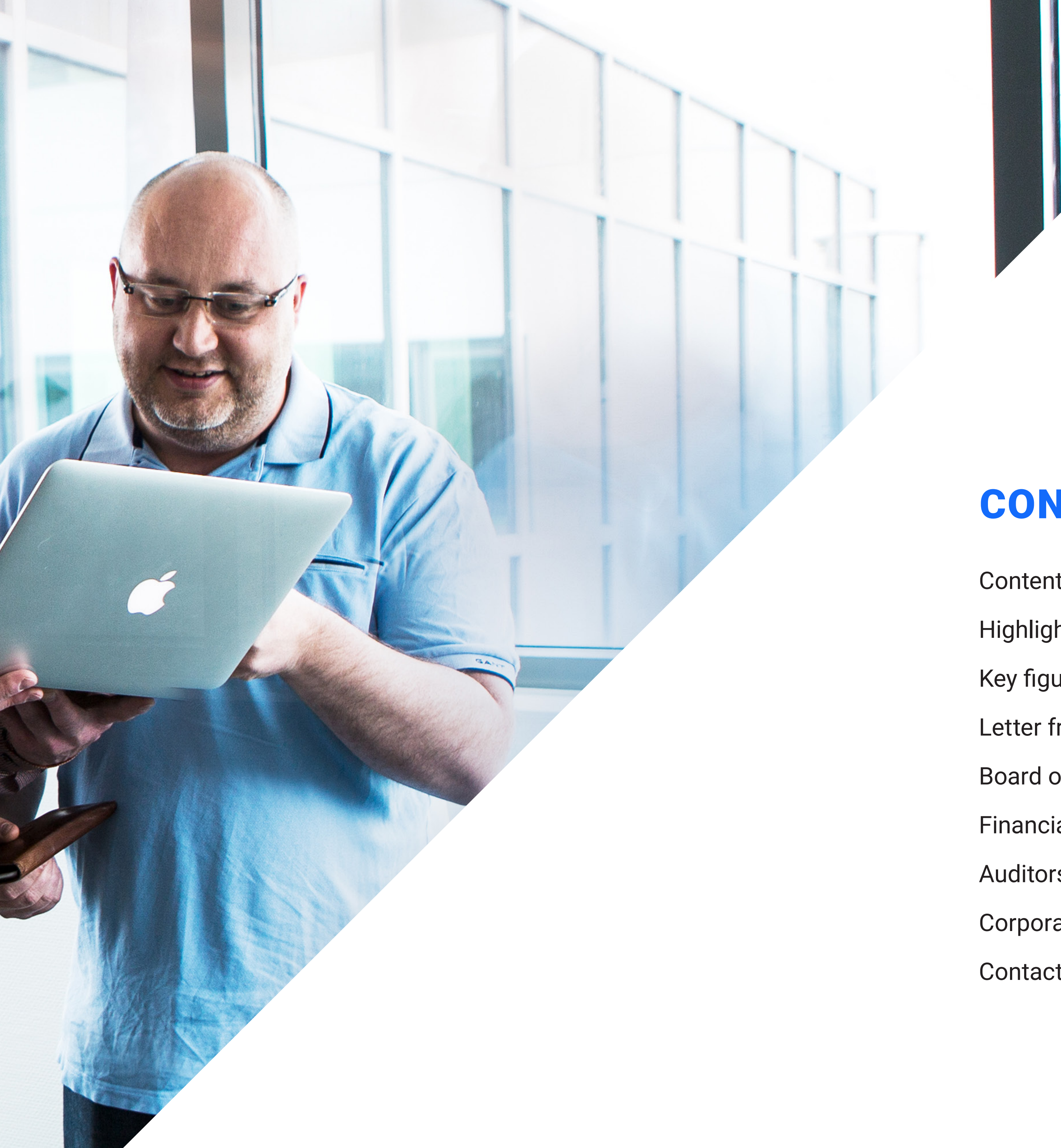
Annual report 2019

WEBSTEP ASA



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- Continued high demand for Webstep's services has driven an increase in hourly rates throughout 2019
- Key strategies developed to restore growth capacity starting to yield results with growth in headcount
- The growth in sales of New Services, such as IoT and advanced analytics, continues and contributes to a stronger offering to existing and new customers in all locations
- Rated number one consultancy in Norway by "Konsulentguiden" in terms of value creation and repeat purchase
- New CEO appointed; Arne Norheim succeeded Kjetil Eriksen in May 2019

KEY FIGURES

CONSOLIDATED

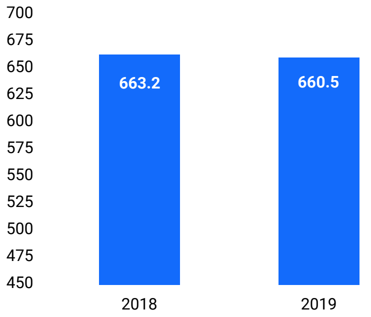
Amounts in NOK million	**2019**	2018
Sales revenues	**660.5**	663.2
EBITDA[1)]	**60.4**	78.8
EBITDA margin[1)]	**9.1%**	11.9%
EBITDA with former principles for leasing[1)]	**52.7**	78.8
EBITDA margin with former principles for leasing[1)]	**8.0%**	11.9%
Net profit	**36.1**	56.2
Net cash flow	**(8.0)**	26.9
Earnings per share (NOK)	**1.36**	2.13
Earnings per share, fully diluted (NOK)	**1.36**	2.12
Number of employees, average (FTE)	**397**	407
Number of employees, end of period	**409**	394
Number of work days, Norway (excl. vacation)	**249**	249
EBITDA per average employee[1)] (NOK thousand)	**152.2**	193.6
EBITDA per average employee with former principles[1)] (NOK thousand)	**132.8**	193.6

Sales revenues

NOK **660.5** million

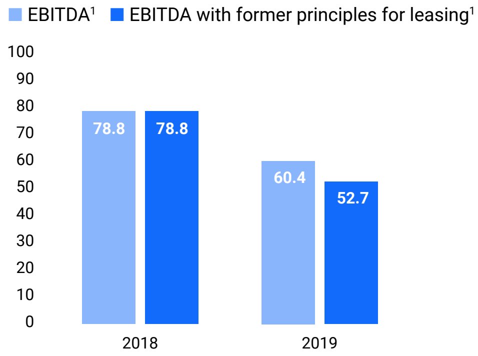
Sales revenues

NOK million



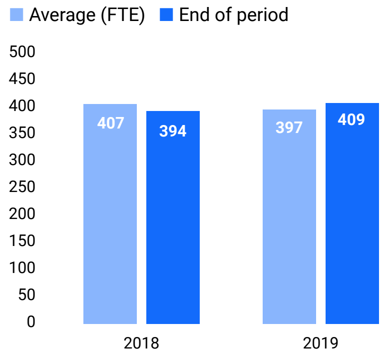
EBITDA

NOK million



Employees

Number of employees



1) See appendix for alternative performance measures.

Letter from the CEO

READY TO FACE NEW CHALLENGES

Webstep is privileged. We have a long and profitable growth story as well as attractive position in a growth market. The drivers for continued market growth are also strong. But times are changing, and so are we. We have rigged ourselves for new growth. Then came COVID-19.

– The IT expert concept we launched in 2000 has proven successful and still is.

The world is going digital. And Webstep enjoys the position as the go-to provider of IT expert services for our clients in their efforts to leverage digital services to transform their businesses. With local presence and a strong desire to solve our clients' challenges, we continue to deliver critical expert IT services to our clients across the regions we serve.

We have solid and profitable track record. The IT expert concept we launched in 2000 has proven successful and still is. Rapid technological changes have formed the basis for years of strong growth in the global IT consultancy markets.

IT talent shortage – a global market challenge

The flip side of the medal is, that the long-lasting high demand for IT expert services has created market imbalance. IT talent shortage and fierce competition is not a Webstep specific challenge. It is not a Nordic challenge. This is a global imbalance that limits the industry's ability to tap the full growth potential.

In 2019, this imbalance limited Webstep's growth. The ability to increase capacity was not strong enough, and for the first time in years we were unable to grow our revenues. At the same time, we saw an increasing demand from our customers for a wider range of services. The need to adapt and change in pace with the market became clear.

Getting ready for the change

During 2019 we conducted a strategic review and launched a revamped business strategy towards 2022. Our markets, our position among customers and employees, our service offerings, business model and organisation – they were all assessed in light of the market changes we have seen and the changes we expect to face.

Long term drivers for continued growth

Industry reports confirm strong fundamentals for further market growth. There are particularly four mega trends supporting these expectations: The second digitalisation wave, industrialisation of IT, cyber security and new technologies. These trends will create new areas of demand and new business opportunities for us.

Wider range of services

We already see increased demand for more advisory services, project management and solutions. We also see increasing demand for more expertise in new technologies. Our customers will need

more from Webstep going forward. And we have a great team, which is well positioned to take on a bigger role with a wider range of services.

Same ambitions. New approach

We aim to grow more and be more profitable than our peers. These objectives are unchanged, but our strategy towards 2022 implies a different approach. We have set clear priorities: We will expand our service offerings, delivery models and partnerships in response to new demand. We will grow the organisation, amongst other by expanding the recruitment base; recruiting new types of expertise. We will strengthen our presence in current and new locations in Scandinavia. We will focus on organic growth with selective use of M&A to access new client relations or new expertise. We will strengthen capacity, expertise and processes in recruitment and sales, and last but not least; we will further improve brand recognition and position as preferred employer and provider of IT expert services.

Growing business areas and strengthening partnerships

The abovementioned priorities will be applied to all three business areas.

Our core business area is our team of expert consultants, providing expert developers to assist clients with their projects. Our consultants are in high demand and the order book is strong. We will further grow this part of our business, while also developing the other business areas.

The Solutions business area will be strengthened. The Webstep Solutions concept was relaunched in 2019 as a result of new demand. Clients asked us to take a broader role and responsibility in delivering complete solutions. So, we did, and the response has been overwhelming. The first projects have been signed and delivered, and our pipeline is growing rapidly.

Advisory Services is our last business area, assisting clients in mapping out their digitalisation roadmaps. Clients have often invested in digital point solutions that don't deliver the savings or value they had bargained for. We help them evaluate their environment and map out a strategy for digitising their enterprise, both technically but also their processes and people. This area will also be strengthened in 2020.

Strong partnerships with leading technology vendors are key to succeed. For years we have been working closely with, among others, the global cloud provider, Amazon. This partnership has been instrumental in growing our cloud business, and the number of in-house certifications on AWS have grown steadily. In 2019, Webstep was awarded the Well-Architected Partner status from Amazon, indicating that our more than 50 certified AWS consultants represent a significant knowledge base.

Ready to accelerate growth. Then came the COVID-19

I felt very optimistic when entering 2020. A great team. A great service offering. A solid order book. Then came COVID-19. People, businesses and whole societies all over the world have been hit by the situation.

When writing this, I am happy to see that all of our employees are safe and healthy. Our team is the heart and soul of our organisation. So far, we have seen only modest impact on our order book due to the virus. But we cannot expect to remain unaffected. The global economy has been hit hard. This will inevitably affect most industries and markets as well as most companies' operational and financial situation.

We are prepared. Contingency plans are developed and we are monitoring the situation closely. We have a solid financial position and are ready to act as needed. Our most important duties these days are to contribute to stopping the virus in its tracks while maintaining normal operations, protecting shareholder values and maintaining the basis for long-term healthy Webstep.

Webstep is a great company with a great team, and I believe we can achieve a lot in partnership with our clients and society. Together we are developing for tomorrow.

Stay healthy!

Arne L Norheim

Arne Norheim, CEO

Board of directors' report

STRENGTHENING THE PLATFORM FOR FUTURE GROWTH

Webstep reported a slight revenue decrease in 2019, due to lower capacity year-over-year. Margins were affected by increased use of subcontractors, costs of increased recruiting- and sales capacity and initiatives to re-establish growth. Webstep is in a solid financial position and entered 2020 with a robust order book. However, due to the ongoing COVID-19 situation and the general uncertainties resulting therefrom, the board proposes to await further developments before potentially deciding to resolve a dividend for 2019.

Innovative and generous: *Knowledge sharing in the Webstep Trondheim department.*

(All amounts in brackets are comparative figures for 2018 unless otherwise specifically stated).

Webstep ASA recorded consolidated revenues in 2019 of NOK 660.5 million, compared to NOK 663.2 million in 2018. Revenues were affected by reduced capacity compared to 2018. Webstep enjoys a strong position in an attractive growth market and the high demand has driven an increase in hourly rates throughout 2019. A strategic review was conducted during the last half of 2019 with the purpose of further strengthening Webstep's position as an IT expert consultancy in the Scandinavian market.

Consolidated EBITDA for 2019 was 60.4 million, compared to NOK 78.8 million in 2018. According to the Company's dividend policy, the ambition is to distribute at least 75 per cent of its net profit as dividend. Due to the ongoing COVID-19 situation and the general uncertainties resulting therefrom, the board of directors proposes to await further developments before potentially deciding to resolve a dividend for 2019.

OVERVIEW OF THE BUSINESS

The board of directors' report for the Webstep group ("Webstep" or "the Group") comprises the parent company Webstep ASA ("the Company") and its fully owned subsidiaries.

Webstep ASA is a Norwegian public limited liability company headquartered in Oslo, Norway. The Group has offices in Norway and Sweden and had 409 employees as of 31 December 2019.

The Company's shares are listed and traded on Oslo Børs under the ticker WSTEP.

Webstep's business is conducted through the Group's two subsidiaries, Webstep AS in Norway and Webstep AB in Sweden. The Group has offices in Oslo, Bergen, Stavanger, Trondheim, Kristiansand and Haugesund (Norway), and in Stockholm, Malmö, Uppsala and Sundsvall (Sweden).

Webstep is a provider of IT consultancy services and offers expertise to solve demanding digitalisation and IT projects in the private and public sectors. Since its establishment in 2000, the Group has offered IT solutions designed to address its customers' software needs by creating functional custom-made digital tools and applications optimising the customers' business strategies.

Webstep aims to be at the forefront of the technological development and to assist its customers in their digitalisation by offering cutting-edge IT expertise. The Group's core offerings are digitalisation, cloud migration and integration. Other services also comprise Internet of Things (IoT), machine learning (AI), robotics (RPA) and analytics.

An important part of the Group's strategy is to employ and offer highly qualified senior IT consultants with significant experience. As of 31 December 2019, the Group employed 409 employees, of which approximately 350 were IT consultants. The Group's IT consultants have on average more than 10 years of experience.

Webstep's highly dedicated team of employees possesses in-depth technical insight and expertise within a wide range of industry sectors, enabling the Group to provide first-class IT consultancy services to customers in both the private and public sector and in a number of different business areas, including banking, finance and insurance, public administration, agriculture and food production, IT and telecommunication, commerce and transportation.

A strategic review was conducted during the last half of 2019 with the purpose of further strengthening Webstep's position as an IT expert consultancy in the Scandinavian markets. A set of strategies have been developed to restore growth capacity in the Technology Expert business area and at the same time realise untapped growth potential in the Tech Advisory & Management and the Solutions business areas.

Market focus going forward will remain on current and new locations in key cities in Scandinavia. The growth strategy will mainly be organic, but M&A may be utilised as a strategic tool to access new customer relations or new expertise.

The business model is subject to development and expansion. Measures are made to move up the value chain and to increase business opportunities by more actively offering a wider range of expert services.

- Further strengthening of the core business area; Technology expert consultancy services
- Technology advice and management will be further developed and strengthened to meet increased demand
- Solutions will be further developed and strengthened with more deliveries of complete solutions in cooperation with our network of technology partners

Increase of recruitment and reduction of employee turnover are prerequisites for growth. Initiatives will be made to expand the recruitment universe, strengthen recruitment capacity, expertise and processes. Measures will also be made to further improve the Group's position as preferred employer.

The intention behind the abovementioned growth strategies and initiatives is to build a robust platform for future growth that supports the unchanged over-all and long-term ambition of the Group; to exceed the market average in terms of growth and profitability, measured as revenue growth and EBITDA margin level respectively. The dividend policy remains unchanged. Due to the ongoing COVID-19 situation and the general uncertainties resulting therefrom, the board of directors proposes to await further developments before potentially deciding to resolve a dividend for 2019.

HIGHLIGHTS 2019

- Continued high demand for Webstep's services has driven an increase in hourly rates throughout 2019
- Key strategies developed to restore growth capacity starting to yield results with growth in headcount
- The growth in sales of New Services, such as IoT and advanced analytics, continues and contributes to a stronger offering to existing and new customers in all locations
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FINANCIAL REVIEW

The following financial review is based on the consolidated financial statements of Webstep ASA and its subsidiaries. The statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as the Norwegian accounting legislation.

In the view of the board, the income statement, the statements of comprehensive income, changes in equity and cash flow, the balance sheet and the accompanying notes, provide satisfactory information about the operations, financial results and position of the Group and the parent company 31 December 2019.

Consolidated statement of income and comprehensive income

Total operating revenues amounted to NOK 660.5 million, down 0.4 per cent from NOK 663.2 million in 2018, reflecting that the reduced capacity was more or less offset by higher hourly rates and increased use of subcontractors.

Webstep's revenue model is based on hourly fees, with revenue capacity depending on the number of consultants and number of working days available. Calendar effects may therefore cause differences in revenue capacity between years. The average number of employees in 2019 was 409 (394) and the number of working days was 249 (249) and 251 (251) in Norway and Sweden, respectively.

Cost of services and goods sold amounted to NOK 84.2 million (NOK 70.6 million) for the year, reflecting the abovementioned increased use of subcontractors to meet customers' needs in Norway.

The Group has a flexible and efficient cost base. 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 is the main driver for higher personnel expenses in periods with high onboarding activity.

Salaries and personnel costs amounted to NOK 474.2 million (470.8 million) in 2019. The increase from 2018 is explained by recruitment of sales- and management personnel, including one-off effects related to the CEO transition, partly offset by lower revenue-based salaries for consultants.

The Group uses earnings before interest, taxes and depreciations (EBITDA) as an alternative performance measure, as described in the appendix to the consolidated financial statements for 2019. Consolidated EBITDA for 2019 was 60.4 million, compared to NOK 78.8 million in 2018. The new reporting standard IFRS 16 Leases had a positive effect on EBITDA amounting to NOK 7.7 million for the full year. Adjusted EBITDA based on the former principles for classification of leasing was NOK 52.7 million (NOK 78.8 million) in 2019. The decrease in EBITDA is mainly due to the increased use of subcontractors, costs related to the recruitment and transition of CEO, expensed costs related to IoT and the aforementioned initiatives to increase growth capacity. One-off

> – Measures are made to move up the value chain and to increase business opportunities.

costs related to CEO recruitment and transition amounted to approximately NOK 2.8 million. Costs amounting to NOK 3.0 million that have previously been capitalised as R&D investments in IoT are recognised as expenses in profit and loss from 1 January 2019 as the investments have started to generate revenue.

Depreciation and impairment costs were NOK 11.3 million (NOK 2.9 million). The main reason for the increase is the aforementioned implementation of IFRS 16 Leases which results in a reclassification of the majority of lease costs from other operating expenses to depreciation. Lease costs related to premises increased in 2019 as Webstep relocated its head office in September. Two other Webstep offices have also relocated during 2019, which has contributed to increased lease costs compared to 2018. Further, R&D investments related to IoT were depreciated from 1 January 2019 and caused an increase of NOK 1.5 million.

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

Consolidated financial position

Total assets 31 December amounted to NOK 565.4 million (NOK 535.0 million). Non-current assets were NOK 428.1 million (NOK 393.3 million) and mainly consisted of intangible assets. Intangible assets amount to NOK 384.5 million (NOK 387.8 million), and primarily comprise acquisition-related goodwill of NOK 378.5 million, which is impairment tested annually. Right-of-use assets amounting to NOK 37.2 million has been recognised in the balance sheet as a consequence of the implementation of IFRS 16 Leases. The right to use the leased objects of operational lease agreements are now classified as fixed assets.

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

Total equity 31 December was NOK 371.6 million (NOK 376.6 million). The change is mainly related to earnings generated and 2018 dividends paid in 2019. Non-current liabilities amounted to NOK 29.9 million (NOK 1.8 million). Non-current liabilities mainly consist of the liabilities related to the abovementioned lease contracts, which are classified as non-current liabilities in accordance with IFRS 16. Current liabilities amounted to NOK 163.9 million (NOK 156.7 million). Current leasing liabilities arising from the implementation of IFRS 16, amounts to NOK 8.8 million.

Cash flow

Net cash flow from operating activities amounted to NOK 41.8 million (NOK 91.9 million) in 2019. The decreased cash flow from operations compared to 2018 can be explained by change in trade receivables and other liabilities, and reduced profit. The initial recognition of right-of-use assets and borrowings following the implementation of IFRS 16 are non-cash transactions. However, the implementation has an effect on the presentation of the cash flow statement: Lease costs related to premises that were previously classified as cash flow from operating activities, are now partly classified as operating activities, and partly as repayment of lease liabilities.

Net cash flow from investing activities was negative NOK 3.7 million (negative NOK 5.5 million). The investments are mainly related to equipment for new employees and office upgrades.

Net cash flow from financing activities was negative NOK 46.1 million (negative NOK 59.6 million). The financing activities in 2019 mainly consist of payment of dividends and repayment of lease liabilities following the implementation of IFRS 16.

SEGMENT INFORMATION

The Group's activities are organised in two geographical segments, Norway and Sweden. Revenues and results are recorded in the entity where they occur and hence reported in the segment, in which the legal entity belongs. Segment performance is evaluated on the basis of revenue and EBITDA performance. Assets and liabilities are not allocated between the segments.

Norway is the largest segment, accounting for 86 per cent of the consolidated operating revenues in 2019.

Norway

Webstep Norway is located in Oslo, Bergen, Stavanger, Trondheim, Kristiansand and Haugesund and provides high-end IT consultancy services to more than 200 public and private clients. The core digitalisation offering consists of digitalisation, cloud implementation, migration and integration. In addition, Webstep is steadily taking advantage of key fast-growing markets with other core focus areas, including Internet of Things (IoT), machine learning (AI), robotics (RPA) and analytics.

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

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

Sweden

Webstep Sweden has offices in Stockholm, Malmö, Uppsala and Sundsvall and serves more than 50 clients in different industries, mainly in the private sector. Webstep Sweden delivers the same high-end IT consultancy services as the Norwegian counterpart, primarily within the core digitalisation offering.

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

Webstep Sweden had 63 (60) employees at the end of 2019. The average number of employees in 2019 was 61 (59).

Webstep create valuable interaction between people and technology. In everyday life, in businesses and society.

Research and development

The nature of the business of Webstep, is to contribute in the digital R&D processes of the Group's customers, and to explore the opportunities created by new technologies. The Group has Centres of Excellence as well as other permanent and ad-hoc in-house teams, which continuously work on different innovation initiatives that create new insight.

The Group did not have any defined R&D initiative in 2019 which met the criteria of an intangible asset. The recognition as an 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. Costs amounting to NOK 7.6 million that have previously been capitalised as R&D investments in IoT are depreciated over five years from 1 January 2019, as the investments have started to generate revenue.

Two specific projects which are related to sensor technology and GDPR data, have been approved by the Research Council of Norway (Forskningsrådet) to qualify for SkatteFUNN (government R&D tax incentive scheme) in 2019. Gross R&D costs related to these projects amounting to NOK 1.4 million have been expensed in 2019, and the expected refund from SkatteFUNN is NOK 0.3 million.

RISK AND RISK MANAGEMENT

The Group is exposed to various risks and uncertainties of operational, market and financial character. Webstep identifies and manages risks on an ongoing basis. The risk factors described below have been identified as key risks by the management. The list is not exhaustive. See note 4 for further information on Financial Risk.

Business Risk

The Group is exposed to business risk especially related to:

- market development
- its ability to attract and retain talent
- project risk and potential legal liability
- regulatory risk in the markets where the Group operates

The Group's results are affected by macroeconomic development and demand for its services. The large diversity of customers combined with various projects in different sectors and geographic areas, have a somewhat mitigating effect on the market risk exposure of the Group. Long-term contracts and consistent deliveries over time have secured a low-volatility price structure that has proven stable over time. The variable salary model for the majority of the consultants also reduces market risk exposure as the salary expenses to a large extent correlate with revenues.

The employees are the most important asset of Webstep. In order to ensure stable growth, the Group is dependent on being an attractive employer to retain and attract new employees. Webstep’s strategy is to continuously invest in new technological trends and services, provide interesting and challenging assignments, and to offer attractive remuneration and benefits to its employees. The compensation model includes a proportion of variable salary, which is closely linked to the consultants’ individual performance. Personnel expenses will therefore to a certain extent correlate with the Group’s earnings.

Consultancy businesses are exposed to the risk of disagreements and legal disputes related to client projects. A majority of the Group’s assignments are based on standardised agreements with “Time & Material” pricing and monthly invoicing, which implies limited risk per contract.

If the consultant can be held responsible for gross negligence or wilful misconduct, the Group may be liable to damages. In order to reduce these risks, according to market practice, the Group has insurance coverage for professional liability, occupational injury, general liability and employee dishonesty.

The Group has in the past been, and may in the future be, subject to legal claims, including those arising in the normal course of business. Contracts may contain penalty clauses for the Group's failure to timely deliver or failure to meet agreed service levels and the Group may face claims as a result of breach of contract.

An unfavourable outcome on any litigation or arbitration matter could require that the Group pays substantial damages, could prevent the Group from selling certain of its products or services, or in connection with any intellectual property infringement claims, it could require that the Group pays ongoing royalty payments.

A settlement or an unfavourable outcome on any litigation or arbitration matter could have an adverse effect on the Group's operating revenue and profitability.

Changes in laws and regulations in the markets where Webstep operates could hinder or delay the Group's operations, increase the Group's operating costs and reduce demand for its services. Changes in laws and regulations applicable to the Group could increase compliance costs, mandate significant and costly changes to the way the Group implements its services and solutions, and threaten the Group's ability to continue to serve certain markets.

Financial Risk

The Group is exposed to financial risk such as:

- credit risk
- currency risk
- interest rate risk
- liquidity risk

Webstep develops uncomplicated solutions to complicated problems.

The Group's executive management team and the board of directors monitor these risk factors on an ongoing basis and take the necessary actions when required.

The implied credit risk from counterparties not fulfilling their obligations is considered low. The Group engages with large and regular customers and has had low historical losses on receivables. Webstep closely follows both its customers' ability to pay and any risks noted in the general development of the credit market. Webstep has a diversified portfolio of customers in various industries, and there is no single customer that represent a significant proportion of total revenues.

Currency risk refers to the exposure through operations across different countries, in regard to unpredictable gains or losses due to changes in the value of one currency in relation to another currency. Webstep operates in Norway and Sweden and any fluctuations in exchange rates between NOK and SEK could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and/or prospects. Currently, the Group does not have any hedging positions in place to limit the exposure to exchange rate fluctuations. The Group has assessed the currency risk to be limited, since the Group entities endeavour to match income and expenses as well as assets and liabilities in the same currency.

The Group has previously incurred, and may in the future incur, significant amounts of debt. The Group is exposed to interest rate risk primarily in relation to its revolving credit facility, issued at floating interest rates based on NIBOR (Norwegian Interbank Offer Rate). As such, movements in interest rates could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and/or prospects. The Group does currently not have any hedging positions in place to limit the exposure to interest rate fluctuations. The Group evaluates the interest rate risk to be minimal due to the stable financial situation in Norway, combined with low net debt and strong financial position for the Group.

Liquidity risk arising from the Group not being able to meet its financial obligations as they fall due, is considered low. The Group's approach to manage liquidity risk is through proper liquidity planning to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Executive management has monitoring controls in place to ensure that the Group has sufficient liquidity.

GOING CONCERN

The annual accounts have been prepared on a going concern assumption. The board has confirmed that this assumption can be made on the basis of the Group's budgets and long-term forecasts.

PARENT COMPANY RESULTS AND ALLOCATION OF NET PROFIT

Webstep ASA is the parent company of the Group. The Company facilitates and supports internal processes throughout the Group, especially in areas such as finance, business development, communication and marketing. The annual financial statements for Webstep ASA are prepared in accordance with the Norwegian Accounting Act and the regulations on simplified application of international accounting standards (IFRS).

The Company had an operating loss of NOK 24.2 million (NOK 15.6 million) in 2019. The Company’s net financial revenue for 2019 was NOK 49.1 million (NOK 61.6 million) and mainly consists of group contribution from its subsidiaries. Profit before tax came to NOK 24.9 million (NOK 46.0 million), while net profit was NOK 19.4 million (NOK 34.4 million). The overall decrease in profit before taxes, relates to decrease in Group contribution NOK 52.0 million (NOK 63.9 million).

The board proposes the following allocation of the net profit of NOK 19.4 million for the parent company:

NOK million	
Transferred to other equity	19.4

The book value of the Company’s investments in the subsidiary companies is NOK 432.1 million (NOK 432.1 million). The Company is the administrator and owner of the Group’s bank accounts in Norway, and hence the positive cash flow generated by the Group increases the cash position of the Company. Any deposits generated by the Norwegian subsidiary are classified as liabilities to Group companies. At year end the cash and short-term deposits amounted to NOK 17.4 million (NOK 26.3 million), and the liabilities to Group companies amounted to NOK 139.9 million (NOK 141.8 million). Total receivables from Group companies amounted to NOK 55.5 million (NOK 67.6 million). Equity amounted to NOK 352.9 million (NOK 330.1 million), which corresponds to an equity ratio of 69.8 per cent (61.5 per cent). Changes in equity is explained by profit for the period.

The board of directors considers that Webstep ASA had adequate equity and liquidity at the end of 2019. Due to the ongoing COVID-19 situation and the general uncertainties resulting therefrom, the board of directors intend to propose that the annual general meeting issue an authorisation to the board of directors to resolve a dividend based on the financial statements for the financial year 2019. The proposed authorisation will be limited to NOK 1.60 per share, with a term until the annual general meeting in 2021. The proposed dividend authorisation will be placed on the agenda for Webstep's annual general meeting 2020.

CORPORATE GOVERNANCE

Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The board of directors of Webstep has established a set of governance principles in order to ensure a clear division of roles between the board of directors, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance.

Webstep is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2019, may be found at www.nues.no.

The annual statement on corporate governance for 2019 has been approved by the board and can be found on page 83 in the Annual Report.

CORPORATE RESPONSIBILITY

Webstep recognises that it has a responsibility for the effect that its operations have on the society that surrounds the Group and seeks to ensure that it contributes in a positive manner to the areas that are relevant to its business. Webstep is subject to corporate responsibility (CR) reporting require-

– Webstep's local businesses are closely connected to their local environments respectively.

ments under section 3-3c of the Norwegian Accounting Act.

Webstep aims to create value for customers, shareholders, employees and the society at large. The Group develops and delivers services to public and private organisations and contribute to solving critical community tasks within health, transportation, customs, accounting, electrical power, pension and retirement, and justice administration. Webstep covers most industries and provides expertise and great capability to key players in for instance the agricultural and food industry, banking and financial institutions, oil and offshore operations, power and energy, and to telecom and organisations in the software industry.

The Group's ability to succeed rests on the confidence from these key stakeholders. This drives Webstep's commitment to operate the business in accordance with responsible, ethical and sound corporate and business principles.

Work agreements and internal guidelines

Webstep has established work agreements and internal guidelines that emphasise ethical behaviour, strong data security, and encourage excellent financial and practical business practices. All employees are required to comply with the Company's policy for anti-corruption and data security. Both of these topics are essential to build strong relationship with clients, suppliers and partners.

Work environment and employees' rights, terms and benefits

Webstep gives weight to caring about the work environment and the employees' rights, terms and benefits, as well as their opportunities for personal development on and off work. This is based on the idea that employees thrive in an environment built on trust, with the opportunity to make a difference, and freedom to take responsibility and make mature decisions in the best interest of oneself, the customers and the organisation.

CR is implemented in the value set of the organisation and especially channelled through developing, using, and sharing knowledge within the Group, in work relations at customers' premises and in the professional communities, through volunteerism. The latter secure the spreading of knowledge, through meetups and volunteer organisations, between Webstep employees and managers to professionals in other companies, public institutions and the general society.

Webstep's local businesses are closely connected to their local environments respectively. Initiatives like sponsorships and ad hoc tech and advisory help to organisations are common in all branch offices.

Environment and society

Webstep has a vision of causing zero harm to people, the environment and the society. According to Webstep's Guidelines for Corporate Responsibility, the Group aims to create profitability without compromising ethical values, and with respect for individuals, the environment and the society at large.

Webstep's code of conduct is based on the UN Global Compact's ten principles on Human Rights, Labour, Environment and Anti-Corruption. Webstep recognises its responsibility as an organisation and employer to contribute to the achievement of UN's 17 Sustainable Development Goals (SDGs). The following SDGs are goals in the Guidelines for Corporate Responsibility where Webstep believes it can have an impact: Decent work and economic growth (8), Industry, innovation and infrastructure (9), Reduced inequalities (10), Gender equality (5), Quality education (4), Good health and well-being (3) Responsible consumption and production (12), Climate action (13) and Sustainable cities and communities (11).

Although Webstep's activities have a limited negative effect on the environment, the Group makes systematic efforts to reduce the environmental impact of its business, for instance by using video and telephone conference solutions as often as possible to reduce pollution through business travels. The Group's headquarters is certified as an Eco-Lighthouse ("Miljøfyrtårn"), which means that it operates environmentally friendly and has sustainable procedures in areas including business travel, procurement and waste management. Webstep will strive to achieve a certification for the whole Group. The Group's services shall always be subject to strict requirements in terms of quality, safety and impacts on personal health and the environment. In 2018 Webstep also decided to level out the Group's carbon footprint by paying for the Group's CO_2 emissions starting 1 January 2019. The costs associated with this will be insignificant for the Group, as the CO_2 emissions from the Group's activities are very low.

EMPLOYEES

Webstep makes great efforts in taking good care of its employees in terms of health, safety and environment management, a zero tolerance of discrimination and by supporting the employees' personal and professional development. As of 31 December 2019, the Group had a total of 409 employees (394).

Sickness and injuries

Webstep works systematically with Health, safety and environment management and makes concerted efforts to mitigate health risks and prevent injuries. No accidents or injuries were registered in neither 2019 nor 2018. Sick leave in the Group was 3.6 per cent in 2019, up from 2.7 per cent in 2018. The increase is due to a few instances of long-term sick leave. The employees involved are closely followed up by their respective managers, and the reasons for the sick leave are not considered to be work environment related.

Company culture and work environment

Webstep puts great emphasis on building a strong company culture and a healthy work environment in and across all its geographical locations. The board of directors considers the work environment to be good and the collaborative relationship with employee observers to the board is perceived as positive.

Since 2008 Webstep has participated in the annual Great Place to Work® (GPTW) screening and award in Norway. Further, Webstep entered GPTW in Sweden in 2015/2016. GPTW is a renown global institution for building, sustaining and recognising high-trust, high-performing workplace cultures. The methods are built on common practice among successful leaders, surveying millions of employees, and examining thousands of the best workplaces around the globe. The GPTW screening measures employees' trust in the people they work for, assessed through employee perceptions of credibility, respect, fairness, integrity and related topics. The results of the annual screening are analysed thoroughly, and measures are taken to improve company practices when needed.

As a result of the strong focus on the employees' professional development and well-being, Webstep has been recognised as one of "Norway's Best Workplaces" by GPTW twelve years in a row. Additionally, Webstep is the only company to have ranked number one in three different size categories, as well as three years in a row.

Retaining and attracting experienced IT consultants

As part of its business strategy, the Group only hires experienced IT consultants. At year end, the consultants have on average more than 10 years of experience, where more than 40 per cent of the employees have above 15 years of experience. The employees are highly skilled, and an increasing portion of the Group's consultants have PhD degrees. The majority of the IT consultants hold a master's degree in computer engineering or similar.

The Group endeavours to assign its consultants interesting and challenging projects that ensure personal development and contentment. By constantly developing the consultants' skill sets, the Group's services as such are also improved. Further, the Group's incentive model for consultants is designed to attract and motivate

– Webstep works actively to attract female employees and moving towards gender balance.

highly experienced experts. Whereas the Group's management and sales personnel receive fixed salaries and may be entitled to other variable pay, the salary model for the Group's consultants is to a large extent based on revenue sharing. The salary model for consultants has been a pillar in Webstep ever since inception in 2000.

The above-mentioned incentive model is designed to directly incentivise the Group's consultants to deliver high-end services to the Group's clients, while at the same time provide the consultants with a high degree of personal freedom, attractive compensation and, if desirable, certain downside protection. The model is also designed to inspire the consultants to be entrepreneurial due to the close link between salary and effort. The Group's incentive model appears to be particularly attractive for highly experienced IT consultants, and the model is hence instrumental in the Group's strategy of attracting such consultants. Further, the incentive model makes the Group less vulnerable to price fluctuations and macro-economic changes due to the large degree of proportionality between costs and revenues related to the Group's consultants.

The Group's success is dependent on the performance of its employees and the Group's ability to attract the very best candidates and to train and further develop such IT professionals.

Equal opportunities

The purpose of Norway's Anti-Discrimination Act is to promote equal opportunities and rights, and to prohibit discrimination on the grounds of ethnicity, skin colour, language, religion and beliefs.

15 per cent (16 per cent) of the Group's 409 employees 31 December were female and 85 per cent (84 per cent) were male. The Group's executive management team is defined as consisting of the CEO (man) and the CFO (woman). The full Group management team comprised one (one) woman and six (three) men. The parent company board of directors consisted of two female and three male directors 31 December 2019.

The IT business is characterised by a high share of male employees. Webstep works actively to attract female employees and moving towards gender balance. As the Webstep profile do not have any gender bias and should attract men and female alike, Webstep consecutively work to raise the percentage of women. Webstep is a member and gold partner of the national ODA Female Network for women in the IT industry, as well as sponsoring the "Elleve" creative women network in Stavanger.

Webstep aims to be a workplace with no disability discrimination. Efforts are made to design and arrange the Group's premises so all functions can be carried out regardless of disabilities. Workspace and job responsibilities are tailored for employees or job applicants with disabilities as far as possible.

The Group does not discriminate on the grounds of gender, disability, ethnicity, religion or the like. The board and the executive management are conscious of this in recruitment, appointment, pay and customisation of working conditions, and in work on developing attitudes.

Webstep has an HSE whistleblower IT system, allowing the employees to anonymously submit warnings in whatever relevant area for the employees. No warnings have been submitted in 2019, neither in 2018.

Changes to the executive management and board of directors

Arne L. Norheim assumed the position as Chief Executive Officer 2 May succeeding Kjetil Eriksen. In November Otto Backer Solberg assumed the new position as Chief Communications Officer.

In August Trond K. Johannessen was elected as a new board member after Terje Bakken made his directorship available. Trond K. Johannessen is the CEO of Embron Group AS which is a subsidiary of Webstep's largest shareholder, J.C. Broch AS.

Share and shareholder matters

The Company's shares have been listed on Oslo Børs since 11 October 2017. Webstep has only one share class, where all shares have equal rights in the Company.

The shares are traded under the ticker WSTEP and had a closing price on 30 December 2019 of NOK 24.20.

The total number of outstanding shares 31 December 2019 was 26.7 million (excl. treasury shares). The shares are registered in the Norwegian Central Securities Depository (VPS). The Company's registrar is SR-Bank ASA. The shares carry the securities number ISIN NO 0010609662.

Dividend policy

Webstep has an ambition to create long term shareholder value in the form of dividend payments and share price appreciation over time. Dividend payments will be considered in light of the Company's financial situation and investment plans. The Company's objective is to pay annual dividends representing minimum 75 per cent of the Group’s net profit.

In deciding whether to propose a dividend and in determining the dividend amount, the board of directors will take into account legal restrictions, the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend resolution may place on its ability to pay dividends and the maintaining of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividend paid may not exceed the amount recommended by the board of directors.

Employee share purchase programme

In connection with the IPO, the Company implemented a share purchase programme for the Group’s employees. The program allowed participants who purchased shares in the employee offering (“Saving Shares”) in the IPO to receive shares (“Matching Shares”) free of charge after a vesting period of two years, provided that they remain employed by the Group and retain all the purchased Saving Shares throughout the said vesting period. The dilution through this programme accounts for 72 411 shares and the Matching Shares were issued to the eligible employees in October 2019.

In December, all employees in Webstep AS and Webstep ASA were given the opportunity to purchase shares in Webstep ASA through a share investment programme using the Company’s own treasury shares. 56 per cent of the employees participated in the programme. They acquired a total of 120 383 shares with a 20 per cent discount to the market price.

Long-term incentive programme

In November, the Company implemented a long-term incentive programme with an initial term of three years for the Company’s executive management and other leaders in the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the senior executive remains employed during the vesting period. 515 876 options were granted to senior executives of the Group 18 November 2019.

The options will vest in the following tranches:

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

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

EVENTS AFTER THE BALANCE DATE

Material events after the balance sheet date that occur before the Board of Directors has approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new information emerges regarding a matter that existed on the balance sheet date, and the matter is material, the financial statements must be changed.

The Webstep vision: *"Developing for tomorrow" makes sense, always.*

Outbreak of COVID-19, the drop of the oil price and the impact on the capital market

There is currently an outbreak of a respiratory infection in large parts of the world, caused by a previously unknown COVID-19. The outbreak started in Hubei province, China, in December 2019, and was identified by the Chinese health authorities in January 2020. The disease has spread from China to many parts of the world, including Sweden and Norway.

During the same period, the oil price has dropped by 50 to 60 per cent. The two factors combined have had a significantly negative impact on the capital markets, including the Oslo Stock Exchange and the share price of Webstep.

For the time being, Webstep is essentially operating as normal, although the majority of the employees has been working from home since 12 March 2020. The consequences going forward depend on the further evolution of the virus outbreak. The spread of infection may impact on employees, utilisation, recruitment and demand.

Webstep's offices have implemented infection prevention measures, and plans have been made for dealing with the situation if employees should be confirmed to have COVID-19 infection. Webstep has requested that its employees generally reduce all air travel. All events hosted by Webstep have been canceled or postponed.

The business implications of the COVID-19 outbreak have been limited for Webstep so far, but the consequences going forward will depend on the future development of the outbreak. The above is based on the current situation and subject to change as the virus situation evolves. It is currently too early to assess the long-term effects of the virus and its impact on Webstep with certainty.

Other matters

No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out. No material acquisitions or disposals of companies were carried out after the balance sheet date.

OUTLOOK

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances in the future.

The outbreak of COVID-19 has affected the entire market in the countries and regions where Webstep operates, and the drop in the oil prices also has a significant negative impact on the market in Norway. It is too soon to conclude how this will affect Webstep revenues and EBIT in 2020. Although demand may be affected by reduced investments in the sectors most severely affected – such as the oil industry and the travel industry – there is still a strong demand for digital expert services in other sectors. The employees and the customers seem to adapt well to the situation of working remotely, hence Webstep's ability to deliver services will most likely not be significantly affected unless a large number of employees get infected by the virus.

Webstep entered 2020 with a strong order book. Feedback from more than 1000 Norwegian buyers of IT services in the newly issued IT trend report from "Konsulentguiden" (www.konsulentguiden.no) ranked Webstep as the number one vendor when it came to value creation and repeat purchase. This is an important confirmation of Webstep's strong position as an IT expert consultancy in the Norwegian market.

A strategic review was conducted during the last half of 2019 with the purpose of clarifying the Group's ambitions and targets and developing strategies to further strengthen the market position.

The overall ambition for 2020–2022 is to strengthen Webstep's position as an IT expert consultancy in the Scandinavian market, by restoring growth capacity and meeting customers demand for a wider range of services, expertise and capacity. A set of strategies have been developed to restore growth capacity in the Technology Expert business area and at the same time realise untapped growth potential in the Tech Advisory & Management and the Solutions business areas.

The intention behind the abovementioned growth strategies and initiatives is to build a robust platform for future growth that supports the unchanged overall and long-term ambition of the Group; to exceed the market average in terms of growth and profitability, measured as revenue growth and EBITDA margin level respectively.

The dividend policy remains unchanged, but, due to the ongoing COVID-19 situation and the general uncertainties resulting therefrom, the board proposes to await further developments before potentially deciding to resolve a dividend for 2019.

The board of directors and CEO
Webstep ASA

Oslo, 2 April 2020

Klaus-Anders Nysteen
Chair of the board

Siw Ødegaard
Board member

Trond K. Johannessen
Board member

Tori Nag
Board member

Bjørn Ivar Danielsen
Board member

Arne Norheim
Chief executive officer

FINANCIAL STATEMENTS 2019

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000)	*Note*	**2019**	2018
Sales Revenues	*5*	**660 513**	663 153
Total revenues		**660 513**	663 153
Cost of goods and services (COGS)		**(84 200)**	(70 635)
Salaries and personnel expenses	*7, 8, 22*	**(474 172)**	(470 813)
Depreciation and impairment	*11, 12*	**(11 291)**	(2 927)
Other operating expenses	*7, 24*	**(41 738)**	(42 909)
Total operating expenses		**(611 400)**	(587 284)
Operating profit (loss)		**49 113**	75 869
Finance income	*9*	**264**	114
Finance expense	*9, 24*	**(2 742)**	(2 452)
Profit before tax		**46 635**	73 530
Income tax expense	*10*	**(10 550)**	(17 310)
Profit for the year		**36 085**	56 220
Attributable to:			
Equity holders of the parent		**36 085**	56 220
Non-controlling interest		**-**	-

OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT

(Amounts in NOK 1 000)	**2019**	2018
Foreign currency translation:		
Exchange differences on translation of foreign operations	**(1 962)**	(2 109)
Other comprehensive income for the year, net of tax	**(1 962)**	(2 109)
Total comprehensive income for the year, net of tax	**34 123**	54 111
Attributable to:		
Equity holders of the parent	**34 123**	54 111
Non-controlling interest	**-**	-
Earnings per share	**1.36**	2.13
Earnings per share, fully diluted	**1.36**	2.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	*Note*	**2019**	2018
Non-current assets			
Intangible assets	*11*	**384 522**	387 816
Fixed assets	*12*	**5 917**	5 011
Right-of-use assets	*12, 24*	**37 156**	-
Non-current financial assets	*13*	**10**	10
Deferred tax asset	*10*	**454**	436
Total non-current assets		**428 059**	393 273
Current assets			
Trade receivables	*14*	**104 797**	103 288
Other receivables	*14*	**7 112**	4 983
Cash and short-term deposits	*15*	**25 454**	33 478
Total current assets		**137 363**	141 750
Total assets		**565 422**	535 023

(Amounts in NOK 1 000)	*Note*	**2019**	2018
Shareholders equity	*16, 22*	**371 644**	376 574
Non-current liabilities			
Deferred tax	*10*	**1 539**	1 753
Non-current leasing liabilities	*24*	**28 335**	-
Total non-current liabilities		**29 874**	1 753
Current liabilities			
Debt to credit institutions	*15, 17, 21*	**-**	-
Current leasing liabilities	*24*	**8 821**	-
Trade and other payables	*18*	**18 901**	21 558
Tax payables	*10*	**8 587**	16 530
Social Taxes and VAT	*18*	**56 399**	53 738
Other short-term debt	*18, 19*	**71 195**	64 868
Total current liabilities		**163 903**	156 696
Total liabilities		**193 777**	158 449
Total equity and liabilities		**565 422**	535 023

The board of directors and CEO – Webstep ASA

Oslo, 2 April 2020

Klaus-Anders Nysteen *Chair of the board*	Siw Ødegaard *Board member*	Trond K. Johannessen *Board member*
Toril Nag *Board member*	Bjørn Ivar Danielsen *Board member*	Arne Norheim *Chief executive officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	*Note*	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders parent	Non-controlling interests	**Total equity**
1 January 2018		26 967	(610)	149 823	12 391	169 167	357 738	-	**357 738**
Profit for the period		-	-	-	-	56 220	56 220	-	**56 220**
Other comprehensive income/(loss)		-	-	-	(2 109)	-	(2 109)	-	**(2 109)**
Sales of treasury shares	*22*	-	124	3 020	-	-	3 144	-	**3 144**
Share incentive program	*22*	-	-	1 117	-	-	1 117	-	**1 117**
Dividends	*26*	-	-	-	-	(39 535)	(39 535)	-	**(39 535)**
31 December 2018		26 967	(486)	153 960	10 282	185 852	376 574	-	**376 574**
Profit for the period		-	-	-	-	36 085	36 085	-	**36 085**
Other comprehensive income/(loss)		-	-	-	(1 962)	-	(1 962)	-	**(1 962)**
Sales of treasury shares	*22*	-	193	4 304	-	-	4 497	-	**4 497**
Share incentive program	*22*	-	-	(1 354)	-	173	(1 180)	-	**(1 180)**
Dividends	*26*	-	-	-	-	(42 369)	(42 369)	-	**(42 369)**
31 December 2019		26 967	(293)	156 911	8 320	179 741	371 645	-	**371 645**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000)	Note	**2019**	2018
Operating activities			
Profit/ (loss) before tax		**46 635**	73 530
Adjustments for:			
Depreciation of property, plant and equipment	*11, 12, 24*	**11 291**	2 927
Net interest income/-expense		**2 478**	2 399
Net change in trade and other receivables	*14*	**(3 639)**	20 860
Net change in other liabilities	*18, 19*	**6 330**	2 846
Net foreign exchange differences		**(250)**	(192)
Income tax expense	*10*	**(18 652)**	(8 043)
Net interest received/-paid	*9*	**(2 478)**	(2 399)
Net cash flow from operating activities		**41 714**	91 927
Investing activities			
Investments in R&D-initiatives	*11*	**-**	(2 762)
Investments in property and equipment	*12*	**(3 670)**	(2 707)
Net cash flow from investing activities		**(3 670)**	(5 469)
Financing activities			
Payment of principal portion of lease liabilities	*24*	**(7 014)**	-
Change in bank overdraft	*17*	**-**	(24 287)
Net proceeds from equity		**-**	-
Sales of treasury shares/employment incentive plan		**3 316**	4 261
Payment of dividends		**(42 369)**	(39 535)
Net cash flow from financing activities		**(46 067)**	(59 562)
Net increase/(decrease) in cash and cash equivalents		**(8 023)**	26 897
Cash and cash equivalents 1 January	*15*	**33 478**	6 580
Cash and cash equivalents 31 December	*15*	**25 454**	33 478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01: GENERAL INFORMATION

THE COMPANY AND THE GROUP

Webstep ASA, the parent company ("the Company") of the Webstep Group ("the Group") is a limited liability company incorporated and domiciled in Norway, with its head office in Edvard Storms gate 2, 0166 Oslo, Norway.
The Company and its subsidiaries (together "the Webstep Group"/"the Group") are leading providers of IT expert consultant services 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 service offerings are within digitalisation, cloud migration and integration, in addition to other core focus areas such as the Internet of Things (IoT), machine learning, robotics and analytics.

These consolidated financial statements have been approved for issuance by the Board of Directors on 2 April 2020 and are subject to approval by the Annual General Meeting on 7 May 2020.

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

BASIS FOR PREPARATION

The consolidated financial statements 31 December 2019 for Webstep ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors 2 April 2020.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 000's), except when otherwise indicated.

The format for presenting the income statement is based on the nature of the expenditure.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. When assessing this assumption, management has assessed all available information about the future. This comprise information about net cash flows from existing contracts and debt service obligations. Forecasts take into consideration expected future net income. Management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Foreign currency translation

The Group's consolidated financial statements are presented in Norwegian kroner (NOK), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Receivables, debt and other monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Differences between the exchange rate at the balance sheet date and the date on which the receivable or debt arose, or was included in the latest balance sheet, are recognised in the income statement and presented as financial income and expenses.

Differences in exchange rates arising from the translation of foreign subsidiaries' equity at the beginning of the year at the exchange rates at the balance sheet date and from the translation of income statements from the monthly average exchange rates for the currency exchange rates at the balance sheet date are recognised directly in other comprehensive income.

Segment reporting
Operating segments are reported by country of operation, which currently is Norway and Sweden. The board of Webstep ASA has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer (CEO) and the chief financial officer (CFO).

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 - Leasing
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient not to reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

In accordance with the standard exemptions are made for low-value assets (less than NOK 50 000) and short-term leases (less than 12 months).

IMPACT ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (INCREASE/(DECREASE))

Consolidated statement of comprehensive income:

(Amounts in NOK 1 000)	**IFRS 16 2019**	**IAS 17 2019**	IAS 17 2018
Sales revenues	**660 513**	**660 513**	663 153
Total revenues	**660 513**	**660 513**	663 153
Cost of services and goods	**84 200**	**84 200**	70 635
Salaries and personnel cost	**474 172**	**474 172**	470 813
Other operating expenses	**41 738**	**49 409**	42 909
Operating expenses before depreciation	**600 110**	**607 781**	584 358
EBITDA	**60 404**	**52 732**	78 795
Depreciation and impairment	**11 291**	**4 277**	2 927
Operating profit/(loss)	**49 113**	**48 455**	75 868
Net financial items	**(2 478)**	**(1 820)**	(2 339)
Profit before tax	**46 635**	**46 635**	73 530

IMPACT ON FINANCIAL POSTION

Consolidated statement of financial position:

	IFRS 16		IAS 17	
(Amounts in NOK 1 000)	**31.12.2019**	01.01.2019	**31.12.2019**	31.12.2018
Non-current assets	**428 059**	405 535	**390 903**	393 274
Current assets	**137 363**	141 749	**137 363**	141 749
Total assets	**565 422**	547 284	**528 266**	535 023
Equity	**371 645**	376 574	**371 645**	376 574
Leasing liabilities (non-current and current)	**37 156**	12 261	**-**	-
Deferrred tax	**1 539**	1 753	**1 539**	1 753
Current liabilities other than leasing	**155 082**	156 695	**155 082**	156 695
Total equity and liabilities	**565 422**	547 284	**528 266**	535 023

There is no material impact on other comprehensive income or the basic and diluted earnings per share. See note 24 for further information regarding IFRS 16 and the implementation effects.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues from contracts with customers
The Group is in the business of selling IT-consultancy manhours to its customers. Revenues from services are recognised at the point in time when the billable consultancy hours are delivered or transferred to the customer, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the hours provided. The Group has no significant fixed price contracts with customers hence no part of the revenue is recognised over time.

Contract balances
Contract assets
A contract asset is initially recognised for revenue earned from billable hours delivered yet not invoiced the customer. When the billable hours are invoiced, the invoiced amount is transferred to trade receivables. Contract assets are subject to impairment assessment.

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer.

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due from the customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract and delivers or transfers the services to the customer.

Cost of goods and services (COGS)
Cost of goods and services is recognised at the point in time when the corresponding service or good is delivered to the customer. Cost of goods and services mainly comprises cost to subcontractors which are engaged by the Group to deliver consultancy hours to the customers.

Salaries and personnel expenses
Salaries and personnel expenses include salaries and wages, as well as social benefits, pensions, etc. for the Group's employees.

Other operating expenses
Other operating expenses include expenditure for sales, marketing, advertising, IT, administration, facilities, etc.

Finance income and expense
"Finance income" and "Finance expense" respectively, include interest, capital gains and losses concerning securities, debt and exchange differences on transactions in foreign currency.

Taxes
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and tax losses carried forward.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Norway and Sweden where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.
Intangible assets with an indefinite economic life are tested for impairment at least once a year, either individually or as a part of a cash-generating unit. Intangible assets with an indefinite economic life are not amortised. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

Research and development costs
Expenses relating to research activities are recognised in the statement of comprehensive income as they incur. Expenses relating to development activities are capitalised to the extent that the product or process is technically and commercially viable and the Group has sufficient resources to complete the development work. Expenses that are capitalised include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Capitalised development costs are recognised at their cost less accumulated depreciation and accumulated impairment losses. Depreciation of the asset begins when development is complete and the asset is available for use. Capitalised development costs are depreciated on a straight-line basis over the period of expected future benefits. During the period of development, the asset is tested for impairment annually.

Business combination and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Current versus non-current classification
An asset is classified as current when it is expected to be realised or sold, or to be used in the Group's normal operating cycle or falls due or is expected to be realised within 12 months after the end of the reporting period. Other assets are classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group, are held for trading, are expected to be settled within 12 months of the end of the reporting period, or if the group does not have an unconditional right to postpone settlement for at least 12 months after the reporting date. Provisions for obligations and other liabilities are classified as non-current.

Property, plant and equipment
Office machinery and operating equipment are measured at cost less accumulated depreciation.

Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. Depreciation on machinery and operating equipment is linear over the expected useful lives of the assets based on the following assessments of the expected useful lives of the assets:

- Office machinery 3-5 years
- Operating equipment 3-5 years

Impairment of assets
The carrying amount of intangible assets and property, plant and equipment alike is assessed annually for indications of impairment.

Should indications of impairment occur, each asset or group of assets, respectively, will be assessed in terms of impairment. Assets are written down to the recoverable amount if this is lower than the carrying amount. The highest value of the net realisable value and the estimated value in use is used as the recoverable amount.

The value in use is calculated as the present value of the anticipated net income from the use of the asset or group of assets.

Leases
The Group, as a lessee, assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration The Group, as a lessee, applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group, as a lessee, recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.
Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on an amortization basis, so that depreciation equals installments on the lease liabilities, over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Offices 1-5 years
- Company cars 1-3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group reasonably certain would be exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. If the implicit rate is determinable, the implicit rate is applied. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Receivables

Receivables, which comprise receivables from sales, group companies and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are initially measured at fair value.

After initial measurement, they are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss.

The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and at hand and short-term highly liquid deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following note 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or, if not available, in the most advantageous market.

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Dividends

Dividends are recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend. Dividends to the Company's shareholders are classified as a liability when the dividends proposed have been approved by the Annual General Meeting.

Employee benefits

The Group has defined contribution pension plans. The pension premiums are charged to expenses as they are incurred and classified as salary.

Share-based payments

Employees, including senior executives of the Group, receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Group employees in the Norwegian have been granted shares to discounted prices, within the limit for such grants according to Norwegian tax legislation (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The discounts granted to employees in the Norwegian entities, are recognised as a cost in salaries and personnel cost in the profit and loss statement. A total share value of 15 000 NOK per employee, measured at the market shared price on the granting day, are the threshold given by the tax authorities in Norway for discounted shares which are tax-free discounts for the employee.

Cash flow statement
The cash flow statement shows the Group's cash flow for the year divided into operating, investing and financing activities during the year, as well as the year's changes in cash and cash equivalents and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities
Cash flow from operating activities is presented using the indirect presentation form and is stated as the year's profit/loss before tax plus depreciation and impairment losses and with adjustments for changes in working capital and paid corporate tax.

Cash flow from investing activities
Cash flow from investing activities includes payments in connection with the purchase and sale of non-current assets.

Cash flow from financing activities
Cash flow from financing activities includes changes in volume after the pooling of the Company's share capital and related costs as well as raising of loans, repayments on interest-bearing debt, and payment of dividends to owners.

NOTE 03: ESTIMATES, JUDGMENTS AND ASSUMPTIONS

SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to

the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the strategic plans for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in the notes.

NOTE 04: FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk, and liquidity risk. The Group's Executive Directors oversee the management of these risks. A description of the different risks is given below.

Market risk
The Group has a good order backlog and list of sales prospects, with competencies that are highly attractive in the market. The outlook is robust for the market for IT consultancy services, however there is always a risk that macroeconomic factors can cause a downturn in the economy and reduced demand for the Group's services. Currently, this risk is considered low.

In addition, market risk comprise interest rate risk, foreign currency risk and market price risk which are treated separately below.

The short-term revolving credit facility is exposed to interest rate risk because of floating interest rate contidions which makes the Group's financial cost exposed to changes in the market rate. The Group considers this risk to be minimal due to the stable financial situation in Norway, combined with low level of debt and strong financial position for the Group.

Current financing and capital structure has limited interest rate risk, and variation in interest expenses due to changes in Nibor would have insignificant impact on financial expenses in the Group and presentation of "Analysis of sensitivity" is therefore left out.

Market risk – currency risk
Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities in Sweden (when revenue or expense is denominated in a foreign currency) and the Group's net investment in the Swedish subsidiary.

The Group has not assessed it as necessary to enter into hedging of these risks due to materiality of the exposure.

The following tables demonstrate the sensitivity to a reasonably possible change in SEK exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in applied rate for translation of the profit, while the change in pre-tax equity is due to change in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

Currency sensitivity

(Amounts in NOK 1 000)	Change in SEK rate	Effect on profit before tax	Effect on pre-tax equity
2019	**10%**	**222**	**7 420**
	(10%)	**(222)**	**(7 420)**
2018	10%	332	7 455
	(10%)	(332)	(7 455)

Market risk - market price risk
Consistent deliveries over time in the different market segments according to established group policies have secured a low-volatility price structure that has proven stable over time. The variable salary model for the majority of the consultants also reduces market risk exposure as the salary expenses to a large extent correlate with revenues.

Credit risk
Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. The Group's exposure to credit risk is mainly related to its outstanding trade debtors (see Note 14). Other counterparty credit risk exposure to the Group is related to its cash deposits with financial institutions. The table below provides an overview of financial assets exposed to credit risk at year-end 2019 and 2018. Liquidity and credit risk management is performed on a monthly basis and is evaluated in board meetings.

	Year ended 31 December	
(Amounts in NOK 1 000)	**2019**	2018
Trade and other receivables	**111 909**	108 271
Cash and cash equivalents	**25 454**	33 478
Total	**137 363**	141 749

Trade receivables
The risk that counterparties will not fulfil their obligations is considered low. The Group engages with large and regular customers and has had low historical losses on receivables. In accordance with IFRS 9, receivables are recognised and carried at their anticipated realisable value, which implies that a provision for a loss allowance on lifetime expected credit losses of the receivable is recognised. A provision for loss allowance for expected credit losses is performed at each, statutory reporting date and is based on a multifactor and holistic analysis depending on several considerations. The table below shows the aging of trade debtors and information about credit risk exposure using a provision matrix

Aging trade debtors

			Day past due			
(Amounts in NOK 1 000)	Current	<30 days	30-60 days	61-90 days	>90 days	**Total**
As of December 31 2019						
Trade debtors (note 14)	97 594	42	4 360	3 618	-	**105 614**
Expected credit loss rate (percent)	-	-	-	-	-	**0.80%**
Expected credit loss (NOK 000's)	-	-	-	-	-	**817**
As of December 31 2018						
Trade debtors (note 14)	97 881	1 668	4 146	458	-	**104 153**
Expected credit loss rate (percent)	-	-	-	-	-	**0.80%**
Expected credit loss (NOK 000's)	-	-	-	-	-	**865**

Cash deposits

Credit risk from balances with financial institutions is managed by the Group's treasury function. The Group limits its counterparty credit risk by maintaining its cash deposits with financial institutions with high credit ratings as displayed below.

Financial institution	Country	Rater	Report date	Rating (LT)
Sparebank 1 SR-bank ASA	Norway	Fitch	13.01.2020	A1/A
SEB AB (publ)	Sweden	Moody's	23.09.2019	Aa2

Liquidity risk

Liquidity risk arising from the Group not being able to meet its financial obligations as they fall due, is considered low. The Group's approach to manage liquidity risk is through proper liquidity planning to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Executive management has monitoring controls in place to ensure that the Group has sufficient liquidity.

Maturity profile of liabilities 2019

			Contractual maturity		
(Amounts in NOK 1 000)	Carrying amount	**Total**	< 1 year	1 - 5 years	> 5 years
Debt to credit institutions	-	**-**	-	-	-
Lease liabilities (note 24)	37 156	**37 156**	8 821	28 335	
Trade and other payables	18 901	**18 901**	18 901		-
Tax payable (note 10)	8 587	**8 587**	8 587	-	-
Social Taxes and VAT	56 399	**56 399**	56 399	-	-
Other short-term debt	71 195	**71 195**	71 195	-	-
Total 31 December 2019	192 238	**192 238**	163 903	28 335	-

Maturity profile of liabilities 2018

(Amounts in NOK 1 000)	Carrying amount	**Total**	Contractual maturity		
			< 1 year	1 - 5 years	> 5 years
Debt to credit institutions	-	**-**	-	-	-
Trade and other payables	21 558	**21 558**	21 558	-	-
Tax payable (note 10)	16 530	**16 530**	16 530	-	-
Social Taxes and VAT	53 738	**53 738**	53 738	-	-
Other short-term debt	64 868	**64 868**	64 868	-	-
Total 31 December 2018	156 695	**156 695**	156 695	-	-

Categories of financial instruments

(Amounts in NOK 1 000)	**2019 Carrying amount**	2018 Carrying amount
Trade receivables	**104 797**	103 288
Other receivables	**7 112**	4 983
Cash and short-term deposits	**25 454**	33 478
Financial assets measured at amortised cost	**137 363**	141 750
Debt to credit instututions	**-**	-
Trade payables	**18 901**	21 558
Other payables	**56 399**	53 738
Other short-term debt	**71 195**	64 868
Financial liabilities measured at amortised cost	**146 495**	140 165

The methods and assumptions used to estimate the fair value of debt instruments are described in note 2. Carrying amount is a reasonable approximation of fair value, and has been applied accordingly.

NOTE 05: REVENUE FROM CONTRACTS WITH CUSTOMERS

In the following table, the major revenue lines are disaggregated by geographical areas as disclosed in our segment note (note 6). Figures are in local currencies and does not include eliminations except Group.

	For the year ended 31 December 2019		
Segments (in 1 000)	Norway	Sweden	Group
Type of goods or service			
IT-related consulting services	572 566	96 892	660 434
Other	152	85	79
Total revenue from contracts with customers	572 718	96 977	660 513
Timing of revenue recognition			
Goods and services transferred at a point in time	572 566	96 977	660 513
Services transferred over time	152	-	-
Total revenue from contracts with customers	572 718	96 977	660 513

	For the year ended 31 December 2018		
Segments (in 1 000)	Norway	Sweden	Group
Type of goods or service			
IT consulting services	572 567	98 865	663 077
Other	152	80	75
Total revenue from contracts with customers	572 719	98 945	663 153
Timing of revenue recognition			
Goods and services transferred at a point in time	572 633	98 945	663 153
Services transferred over time	150	-	-
Total revenue from contracts with customers	572 783	98 945	663 153

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (Note 6):

Revenue	For the years ended 31 December			
	2019		2018	
(Amounts in NOK 1 000)	**Norway**	**Sweden**	Norway	Sweden
External customer	**572 569**	**94 534**	572 633	96 502
Inter-segment	**152**	**2 443**	150	2 443
Inter-segment adjustments and eliminations	**(152)**	**(2 443)**	(150)	(2 443)
Total revenue from contracts with customers	**572 569**	**94 534**	572 633	96 502

Contract balances
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

(Amounts in NOK 1 000)	**12.31.2019**	12.31.2018	1.1.2018
Receivables which are included in Trade receivables	**104 797**	103 288	125 546
Contract assets	**2 418**	537	103
Contract liabilities	**57**	120	2 672

The contract assets primarily relates to revenues accrued, but not invoiced. The contract assets are transferred to Trade receivables when the rights to receive payment become unconditional.

The contract liabilities primarily consists of advance considerations received from customers, before revenue is earned. Revenue is recognised as (or when) the Group fulfils its performance obligation(s) under the contracts. and accrued expenses related to supply of goods and services, not yet recorded in Accounts Payable.

Changes in the contract assets and the contract liabilities balances during the period are as follows:

Contract assets

(Amounts in NOK 1 000)	**2019**	2018
1 January	**537**	103
Additions	**2 418**	537
Transfers from contract assets recognised at the beginning of the period to receivables	**(537)**	(103)
Impairment losses and allowances recognised in the period	**-**	-
31 December	**2 418**	537

Contract liabilities

(Amounts in NOK 1 000)	**2019**	2018
1 January	**120**	2 672
Invoiced in advance for the period	**57**	120
Revenues recognised that was included in the contract liability balance at the beginning of the period	**(120)**	(2 672)
31 December	**57**	120

NOTE 06: SEGMENT INFORMATION

The Group provides IT related high-end consulting services. Operating segments are reported by country of operation. The Chief Operating Decision-Maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee consisting of the CEO and the CFO. The CODM examines the Group's performance by country of operation. Segment performance is evaluated based on the profit or loss measure "Earnings before interest, tax, depreciation and amortization" (EBITDA) and is measured consistently with profit or loss in the consolidated financial statements. Assets and liabilities are not allocated to segments.

The Group has currently two reportable segments: Norway and Sweden.

2019

(Amounts in NOK 1 000)	Norway	Sweden	Elimination*	**Total**
Total revenue (IT-related consulting services)	572.8	90.2	(2.4)	**660.5**
Total operating expenses less depreciation and impairment	512.4	85.3	2.4	**600.1**
EBITDA	55.5	4.9	-	**60.4**
EBITDA margin (% of total revenue)	9.7%	5.4%	-	**9.1%**

2018

(Amounts in NOK 1 000)	Norway	Sweden	Elimination*	**Total**
Total revenue (IT-related consulting services)	572.7	92.8	(2.4)	**663.2**
Total operating expenses less depreciation and impairment	492.6	89.3	2.4	**584.4**
EBITDA	75.3	3.5	0.0	**78.8**
EBITDA margin (% of total revenue)	13.2%	3.8%	-	**11.9%**

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

Non-recurring items are defined as items that are infrequent or unusual compared to the recurring operations and which are not expected to incur again in the forseeable future in the course of the normal business of the Group.

No material non-recurring items were recorded neither in 2019 or 2018.

NOTE 07: SALARIES, REMUNERATION AND AUDIT FEES

Salaries and personnel expenses

(Amounts in NOK 1 000)	**2019**	2018
Salaries	**378 602**	375 945
Social security costs	**61 452**	62 117
Pensions	**13 845**	15 274
Share-based compensation	**1 144**	1 743
Other benefits and refunds	**19 129**	15 734
Total salaries and personnel expenses	**474 173**	470 813
Number of employees, average FTEs	**397**	407

Remuneration to executive management	**2019**			2018		
(Amounts in NOK 1 000)	**Compensation**	**Pension**	**Other***	Compensation	Pension	Other*
CEO - Arne Lee Norheim (from 2 May 2019)	**3 594**	**34**	**8**	-	-	-
CFO - Liv Annike Kverneland	**1 926**	**71**	**12**	583	15	8
CEO - Kjetil Bakke Eriksen (until 1 May 2019)	**2 167**	**47**	**23**	2 587	49	17
CFO – Anders Håvik Løken (employed until 30 Sep 2018)				1 122	38	10
Total remuneration to executive management	**7 687**	**152**	**43**	4 292	102	35
Chairman of the board - Klaus-Anders Nysteen	**370**	**-**	**-**	360	-	-
Board member - Bjørn Ivar Danielsen	**246**	**-**	**-**	239	-	-
Board member - Terje Bakken (until 29 Aug 2019)	**157**	**-**	**-**	229	-	-
Board member - Trond Klethagen Johannessen (from 29 Aug 2019)	**72**	**-**	**-**	-	-	-
Board member - Siw Ødegaard	**242**	**-**	**-**	235	-	-
Board member - Toril Nag	**234**	**-**	**-**	210	-	-
Total remuneration to board members	**1 321**	**-**	**-**	1 273	-	-

** Other consists of e.g. health insurance plans, travel expenses and telephone/mobile communication.*

Board remuneration
Compensation to board members is not performance-related. Compensation to the Board is determined by the Annual General Meeting, and the accrued cost for 2019 and 2018 is based on the decision made by the Annual General Meetings.

Determination of remuneration to executive management
The Company's executive management comprises the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Remuneration to executive management is mainly fixed salary, with performance based bonus decided by the remuneration committee. No bonuses were paid to executive management in 2019. The CEO and the CFO were entitled to bonuses for 2019 which were accrued for in the consolidated statement of comprehensive income for 2019 and paid in Q1 2020. The CEO received a bonus of NOK 1.1 million, of which NOK 0.5 million were committed to share purchase of the Webstep share. The CFO received a bonus of NOK 0.5 million. The bonuses are included in the table above for 2019. The CFO was entitled to participate in the Long-term incentive programme as described in note 21. The former CEO, Kjetil Bakke Eriksen, was available to the Company after his resignation and received a compensation during the period between May 1 and October 31.

Main principles for the determination of remuneration for the executive management of Webstep ASA
The board of directors has established a remuneration committee consisting of three board members, being the chairperson of the board Klaus-Anders Nysteen (chair) and Toril Nag. Terje Bakken was a member of the remuneration committee until he resigned from the board of directors at the extraordinary general meeting 29 August 2019. The remuneration committee functions as an advisory body to the board of directors, with the purpose of ensuring a thorough and independent preparation of matters regarding remuneration to the Company's executive management.

The main principle for the Company's remuneration policy is that the executive management shall be offered competitive terms when their total remuneration package is taken into account. Such package may consist of elements such as base-salary, bonus, share and option schemes, benefits in kind and pension arrangements. The Company shall seek to offer a remuneration level that is considered competitive and on market terms, compared to the level offered by its peers, and which seeks to satisfy the Company's need to recruit and keep highly qualified personnel in the executive management.

Salary and other remuneration payable by the Company to its executive management will be aligned with the above principles for the calendar year 2020.

The executive management participates in the Company's defined contribution pension scheme in accordance with mandatory law.

The executive management is entitled to free service telephone and private broadband, in addition to company health services, as benefits in kind.

The CEO is entitled to severance pay payable upon termination of employment by the Company equal to six month's base-salary. Other than for the new CEO, the Company has not entered into any severance pay agreements payable upon termination of employment by the Company with the executive management.

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. The executive management had bonuses as part of their total remuneration package based on 2019 performance. The bonus amounts to be paid to the CEO and CFO for FY 2019 were determined by the remuneration committee in Q1 2020.

Webstep introduced a long-term incentive programme for senior executives of the Group in November 2019. The programme is further described in note 22.

The other Group companies shall follow the main principles for remuneration of executives as described herein.

More information regarding the Company's policies for salary and other compensation, can be found in "The Board of Director's Declaration on Determination of Salary and other Remuneration to the Executive Management in Webstep ASA" in the Annual Report's section on Corporate Governance.

Audit fees*

(Amounts in NOK 1 000)	**2019**	2018
Statutory audit fees	**855**	825
Audit-related assistance	**183**	196
Non-audit related assistance	**48**	325
Other included recognised on equity	**-**	-
Total fee	**1 086**	1 346

** VAT is not included*

NOTE 08: PENSION COSTS

All companies within the Group has defined contribution plans for all of its employees, governed by the local employments laws. The Group pays a contribution to the plan based on a fixed percentage of the salary, limited to 12 times the base amount (G). The total pension premium charge in 2019 is NOK 13.8 million (2018: NOK 15.3 million).

The Norwegian companies within the Group are bound to have mandatory occupational pension scheme pursuant to the Norwegian law of Occupational pension scheme. The Group's pension scheme meets the requirements of this Act.

NOTE 09: FINANCIAL ITEMS

Finance income

(Amounts in NOK 1 000)	**2019**	2018
Interest income	**220**	88
Other finance income (including foreign exchange effects)	**44**	26
Total finance income	**264**	114

Interest income primarily comprise interest received on bank deposits.

Finance expense

(Amounts in NOK 1 000)	**2019**	2018
Interest expenses (Note 24)	**(2 250)**	(1 959)
Other finance expense (including foreign exchange effects)	**(492)**	(494)
Total finance expense	**(2 742)**	(2 453)

Interest expense primarily comprise interest and expenses paid on revolving credit facility (Note 21).

NOTE 10: TAXES

Consolidated statement of profit or loss

(Amounts in NOK 1 000)	**2019**	2018
Current income tax	**10 679**	17 264
Unprovided income tax charge from previous year	**15**	113
Deferred tax	**(145)**	(68)
Income tax expense reported in the statement of profit or loss	**10 550**	17 310

Reconciliation of tax expense and the accounting profit multiplied by the Group's tax rate for 2019 and 2018:

Reconciliation of tax base:

(Amounts in NOK 1 000)	**2019**	2018
Accounting profit before tax	**46 635**	73 529
Permanent differences	**1 330**	1 328
Change in temporary differences	**675**	354
Tax base for the year	**48 640**	75 211
Tax payable (22%/23%)	**10 701**	17 299
Prepaid tax	**(2 091)**	(735)
Differences in tax rates on foreign subsidiary	**(23)**	(34)
Tax payable in the balance sheet	**8 587**	16 530

Deferred tax

(Amounts in NOK 1 000)	**2019**	2018
Fixed assets	**1 111**	1 110
Receivables	**817**	865
Other	**(7 056)**	(7 962)
Total	**(5 128)**	(5 987)
Net deferred tax asset/(liability) (22%)	**(1 128)**	(1 317)
Effect of change in tax rates Sweden (21,4%/22%)	**43**	
Total adjusted for differences in tax rates	**(1 085)**	(1 317)
Reflected in the statement of financial position as follows:		
Deferred tax assets	**454**	434
Deferred tax liabilities	**(1 539)**	(1 752)
Deferred tax liabilities, net	**(1 085)**	(1 317)
Effective tax rate:		
Expected income tax	**10 260**	16 912
Permanent differences	**293**	299
Effect of change in tax rate and other	**(2)**	99
Income tax expense*	**10 550**	17 310
** Income tax expense in relation to income before tax*	**22.6%**	23.5%

The Group's R&D initiatives have been approved by the Research Council of Norway (Forskningsrådet) to qualify for a government R&D tax incentive scheme (SkatteFUNN). The amount recognised as an expected public refund in 2019 was NOK 254 thousand. NOK 135 thousand were recorded i 2018.

NOTE 11: INTANGIBLE ASSETS AND GOODWILL

(Amounts in NOK 1 000)	Goodwill Norway	Goodwill Sweden	R&D	**Total**
Cost				
1 January 2018	313 575	68 696	4 811	**387 082**
Additions	-	-	2 762	**2 762**
Disposals	-	-	-	**-**
Exchange adjustment	-	(2 027)	-	**(2 027)**
31 December 2018	313 575	66 669	7 573	**387 817**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
Exchange adjustment	-	(1 780)	-	**(1 780)**
31 December 2019	313 575	64 889	7 573	**386 037**
Depreciation and impairment				
1 January 2018	-	-	-	**-**
Impairment			-	**-**
Depreciation charge for the year	-	-	-	**-**
31 December 2018	-	-	-	**-**
Impairment			-	**-**
Depreciation charge for the year	-	-	(1 515)	**(1 515)**
31 December 2019	-	-	(1 515)	**(1 515)**
Net book value				
31 December 2018	313 575	66 669	7 573	**387 816**
31 December 2019	313 575	64 889	6 058	**384 522**
Useful life	Infinite	Infinite	5 years	
Depreciation method	NA	NA	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 is not amortised, but tested yearly for impairment.

Capitalised R&D comprises investments in the strategic initiative Webstep Internet of Things (IoT), where a total of NOK 7.6 million is recognised 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.
R&D activities that have been recognised as costs in the consolidated statement of comprehensive income in 2019 amount to NOK 1.4 million.

Impairment testing
Goodwill acquired through business combinations has been allocated to two individual cash generating units, which are also defined as reportable segments according to note 6.

Cash generating unit:

(Amounts in NOK 1 000)	**2019**	2018
Norway	**313 575**	313 575
Sweden	**64 889**	66 669
Total	**378 464**	380 244

Goodwill is tested for impairment at least annually, or when there are indications of impairment. The impairment test is conducted for each cash generating unit, by evaluating the present value of future cash flows, based on cash flow projections five years ahead. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flow and the expected risk.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions: The calculation of value in use for goodwill related to the acquisition of Webstep AS and Webstep AB is most sensitive to the following assumptions:

- Discount rates
- EBITDA
- Growth rates used to extrapolate cash flows beyond the forecast period

The discount interest is based on weighted average cost of capital (WACC). A discount rate of 8.0 per cent after tax is used for both CGU's (Norway and Sweden). This is based on a risk free interest rate of 1.5 per cent for Norway and 0.1 per cent for Sweden. The risk premium is calculated based on market statistics for comparable companies. The cash flow forecast takes into account both historical results, expected future growth rates, and market conditions. The budget period is one year, but strategic growth plans are set out for a 3-year period by the Group Management. For Norway and Sweden, the underlying model calculate annual cash flows per department, based on periodised employee development, utilisation rate, expected trend in hourly rate, sales / management / overhead changes, wage growth and cost growth. The annualised compound growth rate over the next 3 to 8 year period is 4 per cent for the Norwegian CGU and 3 per cent for the Swedish CGU. The EBITDA-margin in the Swedish CGU is expected to at least double from todays level, while the Norwegian CGU is expected to be in line with historical level.

At current, there are no indications that impairment is required for any of the CGUs.

NOTE 12: FIXED ASSETS

(Amounts in NOK 1 000)	Equipment, fixtures and furniture	Right-of-use assets	**Total**
Cost			
1 January 2018	15 676	-	**15 676**
Additions	2 709	-	**2 709**
Disposals	-	-	**-**
Exchange adjustment	-	-	**-**
Cost 31 December 2018	18 385	-	**18 385**
Cost 1 January 2019	18 385	12 261	**30 646**
Additions	3 670	32 159	**35 829**
Disposals	-	-	**-**
Exchange adjustment	-	(251)	**(251)**
Cost 31 December 2019	22 055	44 170	**66 225**

(Amounts in NOK 1 000)	Equipment, fixtures and furniture	Right-of-use assets	**Total**
Depreciation and impairment			
1 January 2018	(10 447)	-	**(10 447)**
Disposals	-	-	**-**
Impairment	-	-	**-**
Depreciation charge for the year	(2 927)	-	**(2 927)**
Exchange adjustment	-	-	**-**
Other	-	-	**-**
31 December 2018	(13 374)	-	**(13 374)**
Disposals	-	-	**-**
Impairment	-	-	**-**
Depreciation charge for the year	(2 764)	(7 014)	**(9 778)**
Exchange adjustment	-		**-**
Other	-		**-**
31 December 2019	(16 138)	(7 014)	**(23 152)**
Net book value			
31 December 2018	5 011	-	**5 011**
31 December 2019	5 917	37 156	**43 073**
Useful life	3 - 5 year	1-5 year	
Depreciation method	Straight line	Amortization	

NOTE 13: FINANCIAL ASSETS – NON-CURRENT VS CURRENT

The only non-current, financial asset is a deposit.

Financial assets

(Amounts in NOK 1 000)	**2019**	2018
Other long term deposit	**10**	10
Total	**10**	10

NOTE 14: TRADE AND OTHER RECEIVABLES

Trade and other receivables

(Amounts in NOK 1 000)	**2019**	2018
Trade receivables - net of related parties	**105 614**	104 153
Provision for bad debt	**(817)**	(865)
Trade Receivables net of provision	**104 797**	103 288
Prepayments and other receivables	**7 112**	4 983
Receivables from related parties	**-**	-
Payables to related parties	**-**	-
Total trade receivables	**111 909**	108 271
Of which long-term receivables from related parties	**-**	-
Short-term Receivables	**111 909**	108 271

Specification of receivables

(Amounts in NOK 1 000)	**2019**	2018
Trade receivables	**102 379**	102 751
Accrued income	**2 418**	537
Other receivables	**-**	-
Trade and other receivables	**104 797**	103 288
Prepaid costs	**6 449**	4 154
Prepaid public duty debt	**427**	664
Prepaid rent	**235**	165
Prepayments	**7 112**	4 983
Total	**111 909**	108 271

Due dates and fair value of trade and other receivables

(Amounts in NOK 1 000)	**2019**	2018
Due within one year*)	**111 909**	108 271
After one year **)	**-**	-
Fair value	**111 909**	108 271

**) For receivables due within one year, fair value is equal to nominal value.*
***) Receivables that due later than one year are discoundet and stated as fair value.*

Group has a bad debt provison of NOK 817 thousand in 2019 down from NOK 865 thousand in 2018.

(Amounts in NOK 1 000)	**Total**	Not due	Less than 30 days	30-60 days	60-90 days and above
2019	**105 614**	97 594	42	4 360	3 618
2018	**104 153**	97 881	1 668	4 146	458

Trade receivables at year end were NOK 105.6 million (NOK 104.2 million), only a minor change from previous year.

NOTE 15: CASH AND SHORT-TERM DEPOSITS

Cash and cash equivalents

(Amounts in NOK 1 000)	**2019**	2018
Cash in bank	**25 454**	33 478
Cash equivalents	**-**	-
Total Cash and Cash Equivalents	**25 454**	33 478
Utilised bank overdraft	**-**	-
Net Cash and Cash Equivalents/Bank overdraft	**25 454**	33 478
Of which Restricted Cash:		
Guarantees for leases and credits from suppliers	**-**	-
Taxes withheld	**786**	459
Other restricted cash	**-**	-
Total Restricted Cash	**786**	459

For further details on the Group's cash reporting and cash pooling system, see note 17.

NOTE 16: SHAREHOLDERS CAPITAL AND LARGEST SHAREHOLDERS

Share capital
The Company has only one share class and all shares have equal voting rights.

(No. of thousands)	**2019**	2018
Authorised:		
Ordinary shares of NOK 1 each	**26 967**	26 967
Ordinary shares:		
Issued and fully paid:		
1 January	**26 967**	26 967
Issued	**-**	-
31 December	**26 967**	26 967
Treasury shares:		
1 January	**(486)**	(610)
Sale of treasury shares	**193**	124
31 December	**(294)**	(486)

Foreign currency translation reserve

(Amounts in NOK 1 000)	
1 January 2018	**12 391**
Foreign currency translation	**(2 109)**
31 December 2018	**10 282**
Foreign currency translation	**(1 962)**
31 December 2019	**8 320**

(Amounts in NOK 1 000)	**2019**	2018
Share capital	**26 967**	26 967
Treasury shares	**(294)**	(486)
Share premium	**156 914**	153 964
Retained earnings	**188 057**	196 130
Non-controlling interest	**-**	-
Shareholders equity	**371 644**	376 574

Statment of changes in equity

(Amounts in NOK 1 000)	*Note*	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders parent	Non-controlling interests	**Total equity**
1 January 2018		26 967	(610)	149 823	12 391	169 167	357 738	-	**357 738**
Profit for the period		-	-	-	-	56 220	56 220	-	**56 220**
Other comprehensive income/(loss)		-	-	-	(2 109)	-	(2 109)	-	**(2 109)**
Sales of treasury shares		-	124	3 020	-	-	3 144	-	**3 144**
Share incentive program		-	-	1 117	-	-	1 117	-	**1 117**
Dividends	*26*	-	-	-	-	(39 535)	(39 535)	-	**(39 535)**
31 December 2018		26 967	(486)	153 960	10 282	185 852	376 574	-	**376 574**
Profit for the period		-	-	-	-	36 085	36 085	-	**36 085**
Other comprehensive income/(loss)		-	-	-	(1 962)	-	(1 962)	-	**(1 962)**
Sales of treasury shares		-	193	4 304	-	-	4 497	-	**4 497**
Share incentive program		-	-	(1 354)	-	173	(1 181)	-	**(1 181)**
Dividends	*26*	-	-	-	-	(42 369)	(42 369)	-	**(42 369)**
31 December 2019		26 967	(293)	156 910	8 320	179 741	371 644	-	**371 644**

20 largest shareholders	Number of shares	Ownership	Voting rights
J.C. Broch AS and related parties	6 848 350	25.40%	25.67%
Virtus KAR International Small-Cap	3 119 279	11.57%	11.69%
Verdipapirfondet Alfred Berg Gamba	1 556 645	5.77%	5.84%
Jakob Hatteland Holding AS	1 000 000	3.71%	3.75%
Handelsbanken Nordiska Smabolag	998 250	3.70%	3.74%
Park Lane Family Office AS	840 791	3.12%	3.15%
Goldman Sachs International	783 058	2.90%	2.94%
Verdipapirfondet Nordea Norge Verd	685 000	2.54%	2.57%
Danske Invest Norge Vekst	542 000	2.01%	2.03%
Citibank, N.A.	488 491	1.81%	1.83%
SEB Prime Solutions Carn Long Shor	400 000	1.48%	1.50%
NWT Media AS	390 000	1.45%	1.46%
Salt Value AS	371 703	1.38%	1.39%
Nordea Norwegian Stars Fund	334 292	1.24%	1.25%
Taaleri Nordic Value Equity Fund	320 000	1.19%	1.20%
Viola AS	300 000	1.11%	1.12%
AMG Renaissance Intl EQ FD	298 885	1.11%	1.12%
Virtus Tactical Allocation Fund	282 917	1.05%	1.06%
Employees Retir System of Texas	225 741	0.84%	0.85%
Verdipapirfondet Nordea Avkastning	225 383	0.84%	0.84%
Other shareholders	6 662 599	24.71%	24.98%
Total number of shares excluding treasury shares	26 673 384	98.91%	100.00%
Treasury shares as of 31 December 2019	293 633	1.09%	
Total shares outstanding	26 967 017	100.00%	

Shareholding by board members, management and their related parties as of 31 December 2019	Number of shares	Ownership	Voting rights
Klaus-Anders Nysteen (Nysteen Invest AS)	20 408	0.08%	0.08%
Trond K. Johannessen	5 000	0.02%	0.02%
Arne L. Norheim	12 495	0.05%	0.05%
Liv Annike Kverneland (LAK Invest AS and privately held)	32 389	0.12%	0.12%

Trond K. Johannessen is employed by Embron Group AS, which is owned by J.C. Broch AS.

Webstep ASA holds 293 633 treasury shares. These shares have no voting rights nor dividend rights.

NOTE 17: INTEREST-BEARING LOANS AND BORROWINGS

The Group has a NOK 110 million Revolving Credit Facility ("RCF") with SpareBank 1 SR-Bank ASA. The RCF may be utilised by each member of the Group having access to the cash pooling account system related to the RCF. The accounts included in the cash pooling structure are presented as a net figure for the Group: As cash and short term receivables if the net balance is positive, or debt to credit institutions if the net balance is negative.

The term of the RCF is two years, after which it is subject to renewal. The facility was renewed in 2019. The total payable interest rate is based on 3 months NIBOR in addition to an agreed margin of 2.85 per cent per annum. The interest calculation is based on the net of cash and overdraft. The quarterly charge for the credit facility is 0.25 per cent 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.

Covenant conditions: Book equity for the Group shall consist of at least 30 per cent of total capital, measured quarterly. Ratio of NIBD / EBITDA maximum 3, measured quarterly, rolling 12 months. See note 21 for further details.

Webstep AB has a local revolving credit facility of SEK 3 million which was unutilised 31 December 2019.

(Amounts in NOK 1 000)	**2019**	2018
Non-current borrowings		
Debt to credit institutions	**-**	-
Current borrowings		
Debt to credit institutions	**-**	-
Total borrowings	**-**	-
Booked value of assets pledged as security		
Shares	**432 119**	432 119
Fixed assets	**5 917**	5 011
Receivables	**104 797**	103 288
Cash	**25 454**	33 478
Total	**568 287**	573 896

Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings

(Amounts in NOK 1 000)	**2019**	2018
Trade payables	**18 901**	21 558
Other payables	**56 399**	53 738
Other short-term debt	**71 195**	64 868
Total financial liabilities	**146 495**	140 165
Total current	**146 495**	140 165
Total non-current	**-**	-

Other short-term debt mainly consists of; 1) accrued salaries for the past month, for payment to employees in accordance with the salary model, 2) accrued holiday pay as required by law, for payment to employees in June the following year.

Changes in liabilities arising from financing activities

Year ended 2018

(Amounts in NOK 1 000)	1 Jan 2018	Cash flows	Other	31 Dec 2018
Debt to credit institutions non-current	-	-	-	-
Debt to credit institutions current	24 287	(24 287)	-	-
Total liabilities from financing activities	24 287	(24 287)	-	-

Year ended 2019

(Amounts in NOK 1 000)	1 Jan 2019	Cash flows	Other	31 Dec 2019
Debt to credit institutions non-current	-	-	-	-
Debt to credit institutions current	-	-	-	-
Total liabilities from financing activities	-	-	-	-

NOTE 18: TRADE AND OTHER PAYABLES

(Amounts in NOK 1 000)	**2019**	2018
Trade and other payables	**18 901**	21 558
Social taxes and VAT	**56 399**	53 738
Accrued vacation pay	**36 083**	35 500
Accrued expenses	**34 992**	9 227
Other current payables	**120**	141
Total trade and other payables	**146 495**	140 164

Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are normally settled on 30-day terms.
Social Taxes and VAT are normally settled six times per year (Norway) or monthly (Sweden).
Accrued vacation pay is paid in June (Norway).

Salaries payable are normally settled monthly.
For explanations on the Group's liquidity risk management processes, refer to Note 21.

NOTE 19: OTHER SHORT-TERM DEBT

(Amounts in NOK 1 000)	**2019**	2018
Salaries payable, vacation pay, bonus etc.	**66 003**	62 443
Other accrued expenses	**5 015**	2 284
Received prepayments of revenues	**57**	120
Other	**119**	21
Total other short-term debt	**71 195**	64 868

NOTE 20: RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include:

			% equity interest	
Name	Country of in-corporation	Business Address	**2019**	2018
Webstep AS	Norway	Edvard Storms gate 2, 0166 Oslo	**100%**	100%
Webstep AB	Sweden	Kungsgatan 44, 111 35 Stockholm	**100%**	100%

Webstep ASA is the ultimate parent of the Group, and sole owner of Webstep AS and Webstep AB. Balances and transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated in the consolidation and are not disclosed in this Note. The Group does not have any material transactions with related parties, except for remuneration to management (note 7).

NOTE 21: CAPITAL MANAGEMENT

Capital management
For the purpose of the Group's capital management, capital includes issued capital, treasury shares, share premium and all other equity reserves attributable to the equity holders of the parent.

The Group is financed by equity with a revolving credit facility to finance fluctuations in net working capital.

The primary objective of the Group's capital management is to maximise shareholder value. The policies shall ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business objectives. The policies shall ensure sufficient, financial flexibility. The objectives for capital management are regarded achieved as of December 31 2019.

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue capital securities. Capital structure is reported monthly and measured, amongst other criterias, against covenants.

No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the board of directors.

The Group monitors equity ratio (equity to total assets) and the ratio of Net Interest Bearing Debt (NIBD) to Earnings Before Interest Tax Depreciation and Amortization (EBITDA) as part of the capital management as to ensure the Group is complying with current covenants. The defintions and requirements are listed below. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

Group equity ratio

	31 December	
(Amounts in NOK 1 000)	**2019**	2018
Total equity	**371 644**	376 574
Total assets	**565 422**	535 023
Group equity ratio	**0.66**	0.70

As of January 1 2019 the Group has applied IFRS 16 and recognised right-to-use assets in the balance sheet. The recognition effects total assets. The covenants with the financial institution are based on "frozen GAAP" as of date of entering the agreements in 2017. To measure Group equity ratio according to the covenants, the total assets in 2019 and equity have to be reduced by the recognised amount of right-to-use assets and effect to equity, as specified in the table below.

Group equity ratio according to covenants

	31 December	
(Amounts in NOK 1 000)	**2019**	2018
Total equity as stated in the financial statement	**371 644**	376 574
- Changes to equity due to IFRS 16 (see note 23)	**-**	-
= Applicable total equtiy according to current covenants	**371 644**	376 574
Total assets as stated in the financial statement	**565 422**	535 023
- Right-of-use assets (see note 24)	**(37 156)**	-
= Applicable total assets according to current covenants	**528 266**	535 023
Applicable group equity ratio according to current covenants	**0.66**	0.70

The covenant requires a Group equity ratio of minimum 0.3. The requirement was met year end 2019 and the Group has been in compliance with the requirements during all of 2019.

The other ratio which is measured is the NIBD to EBITDA ratio. Implementation of IFRS 16 has likewise an impact on both NIBD and EBITDA, as described in the tables below.

NIBD to EBITDA ratio

NIBD (Net Interest Bearing Debt)

(Amounts in NOK 1 000)	**2019**	2018
Cash and cash equivalents (minus indicates positive amount)	**(25 454)**	(33 478)
Restricted cash	**786**	459
Debt to credit institutions	**-**	-
Leasing liabilities (non-current and current)	**37 156**	-
NIBD	**12 488**	(33 019)

EBITDA (Earnings Before Interest Tax Depreciation and Amortization):

(Amounts in NOK 1 000)	**2019**	2018
Operating profit/loss	**49 113**	75 869
+ Depreciation and amortization	**11 291**	2 927
= EBITDA	**60 403**	78 796
Ratio NIBD/EBITDA	**0.21**	(0.42)

NIBD to EBITDA ratio according to covenant

NIBD (Net Interest Bearing Debt)

(Amounts in NOK 1 000)	**2019**	2018
Cash and cash equivalents (minus indicates positive amount)	**(25 454)**	(33 478)
Restricted cash	**786**	459
Debt to credit institutions	**-**	-
Leasing liabilities (non-current and current)	**37 156**	-
- Reversal of leasing liabilities according to "frozen GAAP"	**(37 156)**	-
= NIBD according to covenant	**(24 668)**	(33 019)

EBITDA (Earnings Before Interest Tax Depreciation and Amortisation)

(Amounts in NOK 1 000)	**2019**	2018
Operating profit/loss	**49 113**	75 869
+ Depreciation and amortization	**11 291**	2 927
- Reversal of depreciation of right-to-use assets (note 23)	**(7 014)**	-
= EBITDA	**53 389**	78 796
Ratio NIBD/EBITDA according to covenant	**(0.46)**	(0.42)

The covenant requires a Group NIBD/EBITDA ratio of minimum 3. The requirement was met year end 2019 and the Group has been in compliance with the requirements during all of 2019.

NOTE 22: SHARE BASED PAYMENTS

SHARE BASED PAYMENT PROGRAMMES

Saving shares plan ("SSP")
Webstep ASA introduced a share purchase programme for employees of the Group as a part of the Initial Public Offering in 2017. Through the programme the Company offered employees shares ("Saving Shares") in Webstep ASA at a reduced price. Shares purchased through the programme were subject to a two year lock-in period. Additionally, the saving shares purchased through the programme qualified for additional shares free of charge ("Matching Shares") after a vesting period of two years. Based on independent party calculations according to an option-pricing model (“Black-Scholes”), a part of the discount is recognised as employee benefit expense in the statement of income and a part directly to equity. The main part of the discount was related to reduction in value due to the lock-in period and a loss on an equity transaction. The program is classified as equity-settled transaction.

In total 57 per cent of the employees participated in the programme. The total number of shares sold through the share programme was 428 441, which would qualify for 107 110 Matching Shares after the vesting period of two years. The Matching shares had an estimated cost of NOK 2.3 million which has been amortised over the vesting period. The vesting period expired October 11 2019, and the number of Matching Shares vested was 72 411. The rights to receive 19 089 shares were cancelled in 2019 and 2018 due to termination of employment before the expiry of the vesting period. 72 411 Matching Shares were transferred to 147 eligible employees 16 October 2019. There were not any members of executive management among the eligible employees. The Company used its holding of treasury shares to settle its obligation towards the employees. Social security tax and income tax related to the Matching Shares were reported based on the volume weighted market price of the share 6 days prior to the date of expiry of the vesting period (NOK 23.02 per share).

Employee share purchase programme ("ESPP")
An employee share purchase programme was implemented in November 2018, and a similar programme has been carried out in 2019. In November 2019 each of the employees in the Norwegian entities, including executive management, were invited to acquire shares with a market price of NOK 15 000 with a 20 per cent discount. 192 employees participated in the program, and costs of NOK 0.6 million were included in salaries and personnel expenses. The transactions were settled by transfer of the Company's treasury shares 5 December 2019.

Long-term incentive programme ("LTI")
"Under the Long-term incentive programme, 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.

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions on which the share options were granted.

The 515 876 options granted to senior executives of the Group 18 November 2019, 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 strike price of the options granted 18 November 2019 is NOK 23.1.

The share options can be exercised up to 18 November 2024 (Expiry Date), five years after the grant date. Therefore, the contractual term of each option granted is five years. There are no cash settlement alternatives. The Group accounts for the Long-term incentive programme as an equity-settled plan.

(Amounts in NOK 1 000)	**2019**	2018
Expense arising from equity-settled share-based payment transactions related to the Long-term incentive programme	**173**	-
Social security tax provisions	**6**	-
Granted instruments:	**Option**	None
Quantity	**515 876**	-
Contractual life*	**5**	-
Strike price*	**23.1**	-
Share price*	**23**	-
Expected lifetime*	**3.25**	-
Expected volatility*	**32.02%**	-
Risk-free interest rate*	**1.24%**	-
Dividend yield	**0.00**	-
Model used	**Black-Scholes**	-
Fair value per instrument*	**5.48**	-

** Weighted average parameters at grant of instrument*

The expected life of the share options is according to IFRS-2, shorter than the time from grant until expiry. Due to the taxation of options and "non-transferability", earlier exercise is expected. These are current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility for the company and peers over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Expenses

The expenses recognised for equity settled share-based payment transactions under the three programs during the year are presented in the table below:

(Amounts in NOK 1 000)	**2019**	2018
Expenses related to the Saving Shares Plan (SPP)	**405**	1 114
Expenses related to the Employee Share Purchase Programme (ESPP)	**566**	629
Expenses related to the Long-term Incentive Programme (LIP)	**173**	-
Total share based payment expenses in the period	**1 144**	1 743
Social security tax expense for the period	**261**	-
Social security tax accrual for the period	**6**	173

	2019	2018
Number of discounted shares sold through the Employee Share Purchase Programme (ESPP)	**120 383**	123 874
Discounted share price	**18.8 NOK/ share**	20.3 NOK/ share
Weighted average fair value of each discounted share sold through the ESPP	**4.70**	5.08

Movements during the year (LTI programme)
The following table illustrate the number and weighted average excersise prices (WAEP) of, and movements in, share options during the year:

	2019 Number of instruments	**2019** Weighted average strike price	2018 Number of instruments	2018 Weighted average strike price
Long-term incentive programme				
Outstanding 1 January 2019	**0.00**	**0.00**	0.00	0.00
Granted	**515 876**	**23.10**	0.00	0.00
Exercised	**0.00**	**-**	-	-
Released	**0.00**	**-**	-	-
Adjusted	**0.00**	**-**	-	-
Performance Adjusted	**0.00**	**-**	-	-
Forfeited	**0.00**	**-**	-	-
Expired	**0.00**	**-**	-	-
Outstanding 31 December 2019	**515 876**	**23.10**	0.00	0.00
Vested 31 December 2019	**0.00**	**0.00**		
The weighted average remaining contractual life	**-**	**5 years**	-	-
The range of exercise prices for options outstanding	**23.1**	**-**	-	-

The following key employees, as listed in note 7, were granted share options as a part of the LTI programme

Number of share options	Title	**2019**	2018
Liv Annike Kverneland	CFO	**46 884**	-

The options were granted 18 November 2019. The share price 31 December 2019 is similar to the grant date and has not impacted the value of the options significantly. The options vest over 1,2 and 3 years thus no options has been exercised or are exerciable.

NOTE 23: EARNINGS PER SHARE

The Company had one share class and a total of 26 673 384 outstanding shares (excl. treasury shares) 31 December 2019.

In 2019 the Saving Shares Programme and the Long-term Incentive Programme as described in note 22 had dilutive effects.

Basic earnings per share calculations are based on the weighted average number of shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of shares and dilutive shares equivalents outstanding during each period.

(Amounts in NOK 1 000)	**2019**	2018
Profit for the year	**36 085**	56 220
Average number of shares outstanding	**26 501**	26 367
Average number of outstanding shares, fully diluted	**26 572**	26 471
Basic earnings per share (NOK/Share)	**1.36**	2.13
Diluted earnings per share	**1.36**	2.12
Average number of shares outstanding	**26 501**	26 367
Average dilutive effects	**71**	104
Warrants	**-**	-
Average number of shares outstanding adjusted for dilutive effects	**26 572**	26 471
Dilutive effect of options issued 18 November 2019	**14**	-

NOTE 24: RENT AND LEASE AGREEMENTS

The Group has changed accounting policies for it's leases, consisting of rented premises in accordance with IFRS 16. The rental agreements were previously recognised as operationalleasing according to IAS 17. As of January 1st 2019 the Group has recognised lease liabilities based on the present value of the remaining lease payments (with the exception of short term leases and leases of low value),discounted using the incremental borrowing rate at the date of initial application. Right-of-use assets were recognised equal to the lease liabilities.The Group elected to use the practical expedients in IFRS 16 paragraph C10(a), C10(b), C10(c) and C10(e) at initial application of the Standard.In addition the Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019, and applied IFRS 16 only to contracts that were previously identified as leases under IAS 17. Comparative figures have not been restated in accordance with IFRS 16 paragraph C7 and C5(b).

The Group has applied it's incremental borrowing rate for all leases except where rates are implicit in the contracts for company cars.

The weighted average incremental borrowing rate applied at initial application was 4.12 per cent. Applied rate at year end 2019 is 4.70 per cent. The effect of change in applied interest rate had only minor impact on the value of the right-to-use assets and leasing liabilities estimates.

Implementation effects January 1 2019 (NOK thousands)

(Amounts in NOK 1 000)	Company cars	Offices	**Total**
Right-of-use assets	3 673	8 588	**12 261**
Lease liabilities	3 673	8 588	**12 261**
Effect on equity	-	-	**-**
Reconciliation			
Operating lease commitments 31 December 2018 as diclosed in Group's consolidated financial statements	-	5 595	**5 595**
Additional leases due to excercise of options [1]	-	3 337	**3 337**
Changes in estimate on agreements less then 12 months [2]	-	382	**382**
Changes in principle for company cars	3 673	-	**3 673**
Operating lease commitments at nominal value 31 December 2018	3 673	9 314	**12 987**
Exemptions for short-term leases (less than 12 months)	-	(382)	**(382)**
Exemptions for low-value leases	-	-	**-**
Changes to lease agreements due to price adjustments	-	153	**153**
Discounting applying the incremental borrowing rate 1 January 2019	-	(497)	**(497)**
Lease liabilities recognised 1 January - initial recognition	3 673	8 588	**12 261**

1) Several options have been excercised on rental agreements that was not assessed "reasonably certain" on the time of the financial disclosure of 31 December 2018 figures.

2) Agreements less than 12 months were not included in the figure at year end 2018

Right-of-use assets

The Group's right-of-use assets are identified as office rentals and rental of company cars in Sweden. The company cars in Sweden were in previous, quarterly reports regarded as contracts not fullfilling the criterias for a leasing contract according to IFRS 16. As of Q3 NOK 820 thousand was recognised as an operating expense in the profit or loss.

Right-of-use assets:

(Amounts in NOK 1 000)	Company cars*	Offices Sweden	Offices Norway	Total
Acquisition cost 1 January 2019 (intial recognition)	3 673	4 826	3 762	**12 261**
Addition of right-of-use assets	868	-	31 291	**32 159**
Currency exchange differences	(100)	(151)		**(251)**
Acquisition cost 31 December 2019	4 441	4 675	35 053	**44 169**
Accumulated depreciation 1 January 2019	-	-	-	**-**
Depreciation for the period	1 003	1 470	4 541	**7 014**
Accumulated depreciation 31 December 2019	1 003	1 470	4 541	**7 014**
Carrying amount of right-of-use assets 31 December 2019	3 438	3 205	30 513	**37 156**
Lower of remaining lease term or economc life	1-3 years	1-3 years	1-5 years	
Depreciation method	Amortization	Amortization	Amortization	

**A reassesment of the contracts in Q4 have impacted the view of the contracts of the company cars. The contracts were in previous quarterly reports regarded as an operating expense due to the nature of the contracts. The reassessment in Q4 is that the contracts should be recognised as leasing contracts allthough the company cars are exclusively used by named employees in Sweden and that these employees have an obligation to transfer the contract liabilities to themselves upon employment termination.*

Expenses in the period related to practical expedients and variable payments:

(Amounts in NOK 1 000)	Total
Short-term lease expenses	**576**
Low-value assets lease expenses	**178**
Variable lease expenses in the period (not included in the lease liabilities)	**723**
Total lease expenses in the period	**1 477**

The lease expenses in the period related to short-term leases, low-value assets and variable lease payments are included in other operating expenses in the consolidated statement of comprehensive income, and the payments are presented in the Group's operating activities in the consolidated statement of cash flows.

Leases of company cars in Sweden are for exclusively use by the employees named in the contracts. These employees have the right and obligation to transfer the lease contract to themselves at either termination of employment or end of contract period if contract period is not extended by passivity. Total operating expenses on these contracts was NOK 1.095 thousand in 2018.

Lease liabilities
Undiscounted lease liabilities and maturity of cash outflows

(Amounts in NOK 1 000)	Company cars	Offices Sweden	Offices Norway	**Total**
Less than 1 year	1 525	1 664	7 017	**10 206**
1-2 years	1 232	1 697	8 382	**11 311**
2-3 years	681	426	7 767	**8 874**
3-4 years	-	-	7 553	**7 553**
4-5 years	-	-	5 266	**5 266**
More than 5 years	-	-	-	**-**
Total undiscounted lease liabilities 31 December 2019	3 438	3 788	35 985	**43 211**

The future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities, includes:

(Amounts in NOK 1 000)		**Total**
Extension options		
Kongens gate 16, Trondheim	Yearly, callable options until 30.04.2029	**6 324**
Kongsgata 52-54, Stavanger	Option until 31.08.2029	**5 264**
Total extension options		**6 329**

Both these contracts have termination options which are reflected in the measurement of the lease liabilities.

Summary of the lease liabilities in the financial statements

NOK 1 000	Statement of:	Company cars	Offices Sweden	Offices Norway	**Total**
At intial recognition 1 January 2019	Financial position	3 673	4 826	3 762	**12 261**
New lease liabilities recognised in the year	Financial position	868	-	31 291	**32 159**
Cash payment of the lease liabilities	Cash flows	(1 003)	(1 470)	(4 541)	**(7 014)**
Currency exchange differences	Financial position	(100)	(151)	-	**(251)**
Total lease liabilities 31 December 2019	Financial position	3 438	3 205	30 513	**37 156**
Current lease liabilities	Financial position	1 080	1 529	6 212	**8 821**
Non-current lease liabilities	Financial position	2 358	1 677	24 300	**28 335**
Cash outflows for the principal portion of the lease liabilities	Cash flow	(1 003)	(1 470)	(4 541)	**(7 014)**
Cash outflows Interest expense portion of the lease liabilities	Comprehensive income	(34)	(165)	(459)	**(658)**
Total cash outflows for leases	Cash flows	(1 037)	(1 635)	(5 000)	**(7 672)**

The right-of-use-assets are recognised at the estimated net present value of the leasing liabilities as calculated at the date of initial recognition or cost according to contract.

Contracts with options for extensions that would, with reasonably certainty be excercised, are estimated at net present value including the optional rental period.

Contracts with penalties if options for extensions not are excercised and where the certainty for excercising 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 decomposed in depreciation, installment and interest.

The initial recognition of right-of-use assets and borrowings following the implementation of IFRS 16 are non-cash transactions according to IAS 7 so the initial recognition and additions/disposals are not recognised in the cash flow statement. However, the implementation of the standard has had an impact on the classification of leasing related cash outflow in the cash flow statement. The leasing related cash outflow was previously classified as "Net cash flow from operating activites". According to IFRS 16, the leasing related cash outflow has been classified as "Net cash flow from financing activities" for the principal part of the leasing liabilities, while the interest expense portion is still classified as "Net cash flow from operating activities". In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office leases related to future inflation/index adjustments in Norway and Sweden which is not included in the initial recognition of lease liabilities. When the inflation/index adjustment is known, the present value of the change to the future lease payments is added to the lease liability and right-of-use asset.

Sensitivity of assumptions to the estimates

The estimates of the value of right-to-use assets and leasing liabilities relies on the applied interest rates and the duration and nature of the contracts. All contracts have a duration of maximum 5 years with options for extensions. If extensions are viewed as reasonably probable, the extension period is embedded in the calculation of the estimate. Changes in interest rates are regarded having the most significant impact on the estimates either impacting the incremental borrowing rate applied on office rentals estimates or the leasing amount of the company cars. A sensitivity analysis of possible effects of changes to interest rates are given in the tables below:

Effect on incremental borrowing rates

A test on sensitivity on interest assumptions have been performed by varying NIBOR by +/- 200 basis points (BPS) compared to applied NIBOR 3 month of 1,85 per cent on the Group's incremental borrowing rate applied estimating value on office rentals.

Changes in interest rate

(Amounts in NOK 1 000)	Applied	+200 BPS	-200 BPS
Office rentals			
NIBOR 3 month December 31st	1.85%	3.85%	(0.15%)
Estimated value December 31st 2019	33 718	32 209	35 295
Deviation from applied estimate: Amount	-	(1 509)	1 577
Deviation from applied estimate: Percent	-	(4.5%)	4.7%

A similar test on interest assumptions have been performed by varying the implicit rate on company car leasing contracts by adjusting the rental amount by +/-10 per cent due to changes to the implicit interest rate on the contracts.

Changes in leasing amount

(Amounts in NOK 1 000)	Applied	+10%	(10%)
Company cars			
Average implicit rate December 31st	0.00%	2.00%	(2.00%)
Estimated value December 31st 2019	3 438	3 476	3 458
Deviation from applied estimate: Amount	-	38	20
Deviation from applied estimate: Percent	-	1.1%	0.6%

NOTE 25: CONTINGENCIES AND LEGAL CLAIMS

The Group has not been involved in any legal or financial disputes in 2019, where an adverse outcome is considered more likely than remote.

NOTE 26: DISTRIBUTION MADE AND PROPOSED

	2019	2018
Cash dividends on ordinary shares declared and paid:		
Final dividends	**42 369**	39 535
Dividends per share	**1.60**	1.55
Proposed dividends on ordinary shares:		
Proposed dividends	**0**	42 369
Dividends per share	**0**	1.60

The board of directors intend to propose that the annual general meeting issue an authorisation to the board of directors to resolve a dividend based on the financial statements for the financial year 2019. The proposed authorisation will be limited to NOK 1.60 per share, with a term until the annual general meeting in 2021. The proposed dividend authorisation will be placed on the agenda for Webstep's annual general meeting 2020.

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

Material events after the balance sheet date that occur before the Board of Directors has approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new information emerges regarding a matter that existed on the balance sheet date, and the matter is material, the financial statements must be changed.

There is currently an outbreak of a respiratory infection in large parts of the world, caused by a previously unknown COVID-19. For the time being, Webstep is essentially operating as normal, although the majority of the employees has been working from home since 12 March 2020. Webstep's offices have implemented infection prevention measures, and plans have been made for dealing with the situation if employees should be confirmed to have coronavirus infection. Webstep has requested that its employees generally reduce all air travel. All events hosted by Webstep have been canceled or postponed.

The business implications of the COVID-19 outbreak have been limited for Webstep so far, but the consequences going forward will depend on the future development of the outbreak. It is currently too early to assess the long-term effects of the COVID-19 and its impact on Webstep with certainty. The spread of infection may impact on employees, utilisation, recruitment and demand. No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out. No material acquisitions or disposals of companies were carried out after the balance sheet date.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES

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

Profit measures:
EBITDA is short for Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation and is a term commonly used by analysts and investors.

The table below show how certain of the above measures are derived from the IFRS consolidated financial statements:

(Amounts in NOK 1 000)	**2019**	2018
Operating profit (loss)	**49 113**	75 868
Depreciation and impairment	**11 291**	2 927
EBITDA	**60 404**	78 795

Profit measures - EBITDA

(Amounts in NOK 1 000)	**2019**	2018
Operating profit IFRS 16 (2019)	**49 113**	-
Depreciation IFRS 16 (2019)	**11 291**	-
EBITDA IFRS 16	**60 404**	-
Operating profit IAS 17 (former principle for leasing recognition)	**48 455**	75 868
Depreciation IAS 17 (former principle for leasing recognition)	**4 277**	2 927
EBITDA IAS 17 (former principle for leasing recognition)	**52 732**	78 795
Difference EBITDA IFRS 16 and IAS 17	**7 671**	-
Reconciliation of differences to EBITDA		
Rental expenses recognised as depreciation and interest expenses	**7 671**	-
Rental expenses recognised as depreciation	**7 014**	-

NIBD is short for Net Interest Bearing Debt and is defined as interest bearing debt minus unrestricted cash and cash equivalents. Net Interest Bearing Debt does not include the effects of IFRS 16 Leasing.

Group equity ratio is defined as the total consolidated equity of the Group divided by total assets.

NIBD/EBITDA is calculated as Net Interest Bearing Debt divided by Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation (EBITDA). The ratio is one of the debt covenants of the Company and it is based on the rolling twelve months EBITDA. If the Company has more cash than debt, the ratio can be negative. The leverage ratio does not include the effects of IFRS 16 Leasing, as covenants are based on frozen GAAP.

Net interest bearing debt (NIBD)

(Amounts in NOK 1 000)	**31.12.2019**	31.12.2018
Cash and cash equivalents (minus indicates positive amount)	**(25 454)**	(33 478)
Restricted cash	**786**	459
Debt to credit institutions	**-**	-
Net interest bearing debt	**(24 668)**	(33 019)

Group equity ratio

(Amounts in NOK 1 000)	**31.12.2019**	31.12.2018
Total equity	**371 645**	376 574
Total assets	**565 422**	535 023
Group equity ratio	**0.66**	0.70
Group equity ratio covenant threshold <0,3		

NIBD/EBITDA

(Amounts in NOK 1 000)	**31.12.2019**	31.12.2018
EBITDA rolling 12 months	**52 732**	78 795
NIBD	**(24 668)**	(33 019)
NIBD/EBITDA	**(0.47)**	(0.42)
NIBD/EBITDA covenant threshold <0,3		

FINANCIAL STATEMENTS – PARENT COMPANY

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK 1 000)	*Note*	**2019**	2018
Sales Revenues	*5*	**152**	150
Total revenues		**152**	150
Salaries and personnel expenses	*3, 4, 13*	**(17 713)**	(10 760)
Depreciation and impairment	*6*	**(21)**	(18)
Other operating expenses	*3*	**(6 593)**	(4 946)
Total operating expenses		**(24 327)**	(15 725)
Operating profit (loss)		**(24 175)**	(15 575)
Finance income and expense			
Finance income from group companies		**52 025**	63 888
Interest income from group companies	*8*	**461**	912
Other interest income		**220**	87
Other finance income		**-**	-
Interest expense from group companies	*8*	**(2 124)**	(1 526)
Other interest expenses		**(1 488)**	(1 764)
Net financial items		**49 094**	61 596
Profit before tax		**24 919**	46 022
Income tax expense	*11*	**(5 501)**	(10 586)
Profit for the year		**19 418**	35 435
Total comprehensive income for the year		**19 418**	35 435
Attributable to:			
Dividends		**0**	(42 369)
Change in retained earnings		**(19 418)**	6 934
Total		**(19 418)**	(35 435)

STATEMENT OF FINANCIAL POSITION 31 DECEMBER

(Amounts in NOK 1 000)	Note	2019	2018
Non-current assets			
Property, plant and equipment	*6*	**78**	26
Investments in subsidaries	*7, 10*	**432 119**	432 119
Loans to group companies	*8*	**2 897**	1 307
Other non-current receivables		**10**	10
Total non-current assets		**435 104**	433 462
Current assets			
Trade receivables	*8*	**150**	150
Other receivables	*8*	**53 030**	68 115
Cash and short-term deposits	*2, 10*	**17 437**	26 342
Total current assets		**70 617**	94 607
Total assets		**505 722**	528 069

The board of directors and CEO
Webstep ASA

Oslo, 2 April 2020

Klaus-Anders Nysteen
Chair of the board

Siw Ødegaard
Board member

Trond K. Johannessen
Board member

Toril Nag
Board member

Bjørn Ivar Danielsen
Board member

Arne Norheim
Chief executive officer

(Amounts in NOK 1 000)	Note	2019	2018
Equity			
Share capital	*12, 13*	**26 967**	26 967
Treasury shares	*13*	**(294)**	(486)
Share premium		**156 914**	153 964
Total paid-in equity		**183 588**	180 444
Retained earnings			
Retained earnings		**169 269**	149 677
Total retained earnings		**169 269**	149 677
Total equity		**352 857**	330 122
Non-current liabilities			
Deferred tax	*11*	**3**	2
Total non-current liabilities		**3**	2
Current liabilities			
Trade and other payables	*8*	**480**	431
Tax payable	*11*	**5 485**	10 585
Social Taxes and VAT	*2*	**1 117**	649
Dividend		**0**	42 369
Other short-term debt	*9*	**6 320**	2 132
Current debt to group companies	*8*	**139 460**	141 779
Total current liabilities		**152 862**	197 945
Total liabilities		**152 865**	197 947
Total equity and liabilities		**505 722**	528 069

STATEMENT OF CASH FLOWS

(Amounts in NOK 1 000)	*Note*	**2019**	2018
Operating activities			
Profit/ (loss) before tax		**24 919**	46 022
Adjustments for:			
Income tax expense		**(10 600)**	(6 409)
Depreciation of property, plant and equipment		**21**	18
Net change in trade receivables		**-**	-
Net change in other receivables		**135**	2 743
Net change in trade creditors		**49**	(1 448)
Net change in social taxes and VAT		**468**	(207)
Net change in other liabilities		**4 188**	937
Net change in intercompany balances		**(1 590)**	(1 078)
Net cash flow from operating activities		**17 590**	40 579
Investing activities			
Purchase of property and equipment		**(73)**	-
Investment in subsidiary		**-**	-
Net cash flow from financing activities		**(73)**	-
Financing activities			
Proceeds from borrowings		**-**	-
Repayment of borrowings		**-**	-
Change in bank overdraft	*8*	**-**	(108 534)
Change in intercompany balances	*8*	**12 630**	128 942
Net proceeds from equity		**-**	-
Sales of treasury shares/employment incentive plan		**3 316**	4 261
Payment of dividends		**(42 369)**	(39 535)
Net cash flow from financing activities		**(26 422)**	(14 866)
Net increase/(decrease) in cash and cash equivalents		**(8 905)**	25 714
Cash and cash equivalents 1 January		**26 342**	628
Cash and cash equivalents 31 December		**17 437**	26 342

A NOK 110 million Revolving Credit Facility (“RCF”) with SpareBank 1 SR-Bank ASA was entered into by the Company as a part of the IPO process in 2017.
At balance date NOK 0 million of the RCF was utilised, leaving NOK 110 million unutilised.

STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of Webstep ASA					Non-controlling interests	
(Amounts in NOK 1 000)	Issued capital	Treasury shares	Share premium	Retained earnings	**Total**	**Total**	**Total equity**
1 January 2019	26 967	(486)	153 964	149 677	**330 122**	**-**	**330 122**
Profit for the period	-	-	-	19 418	**19 418**	**-**	**19 418**
Other comprehensive income/(loss)	-	-	-	-	**-**	**-**	**-**
Total comprehensive income for the period	-	-	-	19 418	**19 418**	**-**	**19 418**
Sale of treasury shares	-	193	4 304	-	**4 497**	**-**	**4 497**
Share incentive program	-	-	(1 354)	173	**(1 181)**	**-**	**(1 181)**
Dividends provided for	-	-	-	0	**0**	**-**	**0**
31 December 2019	26 967	(294)	156 914	169 269	**352 857**	**-**	**352 857**

NOTES TO THE FINANCIAL STATEMENTS – PARENT COMPANY

NOTE 01: GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

THE COMPANY AND THE GROUP

Webstep ASA, the parent company (the Company) of the Webstep Group (the Group) is a limited liability company incorporated and domiciled in Norway, with its head office in Edvard Storms gate 2, 0166 Oslo, Norway. The annual report for Webstep ASA (the Company) is prepared according to the Norwegian Accounting Act 1998 § 3-9 and Regulations on simplified IFRS as enacted by the Ministry of Finance on 21 January 2008. In all material aspects, Norwegian Simplified IFRS requires that the IFRS recognition and measurement criteria (as adopted by the European Union) are complied with, but disclosure and presentation requirements (the notes) follow the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Standards. Simplified IFRS

The Company has adopted the following simplified IFRS recognition and measurement criteria: Dividend and group contribution is accounted for in accordance with the Norwegian Accounting Act, deviating from IAS 10, IAS 12 and IAS 13.

MANAGEMENT'S ASSESSMENT OF ACCOUNTING PRINCIPLES

The management has used estimates and assumptions that have impacted assets, liabilities, income, expenses and information about potential obligations, particularly relating to depreciation of property, plant and equipment, assessment of goodwill and acquisitions. Future events may cause changes in estimates. Estimates and the underlying assumptions are continuously assessed. Changes in accounting estimates are recognised in the accounting period these changes occur. If the changes also apply to future periods, the impact will be distributed over the current and future periods.

Subsidiaries and investments in associates

Subsidiaries and investments in associates are valued by the cost method in the parent company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present. Dividends and other distributions are recognised in the same year as appropriated in the subsidiary accounts. Dividend from other companies are recognised when the shareholders' rights to received dividend has been determined by the General Meeting. If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the acquisition in the balance sheet. Group contribution received from subsidiaries are recognised if it exceeds withheld profits after acquisition. Group contribution is recognised at gross value before tax at the time of recognition. Reimbursement of invested capital will reduce the value of the acquisition in the balance sheet. Group contribution will then be recognised at net value after tax. Group contribution to subsidiaries increases the value of the investment. Group contribution paid is recognised at net value net after tax.

Sales revenues from contracts

Revenues from services are recognised at the time of execution. The Company has no significant contract balances other than intercompany.

Balance sheet classification

Current assets and current debt comprise assets and debt due within one year. Other entries are classified as fixed assets and/or long-term creditors. Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognised at nominal value.

Fixed assets are valued at the cost of acquisition, in the case of non-incidental reduction in value the asset will be written down to the fair value amount. Fixed assets with limited lifetime are depreciated. Long term debt is recognised at historical nominal value.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated based on individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

Leasing

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. No contracts, fulfilling the requirements of contracts in IFRS 16 have, been identified in the Company as a lessee.

Foreign currency translation

Foreign currency transactions are translated using the year end exchange rates.

Property, plant and equipment

Property, plant and equipment is capitalised and depreciated over the estimated useful economic life of the asset. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are assigned to the acquisition cost and depreciated along with the asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

Provisions
A provision is recognised in the balance sheet when the Group has a legal or constructive obligation because of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Intangible assets
Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Pensions
The Company has a Defined Contribution Pension plan. Annual premium is recognised on as continuous basis and classified as payroll costs.

Income tax
Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 22 per cent based on existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balance out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilised. To the extent that group contribution is not registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance.

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid placement with original maturities of three months or less.

Equity
Financial instruments are classified as debt or equity in accordance with the underlying financial reality.

Interest, dividend and profit or loss related to a financial instrument classified as debt, will be presented as cost or income. Dividend payments to holders of financial instruments classified as equity will be booked against equity. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or ‘s cancellation of the Company’s own equity instruments. Transaction costs related to an equity transaction will be booked against equity, net of taxes.

Share-based payments
Employees, including senior executives of the Company, receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees in the Norwegian companies of the Group have been granted shares to discounted prices, within the limit for such grants according to Norwegian tax legislation (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The discounts of 20 per cent granted to employees in the Norwegian entities, are recognised as a cost in salaries and personnel cost in the profit and loss statement. A total share value of 15 000 NOK per employee, measured at the market shared price on the granting day is the threshold for tax-free share discounts for the employees as regulated by the Norwegian tax authorities.

NOTE 02: BANK DEPOSITS

Webstep ASA has restricted cash of TNOK 786 to cover taxes withheld.

NOTE 03: SALARIES, REMUNERATION AND AUDIT FEES

Salaries and personell expenses

(Amounts in NOK 1 000)	**2019**	2018
Salaries	**15 126**	9 111
Social security cost	**2 005**	1 232
Pensions	**278**	203
Other benefits and refunds	**305**	214
Total salaries and personal expenses	**17 713**	10 760

The Company had 6 full time employees (FTE) in 2019.

Remuneration to executive management

(Amounts in NOK 1 000)	Compensation	Pension	Other*
CEO - Arne Lee Norheim (from 2 May 2019)	3 594	34	8
CFO - Liv Annike Kverneland	1 926	71	12
CEO - Kjetil Bakke Eriksen (until 1 May 2019)	2 167	47	23
Total remuneration to executive management	7 687	152	43
Chairman of the board - Klaus-Anders Nysteen	370	-	-
Board member - Bjørn Ivar Danielsen	246	-	-
Board member - Terje Bakken (until 29 Aug 2019)	157	-	-
Board member - Trond Klethagen Johannessen (from 29 Aug 2019)	72	-	-
Board member - Siw Ødegaard	242	-	-
Board member - Toril Nag	234	-	-
Total remuneration to board members	1 321	-	-

** Other consists of e.g. health insurance plans, travel expenses and telephone/mobile communication.*

Board remuneration
Compensation to board members is not performance-related. Compensation to the Board is determined by the Annual General Meeting, and the accrued cost for 2019 and 2018 is based on the decision made by the Annual General Meetings.

Determination of remuneration to executive management
The Company's executive management comprises the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Remuneration to executive management is mainly fixed salary, with performance based bonus decided by the remuneration committee. No bonuses were paid to executive management in 2019. The CEO and the CFO were entitled to bonuses for 2019 which were accrued for in the consolidated statement of comprehensive income for 2019 and paid in Q1 2020. The CEO received a bonus of NOK 1.1 million, of which NOK 0.5 million were committed to share purchase of the Webstep share. The CFO received a bonus of NOK 0.5 million. The bonuses are included in the table above for 2019. The CFO was entitled to participate in the Long-term incentive programme as described in note 21. The former CEO, Kjetil Bakke Eriksen, was available to the Company after his resignation and received a compensation during the period between May 1 and October 31.

Main principles for the determination of remuneration for the executive management of Webstep ASA
The board of directors has established a remuneration committee consisting of three board members, being the chairperson of the board Klaus-Anders Nysteen (chair) and Toril Nag. Terje Bakken was a member of the remuneration committee until he resigned from the board of directors at the extraordinary general meeting 29 August 2019. The remuneration committee functions as an advisory body to the board of directors, with the purpose of ensuring a thorough and independent preparation of matters regarding remuneration to the Company's executive management.

The main principle for the Company's remuneration policy is that the executive management shall be offered competitive terms when their total remuneration package is taken into account. Such package may consist of elements such as base-salary, bonus, share and option schemes, benefits in kind and pension arrangements. The Company shall seek to offer a remuneration level that is considered competitive and on market terms, compared to the level offered by its peers, and which seeks to satisfy the Company's need to recruit and keep highly qualified personnel in the executive management.

Salary and other remuneration payable by the Company to its executive management will be aligned with the above principles for the calendar year 2020.
The executive management participates in

the Company's defined contribution pension scheme in accordance with mandatory law.

The executive management is entitled to free service telephone and private broadband, in addition to company health services, as benefits in kind.

The CEO is entitled to severance pay payable upon termination of employment by the Company equal to six month's base-salary. Other than for the new CEO, the Company has not entered into any severance pay agreements payable upon termination of employment by the Company with the executive management.

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. The executive management had bonuses as part of their total remuneration package based on 2019 performance. The bonus amounts to be paid to the CEO and CFO for FY 2019 were determined by the remuneration committee in Q1 2020.

Webstep introduced a long-term incentive programme for senior executives of the Group in November 2019. The programme is further described in note 22.

The other Group companies shall follow the main principles for remuneration of executives as described herein.

More information regarding the Company's policies for salary and other compensation, can be found in "The Board of Director's Declaration on Determination of Salary and other Remuneration to the Executive Management in Webstep ASA" in the Annual Report's section on Corporate Governance.

Audit fees:

(Amounts in NOK 1 000)	**2019**	2018
Statutory audit fees	**295**	273
Audit-related services	**97**	122
Non-audit related services	**17**	306
Other services recognised on equity		-
Total fees	**409**	700

NOTE 04: PENSION COSTS

The Group has an occupational pension scheme in accordance with the Act on Required Occupational Pensions. The Company has defined contribution plans for all of its employees, governed by the employment laws. The pension premium charge was NOK 278 thousand in 2019.

NOTE 05: REVENUE BY SEGMENT

(Amounts in NOK 1 000)	**2019**	2018
Per business area		
Managerial services	**150**	150
Other	**2**	
Total	**152**	150
Geographical distribution / Segment distribution		
Sweden	**150**	150
Norway	**2**	
Total	**152**	150

NOTE 06: FIXED ASSETS

(Amounts in NOK 1 000)	Equipment, fixtures and furniture	**Total**
Cost 1 January	68	**68**
Additions	73	**73**
Cost 31 December	141	**141**
Depreciation and impairment 31. December	(63)	**(63)**
Net book value 31 December	78	**78**
Depreciation charge for the year	21	**21**
Useful life	3 - 5 year	
Depreciation method	Straight line	

NOTE 07: SUBSIDIARIES, ASSOCIATED COMPANIES ETC

(Amounts in NOK 1 000)

Company	Acquired	Office	Ownership	Profit and loss 2019	Equity 31.12	Net book value 31.12
Webstep AS	10-05-2011	Oslo	100%	52 025	68 610	359 025
Webstep AB	19-11-2012	Stockholm	100%	1 572	3 189	73 094
Total				53 597	71 799	432 119

NOTE 08: INTERCOMPANY RECEIVABLES AND PAYABLES

(Amounts in NOK 1 000)	**2019**	2018
Receivables		
Receivable group contribution Webstep AS	**52 025**	63 888
Other receivables Webstep AS	**3 359**	4 855
Receivable Webstep AB	**150**	150
Total receivables	**55 533**	68 892
Payables		
Trade payables Webstep AS	**431**	1 795
Payables cash pool Webstep AS	**139 460**	137 040
Other payables Webstep AS	**-**	2 943
Total payables	**139 891**	141 779

The Company has received a group contribution of NOK 52.0 million from Webstep AS in 2019. The group contribution is recognised as a receivable 31 December 2019.

Interest income of NOK 461 thousand is recognised as a receivable from Webstep AS in 2019.

Webstep ASA has not purchased any goods or services from related parties in 2019 of material amount.

In 2018 the principle for classifying the cash pool arrangement with Webstep AS has been changed. As the ultimate owner of the cash pool is Webstep ASA, the net position of the cash pool is reflected in the balance sheet of the Company, and any deposits generated by the Norwegian subsidiary are classified as liabilities to Group companies. Cash on the group account is recognised as cash in Webstep ASA and is offset by a group receivable/payable depending on the individual balances on the individual bank account comprising the cash pool. The impact on the Statement of Cash Flows of the change is that "Change in bank overdraft" and "Change in intercompany balances" in the chapter "Financing activities" are netted to reflect the underlying legal and economic reality of the cash pool.

Services for NOK 150 thousand are charged Webstep AB in 2019. Interest cost of NOK 2.1 million is charged on the cash pool agreement to Webstep AS in 2019.

NOTE 09: OTHER CURRENT PAYABLES

(Amounts in NOK 1 000)	**2019**	2018
Accrued interest cost	**-**	-
Provision salaries and holiday pay	**3 137**	942
Other accruals	**3 184**	1 190
Total	**6 320**	2 132

NOTE 10: PLEDGES AND GUARANTEES

(Amounts in NOK 1 000)	**2019**	2018
Pledged liabilities		
Non-current debt to credit institutions	**-**	-
Revolving credit facility SR-Bank	**-**	-

The revolving credit facility is part of the Group's cash pooling system with a credit limit of NOK 110 million. Net drawn on the group facility 31 December 2019 was NOK 0 million.
The Company has no loans with payments due past 5 years.

Booked value of assets pledged as security

(Amounts in NOK 1 000)	**2019**	2018
Shares in Webstep AS	**359 025**	359 025
Shares in Webstep AB	**73 094**	73 094
Fixed assets	**78**	26
Receivables	**53 180**	68 741
Bank deposits	**786**	459
Total pledged assets	**486 163**	501 345

NOTE 11: TAXES

Current year tax base

(Amounts in NOK 1 000)	**2019**	2018
Accounting profit before tax	**24 919**	46 022
Permanent differences	**19**	5
Share issuance cost recognised on equity	**-**	-
Group contribution recognised as income, taxable	**(52 025)**	(63 888)
Change in temporary differences	**(6)**	(4)
Tax base before group contribution	**(27 093)**	(17 865)
Received group contribution including tax	**52 025**	63 888
Tax base for the year	**24 932**	46 023
Tax payable (22%/23%)	**5 485**	10 585
Tax payable in the balance sheet	**5 485**	10 585

Income tax expenses for the year

(Amounts in NOK 1 000)	2019	2018
Tax payable	5 485	10 585
Tax unprovided for previous periods	14	-
Changes in deferred tax	1	1
Total income tax expenses for the year	5 501	10 586

Temporary differences

(Amounts in NOK 1 000)	**2019**	2018
Fixed assets including goodwill	**14**	8
Net temporary differences 31 December	**14**	8
Deferred tax assets/deferred tax (22%)	**3**	2

Effective tax rate

(Amounts in NOK 1 000)	**2019**	2018
Expected income tax	**5 482**	10 585
Permanent differences (23%)	**(4)**	(1)
Effect of change in tax rate and other	**-**	-
Income tax expense	**5 478**	10 584
Effective tax rate *	**22%**	23%

** Income tax expense in relation to income before tax*

NOTE 12: SHARE CAPITAL AND SHAREHOLDERS

Share capital

	Number of shares	Face value	Net book value
Ordinary shares	26 967 017	NOK 1	26 967

20 largest shareholders 31 December 2019	Number of shares	Owner-ship	Voting rights
J.C. Broch AS and related parties	6 848 350	25.40%	25.67%
Virtus KAR International Small-Cap	3 119 279	11.57%	11.69%
Verdipapirfondet Alfred Berg Gamba	1 556 645	5.77%	5.84%
Jakob Hatteland Holding AS	1 000 000	3.71%	3.75%
Handelsbanken Nordiska Smabolag	998 250	3.70%	3.74%
Park Lane Family Office AS	840 791	3.12%	3.15%
Goldman Sachs International	783 058	2.90%	2.94%
Verdipapirfondet Nordea Norge Verd	685 000	2.54%	2.57%
Danske Invest Norge Vekst	542 000	2.01%	2.03%
Citibank, N.A.	488 491	1.81%	1.83%
Seb Prime Solutions Carn Long Shor	400 000	1.48%	1.50%
Nwt Media AS	390 000	1.45%	1.46%
Salt Value AS	371 703	1.38%	1.39%
Nordea Norwegian Stars Fund	334 292	1.24%	1.25%
Taaleri Nordic Value Equity Fund	320 000	1.19%	1.20%
Viola AS	300 000	1.11%	1.12%
AMG Renaissance Intl EQ FD	298 885	1.11%	1.12%
Virtus Tactical Allocation Fund	282 917	1.05%	1.06%
Employees Retir System Of Texas	225 741	0.84%	0.85%
Verdipapirfondet Nordea Avkastning	225 383	0.84%	0.84%
Other shareholders	6 662 599	24.71%	24.98%
Total number of shares excluding treasury shares	26 673 384	98.91%	100.00%
Treasury shares as of 31 December 2019	293 633	1.09%	
Total shares outstanding	26 967 017	100.00%	

Shareholding by board members, management and their related parties

	Number of shares	Owner-ship	Voting rights
Klaus-Anders Nysteen (Nysteen Invest AS)	20 408	0.08%	0.08%
Trond K. Johannessen	5 000	0.02%	0.02%
Arne L. Norheim	12 495	0.05%	0.05%
Liv Annike Kverneland (LAK Invest AS and privately held)	32 389	0.12%	0.12%

Trond K. Johannessen is employed by Embron Group AS, which is owned by J.C. Broch AS.

Webstep ASA holds 293 633 treasury shares. These shares have no voting rights nor dividend rights.

NOTE 13: SHARE BASED PAYMENTS

SHARE BASED PAYMENT PROGRAMMES

Saving shares plan ("SSP")

Webstep ASA introduced a share purchase programme for employees of the Group as a part of the Initial Public Offering in 2017. Through the programme the Company offered employees shares ("Saving Shares") in Webstep ASA at a reduced price. Shares purchased through the programme were subject to a two year lock-in period. Additionally, the saving shares purchased through the programme qualified for additional shares free of charge ("Matching Shares") after a vesting period of two years. Based on independent party calculations according to an option-pricing model ("Black-Scholes"), a part of the discount is recognised as employee benefit expense in the statement of income and a part directly to equity. The main part of the discount was related to reduction in value due to the lock-in period and a loss on an equity transaction. The program is classified as equity-settled transaction.

In total 57 per cent of the employees participated in the programme. The total number of shares sold through the share programme was 428 441, which would qualify for 107 110 Matching Shares after the vesting period of two years. The Matching shares had an estimated cost of NOK 2.3 million which has been amortised over the vesting period. The vesting period expired October 11 2019, and the number of Matching Shares vested was 72 411. The rights to receive 19 089 shares were cancelled in 2019 and 2018 due to termination of employment before the expiry of the vesting period. 72 411 Matching Shares were transferred to 147 eligible employees 16 October 2019 whereof 2 employees in the Company receiving 1 741 shares. There were not any members of executive management among the eligible employees. The Company used its holding of treasury shares to settle its obligation towards the employees. Social security tax and income tax related to the Matching Shares were reported based on the volume weighted market price of the share 6 days prior to the date of expiry of the vesting period (NOK 23.02 per share).

EMPLOYEE SHARE PURCHASE PROGRAMME ("ESPP")

Long-term incentive programme ("LTI")

Under the Long-term incentive programme, 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.

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions on which the share options were granted.

The 93 806 options granted to senior executives of the Company 18 November 2019, will vest in the following tranches:

- 23 451 (25%) options vest 18 November 2020
- 23 451 (25%) options vest 18 November 2021
- 46 904 (50%) options vest 18 November 2022

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

The share options can be exercised up to 18 November 2024 (Expiry Date), five years after the grant date. Therefore, the contractual term of each option granted is five years. There are no cash settlement alternatives. The Company accounts for the Long-term incentive programme as an equity-settled plan.

(Amounts in NOK 1000)	**2019**	2018
Expense arising from equity-settled share-based payment transactions related to the Long-term incentive programme	**31**	-
Social security tax provisions	**1**	-

Granted instruments:

	Option	None
Quantity	93 806	
Contractual life*	5	
Strike price*	23.1	
Share price*	23	
Expected lifetime*	3.25	
Expected volatility*	32.02%	
Risk-free interest rate*	1.24%	
Dividend yield	0.00	
Model used	Black-Scholes	
Fair value per instrument*	5.48	

**Weighted average parameters at grant of instrument*

The expected life of the share options is according to IFRS-2, shorter than the time from grant until expiry. Due to the taxation of options and "non-transferability", earlier exercise is expected. These are current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility for the company and peers over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Expenses

The expenses recognised for equity settled share-based payment transactions under the three programs during the year are presented in the table below:

(Amounts in NOK 1000)	**2019**	2018
Expenses related to the Saving Shares Plan (SPP)	**(7)**	39
Expenses related to the Employee Share Purchase Programme (ESPP)	**15**	12
Expenses related to the Long-term Incentive Programme (LIP)	**31**	-
Total share based payment expenses in the period	**39**	51
Social security tax expense for the period	**6**	-
Social security tax accrual for the period	**1**	6

	2019	2018
Number of discounted shares sold through the Employee Share Purchase Programme (ESPP)	**3 162**	2 365
Discounted share price	**18.8 NOK/ share**	20.3 NOK/ share
Weighted average fair value of each discounted share sold through the ESPP	**4.7**	5.08

Movements during the year (LTI programme)

The following table illustrate the number and weighted average excersise prices (WAEP) of, and movements in, share options during the year:

Long-term incentive programme

	2019		2018	
	Number of instru-ments	Weighted Average Strike Price	Number of instru-ments	Weighted Average Strike Price
Outstanding 1 January 2019	-	-	-	-
Granted	93 806	23.1	-	-
Exercised	-	-	-	-
Released	-	-	-	-
Adjusted	-	-	-	-
Performance Adjusted	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding 31 December 2019	93 806	23.1	-	-
Vested at December 2019	-	-	-	-
The weighted average remaining contractual life	-	5 years	-	-
The range of exercise prices for options outstanding	23.1			

The following key employees, as listed in note 3, were granted share options as a part of the LTI programme

Number of share options	Title	2019	2018
Liv Annike Kverneland	CFO	**46 884**	-

The options were granted on the 18 November 2019. The share price 31 December 2019 is similar to the grant date and has not impacted the value of the options significantly. The options vest over 1, 2 and 3 years thus no options has been exercised or are exerciable.

STATEMENT BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

We confirm to the best of our knowledge that:

The consolidated financial statements for 2019 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2019 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and the Group, and includes a description of the material risks that the Board of Directors, at the time of this report, deem might have a significant impact on the financial performance of the Group.

Oslo, 2 April 2020

The board of directors and CEO
Webstep ASA

Klaus-Anders Nysteen *Chair of the board*	Siw Ødegaard *Board member*	Trond K. Johannessen *Board member*
Toril Nag *Board member*	Bjørn Ivar Danielsen *Board member*	Arne Norheim *Chief executive officer*

AUDITORS' REPORT

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Webstep ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Webstep ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2019, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Impairment evaluation of goodwill

Goodwill amounted to NOK 380 million per 31 December 2019, representing 67 % of the Group's total assets. Goodwill is tested for impairment annually. Management has defined the operations in Norway and Sweden as separate cash generating units ("CGUs"). Impairment tests are performed for each CGU. The valuation of goodwill was important for our audit, because the balance is material and the cash flows used in the impairment tests were based on significant assumptions made by management. These assumptions were related to the discount rate used, growth rates, market developments and the company's future plans.

We obtained the Group's annual impairment test and assessed key assumptions, including revenue growth rates and EBITDA margins. Our assessment included review of forecasted sales, the current market situation and expectations about future growth in number of employees, hourly rates and salary costs. Our audit procedures also included an evaluation of the accuracy of management's historical forecasts. We evaluated the discount rate for each CGU, and obtained and evaluated management's sensitivity analyses for changes in assumptions. In addition, we tested the mathematical accuracy of management's forecasts and impairment model. We further assessed the Group's disclosures of assumptions to which the outcome of the impairment test is most sensitive; revenue growth rate, EBITDA margin and the discount rate. We refer to the Group's disclosures concerning impairment and goodwill included in note 10 to the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

AUDITORS' REPORT

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 2. April 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Eirik Moe
State Authorised Public Accountant (Norway)

AUDITORS' REPORT

PENNEO

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Eirik Moe
Statsautorisert revisor
På vegne av: Ernst & Young AS
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IP: 84.48.xxx.xxx
2020-04-02 11:32:45Z
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ANNUAL STATEMENT ON CORPORATE GOVERNANCE

Webstep considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. The board of directors of Webstep has established a set of governance principles in order to ensure a clear division of roles between the board of directors, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance.

Webstep ASA ("Webstep" or the "Company" and together with its subsidiaries the "Group") is a publicly listed company and is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at www.nues.no .

The annual statement on corporate governance for 2019 follows below. The statement has been approved by the board of directors on 2 April 2020.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The board of directors is committed to contribute to a good and trust-based relationship between Webstep and its shareholders, the capital market, and other stakeholders.

The Company's overall principles for corporate governance were approved by the board of directors in 2017 as part of the preparations for the listing of the Company's shares on the Oslo Stock Exchange. The principles were revised in 2019 to reflect the changes in the revised version of The Norwegian Code of Practice for Corporate Governance. The development of, and improvements in, the Company's corporate governance principles are ongoing and important processes that the board of directors intends to focus on.

The Company reports in accordance with the Norwegian Code of Practice for Corporate Governance (the code) issued by the Norwegian Corporate Governance Board, latest edition of 17 October 2018.

The board of directors' annual statement on how Webstep has implemented the code is set out below. The presentation covers each section of the code, and deviations from the code, if any, are specified under the relevant section.

2. BUSINESS

The Company's business objective is stated in the Company's articles of association section 3 and reads as follows: "The company's objective is to own companies that offer services and products within the area of information technology, as well as conducting business associated therewith." Webstep's articles of association are available on the Company's website.

The board of directors has defined objectives, strategies and risk profiles for the Company´s business activities, such that the Company creates value for its shareholders. These objectives, strategies and risk profiles are evaluated annually.

The Company has established guidelines and principles which are used to integrate considerations to human rights, employee rights and social matters, the external environment and anti-corruption efforts in its business strategies, its day-to-day operations and in relation to its stakeholders.

3. EQUITY AND DIVIDENDS

Equity

31 December 2019, the Group had a consolidated equity of NOK 371.6 million, which corresponds to an equity ratio of 65.7 per cent. Webstep ASA had an equity of NOK 352.9 million, corresponding to an equity ratio of 69.8 per cent. Neither the Company, nor the Group has any long-term liabilities. The Company and the Group have sufficient levels of working capital. Further, the Com-

pany has a Revolving Credit Facility (RCF) of NOK 110 million which is unutilised at year end. The RCF can be utilised by all entities of the Group. The board of directors considers that the Group has a capital structure that is appropriate to its objectives, strategy and risk profile.

Board authorisations

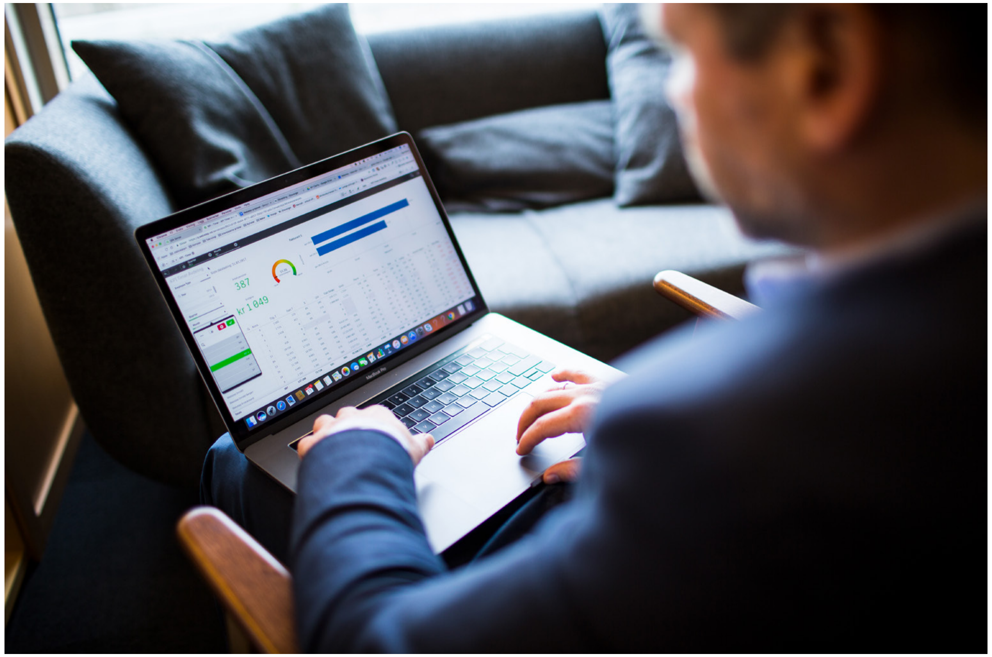
The annual general meeting on 8 May 2019 granted the board of directors an authorisation to increase the share capital by up to NOK 2 696 700 to be used to give the board of directors financial flexibility in connection with financing further growth, to issue shares as consideration in connection with acquisition of other companies, businesses or assets or to finance such acquisitions. The authorisation is valid until the annual general meeting in 2020, but no longer than 30 June 2020, and includes share capital increases with share contribution in other assets than cash etc. and in connection with mergers. The preferential rights of the existing shareholder to subscribe for new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act (the "Companies Act") may be deviated from with respect to the mentioned authorisation.

The annual general meeting also granted the board of directors authorisation to increase the share capital in connection with the long-term incentive programme (see section 12). The authorisation is up to NOK 2 157 000 and it is valid until the annual general meeting in 2021, but no longer than to and including 30 June 2021. The authorisation comprises share capital increases against contribution in kind and the right to incur specific obligations on behalf of the Company, cf. section 10-2 of the Norwegian Public Limited Companies Act. The preferential rights of the existing shareholder to subscribe for new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act (the "Companies Act") may be deviated from with respect to the mentioned authorisation.

The annual general meeting on 8 May 2019 further granted the board of directors an authorisation to acquire own shares with a maximum aggregate value of NOK 2 696 700. Repurchase of own shares, followed by termination of such shares, could be an important tool for optimising the Company's capital structure. Further, such authorisation will also give the Company the opportunity to use own shares in a potential share incentive scheme and as consideration, partly or in whole, in connection with acquisition of businesses. The highest amount that may be paid per share is NOK 100 and the lowest amount is NOK 1. Acquisition and sale of shares may be carried out in the form the board of directors deems appropriate, however, not by subscription of own shares. The authorisation is valid until the annual general meeting in 2020, but no longer than 30 June 2020.

Dividend

The Company's ambition is to distribute at least 75 per cent of the Group's consolidated net profit. When deciding the annual dividend level, the board of directors will take into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility.



Due to the ongoing COVID-19 situation and the general uncertainties resulting therefrom, the board of directors proposes to await further developments before potentially deciding to resolve a dividend for 2019.

The board of directors intend to propose that the annual general meeting issue an authorisation to the board of directors to resolve a dividend based on the financial statements for the financial year 2019. The proposed authorisation will be limited to NOK 1.60 per share, with a term until the annual general meeting in 2021. The proposed dividend authorisation will be placed on the agenda for Webstep's annual general meeting 2020.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Webstep ASA has one share class, and all shares have equal rights in the Company. Webstep's Corporate Governance Policy states that all shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Share issues without pre-emption rights for existing shareholders

In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the board of directors resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the board of directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Transactions in treasury shares

Any transactions carried out by the Company of treasury shares shall be carried out on the Oslo Stock Exchange, and in any case at the prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of shareholders. Any transactions by the Company of treasury shares is subject to notification requirements and shall be publicly disclosed in a stock exchange announcement.

Approval of agreements with shareholders and other close associates

In the event of transactions that are considered to be non-immaterial between the Company and its shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates to any such party, the board of directors shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Companies Act. Independent valuations shall also be arranged for transactions between companies within the Group if any of the companies involved have minority shareholders. Any transactions relevant in relation to this requirement are described in the notes to the Company's consolidated financial statements for 2019 in the annual report.

5. FREELY NEGOTIABLE SHARES

Other than as described in the paragraph below, the Company does not limit any party's ability to own, trade or vote for shares in the Company. The articles of association do not impose any restriction on the negotiability of the shares.

In connection with the Company's initial public offering and listing on the Oslo Stock Exchange in 2017 (the "IPO"), it was agreed between the Company and the participants in the employee offering who were offered shares at a reduced price in the IPO, that the shares in the said offering would be subject to a two-year lock up period from the first day of trading of the Company's shares on the Oslo Stock Exchange. Said lock-up period expired on 11 October 2019.

6. GENERAL MEETINGS

The Company's annual general meeting will take place on 7 May 2020. The Company's financial calendar is published via Oslo Stock Exchange and in the investor relations section of the Company's website. Minutes from the general meetings are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker WSTEP) and in the investor relations section of the Company's website.

Notice, registration and participation

The board of directors shall ensure that the Company's shareholders can participate at the Company's general meetings.

The board of directors shall ensure that the notice to the general meeting and any supporting documents, including the recommendation by the nomination committee, as well as information on the resolutions to be considered at the general meeting are made available on the Company's website no later than 21 days prior to the date of the general meeting. The resolutions and any supporting documentation shall be sufficiently detailed, comprehensive and specific allowing shareholders to understand and form a view on all matters to be considered at the general meeting. Deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as possible. Pursuant to the Company's articles of association, the time limit may not expire earlier than three days before the meeting. Documents relating to matters to be dealt with by the general meeting, including documents which by law shall be included in or attached to the notice of the general meeting, do not need to be sent to the shareholders if such documents have been made available on the Company's website. A shareholder may nevertheless request that documents relating to matters to be dealt with at the general meeting, is sent to him/her.

The board of directors shall ensure that the shareholders are able to vote separately on each individual matter, including on each candidate nominated for election to Webstep's board of directors and other corporate bodies.

The board of directors shall ensure that the members of the board of directors, the chairman of the nomination committee and the Company's auditor are present at the annual general meeting.

Participation without attendance

Shareholders who are unable to attend the general meeting in person shall be given the opportunity to vote. The board of directors shall ensure that the Company designs the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders. Furthermore, the form provided by the Company for shareholders to appoint a proxy should be drawn up so that separate voting instructions can be given for each matter to be considered by the meeting and each of the candidate nominated for election. Additionally, it should be made clear by instructions on the form how the proxy should vote in the absence of specific voting instructions on one or more matters and in the event of changes to proposed resolutions and new resolutions.

Subject to satisfying the requirements in legislation for the proper and secure conduct of the general meeting, proper control of voting and authentication of the senders of electronic messages, the Company should make it possible for shareholders to vote by one or more of the following means as an alternative to appoint somebody to attend as their proxy: appoint of a proxy by electronic means;

- participate in a meeting by electronic means, including electronic voting; and
- subject to the appropriate provisions in the articles of association, allow shareholders to vote in writing, including by electronic means, during a specified period in advance of the general meeting.

Chairperson of the meeting

The code stipulates that the board of directors should ensure that the general meeting is able to elect an independent chairperson. It is for the board of directors to propose how this can be achieved, however it is for the general meeting to determine who will chair the meeting. The Company deviated from the requirement to have an independent chairperson at the annual general meeting in 2018, as the general meeting elected the chairman of the board of directors to chair the meeting.

7. NOMINATION COMMITTEE

The Company's articles of association § 8 provides for a nomination committee composed of two to three members. The current nomination committee comprises John Bjerkan (chair, elected before the public listing in 2017), Petter Tusvik (elected 24 April 2018) and Trude Sleire (elected 29 August 2019).

The instructions for the nomination committee were adopted by the general meeting on 14 September 2017.

Responsibilities

The nomination committee shall recommend:

(i) Candidates for the election of members, including the chairman, to (a) the board of directors and (b) the nomination committee, respectively; and

(ii) Remuneration of the members of (a) the board of directors and (b) the nomination committee, respectively.

No directors or members of executive management are represented on the nomination committee. The current nomination committee is independent of the board of directors. None of the three members are members of the board of directors.

The chief executive officer and other members of the executive management should not to be elected as members of the nomination committee. The board of directors is committed to ensure that the composition of the nomination committee should be such that the interests of shareholders in general are represented. The Company's guidelines for the nomination committee include rules for rotation of the members.

The objectives, responsibilities and functions of the nomination committee shall be in compliance with rules and standards applicable to the Group and which are described in the Company's "Instructions for the nomination committee". The general meeting shall adopt the guidelines for the nomination committee. The Company shall provide information regarding the composition of the nomination committee, the members of the nomination committee and deadlines for submitting proposals to the nomination committee.

Tasks

The nomination committee's tasks are set out in the articles of association and include to; nominate new board members to the general m<eeting, propose remuneration to the board members at the general meeting, propose remuneration to the members of the nomination committee, and nominate new members of the nomination committee to the general meeting.

The nomination committee shall justify why it is proposing each candidate separately.

The remuneration of the committee is determined by the general meeting. The

Knowledge sharing is among Webstep's cornerstones.

general meeting may issue further guidelines for the nomination committee's work.

Pursuant to the code, the composition of the nomination committee must take account of the interests of shareholders in general.

The nomination committee has published guidelines available on the Company's website for how shareholders may submit proposals to the nomination committee for candidates for election to the board of directors and other appointments. These guidelines include information regarding deadlines for proposals and other relevant information.

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The articles of association state that the board of directors shall consist of between three and ten members and are elected to a two year-term unless otherwise decided by the general meeting. The board of directors currently consists of five shareholder-elected directors, one shareholder-elected observer and three employee-elected observers. Four out of five members of the board of directors were elected by the general meeting on 14 September 2017 for a two-year term and re-elected at the annual general meeting in 2019 for a one-year term. One of the members was elected at an extraordinary general meeting 29 August 2019. The term of office will expire at the annual general meeting 2020 for all five directors.

The Company's corporate governance documents state that when considering members to the board of directors, emphasis should be placed on the joint composition of the board of directors with respect to expertise, capacity and diversity appropriate to attend to the Company's goals, main challenges and the common interests of all shareholders. Details on background, experience and independence of directors are presented on the Company's website. The Group and the majority of the employees have agreed that the employees shall have the right to appoint three observers to the board of directors of the Company instead of having a corporate assembly.

Four out of five shareholder-elected directors are independent of the Company's executive management, significant commercial partners or substantial shareholders. The board of directors does not include any members from the executive management of the Company. The chairman of the board of directors was elected by the extraordinary general meeting on 14 September 2017 and re-elected at the annual general meeting 8 May 2019.

Ten board meetings and one strategy workshop were held in 2019. Each board member's attendance at board meetings is recorded by the Company. In 2019, all five board members were present in seven out of ten meetings. In three out of ten meetings one board member was absent. All five board members were present at the strategy workshop.

Members of the board of directors are encouraged to own shares in the Company. However, caution should be taken not to let this encourage a short-term approach which is not in the best interests of the Company and its shareholders over the longer term.

9. THE WORK OF THE BOARD OF DIRECTORS

The board of directors has overall responsibility for managing the Group and for supervising the chief executive officer and the Group's activities.

The board of directors establishes annual plans for its work, with particular emphasis on objectives, strategy and implementation. The board of directors has issued instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

The principal tasks of the board include determining the Company's strategy and monitoring how it is implemented. The work of the board also includes control functions needed to ensure acceptable management of the Company's assets.

The Webstep salesforce cooperates effectively across departments and borders.

The board appoints the Company's chief executive officer. Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board together with an instruction of the duties and obligations of the chief executive officer towards the board. The division of responsibility between the board and the chief executive officer is specified in greater detail in the instructions. The chief executive officer is responsible for the Company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair of the board.

The board establishes an annual plan for its meetings and evaluates its work and expertise once a year. The annual plan specifies topics for board meetings, including reviewing and following up the Company's goals and strategy, budgets, reporting of financial information, the notice for the general meeting with associated documentation, and the board's meeting with the auditor.

The board of directors has established an audit committee amongst its members and adopted instructions for the work of the audit committee. The committee currently comprises Bjørn Ivar Danielsen as the leader and Siw Ødegaard as member. All members of the audit committee are independent of the Company.

Pursuant to section 6-43 of the Companies Act, the audit committee shall:

- prepare the board of directors' supervision of the Company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Company's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The Company has established a remuneration committee that consists of two members from the board of directors. The members of the remuneration committee are and shall be independent of the Company's executive management. The members of the remuneration committee are appointed by the board of directors for a period of two years, or until they resign their position as a member of the board of directors. The committee currently consists of Klaus-Anders Nysteen as the leader and Toril Nag as member.

The remuneration committee is a preparatory and advisory committee for the board that shall prepare matters for the board's consideration and decisions regarding the remuneration of, and other matters pertaining to the Company's management. The recommendations of the remuneration committee shall cover all aspects of remuneration to the management, including but not limited to salaries, allowances, bonuses, options and benefits-in-kind.

The board of directors has adopted separate instructions for the remuneration committee setting out further details on the duties, composition and procedures of the committee.

The board of directors evaluates its own work and that of the chief executive and reports its findings to the nomination committee.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters will be chaired by another member of the board.

Members of the board and executive personnel shall make the Company aware of any material interests that they may have in items to be considered by the board of directors.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors is responsible for ensuring that the Company has sound and appropriate internal control systems and systems for risk management, and that these systems are proportionate to and reflect the extent and nature of the Company's activities. Having effective internal control systems and systems for risk management in place may prevent the Group from situations that can damage its reputation or financial standing.

Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the Company's objectives, and ultimately create value. Having in place an effective internal control system means that the Company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the Company. As such, there is a correlation between the Company's internal control systems and effective risk management. The internal control systems shall also address the organisation and execution of the Company's financial reporting, as well as cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility. The internal control systems shall also encompass the Company’s guidelines for how it integrates considerations related to stakeholders into its creation of value.

Webstep shall comply with all laws and regulations that apply to the Group's business activities.

The Company has in place processes and routines for internal control over financial reporting and risk management. During 2019, these processes have been under review to fully comply with the code.

Through its business activities, Webstep manages various risks and uncertainties of operational, market and financial character, such as risk of disagreements and legal disputes with its customers related to possible cost of delays or project errors that is always present in the consultancy business.

The Company identifies and manages risks on an ongoing basis. The main risk factors and how they are managed is described in the board of directors’ report.

The organisation comprises a relatively large number of employees and projects. The Group’s management model is based on an appropriate delegation of authority, clearly defined market and operating parameters, in addition to effective internal control.

Overall goals and strategies are established and further developed through a periodic update of the Company’s strategy. Risk management is in place with clear routines for handling operational and project risks. Furthermore, processes are established to identify, evaluate and report risk in a systematic manner for the Group's activities.

Financial risk is managed in accordance with the Company’s financial strategy, which is described under the section “Financial risk and risk management” in the board of directors’ report.

The board is responsible for seeing to that the Group's organisation, financial reporting and asset management are subject to satisfactory controls. Overall policies, governing processes and routines have been established for day-to-day management. The board periodically reviews the Company’s governing documents. The board reviews annually the most important

Social and professional networks ties Webstep together.

risk areas and the internal controls established to mitigate these risks.

Reporting

Pursuant to the corporate governance policy, the board of directors shall annually review the Company's most important areas of risk exposure and the internal control arrangement in place for such areas. The review shall pay attention to any material shortcomings or weaknesses in the Company's internal control and how risks are being managed. In the annual report, the board of directors shall describe the main features of the Company's internal control and risk management systems as they are connected to the Company's financial reporting. This shall cover the control environment in the Company, risk assessment, control activities and information, communication and follow-up. The board of directors is obligated to ensure that it is updated on the Company's financial situation and shall continually evaluate whether the Company's equity and liquidity are adequate in relation to the risk from the Company's activities and take immediate action if the Company's equity or liquidity at any time is shown to be inadequate. The Company's management shall focus on frequent and relevant reporting of both operational and financial matters to the board of directors, where the purpose is to ensure that the board of directors has sufficient information for decision-making and is able to respond quickly to changing conditions. Board meetings shall be held frequently, and management reports shall be provided to the board as a minimum on a monthly basis. Financial performance shall be reported on quarterly basis.

The administration prepares periodic reports on business and operational developments to the board, which are discussed at the board meetings. These reports are based on management's reviews of the various parts of the business and include status of key performance indicators, update of market development, operational issues, financial results and highlights of organisational issues.

Financial position and results are followed up in monthly accounting reports, compared to the previous year, budgets and forecasts. Reporting also includes non-financial key performance indicators related to each business area.

The interim reports and annual financial statements are reviewed by the audit committee ahead of the discussions in the board meeting. Financial risk management and internal control are also addressed by the board's audit committee. The latter reviews the external auditor's findings and assessments after the interim and annual financial audits. Significant issues in the auditor's report, if any, are reviewed by the board of directors.

The Company has not established a separate internal audit function, but the board of directors is considering the need for such function on an ongoing basis.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration to the board of directors is described in note 7 to the financial statements. The Company considers that the remuneration reflects the board of director's responsibility, expertise, time commitment and the complexity of the Company's activities.

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These fees have been based on the board's responsibility, expertise and the complexity of the business, and have not been related to results. The directors have not been awarded share options.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board.

An overview of shares owned by the directors and their close associates is included in note 16 to the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The Company's guidelines for determining remuneration to the chief executive officer and other executive management should at all times support prevailing strategy and values in the Company.

The Company's guidelines for the remuneration of executive management are described in note 7 to the consolidated financial statements. This note also provides further details about remuneration in 2019 for the executive management. The guidelines are presented annually to the annual general meeting and include the main principles for the Company's remuneration policy. The guidelines also help to ensure convergence of the financial interests of the shareholders and the executive management.

The guidelines specify the main principles for the Company's remuneration policy for the executive management and aim to ensure that the interests of shareholders and executive management coincide.

In 2019 a long-term incentive programme for the Company's executive management was approved by the annual general meeting and implemented in November. The programme consists of share options which will be granted on an annual basis over the three years. The programme is further described in note 16 to the financial statements.

13. INFORMATION AND COMMUNICATION

The Company has established an overall communications policy, which states that the communication activities shall be characterised by transparency, honesty, consistency and right timing.

Furthermore, the Company has an IR policy, which states that all communication with the financial community shall be on an equal treatment basis and in compliance with applicable laws and regulation.

Webstep Data Scientists gathered in Oslo to share insight and experiences.

Webstep shall continually provide its shareholders, the Oslo Stock Exchange and the securities market and financial market in general with timely and precise information about Webstep and its operations.

The CEO and CFO are responsible for the main dialogue with the investor community, hereunder the Company's shareholders.

Information to the stock market is published in the form of annual and interim reports, stock exchange announcements and investor presentations. All information considered to be relevant and significant for valuing the Company's shares will be distributed and published in English via Oslo Stock Exchange disclosure system, www.newsweb.no, and via the Company's website https://investor.webstep.com.

Webstep has implemented a system ensuring that all information distributed to the Company's shareholders will be published on the Company's web site at the same time as it is sent to shareholders.

The Company publishes a financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable. The information is available in English.

Unless there are applicable exemptions, and these are invoked, Webstep shall promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In any event, Webstep will provide information about certain events, e.g. proposals and resolutions by the board of directors and the general meeting concerning dividends, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by Webstep and related parties.

In the Company's Corporate Governance Policy, separate guidelines have been drawn up for handling of inside information. The Company also has in place a policy regarding the members of the board of directors who are entitled to publicly speak on behalf of the Company on various subjects.

In addition to the board of directors' dialogue with the Company's shareholders at the general meetings, the board of directors should make suitable arrangements for shareholders to communicate with the Company at other times. This will enable the board of directors to develop an understanding of the matters regarding the Company that are of a particular concern or interest to its shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in accordance with the principle of equal treatment of the Company's shareholders. Shareholders can get in contact with the Company through the IR contact information which is made available on the Company´s website. Further, shareholders can subscribe to e-mail alerts to receive news from the Company when made public.

14. TAKEOVERS

The board has established main principles for responding to possible takeover bids.

In the event of a take-over bid being made for the Company, the board will follow the overriding principle of equal treatment for all shareholders and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The board will strive to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board will not seek to prevent any take-over bid unless it believes that the interests of the Company and the shareholders justify such actions. The board will not exercise mandates or pass any resolutions with the intention of obstructing any take-over bid unless this is approved by the general meeting following the announcement of the bid.

If a take-over bid is made, the board will issue a statement in accordance with statutory requirements and the recommendations in the code.

In the event of a take-over bid, the board will obtain a valuation from an independent expert.

Any transaction that is in effect a disposal of the Company's activities will be submitted to the general meeting for its approval.

15. AUDITOR

The board of directors ensures that the Company's auditor, EY, submits the main features of the plan for the audit of the Company to the audit committee annually.

During the financial year 2019, the Company's auditor has:

- Presented the main features of the audit work.
- Attended the board meeting where the annual report for the previous accounting year was considered, reviewed possible significant changes in accounting principles, assessed significant accounting estimates, and considered all cases where possible disagreements arose between auditor and executive management.
- Conducted a review together with the board of the Company's internal control procedures and systems, including the identification of weaknesses and proposals for improvements.
- Held a meeting with the board without the presence of the executive management.
- Confirmed that the requirements for the auditor's independence were fulfilled and provided an overview of services other than auditing which have been rendered to the Company.

The board has not established guidelines for the Company's use of the auditor for substantial assignments other than ordinary auditing services.

The board reports annually to the annual general meeting on the auditor's overall fees, broken down between audit work and other services. The annual general meeting approves the auditor's fees for the parent company.

16. THE BOARD OF DIRECTOR'S DECLARATION OF SALARY AND OTHER REMUNERATION TO THE EXECUTIVE MANAGEMENT IN WEBSTEP ASA

This declaration has been prepared by the board of directors of Webstep ASA (the "Company") in accordance with the Norwegian Public Limited Liability Companies Act Section 6-16a, in connection with the Company's annual general meeting in 2020. The declaration includes the policies which the Company will use for its determination of salary and other remuneration for the Company's executive management in the calendar year 2020. The policies for salary and other remuneration to the executive management shall be subject to an advisory vote by the general meeting, however so that the polices regarding equity-based remuneration shall be approved by the general meeting, cf. the Norwegian Public Limited Liability Companies Act Section 5-6 (3).

The board of directors has established a remuneration committee consisting of two board members, being the chairperson of the board Klaus-Anders Nysteen (chair) and Toril Nag. The remuneration committee functions as an advisory body to the board of directors, with the purpose of ensuring a thorough and independent preparation of matters regarding remuneration to the Company's executive management.

In this declaration executive management is defined as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) unless otherwise specified. Group management includes, in addition to the executive management, other key positions such as the Director of Communications, the Chief Operating Officers (COO) and the Director of Business Development. The broader term, management, includes, in addition to the group management, department managers and regional managers.

Policies for salary and other compensation

The main principle for the Company's remuneration policy is that the executive management shall be offered competitive terms when their total remuneration package is taken into account. Such package may consist of elements such as base-salary, bonus, share- and option schemes, benefits in kind and pension arrangements. The Company shall seek to offer a remuneration level that is considered competitive and on market terms, compared to the level offered by its peers, and which seeks to satisfy the Company's need to recruit and keep highly qualified personnel in the executive management. Salary and other remuneration payable by the Company to its execu-

With meet-ups, conferences and workshops Webstep ensure networking and skills development.

tive management will be aligned with the above principles for the calendar year 2020.

The executive management participates in the Company's defined contribution pension scheme in accordance with mandatory law. The executive management is entitled to free service telephone and private broadband, in addition to company health insurance, as benefits in kind. Additionally, the Company's CEO is entitled to certain other benefits as described below. Other than as described below for the CEO, the Company has not entered into any severance pay agreements payable upon termination of employment by the Company with the executive management.

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. The other group companies shall follow the main principles for remuneration of management as described herein.

Equity based remuneration

Equity based remuneration is described in note 22 to the annual financial statements of the Group.

The annual general meeting approved in 2019 a three year long long-term incentive programme (the "Long-term Incentive Programme" or "LTIP") for the Company's executive management and other managers as decided by the board of directors. The LTIP has an initial term of three years. The number of options granted in each respective year cannot exceed 2.5 per cent of the Company's share capital. The total number of issued options under the programme cannot constitute more than 8 per cent of the Company's share capital at any time. The LTIP is structured so that 25 per cent of the options may be exercised following the first anniversary of the grant date, an additional 25 per cent of the options may be exercised following the second anniversary of the grant date and the outstanding 50 per cent of the options may be exercised following the third anniversary of the grant date. The options expire following the fifth anniversary of the grant date. The exercise of options is conditional of continued employment in the group at the exercise date. The strike price of the options will be set to the volume weighted average market price for trades in the share on the Oslo Stock Exchange during the six business days prior to the grant date. The board of directors made a resolution 6 November 2019 to grant 515 876 share options to 15 executives and managers of the Company and its subsidiaries. The CEO was not granted share options in 2019 as it was his first year of employment. The share options constitute 1.9 per cent of the Company's share capital and the strike price is NOK 23.1 per share.

It is noted that all employees in the Company and its Norwegian subsidiary, including the executive management, were in 2019 offered to purchase shares in the Company for an amount of between NOK 5 000 and NOK 15 000 each, with a 20 per cent discount (the "Employee Share Purchase Programme" or "ESPP"). It is further noted that the Company, in connection with the listing of the Company's shares on the Oslo Stock Exchange in 2017, implemented a share program for employees which was approved by the Company's general meeting on 14 September 2017 (the “Saving Shares Programme”, or “SSP”). The members of the executive management were offered to participate in the program in the same way as the other employees of the Group on the approved terms and conditions. The lock-in period of the SSP expired in October 2019. There were not any members of the executive management among the eligible employees.

Other than the long-term incentive program, the Company does not currently have remuneration schemes based on share values, nor any option programs for shares in the Company or other Group companies.

Statement on the policy for the executive management's salary and other remuneration for 2019

The Company's remuneration of the executive management in 2019 complied with the policies stated above.

The CEO was entitled to a short-term and a long-term incentive bonus which was related to the achievement of pre-determined KPIs. Additionally, the new group CEO was entitled to a sign-on bonus as compensation for the long-term incentive bonus he abandoned with his former employer. The short-term incentive bonus has an upper limit of 60 per cent of the CEO's gross annual salary. The long-term incentive bonus has an upper limit of 25 per cent of the group CEO's gross annual salary. The incentive bonuses were resolved by the board of directors for 2019 in the first quarter of 2020. The CEO is obligated to invest any long-term incentive bonus paid in the Company's shares. In addition to the base-salary, the CEO is entitled to benefits in kind such as free service telephone, private broadband, car allowance, company health insurance and other benefits in kind. Furthermore, the CEO participates in the Company's collective pension agreements and insurance arrangements, as applicable at all times. The CEO is entitled to severance pay payable upon termination of employment by the Company equal to six month's base-salary.

The previous CEO was available to the Company after his resignation and received a compensation during the period from 1 May until 31 October 2019.

The CFO was from 1 January 2019 entitled to a short-term and a long-term incentive bonus which were related to the achievement of pre-determined KPIs. The long-term incentive bonus was replaced by the LTIP share option programme as granted by the board of directors 6 November 2019. The short-term incentive bonus has an upper limit at NOK 500 000.

Except from the agreement with the new CEO, the Company did not enter into new employment agreements with the executive management or amend their existing employment agreements during 2019 in a way that could have a material impact on the Company or its shareholders. The salary and other remuneration paid to the Company's executive management in 2019 are set out in note 7 of the Group's annual financial accounts for 2019. In 2019, the Company did not pay any remuneration beyond what follows from the existing employment agreements with the executive management other than as stated above.

The board of directors and CEO – Webstep ASA

Oslo, 2 April 2020

Klaus-Anders Nysteen	Siw Ødegaard	Trond K. Johannessen	Toril Nag	Bjørn Ivar Danielsen	Arne Norheim
Chair of the board	*Board member*	*Board member*	*Board member*	*Board member*	*Chief executive officer*

YOUR NOTES:

YOUR NOTES:

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