian Service). Based on functionality from Journalen, Ombudstjänsten offers a joint national regulation and storage interface for guardian issues that services within e-health can implement.

EVRY has also entered an agreement introduce the modernised HR system eCompanion+ in the Dals Ed, Färgelanda, Mellerud and Åmål municipalities in Sweden.

COMPETITIVE EDGE IN RETAIL & LOGISTICS

Stadium is Sweden's – and one of Europe's – largest sports retailers with 173 stores in Sweden, Finland and Germany. Stadium has decided to extend its longstanding relationship with EVRY. Currently, we supply infrastructure and application management for 50% of Stadium's systems. From now on, all the company's systems will be delivered from EVRY's data centers. With EVRY's help, Stadium will digitalise platforms and increase the pace of digitalisation as well as getting a sustainable IT delivery to its customers and employees. Another main reason Stadium chose EVRY, in tough competition with others, is EVRY's dedicated expertise within Retail and Logistics that will help solve the customer's challenges and accelerate their opportunities now and in the future.

Servicegrossistene AS is a full range wholesaler for the food service market in Norway. The company is owned by 21 independent local wholesalers across the country. Responsible for Servicegrossistene's operations since 2000, EVRY signed in the third quarter a new agreement in which the solution will be moved to Microsoft Azure Public Cloud. This will give Servicegrossistene full use of Microsoft 365 and the Dynamics 365 platforms.

Companies in the transport business typically handle large amounts of invoices from different vendors and subcontractors. The transport and logistics company DSV has a Business Process Automation (BPA - Robotics) team to reduce manual processing work. The tool developed by DSV scans incoming invoices, conducts optical character recognition (OCR), recognises the data and writes it to the database and ERP systems. However, the quality of the recognized data was not satisfactory, and DSV decided to make improvements together with Findwise in which attention-based deep learning is used to recognize invoice data such as company name and full address, VAT ID, currency, totals. So far, Findwise's solution provides better results than out-of-the-box products since it is trained on particular datasets that come directly from real life data. The solution can handle invoices from multiple vendors and languages.

STRONG DEMAND ACROSS SOLUTIONS AND SERVICES IN FINANCIAL SERVICES

In the third quarter, Financial Services has further strengthened its ambition to create value for the customers both in the Nordic and European markets. EVRY continues to achieve revenue growth, building on the positive momentum of previous quarters, driven by a sustained demand across all solution and service areas. There has been a high demand for products and services that extend the banks' existing offering, both from the large Nordic banks and with many of the small and medium-sized banks, resulting in many medium and smaller agreements.

EVRY is seeing a clear trend for banks to be more focused on a new type of value creation and new business models, and what these mean for their business going forward. EVRY is also continuing to see strong interest in the market for card and mobile payment services, with customers increasingly seeking partnerships with independent service providers that can deliver a full value chain of new and innovative card payment solutions.

Handelsbanken in Norway is the first bank to have launched EVRY's new financial platform for corporate customers. With a personalised dashboard, owners, managers, corporate treasurers, CFOs and accounts employees will be able to customise the information and functions they use the most into a single screen – displaying everything from currencies and trade finance to liquidity overviews. With the new solution, Handelsbanken's customers will have a clear overview that enables them to take better financial decisions and saves them a significant amount of time on a daily basis. The new financial platform enables EVRY to provide banks in the Nordic market with a broader offering of corporate solutions for their existing customers and to help them to attract new customers.

In the third quarter, EVRY Financial Services signed a new Nordic-wide agreement with a bank in Sweden for debit and credit cards, mobile payments and card-related services. The agreement represents an estimated total contract value of over SEK 60 million over the five-year agreement period and applies to all Nordic countries. Under the agreement, EVRY will deliver the complete value chain of services for debit and credit card issuing and mobile payments. The services include card production, card administration, authorisation processing, transaction monitoring and security solutions to prevent fraud and 24/7 support.

In Sweden, EVRY also signed a new agreement in the third quarter to provide one of the largest banks in the Nordic region with a full value chain of credit card services, including fraud prevention services and card personalisation.

In the third quarter EVRY entered into a partnership with stoEr, a Swedish fintech company with focus on digitised mortgage management. The collaboration will give banks and mortgage providers access to a completely standardised and digitalised service for mortgage applications and mortgage management that will facilitate their compliance with ever increasing regulatory requirements and customer demands in relation to efficiency and self-service. The partnership fits with EVRY's strategy of expanding the capabilities for banks and other mortgage providers in Sweden and helping them to grow their mortgage lending. With EVRY's combined expertise and offering, the company will be able to support them with standardised solutions throughout the entire value chain, from application and approval to mortgage administration. EVRY's ambition is to offer the next generation of digital mortgage solutions that not only provide consumers with a fast and agile service but also give lenders a highly automated and cost-efficient solution.

ATTRACTIVE EMPLOYER BRAND IN A COMPETITIVE MARKET

The war for talent is fiercer than ever in the IT and tech industry. Today, 'everybody" is hiring tech competence, not just typical IT and tech consultancy companies. However, EVRY keeps attracting competence in an increasingly demanding job market characterized by massive transformation and new competitors. EVRY started 2019 with the challenging ambition to recruit at least 1000 employees before the year-end. At the end of September, a total of 917 new people had joined EVRY in the Nordics. 180 of the recent hires are graduates in Norway and Sweden. EVRY is also Norway's largest employer for women in technology with over 1000 female IT professionals. EVRY stands out with a strong employer brand and continues to be an attractive place to work, both among graduates as well as more experienced IT professionals. After winning an award in the second quarter of 2019 as "best in class" among tech consultancy firms in Norway, EVRY was in the third quarter ranked number 1 by "Young Professionals" in Sweden as the IT company with the best career and development opportunities for young talents. Some of the reasons EVRY is a popular employer are that the company offers attractive work projects, highly competent colleagues in international teams, as well as vast career possibilities and internal mobility.

Group performance

Summary of the third quarter of 2019

Organic growth
in Q3 2019

2.5 %

Operating revenue
in Q3 2019

3 092
NOK million

EBITA[1]
in Q3 2019

422
NOK million

EBITA margin[1]
in Q3 2019

13.7%

1) Before other income and expenses

This interim report relates to EVRY's development in the third quarter of 2019 relative to the third quarter of 2018. All figures are in NOK million unless otherwise stated. All comments regarding EBITDA and EBITA exclude other income and expenses. Please refer to page 32 for a description of the Alternative Performance Measures.

Revenues

The Group reported operating revenue for the third quarter of 2019 of NOK 3 092 million, compared to NOK 3 005 million in the third quarter of 2018. Adjusted for currency impact and acquisitions, the organic growth was 2.5% in the third quarter of 2019. The growth was due to higher revenues within consulting services and application services, in line with the company's strategy.

EVRY reported a backlog of NOK 16.7 billion at the end of September 2019, a decrease of NOK 1.1 billion from NOK 17.8 billion at the end of September 2018. See "Business Update" for more information about new contracts and projects awarded in the third 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 1 051 million, equal to 31.9% of total group revenues in the third quarter of 2019. In the third quarter of 2018 Consulting Services revenues amounted to NOK 972 million or 30.9% of total group revenues. Organically this implies an increase of 5.5% in the third quarter of 2019.

The utilisation rate in the third quarter of 2019 (Norway and Sweden combined) was 73.0%, a decrease of 4.3 percentage point compared to the same quarter last year. The decrease was impacted by several new hiring, especially in Norway, of consultants in August 2019 to increase the run rate going forward but had a negative impact of the utilisation this quarter in 2019.

APPLICATION SERVICES

Revenues within Application Services was NOK 1 075 million in the third quarter of 2019, which represent 32.6% of total group revenues. In the third quarter of 2018, Application Services revenues amounted to NOK 996 million or 31.7% of total group revenues. Organically this implies a growth of 9.2% in the third quarter of 2019.

Of the revenues within Application Services, Financial Services amounted to NOK 552 million or 51.3% of the Application Services revenues. The business area reported an organic growth of 11.2% within application services in the third quarter of 2019.

DIGITAL PLATFORM SERVICES AND FULFILMENT SERVICES

Revenues within Digital Platform Services (Infrastructure Services) was NOK 941 million, equal to 28.6% of total group revenues in the third quarter of 2019. In the third quarter of 2018, Digital Platform Services revenues amounted to NOK 942 million 31.2% of total group revenues). Organically this segment declined 0.2% in the third quarter of 2019 relative to the third quarter of 2018.

Revenues within Fulfilment Services was NOK 227 million, equal to 6.9% of total group revenues in the third quarter of 2019. In the third quarter of 2018 Fulfilment Services revenues amounted to NOK 233 million (7.4% of total group revenues).

The change in business mix is in line with the company's strategy, where infrastructure services and fulfilment services become lower in terms of total revenue in percent, and more services are sold higher up in the value stack.

CONSULTING SERVICES

(NOK million)	Q3 2019	Q3 2018	Organic growth	YTD 2019	YTD 2018	Organic growth	2018
Revenues Consulting Services	1 051	972	5.5 %	3 437	3 209	5.0 %	4 360
In % of total group revenues[1]	31.9 %	30.9 %		33.8 %	32.3 %		32.3 %
Utilisation Norway (in percent)	73.2 %	78.7 %		77.7 %	80.9 %		80.9 %
Utilisation Sweden (in percent)	72.8 %	75.1 %		75.6 %	78.9 %		78.5 %
Utilisation Norway and Sweden (in percent)	73.0 %	77.3 %		76.7 %	80.1 %		79.9 %
Number of billable consultants Norway	1 232	1 191		1 232	1 191		1 190
Number of billable consultants Sweden	974	931		974	931		933
Number of billable consultants Norway & Sweden	2 206	2 122		2 206	2 122		2 123

APPLICATION SERVICES

(NOK million)	Q3 2019	Q3 2018	Organic growth	YTD 2019	YTD 2018	Organic growth	2018
Revenues Application Services	1 075	996	9,2 %	3 287	3 069	7.9 %	4 180
In % of total group revenues [1]	32.6 %	31.7 %		32.3 %	30.9 %		30.9 %
Where of revenues within Financial Services	552	495	11,2 %	1 653	1 518	9.1 %	2 072
In % of total revenues [1]	51.3 %	49.7 %	9.2 %	50.3 %	49.4 %	7.9 %	49.6 %

DIGITAL PLATFORM SERVICES AND FULFILMENT SERVICES

(NOK million)	Q3 2019	Q3 2018	Organic growth	YTD 2019	YTD 2018	Organic growth	2018
Revenues Digital Platform Services	941	942	-0.2 %	2 814	2 824	-0.1 %	3 811
In % of total group revenues [1]	28.6 %	30.0 %		27.7 %	28.4 %		28.2 %
Revenues Fulfilment Services	227	233	-2.8 %	628	833	-24.2 %	1 156
In % of total group revenues [1]	6.9 %	7.4 %		6.2 %	8.4 %	-0.1 %	8.6 %

1) Before Group eliminations

Profitability

EBITDA AND EBITA BEFORE OTHER INCOME AND EXPENSES

EBITDA in the third quarter of 2019 was NOK 542 million, compared to NOK 467 million in the third quarter of 2018. The EBITA in the third quarter of 2019 was NOK 422 million, representing an EBITA margin of 13.7%. In the third quarter of 2018 the corresponding figures was an EBITA of NOK 413 million and an EBITA margin of 13.7%.

OTHER INCOME AND EXPENSES

Other income and expenses totalled NOK 113 million in the third quarter of 2019, where of NOK 81 million was related to the IBM partnership transition and transformation project. In addition, expenses of NOK 28 million was accrued for in the third quarter of 2019 related to the proposed merger between EVRY and Tieto as communicated on 18 June 2019. The company expects costs related to the merger (i.e. legal costs, advisor fees and transaction and retention bonuses) to be accrued for, subject to the approval of the merger, in the range of NOK 150 – 200 million. In the third quarter of 2018 other income and expenses totalled NOK 108 million, all related to IBM.

In 2015 EVRY signed a Master Services Agreement (MSA) with IBM for its basic infrastructure. The agreement is built on global best practice from a legal and technical standpoint, at the same time as it incorporates specific requirements from the company's customers and regulations set by regulatory authorities. The agreement provides a clear description of IBM's responsibilities and contains strong contractually agreed instruments for ensuring that IBM fulfils its responsibilities.

On 19 June 2019, the day after public announcement of the merger between EVRY ASA and Tieto Oyj, IBM Services AS submitted a brief notice of arbitration to EVRY Norge AS, stating that the agreement is commercially unbalanced and should be revised by the arbitrators. Said notice has not materialised in a formal arbitration filing. EVRY and its legal advisers in any event consider that the legal threshold for a court to modify or revise the MSA, a commercial agreement between two professional parties, is very high.

EVRY is in continuous dialogue with IBM, considering its position and options. On 23 October 2019, EVRY submitted notices of arbitration against IBM in relation to a claim for reimbursement of disputed payments made by EVRY to IBM, as well as general failure by IBM to deliver its services in accordance with the terms of the MSA.

NET FINANCIAL EXPENSES, PROFIT BEFORE TAX AND EARNINGS PER SHARE

Net financial expenses for the third quarter of 2019 was NOK 106 million, an increase of NOK 70 million from NOK 36 million for the corresponding period in 2018. Financial expenses in the third quarter of 2019 was increased by NOK 18 million compared to third quarter of 2018 as a result of the implementation of IFRS 16. In addition, the net financial expenses were negatively impacted by an exchange rate effect of NOK 30 million in the third quarter of 2019, compared to a positive exchange rate effect of NOK 18 million in the third quarter of 2018.

Profit before tax (EBT) for the third quarter of 2019 was NOK 203 million as compared to a profit NOK 269 million for the third quarter of 2018. The effective tax rate for the third quarter of 2019 was 21.4%, representing a tax expense of NOK 43 million. The effective tax rate for the third quarter of 2018 was 22.6%, representing a tax expense of NOK 61 million.

Earnings per share (EPS) was NOK 0.43 for the third quarter of 2019, compared to NOK 0.56 per share for the third quarter of 2018. Adjusted for other income and expenses, the EPS was NOK 0.67 for the third quarter of 2019, compared to NOK 0.79 for the third quarter of 2018.

Cash flow

CASH CONVERSION AND DSO

LTM Cash conversion as of September 2019 ended at 90.5%, compared to 82.8% as of LTM September 2018. The increased cash conversion was due to reduced working capital outflow and increased operational cash flow before paid interests relative to adjusted EBITDA for the last twelve months ended 30 September 2019.

As of 30 September 2019, the LTM DSO was 38.6 days, compared to 36.3 days for LTM September 2018, an increase of 2.3 days.

NET CASH FLOW AND FREE CASH FLOW

Net cash flow from operations for the first nine months of 2019 was NOK 282 million as compared to negative NOK 186 million for the first nine months of 2018. Adjusted operational cash flow for the first nine months of 2019 was NOK 511 million, compared to NOK 263 million in the first nine months of 2018. The increase in net cash flow from operations in the first nine months of 2019 was mainly due to increased EBITDA and reduced working capital outflow. The first nine months of 2019 was also less negatively impacted by transition and transformation expenses related to the IBM partner agreement, as these were reduced from NOK 353 million in the first nine months of 2018, to NOK 120 million in the first nine months of 2019.

Net operational investments for the first nine months of 2019 totalled NOK 386 million, compared to NOK 259 million for the same period in 2018. Investment in tangible operating assets amounted to NOK 81 million for the first nine months of 2019, while investment in in-house developed software amounted to NOK 305 million in the same period. The corresponding figures for first nine months of 2018 were NOK 90 million and NOK 187 million respectively. The increase in investments related to in-house developed software was within Financial Services and investments in the core and payment platform. Investment in group companies amounted to negative NOK 6 million in the first nine months of 2019 and was related to dividend from a joint venture company. Investment in group companies amounted to NOK 149 million in the first nine months of 2018, which was related to the acquisition of Exonor Group and Findwise AB in Sweden and the acquisition of the remaining shares in EVRY Financing AS.

Net cash flow from financing for the first nine months of 2019 was negative NOK 58 million, where of payments related to lease liabilities amounted to NOK 242 million in the first nine months of 2019. The company paid out dividend to the shareholders of NOK 646 million in May 2019, where temporary draw downs on the Revolving Credit Facility has been done to bridge the pay-out. The net cash flow from financing for the first nine months of 2018 was negative NOK 22 million.

Free cash flow for the first nine months of 2019 was NOK 125 million compared to NOK 3 million for the same period in 2018.

Equity and capital structure

The equity as of 30 September 2019 was NOK 2 756 million, equal to an equity ratio of 20.9%, compared to an equity of NOK 2 688 million and an equity ratio of 24.3% as of 30 September 2018. The reduced equity ratio is explained by dividend of NOK 646 million paid out to the shareholders in May 2019. In addition, total assets have increased as a result of the implementation of IFRS 16 as of 1 January 2019.

The Group had total outstanding long-term interest-bearing debt of NOK 6 854 million at the end of September 2019, where of NOK 1 364 million was related to non-current lease liabilities (due to the implementation of IFRS 16). The cash balance was NOK 483 million as of 30 September 2019, while current lease liabilities and other current interest-bearing liabilities amounted to NOK 313 million. This implies a net interest-bearing debt (NIBD) of NOK 6 719 million and a net leverage of 3.34x LTM adjusted EBITDA.

Business Area Performance

The Group's activities are divided into three reporting business areas for 2019. 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)	Q3 2019	Q3 2018	Organic growth	YTD 2019	YTD 2018	Organic growth	2018
EVRY Norway	1 409	1 324	6.4 %	4 329	4 287	1.0 %	5 765
EVRY Sweden	695	734	-2.3 %	2 278	2 409	-4.0 %	3 301
EVRY Financial Services	867	813	6.4 %	2 616	2 479	5.6 %	3 392
Other	122	134		376	325		454
Group	3 092	3 005	2.5 %	9 599	9 499	0.9 %	12 912

EBITA (NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
EVRY Norway	167	137	453	423	604
EVRY Sweden	38	66	106	193	248
EVRY Financial Services	126	135	339	333	456
Other	92	76	210	159	274
Group (before other income and expenses)	422	413	1 108	1 107	1 582
Other income and expenses	-113	-108	-299	-356	-560
Group	309	305	809	751	1 022

EBITA margin (%)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
EVRY Norway	11.9 %	10.3 %	10.5 %	9.9 %	10.5 %
EVRY Sweden	5.4 %	9.0 %	4.6 %	8.0 %	7.5 %
EVRY Financial Services	14.5 %	16.6 %	13.0 %	13.4 %	13.4 %
Group (before other income and expenses)	13.7 %	13.7 %	11.5 %	11.7 %	12.3 %
Group	10.0 %	10.1 %	8.4 %	7.9 %	7.9 %

EVRY Norway

Operating revenue for EVRY Norway for the third quarter of 2019 was NOK 1 409 million, an increase of NOK 84 million, or 6.4% organically, from the third quarter of 2018. The increase was driven by increased sales within consulting services and application services, in line with the company's strategy. The utilisation of the billable consultants was 73.2% in the third quarter of 2019, compared to 78.7% in the third quarter of 2018. The decrease was impacted by several new hiring of consultants in August 2019 to increase the run rate going forward, which had a negative impact on the utilisation in the third quarter in 2019.

EVRY Norway reported an EBITA of NOK 167 million for the third quarter of 2019, an increase of NOK 30 million from NOK 137 million in the third quarter of 2018. The EBITA margin for the third quarter of 2019 was 11.9% as compared to 10.3% in the same period of 2018.

EVRY Norway's order backlog at 30 September 2019 was NOK 6.4 billion, a decrease of NOK 0.2 billion from NOK 6.6 billion at the end of September 2018.

EVRY Sweden

Operating revenue for EVRY Sweden for the third quarter of 2019 was NOK 695 million, a decrease of NOK 39 million from NOK 734 million in the third quarter of 2018, equal to a negative organic growth of 2.3%. The utilisation of the billable consultants was 72.8% in the third quarter of 2019, compared to 75.1% in the third quarter of 2018.

EVRY Sweden reported an EBITA of NOK 38 million for the third quarter of 2019, compared to NOK 66 million in the third quarter of 2018. The reduced profitability was mainly due to lower utilisation within the consultancy business area and lower add-on sales within the infrastructure services area. The EBITA margin for the third quarter of 2019 was 5.4% as compared to 9.0% in the third quarter of 2018. EVRY has during the past quarter seized opportunities and managed to reverse 2019 previous quarter's negative development with a clearer and sharper consulting offering based on the seven practises.

EVRY Sweden's order backlog at 30 September 2019 was NOK 2.8 billion, a decrease of NOK 0.4 billion from NOK 3.2 billion at the end of September 2018.

EVRY Financial Services

Operating revenue for Financial Services for the third quarter of 2019 was NOK 867 million, an increase of NOK 54 million from NOK 813 million for the third quarter of 2018. This was equivalent to an organic growth of 6.4% relative to the third quarter of 2018. Both the banking area and the card services area reported revenue growth in the third quarter of 2019 relative to the third quarter of 2018.

EVRY Financial Services reported an EBITA of NOK 126 million for the third quarter of 2019, compared to NOK 135 million for the third quarter of 2018. The EBITA margin for the third quarter of 2019 was 14.5% as compared to 16.6% in the third quarter of 2018.

EVRY Financial Services' order backlog at 30 September 2019 was NOK 7.5 billion, a decrease of NOK 0.5 billion from NOK 8.0 billion at the end of September 2018.

FINANCIAL SERVICES

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Cards					
Revenue	267	245	785	735	989
EBITA	35	45	96	121	148
EBITA margin	13.0 %	18.3 %	12.2 %	16.4 %	15.0 %
Banking					
Revenue	600	568	1 835	1 744	2 403
EBITA	91	90	250	212	307
EBITA margin	15.2 %	15.8 %	13.6 %	12.1 %	12.8 %
Financial Services Total					
Revenue	867	813	2 620	2 479	3 392
EBITA	126	135	346	333	455
EBITA margin	14.5 %	16.6 %	13.2 %	13.4 %	13.4 %

Other

Revenues related to EVRY's Global Delivery organisation totalled NOK 325 million for the third quarter of 2019, an increase of NOK 53 million from NOK 272 million in the third quarter of 2018.

EBITA for the third quarter of 2019 was NOK 48 million, compared to NOK 44 million in the same period of 2018. The EBITA margin for the third quarter of 2019 was 14.9% as compared to 16.2% for the third quarter of 2018.

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 203 million for the third quarter of 2019 as compared to NOK 138 million for the third quarter of 2018.

Expenses associated with corporate functions which were not allocated to EVRY's segments totalled NOK -43 million in the third quarter of 2019 as compared to NOK -31 million in the third quarter of 2018.

OTHER

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Global Delivery					
Revenue	325	272	943	761	1 048
EBITA	48	44	140	119	172
EBITA margin	14.9 %	16.2 %	14.9 %	15.7 %	16.4 %
Group eliminations/Group costs					
Revenue	-203	-138	-567	-437	-594
EBITA	43	31	70	40	102
Other total					
Revenue	122	134	376	325	454
EBITA	92	76	210	159	274

Key figures and financial ratios

This interim report relates to EVRY's performance in the third quarter of 2019 relative to the third quarter of 2018. All figures are in NOK million unless otherwise stated. All comments regarding EBITDA and EBITA exclude other income and expenses. Please refer to page 35 for a description of the Alternative Performance Measures.

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Income statement					
Operating revenue	3 092	3 005	9 599	9 499	12 912
EBITDA	429	358	1 170	913	1 252
Adjusted EBITDA	542	467	1 469	1 269	1 812
Adjusted EBITDA margin (%)	17.5 %	15.5 %	15.3 %	13.4 %	14.0 %
EBITA	309	305	809	751	1 022
Adjusted EBITA	422	413	1 108	1 107	1 582
Adjusted EBITA margin (%)	13.7 %	13.7 %	11.5 %	11.7 %	12.3 %
Other income and expenses	113	108	299	356	560
Operating profit (EBIT)	309	305	809	749	1 021
Net financial items	-106	-36	-287	-180	-231
Profit/-loss for the period	160	208	409	421	640
Adjusted profit/-loss for the period attributable to the shareholders (owners of the parent company)	248	291	643	695	1 071
Cash flow					
Adjusted operational cash flow	277	120	511	263	1 374
Net operational investments (CAPEX)	-139	-86	-386	-259	-377
Free cash flow	139	34	125	3	997
Cash conversion (LTM)			90.5 %	82.8 %	86.2 %
Net working capital			311	341	-401
DSO (LTM)			38.6	36.3	36.5
Financial position (per end of period)					
Total assets			13 194	11 039	11 596
Goodwill			5 731	5 699	5 850
Total equity			2 756	2 688	2 984
Equity ratio			20.9 %	24.3 %	25.7 %
Net interest-bearing liabilities (NIBD)			6 719	4 807	4 104
Employees					
Number of employees end of period			9 414	8 785	8 807
Global Delivery in percent of total employees			37.3 %	36.3 %	36.5 %
Full-time employees (in percent)			97.7 %	97.8 %	97.8 %
Number of billable consultants (Norway and Sweden)			2 206	2 122	2 123
Utilisation (Norway and Sweden)			76.7 %	80.1 %	79.9 %
Growth/Sales					
Total revenue growth	2.9 %	3.0 %	1.1 %	3.4 %	2.5 %
Currency effects	-1.3 %	1.9 %	-0.3 %	1.0 %	1.1 %
Acquisition and Divestment impact	1.0 %	-0.9 %	0.1 %	-0.5 %	-0.7 %
Organic growth	2.5 %	4.0 %	0.9 %	3.9 %	3.0 %
Backlog (NOK billion)			16.7	17.8	19.4
Stock market ratios					
Earnings per share (NOK)	0.43	0.56	1.10	1.13	1.73
Diluted earnings per share	0.43	0.56	1.10	1.13	1.72
Adjusted earnings per share (NOK)	0.67	0.79	1.73	1.87	2.89
Number of shares issued	370 806 077	370 806 077	370 806 077	370 806 077	370 806 077
Number of treasury shares	1 501 744	1 001 744	1 501 744	1 001 744	1 501 744
Average number of shares	370 806 077	370 806 077	370 806 077	370 806 077	370 806 077
Average number of shares (diluted)	373.377.194	371 304 615	372.889.317	371 396 558	371 562 291

Condensed consolidated interim financial statements

Condensed consolidated statement of comprehensive income

(NOK million)	Note	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Operating revenue	3	3 092	3 005	9 599	9 499	12 912
Cost of goods sold		1 026	1 005	3 200	3 239	4 354
Salaries and personnel costs		1 354	1 284	4 389	4 119	5 612
Other operating costs		170	249	542	872	1 133
Other income and expenses	5	113	108	299	356	560
Depreciation and write-down of tangible assets and in-house developed software	4	120	53	361	162	230
Operating profit/-loss before amortisation of customer contracts (EBITA)		309	305	809	751	1 022
Amortisation of customer contracts		-	0	-	2	1
Operating profit/-loss (EBIT)		309	305	809	749	1 021
Net financial items		-106	-36	-287	-180	-231
Profit/-loss before tax		203	269	522	569	791
Taxes		43	61	112	149	151
Profit/-loss for the period		160	208	409	421	640
Other comprehensive income						
Cash flow hedges		-3	-7	-11	22	13
Currency translation differences		66	-24	13	-132	-22
Actuarial gains/-losses on defined benefit pension plans		-	-	-2	-	-6
Total other comprehensive income		64	-31	0	-109	-16
Total comprehensive income for the period		224	177	410	311	624
Total comprehensive income for the period is allocated as follows						
Owners of the parent		224	81	410	311	624
Non-controlling interests		-	-	-	-	-
Earnings per share (basic and diluted)						
Earnings per share, basic (NOK)		0.43	0.56	1.10	1.13	1.73
Earnings per share, diluted (NOK)		0.43	0.56	1.10	1.13	1.72

Condensed consolidated statement of financial position

(NOK million)	Note	30.09.19	30.09.18	31.12.18
Goodwill		5 731	5 699	5 850
Other intangible assets		1 757	1 482	1 577
Total intangible assets		7 488	7 181	7 426
Property, plant and equipment		287	320	314
Right to use assets	4	1 621	-	-
Total tangible assets		1 907	320	314
Total non-current financial assets	3	366	366	400
Total non-current assets		9 762	7 868	8 140
Accounts receivable		1 681	1 638	1 701
Other current receivables	3	1 267	1 273	1 109
Bank deposits		483	260	646
Total current assets		3 431	3 172	3 456
Total assets		13 194	11 039	11 596
Equity		2 756	2 688	2 984
Non-controlling interests		-	-	-
Total equity and non-controlling interests		2 756	2 688	2 984
Provision for liabilities		290	274	287
Non-current non-interest-bearing liabilities	3	329	475	394
Non-current lease liabilities	4	1 364	14	13
Non-current interest-bearing liabilities	6	5 490	5 001	4 687
Total non-current liabilities		7 472	5 764	5 381
Accounts payable		625	667	842
Duties payable, vacation allowance		927	866	1 026
Current lease liabilities	4	296	3	3
Other current liabilities	3	1 118	1 051	1 360
Total current liabilities		2 966	2 588	3 232
Total equity and liabilities		13 194	11 039	11 596

Condensed consolidated statement of cash flow

(NOK million)	Note	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Profit/-loss before tax		203	269	522	569	791
Depreciation, write-down and amortization		120	54	361	164	231
Tax paid		-10	-19	-20	-32	-69
Net financial items		53	-12	138	41	42
Change in net working capital		-185	-303	-695	-908	-265
Other changes		96	132	206	429	644
Cash effect from other income and expenses		-93	-110	-229	-449	-661
Net cash flow from operations		185	10	283	-186	713
Investment in tangible operating assets		-28	-32	-81	-90	-138
Investment in in-house developed software		-110	-60	-305	-187	-260
Sale of tangible operating assets (sales proceeds)		-0	6	-	18	21
Investment in group companies		-5	-20	6	-149	-157
Net cash flow from investments		-143	-107	-380	-409	-534
Draw down of new debt		230	325	1 080	925	925
Repayment of debt		-50	-100	-250	-452	-828
Repayments of lease liabilites	4	-83	-	-242	-	
Proceeds from equity issued		-	-9	-	-32	-47
Dividends paid		-	-0	-646	-464	-464
Net cash flow from financing		97	216	-58	-22	-414
Changes in foreign exchange rates		4	-3	-7	-3	1
Net change in cash flow		142	116	-163	-620	-234
Opening balance bank deposits		341	144	646	880	880
Closing balance bank deposits		483	260	483	260	646

Condensed consolidated statement of changes in equity

	Attributable to equity holders of the parent						
(NOK million)	Share capital	Own shares	Other paid-in capital	Other equity	Total	Non-controlling interests	Total equity
Equity as of 1 January 2019	649	-3	2 193	145	2 984	-	2 984
Profit/-loss for the period				409	409	-	409
Other comprehensive income				0	0	-	0
Dividend				-646	-646		-646
Sharebased options employees				8	8	-	8
Allocation of equity			-84	84	-		
Equity as of 30 September 2019	649	-3	2 109	-	2 756	-	2 756
Equity as of 1 January 2018	649	-	2 198	-	2 847	1	2 848
Profit/-loss for the period				421	421		421
Other comprehensive income				-109	-109		-109
Purchase / sale of treasury shares		-2		-28	-30		-30
Transactions with non-controlling interests					-	-1	-1
Dividend				-464	-464		-464
Sharebased options employees				23	23		23
Allocation of equity			-157	157	-		-
Equity as of 30 June 2018	649	-2	2 041	-	2 688	-	2 688

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 six months ending 30 June 2019 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 2018. The annual report can be found at 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 2018, except for the implementation of the new standard for leases, IFRS 16, which has been implemented from 1 January 2019.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The 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.

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.

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.

NOTE 1 – GENERAL ACCOUNTING PRINCIPLES (CONT.)

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. EVRYs 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, has been implemented with effect from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. 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 reviewed its lease agreements and assessed the effects of IFRS 16 on its consolidated financial statements. The Group has implemented IFRS 16 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures will not be restated by using the modified retrospective method.

See note 4 for further information regarding IFRS 16 and the implementation effects.

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 2018.

NOTE 3 - REVENUES AND CONTRACTS 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.

Q3 2019

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
Service line					
Consulting Services	36	506	184	325[1)]	1 051
Application Services	552	324	199	-	1 075
Digital Platform Services	278	459	204	-	941
Fulfilment Services	-	119	108	-	227
Group eliminations				-203	-203
Total	867	1 408	695	122	3 092

1) Global Delivery

Q3 2018

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
Service line					
Consulting Services	41	449	211	272[1)]	972
Application Services	495	302	200	-	996
Digital Platform Services	277	451	215	-	942
Fulfilment Services	-	124	109	-	233
Group eliminations	-	-	-	-138	-138
Total	813	1 324	734	134	3 005

YTD 2019

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
Service line					
Consulting Services	129	1 666	699	943[1)]	3 437
Application Services	1 653	1 002	632	-	3 287
Digital Platform Services	833	1 332	649	-	2 814
Fulfilment Services	-	329	299	-	628
Group eliminations	-	-0	-	-567	-567
Total	2 616	4 329	2 279	376	9 599

1) Global Delivery

YTD 2018

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
Service line					
Consulting Services	137	1 545	766	761[1)]	3 209
Application Services	1 518	915	637	-	3 069
Digital Platform Services	824	1 359	642	-	2 824
Fulfilment Services	-	469	364	-	833
Group eliminations	-	-0	-0	-437	-437
Total	2 479	4 287	2 409	325	9 499

NOTE 3 - REVENUES AND CONTRACTS ASSETS/LIABILITIES (CONT.)

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.

2018

(NOK million)	EVRY Financial Services	EVRY Norway	EVRY Sweden	Other	Total
Service line					
Consulting Services	184	2 070	1 057	1 048[1)]	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	-	0	-0	-594	-594
Total	3 392	5 765	3 301	454	12 912

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)	30.09.19	30.09.18
Contract assets	524	437
Contract liabilities - current	-427	-352
Contract liabilities - non-current	-328	-475
Net contract assets/-liabilities	-231	-389

NOTE 4 - RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 and SIC 15 and 27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. The group implemented IFRS 16 with effect from 1 January 2019. The standard introduces two exemptions for lessees – leases of “low-value assets” and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date the lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group has reviewed its lease agreements and assessed the effects of IFRS 16 on its consolidated financial statements. The Group implemented IFRS 16 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures will not be restated when using the modified retrospective method. The Group will apply transition reliefs where the lease asset will be equal to the lease liability at the transition date. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group has assessed lease of software to be outside the scope of IFRS 16. In addition, the partner agreement with IBM is assessed to be a service agreement and thereby not in the scope of the standard. The Group will apply the two recognition exemptions in the standard, for low value items and short-term leases.

The Group's assessment has identified an increase on the Group's balance sheet (assets and liabilities) of NOK 1.7 billion, with no effect on the book value of total equity (Right of Use Asset equal to Lease Liability).

The total cost over the lease term will remain unchanged after the implementation of IFRS 16 compared. However, IFRS 16 will result in a front-loading of expenses and reclassification of costs from operating profit before amortisation of customer contracts (EBITA) to net financial items.

In the Consolidated Statement of Comprehensive Income, operating lease costs (in other operating costs) will be replaced by depreciation and interest expenses. As a result, the group expects the EBITDA to increase in the range of NOK 250 - 350 million. The group expects no significant impact on profit for the year as a result of the implementation of IFRS 16.

In the cash flow statement, the part of lease payments that relates to repayment of the lease liability will be reclassified from cash flows from operations to cash flows from financing.

Implementation effects 1 January 2019 (NOK million)

Right to use assets	1 723
Lease liabilities	1 723
Effect on equity	-

Operating lease committments at 31 December 2018 as disclosed in the Group's consolidated financial statements	2 601
Discounted using incremental borrowing rate at 1 January 2019	-461
Exemption for short-term leases	-80
Exemption for low-value assets	-337
Lease liabilites recognised at 1 January 2019 - implementation effect	1 723
Financial lease liabilities recognised at 31 December 2018	16
Total lease liabilities reconised at 1 January 2019	1 739

NOTE 4 - RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT.)

Right-of-use assets

The Group leases several assets such as Offices, Data centres, IT equipment and vehicles. The Group's right-of-use assets are categorised and presented in the table below:

Right-of-use assets	Offices	Data centre	Vehicles	Hardware	Dark fiber and other	Total
Acquisition cost 1 January 2019	884	774	19	37	9	1 723
Addition of right-of-use assets	122	3	13	1	1	140
Disposals	-26		-2			-29
Currency exchange differences	-6	-4	-1	0	-0	-10
Acquisition cost 30 September 2019	974	773	29	38	9	1 824
Depreciation	-143	-44	-9	-6	-3	-205
Disposals	2		1			3
Currency exchange differences	-2	-0	-0	-0	-	-2
Accumulated depreciation and impairment 30 September 2019	-143	-44	-8	-6	-3	-203
Carrying amount of right-of-use assets 30 September 2019	832	729	21	32	7	1 621
Lower of remaining lease term or economic life	1-9 years	1-17 years	1-3 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	Linear	Linear	

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Premises (incl. data centres)	IT equipment, vehicles, dark fiber and other	Total
Less than 1 year	288	25	313
1-2 years	266	19	285
2-3 years	237	13	250
3-4 years	205	8	214
4-5 years	182	0	182
More than 5 years	916		916
Total undiscounted lease liabilities at 30 September 2019	2 094	65	2 159

Summary of the lease liabilities in the financial statements	Statement of:	Premises (incl. data centres)	IT equipment, vehicles, dark fiber and other	Total
At initial application 1 January 2019		1 674	65	1 739
New lease liabilities recognised in the year		125	15	140
Disposals		-23	-2	-25
Cash payments of the lease liability	Cash flows	-228	-15	-242
Interest expense on lease liabilities	Profit and loss	52	2	54
Currency exchange differences	Profit and loss	-5	-0	-6
Total lease liabilities at 30 September 2019		1 596	64	1 659
Current lease liabilities	Financial position	272	24	296
Non-current lease liabilities	Financial position	1 323	40	1 364
Total cash outflows for leases	Cash flows	-228	-15	-242

Practical expedients applied

The Group also leases personal computers and other IT equipment with contract terms of 1 to 3 years. The Group has elected to apply the practical expedient of low value assets and does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. The Group has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases.

NOTE 5 - OTHER INCOME AND EXPENSES

OTHER INCOME AND EXPENSES

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
IBM partner agreement	81	108	241	356	545
Sharebased options (STIP)	4	-	11	-	-
Transaction costs merger	28	-	47	-	-
Provisions former CEO	-	-	-	-	15
Total other income and expenses	113	108	299	356	560

NOTE 6 - NON-CURRENT INTEREST-BEARING LIABILITIES

(NOK million)	30.09.19	30.09.18	31.12.18
Non-current lease liabilities	1 364	14	13
Liabilities to credit institution	5 526	5 050	4 734
Capitalised arrangement fee	-36	-50	-47
Non-current interest bearing liabilities	6 854	5 015	4 700

NOTE 7 - 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
Assets					
Non-current receivables				366	366
Accounts receivable				1 681	1 681
Other current receivables				1 267	1 267
Bank deposits				483	483
Total assets	-	-	-	3 798	3 798
Liabilities					
Non-current interest bearing liabilities				5 490	5 490
Non-current lease liabilities				1 364	1 364
Other non-current liabilities				619	619
Accounts payable				625	625
Other current liabilities				2 341	2 341
Total liabilities	-	-	-	10 438	10 438

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-based, and includes banking services, transactions systems and payment solutions. The Banking area represents approximately 70% of total revenues within the Financial Services business area.

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Cards					
Revenue	267	245	785	735	989
EBITA	35	45	96	121	148
EBITA margin	13.0%	18.3%	12.2%	16.4%	15.0%
Banking					
Revenue	600	568	1 835	1 744	2 403
EBITA	91	90	250	212	307
EBITA margin	15.2%	15.8%	13.6%	12.1%	12.8%
Financial Services Total					
Revenue	867	813	2 620	2 479	3 392
EBITA	126	135	346	333	455
EBITA margin	14.5%	16.6%	13.2%	13.4%	13.4%

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Revenue Cards					
Consulting Services	-	-	-	-	-
Application Services	267	245	785	735	989
Digital Platform Services	-	-	-	-	-
Total Revenue Cards	267	245	785	735	989
Revenue Banking					
Consulting Services	36	41	129	137	184
Application Services	286	250	868	783	1 083
Digital Platform Services	278	277	833	824	1 136
Total Revenue Banking	600	568	1 831	1 744	2 403
Revenue Financial Services Total					
Consulting Services	36	41	129	137	184
Application Services	552	495	1 653	1 518	2 072
Digital Platform Services	278	277	833	824	1 136
Total Revenue Financial Services	867	813	2 616	2 479	3 392

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-

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.

	Third quarter			First nine months		
(NOK million)	2019	2018	Growth in percent	2019	2018	Growth in percent
Reported revenues	3 092	3 005	2.9 %	9 599	9 499	1.1 %
Currency effects		39	-1.3 %		30	-0.3 %
Acquisition and Divestment impact	-	-29	1.0 %	-	-11	0.1 %
Basis for organic revenue growth	3 092	3 015	2.5 %	9 599	9 517	0.9 %

ADJUSTED EBITA AND EBITDA

Earnings before tax, interests and amortisation of customer contracts (EBITA) is an important performance measure for EVRY. EBITDA is before depreciations and write-downs 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.

	Third quarter		First nine months		Year
(NOK million)	2019	2018	2019	2018	2018
Adjusted EBITA	422	413	1 108	1 107	1 582
IBM partner agreement	-81	-108	-241	-356	-545
Sharebased options (STIP)	-4	-	-11	-	-
Transaction costs merger	-28	-	-47	-	-
Provisions former CEO	-	-	-	-	-15
EBITA	309	305	809	751	1 022

	Third quarter		First nine months		Year
(NOK million)	2019	2018	2019	2018	2018
EBITA	309	305	809	751	1 022
Depreciation and write-down of tangible assets and in-house developed software	120	53	361	162	230
EBITDA	429	358	1 170	913	1 252
IBM partner agreement	81	108	241	356	545
Sharebased options (STIP)	4	-	11	-	-
Transaction costs merger	28	-	47	-	-
Provisions former CEO	-	-	-	-	15
Adjusted EBITDA	542	467	1 469	1 269	1 812

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.

	Third quarter		First nine months		Year
(NOK million)	**2019**	**2018**	**2019**	**2018**	**2018**
Adjusted operational cash flow	277	120	511	263	1 374
Payments related to IBM partner agreement	-44	-92	-120	-353	-557
Payments related to former CEO	-	-	-15	-	-
Payments related to restructuring processes	-9	-18	-33	-74	-82
Transaction, IPO and refinancing payments	-40	-	-61	-22	-22
Net cash flow from operations	185	10	283	-186	713

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.

	Third quarter		First nine months		Year
(NOK million)	**2019**	**2018**	**2019**	**2018**	**2018**
Investment in tangible operating assets	-28	-32	-81	-90	-138
Investment in in-house developed software	-110	-60	-305	-187	-260
Sale of tangible operating assets	-	6	-	18	21
Net operational investments (CAPEX)	-139	-86	-386	-259	-377

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.

	Third quarter		First nine months		Year
(NOK million)	**2019**	**2018**	**2019**	**2018**	**2018**
Adjusted operational cash flow	277	120	511	263	1 374
Net operational investments (CAPEX)	-139	-86	-386	-259	-377
Free cash flow	139	34	125	3	997

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.

	First nine months		Year
(NOK million)	**2019**	**2018**	**2018**
Adjusted operational cash flow	1 623	1 331	1 374
Paid interest	199	181	189
Adjusted EBITDA	2 012	1 826	1 812
Cash conversion (in percent)	90.5%	82.8%	86.2%

Cash Conversion Rates presented for the year ended 30 September 2018 and 2019 are based on adjusted EBITDA for the latest twelve months ended 30 September.

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 average number of shares outstanding over the year.

	Third quarter		First nine months		Year
(NOK million)	2019	2018	2019	2018	2018
Profit/-loss for the period attributable to shareholders (owners of the parent company)	160	208	409	421	640
Other income and expenses	113	108	299	356	560
Tax effect other income and expenses	-25	-25	-66	-82	-129
Adjusted profit/-loss for the period attributable to shareholders (owners of the parent company)	248	291	643	695	1 071
Average number of shares outstanding	370 806 077	370 806 077	370 806 077	370 806 077	370 806 077
Adjusted earnings per share	0.67	0.79	1.73	1.87	2.89

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.

	As of 30 September		As of 31 December
(NOK million)	2019	2018	2018
Non-current lease liabilities	1 364	14	13
Non-current interest-bearing liabilities (excluding the capitalised arrangement fee)	5 526	5 050	4 734
Current lease liabilities	296	3	3
Other current interest-bearing liabilities	17	-	-
Bank deposits	-483	-260	-646
Net interest-bearing liabilities (NIBD)	6 719	4 807	4 104
Capitalised arrangement fee	36	50	47
Non-current interest-bearing liabilities (including the capitalised arrangement fee)	6 854	5 015	4 700

NET LEVERAGE

Net leverage represents NIBD divided by adjusted EBITDA.

	As of 30 September		As of 31 December
(NOK million)	2019	2018	2018
Net interest-bearing liabilities (NIBD)	6 719	4 807	4 104
Adjusted EBITDA	2 012	1 826	1 812
Net leverage	3.34	2.63	2.26

Net leverage presented is based on adjusted EBITDA for the latest twelve months ended 30 September.

WORKING CAPITAL

	As of 30 September		As of 31 December
(NOK million)	2019	2018	2018
Accounts receivable	1 681	1 638	1 701
Other current receivables	1 267	1 273	1 109
Accounts payable	-625	-667	-842
Duties payable, vacation allowance	-927	-866	-1 026
Other current liabilities	-1 118	-1 051	-1 360
less accrued financial expenses	16	14	17
less current interest bearing liabilities	17	-	-
Net working capital	311	341	-401

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