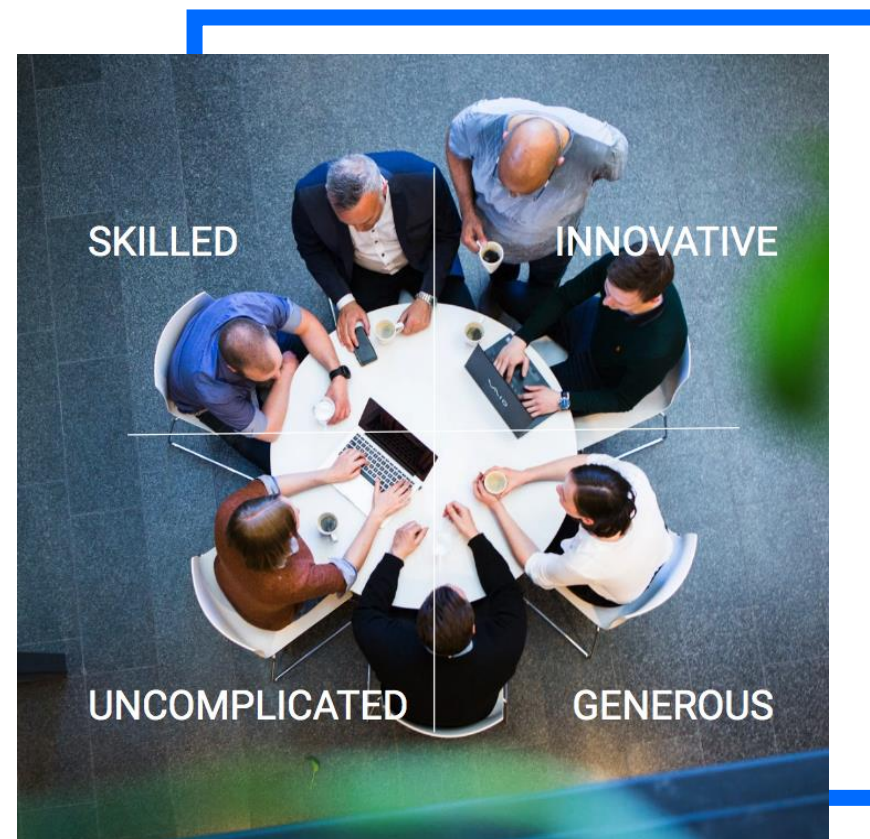


INTERIM REPORT
Q1 2020
WEBSTEP ASA



Q1 HIGHLIGHTS

- Revenues of NOK 183.0 million (NOK 184.4 million). The COVID-19 outbreak had an estimated negative effect on revenues of at least NOK 3 million
- EBIT of NOK 13.1 million (NOK 20.2 million)
- Positive development in Sweden with revenue increase of 14.0% (constant currency), and EBIT margin of 8.9% (2.7%)
- Investments in Webstep Solutions have started to yield results
- Increase in headcount of 8 employees the last quarter and 16 employees the last 12 months
- The Webstep employees have shown a remarkable ability to keep up the service level to the customers throughout the lock-down period
- The board of directors will await further developments before potentially deciding to resolve a dividend for the financial year 2019



KEY FIGURES

CONSOLIDATED

<i>(Amounts in NOK million)</i>	Q1 2020	Q1 2019	Y/Y % growth	FY 2019
Sales revenues	183.0	184.4	(0.8%)	660.5
EBITDA	16.5	22.3	(26.1%)	60.4
EBITDA margin	9.0%	12.1%		9.1%
EBIT	13.1	20.2	(35.1%)	49.1
EBIT margin	7.1%	10.9%		7.4%
Net profit	9.6	15.4	(37.9%)	36.1
Net cash flow	13.7	(7.9)	272.8%	(8.0)
Earnings per share (NOK)	0.36	0.58	(38.6%)	1.36
Earnings per share, fully diluted (NOK)	0.36	0.58	(38.3%)	1.36
Number of employees, average (FTE)	410	399	2.8%	397
Number of employees, end of period	417	401	4.0%	409
Number of work days, Norway (excl. vacation)	64	63		249
Number of work days, Sweden (excl. vacation)	63	63		251
EBITDA per average employee (NOK thousand)	40.3	56.0	(28.1%)	152.2
EBIT per average employee (NOK thousand)	32.0	50.7	(36.9%)	132.8

NORWAY

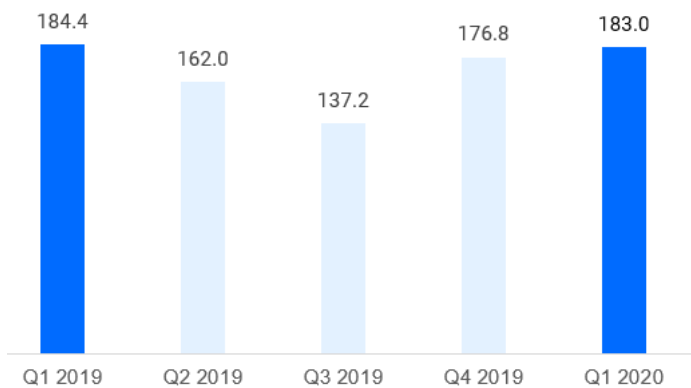
<i>(Amounts in NOK million)</i>	Q1 2020	Q1 2019	Y/Y % growth	FY 2019
Sales revenues	155.4	161.6	(3.8%)	570.3
EBIT	10.6	19.6	(45.9%)	46.7
EBIT margin	6.8%	12.1%		8.2%
Number of employees, average (FTE)	346	339	2.1%	337
Number of employees, end of period	354	341	3.8%	346
Number of work days, Norway (excl. vacation)	64	63		249
EBIT per average employee (NOK thousand)	30.6	57.8	(47.0%)	138.6

SWEDEN

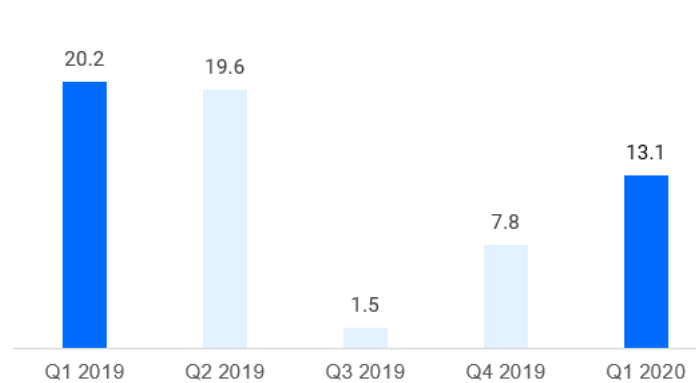
<i>(Amounts in NOK million)</i>	Q1 2020	Q1 2019	Y/Y % growth	FY 2019
Sales revenues	27.6	22.8	21.3%	90.2
EBIT	2.5	0.6	310.0%	2.4
EBIT margin	8.9%	2.7%		2.7%
Number of employees, average (FTE)	64	60	6.7%	61
Number of employees, end of period	64	60	6.7%	63
Number of work days, Sweden (excl. vacation)	63	63		251
EBIT per average employee (NOK thousand)	38.4	10.0	284.4%	39.3

KEY VALUE DRIVERS

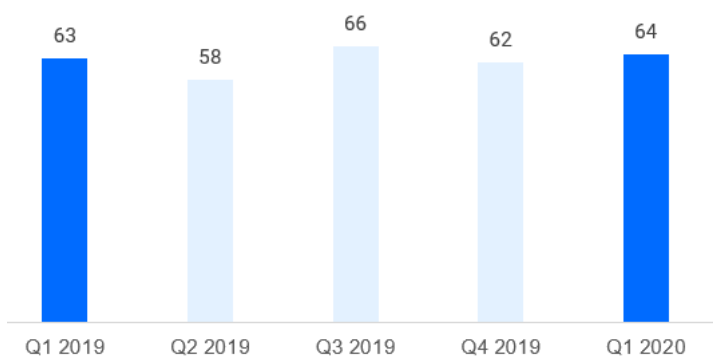
Revenues
(NOK million)



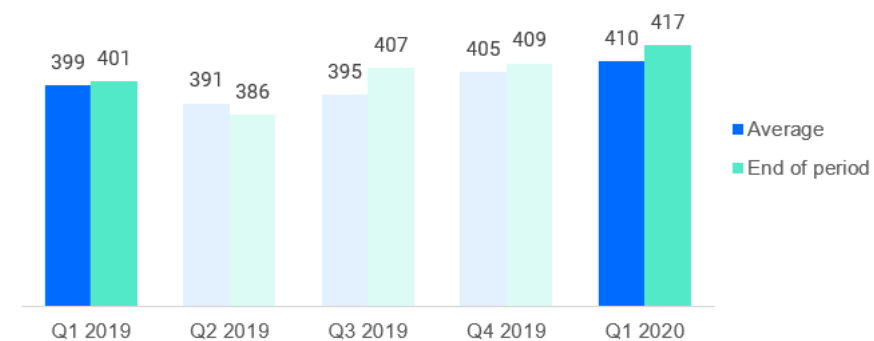
EBIT
(NOK million)



Working days (Norway)
(excl. vacation)



Employees
(average and end of period)



FIRST QUARTER 2020

Webstep reports revenues of NOK 183.0 million in the first quarter of 2020, a year-on-year decrease of 0.8 per cent. EBIT ended at NOK 13.1 million, down from NOK 20.2 million in the first quarter of 2019. The number of employees continued to increase in the first quarter and ended at 417. The COVID-19 outbreak impacted revenues negatively with at least NOK 3 million.

Webstep ASA (“the Group” or “Webstep”) recorded consolidated revenues in the first quarter of NOK 183.0 million, down 0.8 per cent from 184.4 million in the same quarter last year. Revenues were positively affected by increased headcount and increased hourly rates year-on-year, which was partly offset by decrease in revenues from subcontractors. Onboarding of new employees has affected utilization negatively in the first quarter compared to the corresponding quarter in 2019. The COVID-19 outbreak affected revenues negatively by at least NOK 3 million, mainly due to the increase in personal leave among the employees following the closing of schools and kindergartens in Norway 12 March, but also due to some abruptly cancelled or postponed projects.

EBIT for the first quarter amounted to NOK 13.1 million, down 35.1 per cent from NOK 20.2 million in the corresponding quarter 2019. EBIT was directly impacted by the revenues lost due to the outbreak of COVID-19. The first quarter EBIT is also impacted by a higher cost base than in the first quarter last year. This is due to strategic initiatives implemented to strengthen the platform for future growth, such as the staffing up of important functions within marketing and communication, finance, sales and recruiting in the last half of 2019. The strategic recruitments are partly tied to the investments in Webstep Solutions which accounted for a net negative impact on EBIT of NOK 3.1 million in the first quarter. Three Webstep offices

have moved into new and larger premises in 2019, which has increased the cost base by NOK 1.0 million compared to the first quarter last year. The EBIT margin was 7.1 per cent (10.9 per cent) for the first quarter. Net profit for the fourth quarter was NOK 9.6 million (NOK 15.4 million).

Webstep had 417 employees at the end of the first quarter, an increase of 8 employees (2 per cent), the last quarter and an increase of 16 employees (4 per cent), the last twelve months.

The financial position 31 March was strong, with total equity of NOK 389.3 million (NOK 389.1 million), corresponding to an equity ratio of 64.8 per cent (66.4 per cent). As announced 29 March 2020, the board of directors decided to change its dividend proposal for the financial year 2019. The proposal was changed from a fixed dividend to an authorization to the board of directors to resolve a dividend based on the financial statements for the financial year 2019. The authorization was granted at the annual general meeting 7 May 2020, and is limited to NOK 1.60 per share, equal to the initially proposed dividend. It is too early to assess the long-term effects of the virus on Webstep with certainty. Given this uncertainty, the board of directors is of the opinion that it is prudent, and in the best interest of the Group and its shareholders, to await further developments before potentially deciding to resolve a dividend for the financial year 2019.

Cash and cash equivalents 31 March were NOK 39.1 million (NOK 25.6 million) and the Group had an unutilized revolving credit facility of NOK 110.0 million in Norway and SEK 3.0 million in Sweden.

Webstep Sweden has shown a positive development with increased revenues and profitability during the first quarter. The fall in the Norwegian currency (NOK) gives a positive currency effect on the revenues and EBIT contribution from Webstep Sweden to the consolidated figures in the first quarter.

It is still difficult to estimate the financial consequences of the COVID-19 outbreak and how it will continue to affect the markets in which Webstep operates. A couple of Webstep's long-term customers have been severely affected by the COVID-19 lock-down, especially within the travel industry. In addition to the COVID-19 outbreak, the Norwegian market is also affected by the drop in the oil price. Especially the cities on the west coast of Norway, such as Stavanger and Bergen, experience a fall in demand from companies within the oil industry. Webstep's exposure in these industries are limited. Although the markets have slowed down, there is still a demand for IT expert consultants in all geographies in both Norway and Sweden.

The Webstep employees have shown a remarkable ability to keep up the service level to the customers throughout the lock-down period. Production levels have remained relatively stable despite the fact that most consultants have been delivering their services remotely.

FINANCIAL REVIEW

PROFIT AND LOSS

First quarter

First quarter consolidated revenues were NOK 183.0 million (NOK 184.4 million), down 0.8 per cent from the same quarter last year. Webstep's revenue model is primarily based on hourly fees, with revenue capacity dependent on the number of consultants, number of working days and hourly rates. The average number of employees in the first quarter of 2020 was 410 (399) and the number of working days was 64 (63) and 63 (63) in Norway and Sweden, respectively. Revenues from own consultants

increased by NOK 1.3 million, while revenues from subcontractors decreased by NOK 2.7 million compared to the same quarter last year.

Revenues in the first quarter were directly affected by the COVID-19 outbreak, as the number of available productive hours were reduced due to personal leave following the closing of schools and kindergartens in Norway. Further, some customers had to abruptly cancel or postpone projects, which also affected revenues negatively. The estimated negative effect on revenues amounted to at least NOK 3 million and relates only to the business in Norway.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 19.8 million (NOK 22.4 million) for the quarter.

Personnel expenses include salaries and benefits, pension, tax, vacation pay and other items. A high proportion of salary is variable. New consultants receive a guaranteed base salary in the onboarding phase, which may affect personnel expenses in periods with high onboarding activity. Webstep has decided to commit to the employees a minimum base salary for consultants that are impacted by the COVID-19 outbreak from March until August 2020. This initiative will provide security and predictability for the employees and for the company during these unprecedented times.

Salaries and personnel costs amounted to NOK 136.7 million (NOK 128.9 million) for the quarter. The increase from 2019 is explained by higher revenue-based salaries for consultants, increase caused by the abovementioned minimum base salary, and an increased number of sales- and management personnel.

The newly established business area, Webstep Solutions, has been further strengthened and counted 10 employees at the end of the first quarter. The team is fully engaged in creating new opportunities, enhancing and broadening the partner network and delivering their services to clients. Revenues from Webstep Solutions in the first quarter amounted to NOK 0.5 million. The net investment made in the Webstep Solutions business area in the first quarter, amounted to NOK 3.1 million, which had a negative effect on EBIT.

Depreciation and impairment for the first quarter amounted to NOK 3.4 million (NOK 2.2 million). The main reason for the increase is relocation of four Webstep offices, which has contributed to increased lease costs year-on-year.

The Group uses earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) as alternative performance measures, as described in note 13 to the consolidated financial statements. Total consolidated EBIT in the first quarter amounted to NOK 13.1 million (NOK 20.2 million) and EBITDA amounted to NOK 16.5 million (NOK 22.3 million).

Net financial costs were NOK 0.8 million (NOK 0.4 million) and income tax amounted to NOK 2.7 million (NOK 4.3 million) for the first quarter. Net profit for the first quarter was NOK 9.6 million (NOK 15.4 million).

FINANCIAL POSITION AND CASH FLOW

Total assets 31 March amounted to NOK 601.0 million (NOK 585.8 million). Non-current assets were NOK 433.6 million (NOK 403.7 million) and consisted mainly of intangible assets. Intangible assets amounted to NOK 390.8 million (NOK 384.6 million), and comprise primarily of acquisition-related goodwill of NOK 385.1 million. Currently, there are no indications that impairment is required for any of the reporting units. Right-of-use assets related to office rentals and car leases have been recognized in the balance sheet at the total amount of NOK 35.6 million (NOK 13.8 million).

Total current assets of NOK 167.4 million (NOK 182.1 million) consisted of trade receivables, other current receivables and cash and short-term deposits. Trade receivables amounted to NOK 120.4 million (NOK 150.5 million). Most receivables are due at month end and 31 March fell on a weekend in 2019. Other current receivables were NOK 7.8 million (NOK 6.0 million). Cash and short-term deposits amounted to NOK 39.1 million (NOK 25.6 million).

Total equity 31 March was NOK 389.3 million (NOK 389.1 million). The change is mainly related to earnings generated, offset by dividends paid in 2019. Non-current liabilities amounted to NOK 27.6 million (NOK 11.3

million) and consisted mainly of non-current leasing liabilities of NOK 25.9 million (NOK 9.7 million). Current liabilities of NOK 184.1 million (NOK 185.4 million) consisted of current leasing liabilities, trade payables, tax payables, social taxes and VAT and other short-term debt.

Cash flow from operations in the first quarter amounted to NOK 17.2 million (negative NOK 6.4 million). The increased cash flow in the first quarter compared to 2019 can primarily be explained by change in trade receivables partly offset by reduced profit.

The Webstep Group has a NOK 110 million Revolving Credit Facility (RCF) with SpareBank1 SR-Bank. The Group has not been in breach with the covenants of the RCF during the first quarter of 2020. See note 11 and 13 for further details.

ORGANIZATION

Webstep had 417 employees at the end of the first quarter, an increase of 8 employees the last quarter and an increase of 16 employees the last twelve months. The employees are distributed across 10 regional offices in major cities in Norway and Sweden. Webstep believes in the power of local business and the decentralized model is based on strong local presence. The regional offices provide expertise and capacity to local clients, leveraging the full organizational capacity.

Webstep's consultants have in average more than 10 years of relevant experience. This creates a solid foundation for a strong professional environment and high-quality deliveries. The Webstep work culture is driven by the values of being skilled, innovative, generous and uncomplicated. These are values that have become even more important during the COVID-19 outbreak.

When the lock-down of Norway was announced on 12 March, the management's number one priority was to ensure that all precautions were taken to protect the employees. Already on 11 March, all employees in Norway were encouraged to work from home until further notice, and all scheduled events were cancelled. The employees were encouraged to keep delivering services to the customers as long as this was possible and as long as it did not compromise the security or well-being of the employees,

the customers or their families. In Sweden, in response to the Swedish authorities' recommendations, the employees have adopted home offices where possible.

Among Webstep's 417 employees, there has been only one person confirmed diagnosed with COVID-19, and three suspected of being infected. None of these are known to have exposed colleagues in the office, nor their customers, and were isolated in home quarantine. All four of the affected employees have recovered and are back to work.

Webstep's distributed management model is proving valuable in the corona crisis. Strong local leadership is needed to ensure the well-being of the employees, and our managers are in regular contact with their staff on a one-to-one basis to support employees and clients.

The IT industry is key to keep the wheels of society turning, and the employees have shown a remarkable ability to keep up the service level to the customers despite the fact that most of them have been delivering their services remotely. The Webstep organization has been leveraging collaborative tools and video conferencing for many years. The collaborative culture among employees has ensured a smooth transition to working from home as the new normal, and the customers have also adapted well to the situation.

To further strengthen the community feeling among Webstep employees, various digital social, as well as academic, initiatives emerged across regions. From virtual "Friday meetups", to joint Personal Trainer sessions with colleagues across regions, the ingenuity and creativity shown were great. Some of the initiatives even led to press coverage and created and increased interest for Webstep.

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

SEGMENTS

Webstep has two reporting segments; Norway and Sweden. Norway accounts for around 85 per cent of total revenues.

NORWAY

Webstep Norway is headquartered in Oslo and also has offices in Bergen, Stavanger, Trondheim, Kristiansand and Haugesund. The Group provides high-end IT consultancy services to more than 200 public and private clients across the country. The core offering consists of digitization, cloud services and integration. In addition, Webstep is steadily taking advantage of key fast-growing markets, including Internet of Things ("IoT"), machine learning, robotics and analytics.

First quarter

Total operating revenues for the first quarter came to NOK 155.4 million (NOK 161.6 million), a decrease of 3.8 per cent from the corresponding quarter last year. Fewer holidays and higher hourly rates compared to 2019 impacted revenue, but this was offset by decreased revenue from subcontractors and lower utilization. The COVID-19 crisis impacted revenues negatively by at least NOK 3 million in the first quarter as a result of postponed or cancelled projects, higher personal leave following the closing of schools and kindergartens and reduced hourly rates in certain projects. EBIT for the first quarter came to NOK 10.6 million (NOK 19.6 million). The reduced EBIT is explained by the abovementioned direct impact of COVID-19, increased salary costs which relates to the recruitment of sales- and management personnel during the last half of 2019. Increased lease costs of NOK 1.0 million and decreased profit from subcontractors have also impacted EBIT. As mentioned above, the net investments in Webstep Solutions of NOK 3.1 million have also affected the first quarter EBIT in Norway.

Webstep Norway had 354 employees at the end of March (341 employees). The average number of employees in the quarter was 346 (339).

SWEDEN

Webstep Sweden has offices in Stockholm, Malmö, Uppsala and Sundsvall. Webstep Sweden serves clients in different industries, mainly in the private

sector, and delivers the same high-end IT consultancy services as Webstep Norway, primarily within the Group's core digitalization offering.

First quarter

Operating revenues for the first quarter came to NOK 27.6 million (NOK 22.8 million), an increase of 21.3 per cent. Revenues were impacted by more employees, higher utilization, increased revenues from subcontractors and a positive currency effect. Adjusted for fluctuation in exchange rates, revenue grew by 14.0 per cent from the corresponding quarter last year. EBIT came to NOK 2.5 million for the quarter (NOK 0.6 million). The main reason for the increase is higher revenues from own consultants.

Webstep Sweden had 64 employees at the end of March (60 employees). The average number of employees in the quarter was 64 (60).

OUTLOOK

It is still difficult to estimate the financial consequences of the COVID-19 outbreak and how it will continue to affect the markets in which Webstep operates. Webstep's management team monitors the situation closely - both in terms of opportunities and of threats that arise in the wake of the crisis. Digitization has become even more relevant as a consequence of the social distancing. Increased use of videoconferencing at work and for home schooling, and remote delivery of a variety of services are among the trends that creates opportunities for IT expert companies such as Webstep.

Most Webstep consultants are on contracts with a duration of 3-6 months or longer. The Webstep employees have shown a remarkable ability to keep up the service level to the customers throughout the lock-down period. Production levels have remained relatively stable despite the fact that most consultants have been delivering their services remotely. The four employees who were infected or suspected infected with COVID-19 have all recovered. Schools and kindergartens opened up in Norway in April for the youngest children, which allows for a more stable work situation for the majority of the employees going forward.

Webstep has continued to carefully recruit new employees throughout the COVID-19 lock-down period, but the recruitment activities have slowed down. Headcount is expected to decrease slightly in the second quarter compared to the first quarter, but the average number of employees is expected to be higher than the second quarter of 2019.

Some of Webstep's loyal and long-term customers have been severely affected by the COVID-19 lock-down, especially within the travel and the oil industries. Webstep has been in regular contact with these customers to find solutions that benefit both parties through the crises. Webstep's exposure in these industries is limited. Outstanding receivables are followed up closely. In the event that projects have been canceled, Webstep's sales force has responded quickly to find new prospects for the affected consultants. Although the market has slowed down, there is still a demand for IT expert consultants.

In addition to the COVID-19 outbreak, the Norwegian market is also affected by the drop in the oil price. Especially the cities on the west coast of Norway, such as Stavanger and Bergen, experience a fall in demand from companies within the oil industry.

Webstep does not expect to qualify for other COVID-19-related financial aid initiatives from the Norwegian and Swedish governments other than: Expected reduction in employer national insurance contribution taxes in both countries in May and June, and the reduction of the period employers have to cover sick-pay from 16 days to 3 days in Norway.

Market focus going forward will remain on current and new locations in key cities in Scandinavia. The growth strategy will continue to be organic, but M&A may be utilized as a strategic tool to access new customer relations or new expertise. The business model is subject to continuous development and expansion. Measures are made to move up the value chain and to increase business opportunities by more actively offering a wider range of expert services and solutions. The long-term ambition to exceed the market average in terms of revenue growth and EBIT margin remains unchanged.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	Q1 2020	Q1 2019	FY 2019
Sales revenues	4	183,020	184,432	660,513
Total revenues		183,020	184,432	660,513
Cost of services and goods		19,799	22,403	84,200
Salaries and personnel cost		136,659	128,939	474,172
Depreciation and amortization	8,9	3,430	2,158	11,291
Other operating expenses		10,056	10,746	41,738
Operating profit(loss)		13,076	20,186	49,113
Net financial items		(813)	(435)	(2,478)
Profit before tax		12,263	19,750	46,635
Income tax expenses		2,687	4,341	10,550
Profit for the period		9,576	15,409	36,085
Earnings per share (NOK)	6	0.36	0.58	1.36
Earnings per share, fully diluted (NOK)	6	0.36	0.58	1.36
Other comprehensive income:				
Currency translation differences		7,689	(3,163)	(1,962)
Other comprehensive income for the period, net of tax		7,689	(3,163)	(1,962)
Total comprehensive income for the period, net of tax		17,264	12,246	34,123
Attributable to:				
Shareholders in parent company		17,264	12,246	34,123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	31 Mar 2020	31 Mar 2019	31 Dec 2019
Assets				
Intangible assets	8	390,768	384,606	384,522
Fixed assets		6,784	4,872	5,917
Right-of-use assets	9	35,589	13,806	37,156
Non-current financial assets		10	10	10
Deferred tax assets		454	436	454
Total non-current assets		433,605	403,730	428,059
Trade receivables	10	120,446	150,526	104,797
Other current receivables	10	7,834	6,035	7,112
Cash and short-term deposits		39,147	25,553	25,454
Total current assets		167,427	182,114	137,363
Total assets		601,032	585,844	565,422
Equity				
Shareholders' equity		389,267	389,099	371,645
Liabilities				
Non-current leasing liabilities	9	25,948	9,662	28,335
Deferred tax		1,696	1,641	1,539
Total non-current liabilities		27,644	11,303	29,874
Current leasing liabilities	9	9,641	4,144	8,821
Trade and other payables		17,016	20,272	18,901
Tax payable		5,455	16,614	8,587
Social taxes and VAT		58,984	58,455	56,399
Other short-term liabilities	12	93,026	85,956	71,195
Total current liabilities		184,121	185,442	163,903
Total liabilities		601,032	585,844	565,422

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in NOK 1000)</i>	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
1 January 2019	26,967	(486)	153,960	10,282	185,851	376,574	-	376,574
Profit for the period	-	-	-	-	36,085	36,085	-	36,085
Sales of treasury shares	-	193	4,304	-	-	4,497	-	4,497
Other comprehensive income/(loss)	-	-	-	(1,962)	-	(1,962)	-	(1,962)
Share incentive program	-	-	(1,354)	-	173	(1,181)	-	(1,181)
Dividends	-	-	-	-	(42,369)	(42,369)	-	(42,369)
31 December 2019	26,967	(293)	156,910	8,321	179,740	371,645	-	371,645
Profit for the period	-	-	-	-	9,576	9,576	-	9,576
Sales of treasury shares	-	-	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	7,689	-	7,689	-	7,689
Share incentive program	-	-	-	-	358	358	-	358
Dividends	-	-	-	-	-	-	-	-
31 March 2020	26,967	(293)	156,910	16,009	189,674	389,267	-	389,267

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	Q1 2020	Q1 2019	1 Jan – 31 Dec 2019
Operating activities				
Profit/(loss) before tax		12,263	19,750	46,635
Adjustments for:				
Depreciation of property, plant and equipment	8,9	3,430	2,158	11,291
Net change in trade and other receivables		(16,371)	(48,291)	(3,639)
Net change in other liabilities		22,531	24,519	6,330
Net foreign exchange differences		1,046	(249)	(176)
Income tax expenses		(5,666)	(4,243)	(18,652)
Net cash flow from operating activities		17,233	(6,356)	41,788
Investing activities				
Purchase of property and equipment		(1,688)	(501)	(3,670)
Net cash flow from investing activities		(1,688)	(501)	(3,670)
Financing activities				
Repayments of lease liabilities	9	(2,210)	(1,346)	(7,088)
Payment of dividends		-	-	(42,369)
Sale of treasury shares		357	279	3,316
Net cash flows from financing activities		(1,852)	(1,067)	(46,142)
Net increase/(decrease) in cash and cash equivalents		13,693	(7,924)	(8,024)
Cash and cash equivalents at the beginning of the period		25,454	33,478	33,478
Cash and cash equivalents at the end of the period		39,147	25,553	25,454

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

THE COMPANY AND THE GROUP

Webstep ASA (the Company) is a Norwegian public limited liability company. The shares of the Company were listed on Oslo Stock Exchange 11 October 2017. The Company has two fully owned subsidiaries: Webstep AS in Norway and Webstep AB in Sweden.

The Company and its subsidiaries (together the Webstep Group/the Group) are leading providers of IT expert consultants in Norway and Sweden. The Group aims to be at the forefront of the technological development and to assist its customers in their digitalisation through the offering of cutting-edge IT expertise. The Group's core digitalisation offerings are digitalisation, cloud migration and integration, in addition to its other new focus areas Internet of Things (IoT), machine learning, robotics and analytics.

NOTE 2 BASIS OF PREPARATION AND STATEMENT

BASIS FOR PREPARATION

The financial statements are presented in NOK, rounded to the nearest thousand, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

STATEMENTS

These condensed consolidated interim financial statements for the first quarter and first three months of 2020 have been prepared in accordance with IAS 34 as approved by the EU (IAS 34). They have not been audited or subject to a review by the auditor. They do not include all the information required for full annual financial statements of the Group and should consequently be read in conjunction with the consolidated financial

statements for 2019. The accounting policies applied are consistent with those applied and described in the consolidated annual financial statements for 2019, which are available on www.webstep.com and upon request from the Company's registered office at Edvard Storms gate 2, 0166 Oslo, Norway.

These condensed consolidated interim financial statements for the first quarter were approved by the Board of Directors and the CEO 26 May 2020.

ACCOUNTING POLICIES

The Group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU (International Financial Reporting Standards - IFRS) and the Norwegian Accounting Act. References to IFRS in these accounts refer to IFRS as approved by the EU. The date of transition was 1 January 2016. The accounting policies adopted are consistent with those of the previous financial year. Changes to IFRSs which have been effective from 1 January 2020 have had no material impact on the Group's financial statements.

NOTE 3 ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements for 2019 and as described in note 3 to the 2019 statements.

NOTE 4 SEGMENT INFORMATION

The Group has currently two reportable segments: Norway and Sweden. Revenues and expenses are reported in the legal entity where they occur and hence reported in the segment in which the legal entity belongs. Segment performance is evaluated on the basis of revenue and EBIT performance. Assets and liabilities are not allocated between the segments.

Q1 2020

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	Total
Revenues	156,052	27,646	(678)	183,020
EBITDA	13,357	3,148	-	16,506
EBIT	10,616	2,460	-	13,076
EBIT margin	6.8%	8.9%	-	7.1%

Q1 2019

<i>(Amounts in NOK 1000)</i>	Norway	Sweden	Elimination	Total
Revenues	162,300	22,783	(651)	184,432
EBITDA	21,366	978	-	22,343
EBIT	19,567	618	-	20,186
EBIT margin	12.1%	2.7%	-	10.9%

FY 2019

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

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

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

Q1 2020

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	156,052	27,942	183,020
Other	-	-	-
Total revenues from contracts with customers	156,052	27,942	183,020

Q1 2019

<i>(Amounts in 1000)</i>	Norway	Sweden	Group
IT-related consulting services	162,300	24,429	184,353
Other	-	85	79
Total revenues from contracts with customers	162,300	24,514	184,432

FY 2019

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

NOTE 5 SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group's net operating revenues are affected by the number of working days within each reporting period while employee expenses are recognized for full calendar days. The number of working days in a month is affected by public holidays and vacations. The timing of public holidays' during quarters and whether they fall on weekdays or not impact revenues. Q1 2020 had one more work day compared to Q1 2019 in Norway, while in Sweden the number of work days was unchanged.

NOTE 6 EARNINGS PER SHARE

There are no dilutive effects on the number of shares due to the Long-term incentive programme (LTI) in Q1 2020. Under the LTI, share options of the parent are granted to senior executives of the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the senior executive remains employed during the vesting period. 515,876 options were granted to senior executives of the Group 18 November 2019.

The options will vest in the following tranches:

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

The exercise price of the options granted 18 November 2019 is NOK 23.1.

The number of treasury shares held by Webstep is 293 633.

Earnings per share

<i>(Amounts in NOK 1000)</i>	Q1 2020	Q1 2019	FY 2019
Profit for the period	9,576	15,409	36,085
Average number of shares (excl. treasury shares)	26,673	26,481	26,504
Average number of shares, fully diluted (excl. treasury shares)	26,673	26,571	26,581
Earnings per share (NOK)	0.36	0.58	1.36
Earnings per share, fully diluted (NOK)	0.36	0.58	1.36

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are primarily trade receivables and other receivables, cash and cash equivalents and accounts payables, for which the book value is a good approximation of fair value. The Group's interest-bearing liabilities are mainly debt to credit institutions, amounting to NOK 0 (NOK 0 31 March 2019). The Group owns a limited amount of treasury shares at quarter end, 0.3 million, booked at face value.

NOTE 8 INTANGIBLE ASSETS AND GOODWILL

<i>(Amounts in NOK 1000)</i>	Goodwill Norway	Goodwill Sweden	R&D	Total
Cost				
1 January 2020	313,575	64,889	7,573	386,037
Additions	-	-	-	-
Disposals	-	-	-	-
Exchange adjustments	-	6,625	-	6,625
31 March 2020	313,575	71,514	7,573	392,662
Depreciation and impairment				
1 January 2020	-	-	(1,515)	(1,515)
Impairment	-	-	-	-
Depreciation charge for the year	-	-	(379)	(379)
31 March 2020	-	-	(1,894)	(1,894)
Net book value				
31 March 2020	313,575	71,514	5,679	390,768
Useful life	Infinite	Infinite	5 years	
Depreciation method	N/A	N/A	Straight line	

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

on the impairment tests performed, no impairment is identified for Q1. Depending on the duration of the COVID-19 pandemic, and to what extent the business is affected in the medium to longer term, it may have an impact on assumptions applied for calculating the recoverable amount for goodwill.

Capitalized research and development (R&D) comprise investments in the strategic initiative Webstep Internet of Things (IoT), where a total of NOK 7.6 million is recognized at balance date. The reclassification and recognition as an intangible asset is based on the management's assessment of future economic benefits from the projects and that the criteria in IAS 38.57 is met. The Group did not have any defined R&D initiative in Q1 2020 which met the criteria of an intangible asset.

NOTE 9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has applied its weighted average incremental borrowing rate for all the leases, recognized as financial, due to the similar characteristics of the leases. The rate applied is 4.7 per cent and is based on the rate agreed upon in current Revolving Credit Facility and identified as the incremental borrowing rate. The Group's right-of-use assets are exclusively identified as office rentals. Leases of private cars for exclusive use by named employees in Sweden, and where these employees have the right and commitment to decide to buy out these cars at residual value at either termination of employment or end of contract period, thus the power of directing the use of the asset rests with the employee. Hence, the agreements do not fulfil the criteria for a lease contract according to IFRS 16. The right-of-use assets are recognized at the estimated present value of the leasing liabilities as calculated at the date of initial recognition. Contracts with options for extensions that would, with reasonably certainty, be exercised, are estimated at net present value including the optional rental period. Contracts with penalties if options for extensions not are exercised and where the certainty for exercising the options is assessed as not reasonable, the estimated or actual penalty amounts are provided for and treated as a part of the rental cost of the contracts. The amount is decomposed to depreciation, instalment and interest.

Right-of-use assets

<i>(Amounts in NOK 1000)</i>	Company cars Sweden	Offices Sweden	Offices Norway	Total
Acquisition cost 1 January 2020	4,441	4,675	35,053	44,169
Addition of right-of-use assets	-	-	-	-
Currency exchange differences	320	323	-	643
Acquisition cost 31 March 2020	4,761	4,998	35,053	44,812
Accumulated depreciation 1 January 2020	1,003	1,470	4,541	7,014
Depreciation for the period	284	396	1,529	2,210
Accumulated depreciation 31 March 2020	1,287	1,866	6,070	9,223
Carrying amount of right-of-use assets 31 March 2020	3,474	3,132	28,983	35,589
Lower of remaining lease term or economic life	1-3 years	1-3 years	1-5 years	
Depreciation method	Amortization	Amortization	Amortization	

Lease liabilities

<i>(Amounts in NOK 1000)</i>	Company cars Sweden	Offices Sweden	Offices Norway	Total
Undiscounted lease liabilities and maturity of cash outflows				
Less than 1 year	1,508	1,852	7,103	10,463
1-2 years	1,228	1,410	7,668	10,306
2-3 years	705	-	7,457	8,162
3-4 years	-	-	7,602	7,602
4-5 years	-	-	2,673	2,673
More than 5 years	-	-	-	-
Total undiscounted lease liabilities 31 March 2020	3,441	3,262	32,504	39,207

<i>(Amounts in NOK 1000)</i>	Company cars Sweden	Offices Sweden	Offices Norway	Total
Summary of the lease liabilities in the financial statements				
At initial recognition 1 January 2020	3,438	3,205	30,512	37,156
New lease liabilities recognized in the year	-	-	-	-
Cash payment of the lease liabilities	(284)	(396)	(1,529)	(2,210)
Currency exchange differences	320	323	-	643
Total lease liabilities 31 March 2020	3,474	3,132	28,983	35,589
Current lease liabilities	1,080	1,529	7,032	9,641
Non-current lease liabilities	2,394	1,588	21,967	25,948
Cash outflows for lease liabilities	(284)	(396)	(1,529)	(2,210)
Interest expenses on lease liabilities	(8)	(42)	(216)	(266)
Total cash outflows for leases	(292)	(438)	(1,745)	(2,475)

NOTE 10 TRADE AND OTHER RECEIVABLES

Trade and other receivables

<i>(Amounts in NOK 1000)</i>	31 Mar 2020	31 Mar 2019	31 Dec 2019
Trade receivables – net of related parties	121,263	151,391	105,614
Provision for bad debt	(817)	(865)	(817)
Trade receivables net of provision	120,446	150,526	104,797
Prepayments and other receivables	7,834	6,035	7,112
Total trade and other receivables	128,280	156,561	111,909

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

<i>(Amounts in NOK 1000)</i>	Total	Not due	Less than 30 days	30 – 60 days	Above 60 days
Trade receivables – net of related parties	121,263	92,654	28,145	346	119

NOTE 11 INTEREST-BEARING DEBT

The Group has a NOK 110 million Revolving Credit Facility (“RCF”) with SpareBank 1 SR-Bank. The RCF may be utilised by each member of the Group having acceded to the cash pooling account system related to the RCF.

The RCF was renewed during Q2 2019. The term of the RCF is two years, after which it is subject to renewal. The total payable interest rate is based on 3 months NIBOR in addition to an agreed margin of 2.85% per annum. The interest calculation is based on the net of cash and overdraft. The quarterly charge for the credit facility is 0.25% of the granted credit. Under the RCF, the Company has pledged security over the shares, inventory, insurance payouts and accounts receivable in Webstep AS and negative pledge over the shares in Webstep AB. The covenants for the RCF are: 1) Group equity ratio >30 per cent, measured quarterly, and 2) NIBD / EBITDA ratio maximum 3, measured quarterly, rolling 12 months. Alternative performance measures are described in note 13.

The cash pooling account system is reported as one net figure, either asset or debt, depending on the net figure, to reflect the actual interest-bearing figure at balance date.

NOTE 12 OTHER SHORT-TERM LIABILITIES

Other short-term liabilities mainly consists of two components; i) accrued salaries for the past month, for payment to employees in accordance with the salary model and ii) accrued holiday pay as required by law, for payment to employees in June every year.

NOTE 13 ALTERNATIVE PERFORMANCE MEASURES

Webstep discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Webstep believes that the alternative performance measures provide useful supplemental information to management, investors, equity analysts and other stakeholders. These measures are commonly used and are meant to provide an enhanced insight into the financial development of Webstep’s business operations and to improve comparability between period.

- **EBITDA** is short for Earnings before Interest and other financial items, Taxes, Depreciation and Amortization and is a term commonly used by equity analysts and investors.
- **EBITDA per employee** is Earnings before Interest and other financial items, Taxes, Depreciation and Amortization divided by the average number of employees.
- **EBIT** is short for Earnings before Interest and other financial items and Taxes and is a term commonly used by equity analysts and investors.
- **EBIT per employee** is Earnings before Interest and other financial items and Taxes divided by the average number of employees.
- **NIBD** is short for Net Interest Bearing Debt and is defined as interest bearing debt minus unrestricted cash and cash equivalents. Net Interest Bearing Debt does not include the effects of IFRS 16 Leasing.
- **Group equity ratio** is defined as the total consolidated equity of the Group divided by total assets.
- **NIBD/EBITDA** is calculated as Net Interest Bearing Debt divided by Earnings before Interest and other financial items, Taxes, Depreciation and Amortization (EBITDA). The ratio is one of the debt covenants of the Company and it is based on the rolling twelve months EBITDA. If the Company has more cash than debt, the ratio can be negative. The leverage ratio does not include the effects of IFRS 16 Leasing, as covenants are based on frozen GAAP.

Reconciliation of alternative performance profit measures:**Profit measures - EBITDA**

<i>(Amounts in NOK 1000)</i>	Q1 2020	Q1 2019	FY 2019
Operating profit (EBIT)	13,076	20,186	49,113
Depreciation	3,430	2,158	11,291
EBITDA	16,506	22,343	60,404

Net Interest Bearing Debt (NIBD)

<i>(Amounts in NOK 1000)</i>	31 Mar 2020	31 Mar 2019	31 Dec 2019
Cash and cash equivalents (minus indicates positive amount)	(39,147)	(25,553)	(25,454)
Restricted cash	454	297	786
Debt to credit institutions	-	-	-
Net interest bearing debt	(38,693)	(25,256)	(24,668)

Group equity ratio

<i>(Amounts in NOK 1000)</i>	31 Mar 2020	31 Mar 2019	31 Dec 2019
Total equity	389,267	389,099	371,645
Total assets	601,032	585,844	565,422
Group equity ratio	0.65	0.66	0.66

Group equity ratio covenant threshold > 0,3

NIBD/EBITDA

(Amounts in NOK 1000)

	31 Mar 2020	31 Mar 2019	31 Dec 2019
EBITDA rolling 12 months (based on frozen GAAP)	54,566	77,206	52,732
NIBD	(38,693)	(25,256)	(24,668)
NIBD/EBITDA	(0.71)	(0.33)	(0.47)

NIBD/EBITDA covenant threshold < 3

APPENDIX – QUARTERLY FIGURES

KEY FIGURES

CONSOLIDATED

<i>(Amounts in NOK million)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Sales revenues	183.0	176.8	137.2	162.0	184.4
EBITDA	16.5	12	4.1	22	22.3
EBITDA margin	9.0%	6.8%	3.0%	13.5%	12.1%
EBIT	13.1	7.8	1.5	19.6	20.2
EBIT margin	7.1%	4.4%	1.1%	12.1%	10.9%
Net profit	9.6	5.2	0.6	14.8	15.4
Net cash flow	13.7	16.6	3.2	(19.9)	(7.9)
Earnings per share (NOK)	0.36	0.20	0.02	0.56	0.58
Earnings per share, fully diluted (NOK)	0.36	0.20	0.02	0.56	0.58
Number of employees, average (FTE)	410	405	395	391	399
Number of employees, end of period	417	409	407	386	401
Number of work days, Norway (excl. vacation)	64	62	66	58	63
Number of work days, Sweden (excl. vacation)	63	62	66	60	63
EBITDA per average employee (NOK thousand)	40.3	29.7	10.4	56.1	56.0
EBIT per average employee (NOK thousand)	32.0	19.3	3.8	50.1	50.7

SEGMENTS

NORWAY

<i>(Amounts in NOK million)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Sales revenues	155.4	152.2	118.1	138.4	161.6
EBIT	10.6	6.9	1.6	18.6	19.6
EBIT margin	6.8%	4.6%	1.4%	13.4%	12.1%
Number of employees, average (FTE)	346	343	335	329	339
Number of employees, end of period	354	346	345	325	341
Number of work days, Norway (excl. vacation)	64	62	66	58	63
EBIT per average employee (NOK thousand)	30.6	20.1	4.8	56.5	57.8

SWEDEN

<i>(Amounts in NOK million)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Sales revenues	27.6	24.7	19.1	23.6	22.8
EBIT	2.5	0.9	(0.1)	1.0	0.6
EBIT margin	8.9%	3.7%	(0.5%)	4.2%	2.7%
Number of employees, average (FTE)	64	62	60	62	60
Number of employees, end of period	64	63	62	61	60
Number of work days, Sweden (excl. vacation)	63	62	66	60	63
EBIT per average employee (NOK thousand)	38.4	14.5	(1.7)	16.1	10.0

CONSOLIDATED INCOME STATEMENT

<i>(Amounts in NOK 1000)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Sales revenues	183,020	176,812	137,237	162,032	184,432
Total revenues	183,020	176,812	137,237	162,032	184,432
Cost of services and goods	19,799	22,639	17,894	21,264	22,403
Salaries and personnel cost	136,659	129,349	106,176	109,708	128,939
Depreciation and amortization	3,430	4,185	2,602	2,346	2,158
Other operating expenses	10,056	12,808	9,073	9,110	10,746
Operating profit(loss)	13,076	7,831	1,492	19,605	20,186
Net financial items	(813)	(723)	(712)	(608)	(435)
Profit before tax	12,263	7,108	780	18,996	19,750
Income tax expenses	2,687	1,863	173	4,173	4,341
Profit for the period	9,576	5,245	608	14,823	15,409

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK 1000)</i>	31 Mar 2020	31 Dec 2019	31 Sep 2019	31 Jun 2019	31 Mar 2019
Intangible assets	390,768	384,522	383,595	383,458	384,606
Fixed assets	6,784	5,917	5,354	5,143	4,872
Right-of-use assets	35,589	37,156	22,655	24,155	13,806
Non-current financial assets	10	10	10	10	10
Deferred tax assets	454	454	436	436	436
Total non-current assets	433,605	428,059	412,049	413,202	403,730
Trade receivables	120,446	104,797	105,999	135,891	150,526
Other current receivables	7,834	7,112	5,574	8,193	6,035
Cash and short-term deposits	39,147	25,454	8,864	5,692	25,553
Total current assets	167,427	137,363	120,437	149,777	182,114
Total assets	601,032	565,422	532,486	562,978	585,844
Total equity	389,267	371,645	362,438	360,965	389,099
Non-current leasing liabilities	25,948	28,335	15,128	17,036	9,662
Deferred tax	1,696	1,539	1,635	1,621	1,641
Total non-current liabilities	27,644	29,874	16,763	18,657	11,303
Debt to credit institutions	-	-	-	30,942	-
Current leasing liabilities	9,641	8,821	7,527	7,119	4,144
Trade and other payables	17,016	18,901	18,503	19,266	20,272
Tax payable	5,455	8,587	16,624	17,074	16,614
Social taxes and VAT	58,984	56,399	46,909	55,559	58,455
Other short-term debt	93,026	71,195	63,722	53,397	85,956
Total current liabilities	184,121	163,903	153,285	183,357	185,442
Total liabilities	601,032	565,422	532,486	562,978	585,844

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Amounts in NOK 1000)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Operating activities					
Profit/(loss) before tax	12,263	7,108	780	18,996	19,750
Adjustments for:					
Depreciation of property, plant and equipment	3,430	4,185	2,602	2,346	2,158
Net change in trade and other receivables	(16,371)	(337)	32,512	12,477	(48,291)
Net change in other liabilities	22,531	17,360	912	(36,462)	24,519
Net foreign exchange differences	1,046	267	(357)	163	(249)
Income tax expenses	(5,666)	(10,029)	(434)	(3,947)	(4,243)
Net cash flow from operating activities	17,233	18,555	36,015	(6,426)	(6,356)
Investing activities					
Purchase of property and equipment	(1,688)	(1,326)	(650)	(1,193)	(501)
Net cash flow from investing activities	(1,688)	(1,326)	(650)	(1,193)	(501)
Financing activities					
Repayments of lease liabilities	(2,210)	(3,116)	(1,531)	(1,094)	(1,346)
Change in bank overdraft	-	-	(30,942)	30,942	-
Payment of dividends	-	-	-	(42,369)	-
Sale of treasury shares	357	2,477	280	280	279
Net cash flows from financing activities	(1,852)	(639)	(32,193)	(12,242)	(1,067)
Net increase/(decrease) in cash and cash equivalents	13,693	16,590	3,172	(19,861)	(7,924)
Cash and cash equivalents at the beginning of the period	25,454	8,864	5,692	25,553	33,478
Cash and cash equivalents at the end of the period	39,147	25,454	8,864	5,692	25,553

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