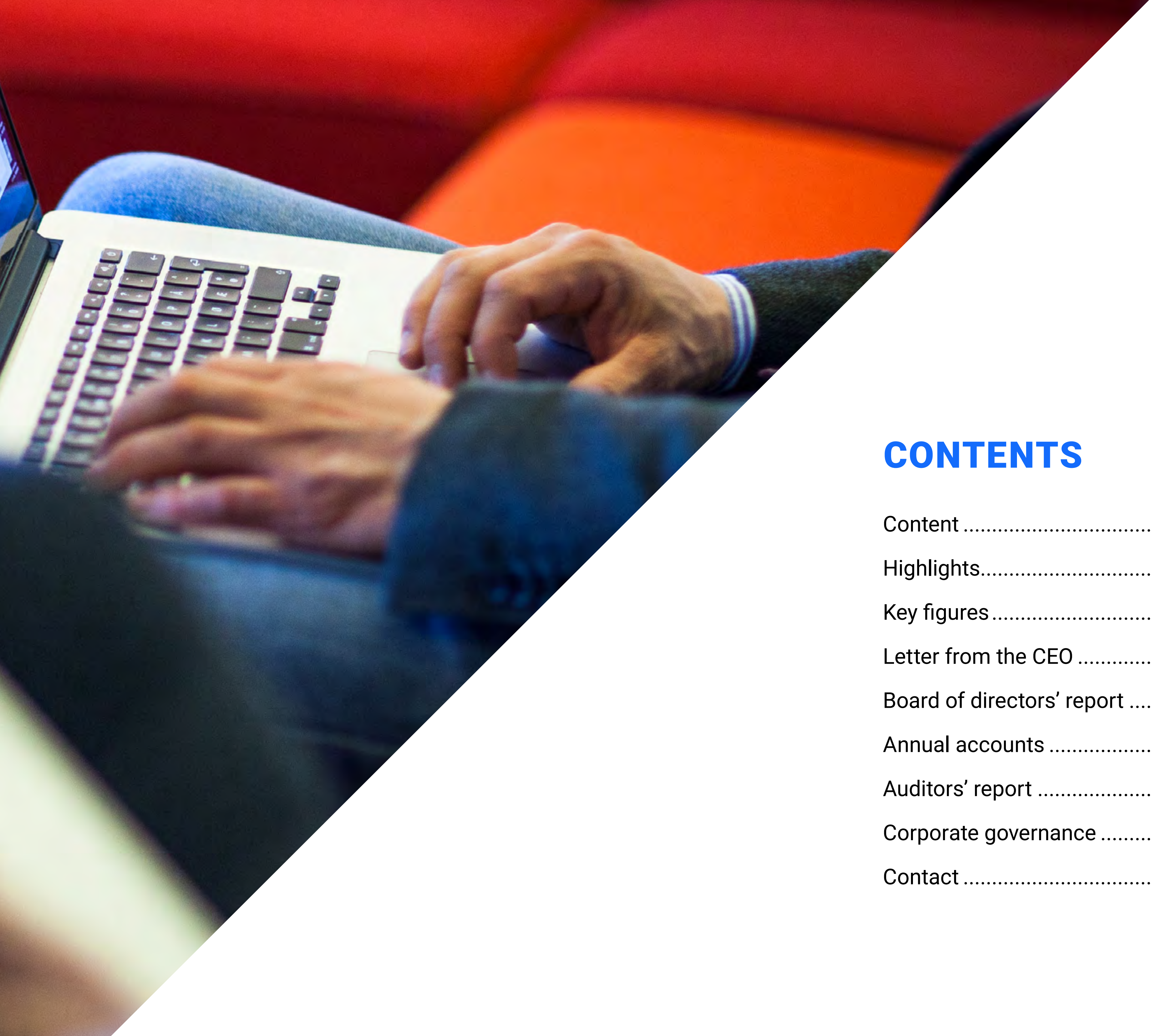
WEBSTEP

Annual report 2017

WEBSTEP ASA



CONTENTS

HIGHLIGHTS

- Continued profitable revenue growth
- Market growth has created a highly competitive market for recruitment of IT experts
- Continued long-lasting customer relations and several new clients won
- Successful IPO followed by listing of the Company's shares on Oslo Stock Exchange
- Strong financial position and positive outlook for 2018 support dividend proposal of NOK 1.50 per share, representing more than 117 per cent of annual net profit

KEY FIGURES

Sales revenues
NOK **596.5**
million

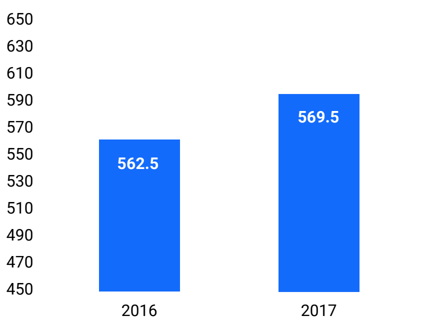
CONSOLIDATED

Amounts in NOK million	**2017**	2016
Sales revenues	**596.5**	562.5
Sales growth, year-on-year	**6.0%**	2.5%
EBITDA[1)]	**57.1**	72.7
EBITDA margin[1)]	**9.6%**	12.9%
EBITDA excl. non-recurring costs[1)]	**71.0**	72.7
EBITDA margin excl. non-recurring costs[1)]	**11.9%**	12.9%
Net profit	**33.9**	40.5
Net cash flow	**(73.7)**	12.5
Earnings per share (NOK)	**1.55**	2.02
Earnings per share, fully diluted (NOK)	**1.55**	2.02
Average number of employees, full time equivalents	**393**	394
Total number of employees at year end	**402**	384
Number of work days, (excl. vacation)	**251**	253
EBITDA per average employee[1)] (tNOK)	**145.3**	184.6
EBITDA per average employee excl. non-recurring costs[1)] (tNOK)	**180.7**	184.6

1) See note 25 to the Consolidated Financial Statements on page 48 for alternative performance measures.

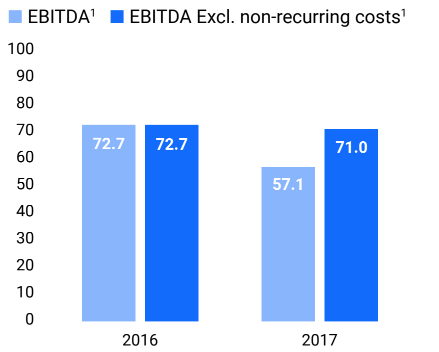
Sales revenues

NOK million



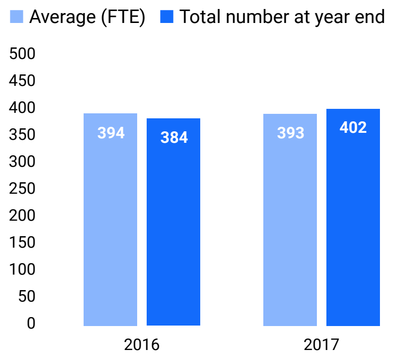
EBITDA

NOK million



Employees

Number of employees



Letter from the CEO

DEAR SHAREHOLDER

Looking back at 2017 I am pleased to note that Webstep is back in growth mode after two stable years. Revenues grew by six per cent to nearly NOK 600 million, with healthy profit margins and an EBITDA at NOK 71 million before non-recurring items.

– Over time, we have managed to recruit the right people, experts who understand our customers and their challenges, and who are able to solve complex tasks in an efficient manner.

From an investor perspective, one corporate milestone stands out last year, namely our decision to invite new shareholders to join us on our journey and become a publicly listed company. The Webstep shares started trading on the Oslo Stock Exchange in October.

As we expected, the listing process was time consuming for board and management, but our concern that it could distract us from business proved wrong. In my mind, that says a lot about the quality of the people in our team, their commitment to our customers and to Webstep.

PEOPLE ARE KEY

People are the true driver behind Webstep's many successes. Over time, we have managed to recruit the right people, experts who understand our customers and their challenges, and who are able to solve complex tasks in an efficient manner.

At the end of 2017, we were 358 expert consultants from 11 nationalities at five locations in Norway and two in Sweden. We are helping our customers transform and disrupt their respective businesses.
We are helping them stay in the lead.

Our experts work with customers in a

wide range of industries. Finance and insurance for instance, have long played a key role as new technology creates opportunities for robotic process automation. We are working with machine learning on satellite data to predict climate related risk. We are building complex systems that control the logistics chain in distribution of food, and we have built programmes that help children learn to read – and immigrants to learn a new language.

Strong market fundamentals are observed in all Webstep locations. Increasing demand from customers is met with increased delivery capacity, resulting in a strong order backlog. Adding new expertise and capacity continue to be prioritised, as key success criteria for further profitable growth.

MEETING PRESENT AND FUTURE NEEDS

Our market and services can logically be organised in two main categories – Core Services and New Services – and the right balance between the two is key in our strategy.

Core Services are typically built on mature technologies and solutions, and includes deliveries such as digitisation, cloud solutions and system integration. New Services are rapidly growing, based on emerging technologies, for instance related to Internet of Things, analytics and machine learning.

Core Services typically represents 85–90 per cent of our business, New Services the remaining 10–15 per cent. When we strike the right balance, we will be delivering steady growth and profits in the short to medium term and at the same time, lay the foundation for continued success in the longer term.

These days, technology is changing so fast that we often find ourselves in situations where our customer does not necessarily know what he can have or exactly what she needs. Then we must apply our insight and skills to bridge the gap, we must understand their business, and at the same time be true masters of our own.

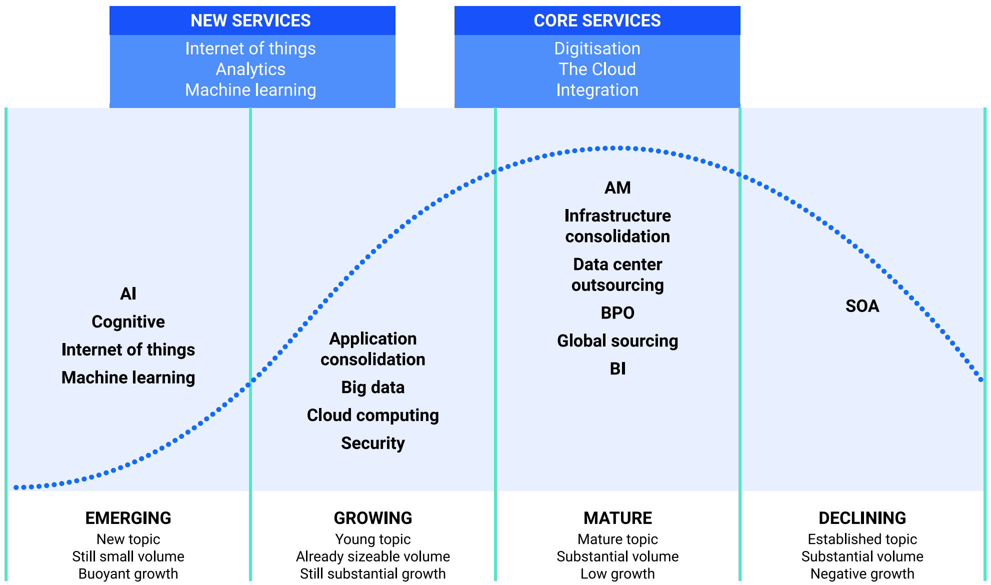
This mix of mature and emerging is also much appreciated by our expert consultants. With Webstep, they get the opportunity to working on solving the most complex challenges in an environment that offers great flexibility. Last year Webstep was named Great Place to Work for the tenth consecutive year. Such facts speak louder than words.

INTERESTING OPPORTUNITIES AHEAD

As high investment activity continues in both private and public sector, our overall market outlook is robust. The order book entering 2018 is strong, and we expect continued high demand for our offering.

We are fortunate. We are well positioned in the market on a sound financial platform. We have a good name, we have great people and attract the best. We have customers that inspire and encourage us and allow us to apply all our skills and ability to innovate. For this I am grateful, and I am also encouraged with the opportunities that lie before us and our ability to continue to create shareholder value.

Kjetil Eriksen, CEO



Source: Radar Ecosystem

Board of directors' report

CONTINUED GROWTH AND STRONG OUTLOOK

Webstep saw continued profitable growth in 2017 and is well positioned to strengthen its position in 2018. The market outlook is positive and Webstep entered 2018 with a strong order book. The board proposes a dividend of NOK 1.50 per share, representing 117 per cent of the Group's net profit for 2017. The strong focus on recruitment will continue in 2018, being a key success factor for further profitable growth in a market with high demand for Webstep's services.

– The market fundamentals are seen as strong, with particularly high demand for Webstep's Core Services.

(All amounts in brackets are comparative figures for 2016 unless otherwise specifically stated).

The growth in the Nordic IT consulting market continues and Webstep ASA saw a six per cent revenue growth in 2017 with total consolidated revenues amounting to NOK 596.5 million. The upturn in spending among financial services clients has been a key growth driver together with the generally increased importance of IT. The high interest in digitalisation for innovation has generated high investment activity across industries and sectors.

The market fundamentals are seen as strong, with particularly high demand for Webstep's Core Services. Increasing demand from customers is met with increased capacity, resulting in a strong order backlog at the end of 2017.

Adding new expertise and capacity continues to be prioritised, as key success factors to realise future profitable growth. Webstep's recruitment strategy has proven successful in a highly competitive market.

During 2017, the Group has demonstrated its ability to attract highly skilled employees, securing new experienced experts and increased billable capacity for 2018. The strong focus on employer branding and recruitment will continue in order to increase future growth capacity.

Webstep completed a successful Initial Public Offering (IPO) in the fourth quarter of 2017, followed by a listing of the Company's shares on the Oslo Stock Exchange on 11 October. New equity was raised as part of the IPO, with net proceeds of NOK 123 million. Results for 2017 include IPO expenses and other non-recurring items totalling NOK 14 million. Consolidated EBITDA for 2017 before non-recurring items was 71.0 million, compared to NOK 72.7 million in 2016. The slight decrease in EBITDA before non-recurring items is mainly a consequence of investments in new services and the high number of new expert hires, giving a higher amount of minimum salary in the initial employment period. EBITDA including non-recurring items came to NOK 57.1 million.

Net proceeds from the share capital issue were used to partly repay debt and has strengthened the Company's financial position significantly. This, combined with the strong order backlog and positive outlook for 2018, are main reasons behind the board of director's intention to propose a dividend of NOK 1.50 per share, representing 117 per cent of the annual net profit for 2017.

OVERVIEW OF THE BUSINESS

The board of directors' report for the Webstep group ("Webstep", the Company or "the Group") comprises Webstep ASA ("the parent company") and all subsidiaries and associated companies.

The parent company, Webstep ASA, is a Norwegian public limited liability company with its head office in Oslo, Norway. The Group has offices in Norway and Sweden and had a total of 402 employees at 31 December 2017.

Webstep is a high-end provider of IT consultancy services in Norway and Sweden. 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 optimizing the customers' business strategies. Webstep aims to be at the forefront of the technological development and to assist its customers in their digitalisation through the offering of cutting-edge IT expertise. The Group's core digitalisation offerings are digitalisation, cloud migration and integration, in addition to its other core focus areas Internet of Things (IoT), machine learning and analytics.

An important part of the Group's strategy is to employ and offer only senior IT consultants with significant experience and a high education level. As of 31 December 2017, the Group employed 402 employees, of which approximately 360 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, IT and telecommunication, commerce and transportation. The Group differentiates itself from its competitors by offering consultancy services from a highly experienced team of consultants and by focusing on quality deliveries.

Webstep's strategy is to continue its organic growth within the business sectors in which it currently operates and within its current service offerings. The Group will continue to have a particular focus on new IT trends for which it notices increased demand by its customers.

The Group intends to broaden its offering within both core services and new services throughout its organisation, both in Sweden and Norway. Establishing offices in new geographical areas in Norway and Sweden will also be considered.

In addition to organic growth, Webstep is monitoring the market for potential acquisition targets, which may increase the Group's competence, geographical footprint and service and offering level in both Norway and Sweden. Webstep is well positioned, by having consultants with the required qualifications and skill set, to be able to offer and deliver new technological innovations and trends to its current and new customers.

Webstep has sales teams at all of its offices and within each of the business segments in which it offers its services. 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 (Norway), and in Stockholm and Malmö (Sweden).

HIGHLIGHTS 2017

- Continued profitable revenue growth driven by high demand for digitalisation experts and increasing interest in new services, such as Internet of Things and Machine Learning
- The market growth has created a highly competitive market for recruitment of IT experts. Webstep has proven a strong ability to retain and attract highly skilled employees, securing further growth capacity going forward
- Continued long-lasting customer relations and several new clients won, confirms a solid market position
- A successful IPO and a listing of the Company's shares on Oslo Stock Exchange was completed in October
- Strong financial position and positive outlook for 2018 support dividend proposal of NOK 1.50 per share, representing more than 117 per cent of annual net profit

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 at 31 December 2017.

Consolidated statement of income and comprehensive income

Full year consolidated revenues amounted to NOK 596.5 million (NOK 562.5 million), up 6.0 per cent and in line with the Group's previously communicated expectations

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 therefore cause differences in revenue capacity between years. The full year 2017 had two calendar days less than 2016.

Cost of services and goods sold amounted to NOK 49.3 million (NOK 33.9 million) for the year, reflecting normal variations in the mix of internal resources and subcontractors used in projects, as well as positive development in client relationships utilising subcontractors in Sweden.

The Group has a highly 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 448.4 million (417.9 million) and reflect high recruitment and onboarding activity, as well as non-recurring costs related to the IPO and a successful recruitment incentive program as described below.

The Group recorded non-recurring items of NOK 14 million in 2017, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1] for 2017 before the above mentioned non-recurring items was 71.0 million, compared to NOK 72.7 million in 2016. EBITDA including non-recurring items was 57.1 million, compared to NOK 72.7 million in 2016. There were no non-recurring items in 2016.

The slight decrease in EBITDA before non-recurring items is mainly a consequence of the high onboarding and recruitment activities in the second half of 2017, impacting results with recruitment costs and onboarding costs, as well as a temporary increase in the use of minimum salaries for new employees. These costs are investments in new services and additional growth capacity.

Operating profit was NOK 48.9 million (62.1 million) for the full year 2017. The variations between 2016 and 2017 are explained above.

Net financial cost was NOK 8.6 million (NOK 7.6 million). The increase is primarily due to final amortisation of a financing fee from the terminated long-term borrowings, which is recognised as a financial expense in 2017.

Income tax for the full year amounted to NOK 6.5 million (NOK 14.0 million). The taxes for the period is affected by the significant non-recurring costs in Q4 2017, as previously described.

Net profit was NOK 33.9 million (NOK 40.5 million) for the year.

1) See note 25 to the Consolidated Financial Statements on page 48 for alternative performance measures.

Financial position

Total assets at 31 December amounted to NOK 528.3 million (NOK 557.8 million). Non-current assets were NOK 392.5 million (NOK 390.7 million) and mainly consisted of intangible assets. Intangible assets at balance date are NOK 387.1 million (NOK 385.0 million) and comprise acquisition-related goodwill of NOK 382.3 million, which is impairment tested annually, and R&D investments of NOK 4.8 million.

Total current assets of NOK 135.7 million (NOK 167.1 million) mainly consisted of trade receivables and cash and short-term deposits. Trade receivables at year end were NOK 125.5 million (NOK 82.6 million). The increase from the same balance date in 2016 is primarily a consequence of 31 December 2017 falling on a Sunday, and concurrently being the due date for a significant part of the receivables. Such payments are normally registered as cash received after the weekend. Consequently, trade receivables dropped significantly in the first days of January. Approximately NOK 45 million were paid by 3 January 2018, leaving trade receivables at approximately NOK 80 million after this date.

Cash and short-term deposits amounted to NOK 6.6 million (NOK 80.3 million), impacted by the same effect as described above, with a NOK 45 million increase by 3 January as payments falling due on 31 December had been recorded as payments received.

The change in cash and short-term deposits between 31 December 2016 and the same date 2017 is partly a result of the Group's cash pooling system after refinancing through the IPO. Webstep entered into new bank agreements, which include a cash pooling account system for the Norwegian operation. Cash and short-term deposits and overdraft facilities are now being reported as a net figure, while it has previously been reported as separate gross figures on the balance sheet. The amounts reported at 31 December 2016 as cash and debt to credit institutions have therefore been restated in order to be comparable with the net figure reported as of 31 December 2017. A restated overview of net cash and overdraft as of 31 December 2016 is included in note 16 to the accounts, explaining the impact.

Total equity at 31 December was NOK 357.7 million (NOK 196.9 million). The change is mainly related to the share capital issue in connection with the IPO of the Company's shares, as well as retained earnings generated in 2017. Non-current liabilities amounted to NOK 1.6 million (164.8 million). The debt reduction is a consequence of the new capital structure following the IPO. The current liabilities amounted to NOK 168.9 million (NOK 196 million). The changes are mainly due to reduced debt to credit institutions following the new capital structure.

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. The RCF became effective on 11 October 2017 upon

(i) completion of the offering with minimum gross proceeds from the offer of the New Shares of NOK 100 million, (ii) repayment and cancellation of the former Senior Facility Arrangement and (iii) cancellation of the former Overdraft Facility of NOK 40 million. The RCF may be utilised by each member of the Group having acceded to the cash pooling account system related to the RCF. At balance date NOK 24.3 million of the RCF was utilised, leaving NOK 85.7 million unutilised.

Cash flow

Net cash flow year to date was a decrease of NOK 73.7 million (increase of NOK 12.6 million). The decrease is primarily a consequence of the net effect of the financial restructuring post IPO and deferred client payments as described above.

Net cash flow from operating activities was an increase of NOK 4.5 million (increase of NOK 50.5 million). The decrease is mainly related to lower operating profit due to non-recurring costs and deferred client payments registered as cash after the weekend of 31 December 2017. Approximately NOK 45 million trade receivables was recorded as cash by 3 January 2018.

Net cash flow from investing activities was a decrease of NOK 4.5 million (decrease of NOK 1.7 million). The decrease is mainly related to equipment for new employees and office upgrades.

Net cash flow from financing activities was a decrease of NOK 73.8 million (decrease of NOK 36.2 million). The decrease is due to significant repayment of borrowings of NOK 196.9 million and net proceeds from new equity of NOK 123.2 million.

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 83 per cent of the consolidated operating revenues in 2017.

Norway

Webstep Norway is located in Oslo, Bergen, Stavanger, Trondheim and Kristiansand 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 and analytics

Total operating revenues for 2017 were NOK 495.2 million (NOK 478.5 million), an increase of 3.5 per cent from 2016. There is a high demand for Webstep's core IT services. Revenue growth for the full year was however impacted by onboarding activity and investments in new services, as well as calendar effects (two working day less than 2016).

EBITDA excluding non-recurring cost for the year was NOK 65.4 million (NOK 67.5 million), at an EBITDA margin of 13.2 per cent (14.1 per cent). EBITDA including non-recurring cost of NOK 14 million related to the IPO and a terminated recruitment incentive program was NOK 51.4 million (NOK 67.5 million), representing an EBITDA margin of 10.4 per cent (14.1 per cent).

Webstep Norway had 342 employees at the end of 2017 (323 employees). The average number of employees through the year was 331 (329). Strong focus on recruitment has proven successful. A high number of new employees has been onboarded in the last quarter of 2017, giving Webstep Norway a strong momentum entering 2018.

The order intake and backlog for Webstep Norway is generally high, with particularly high demand for the core digitalisation services.

Sweden

Webstep Sweden has offices in Stockholm and Malmö 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 Company's core digitalisation offering.

Total operating revenues for 2017 came to NOK 101.3 million (NOK 84.0 million), up 21 per cent from 2016. The strong growth in 2017 is mainly a consequence of strong utilisation and client development, utilising subcontractors to build new client relations.

EBITDA year to date came to NOK 5.7 million (NOK 5.3 million), and the EBITDA margin was 5.6 per cent (6.2 per cent). The slightly weaker margin level in Sweden reflects the strategic use of subcontractors, which has enabled Webstep to increase revenue growth in Sweden and to build new client relationships. This alongside strong focus on recruitment sets a good basis for future growth in the Swedish market.

Webstep Sweden had 60 employees at the end of 2017 (61 employees). The average number of employees through 2017 was 63 (65).

The order intake and backlog for Webstep Sweden continues to be strong.

RESEARCH AND DEVELOPMENT

The Group currently has one strategic R&D initiative; Webstep Internet of Things (IoT). The target of the Webstep IoT project is to position Webstep in the Nordic IoT software space, leveraging the high-end software competence of the Company. This is done by pursuing IoT opportunities through high-end advisory services, initiating and developing IoT software concepts with clients as well as establishing strategic partnerships with IoT hardware vendors. The project is approved by the Research Council of Norway (Forskningsrådet) to qualify for SkatteFUNN (government R&D tax incentive scheme).

The Group's investment in R&D projects in 2017 totalled NOK 3.6 million (NOK 1.2 million) which is recognised as 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.

RISK AND RISK MANAGEMENT

The Group is exposed to various risks and uncertainties of operational, market and financial character. The Company identifies and manages risks on an ongoing basis. The risk factors described below have been identified as key risks by the management and is not exhaustive.

Market

The Group's results are affected by macroeconomic development and demand of its services. The large diversity of customers combined with various project in different sectors and geographic areas, means that the Group's market risks are limited.

Legal liability

The risk of disagreements and legal disputes related to projects is present in the consultancy business. A majority of the Group's assignment are based on standardized agreements with "Time & Material" pricing and monthly invoicing, which implies limited risk per contract.

If the consultant is gross negligence or wilful misconduct, the Company may be liable to damages. In order to reduce these risks, according to market practice, the Company 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 contain penalty clauses for the Group's failure to timely deliver or failure to meet agreed

The order intake and backlog for Webstep Norway is generally high, with particularly high demand for the core digitalisation services.

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, prevent the Group from selling certain of its products or services, or in connection with any intellectual property infringement claims, 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.

Laws and regulations 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. The implementation of new data privacy protection laws in Norway from May 2018 may incur additional compliance or other costs which could have a material adverse effect on the Group's operating revenue and profitability.

Credit risk

The risk that counterparties will not fulfill their obligations is considered to be low. The Group engage 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.

Currency risk

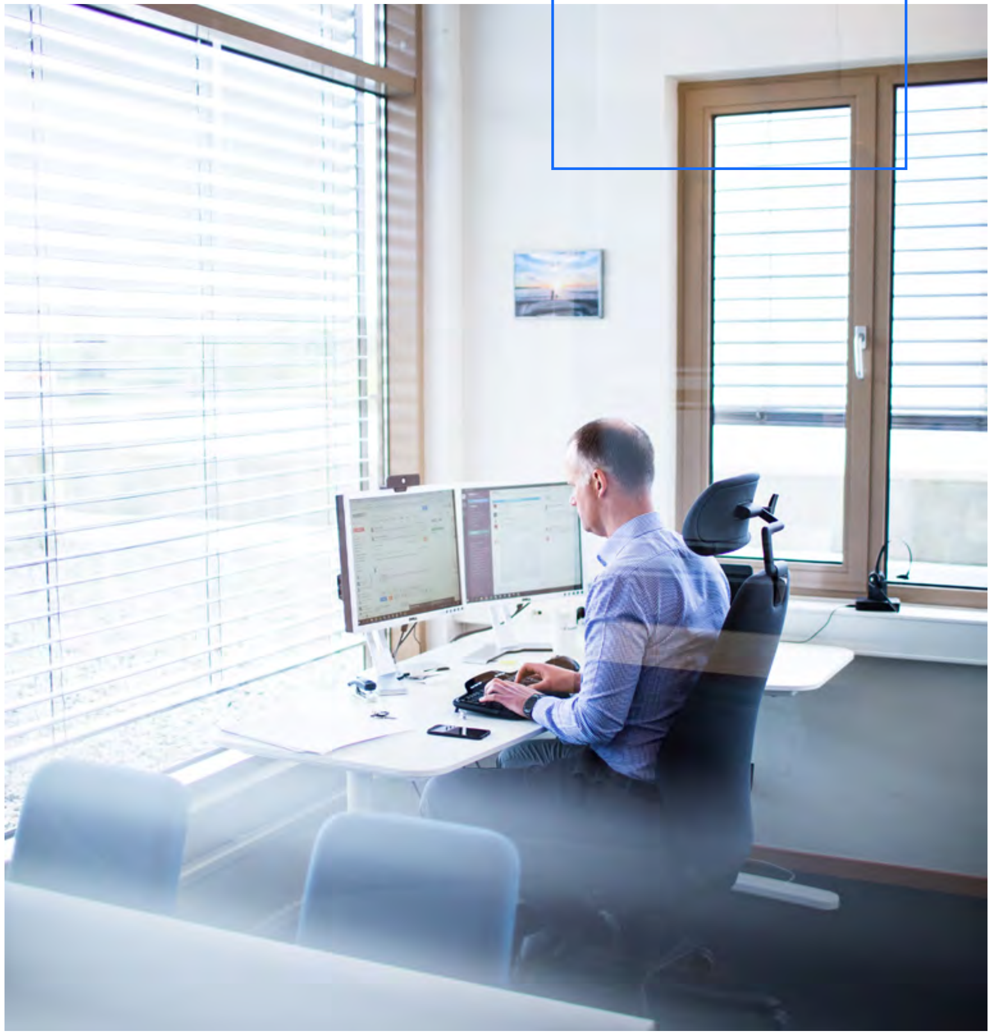
Webstep operates in Norway and Sweden and any fluctuations in exchange rates between NOK and SEK could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and/or prospects. Currently, the Group does not have any hedging positions in place to limit the exposure to exchange rate fluctuations.

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. 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.

Interest-rate risk

The Group has 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. If the Group were to hedge some or all of its interest rate exposure, there can be no assurance that such hedging arrangements will be effective. As such, movements in interest rates could materially and adversely affect the Group's

– The salary of the employees is mostly variable and is closely linked to the consultants individual performance.



business, results of operations, cash flows, financial condition and/or prospects.

The Group is exposed to interest rate risk through its revolving credit facility, where interest terms are based on NIBOR (Norwegian Interbank Offer Rate). The Group evaluates this 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

Liquidity risk is that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is 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 evaluated that the Group has good liquidity.

Employees and personnel expenses

Webstep's most important asset is its employees. In order to ensure stable growth, Webstep is dependent of being an attractive employer to retain and attract new employees. The Group's strategy is to continuously invest in new technological trends and services, provide interesting and challenging assignments, combined with attractive remuneration and benefits. The salary of the employees is mostly variable and is closely linked to the consultants individual performance, hence the personnel expenses will track the Company's earnings.

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

The annual financial statements for the parent company are prepared in accordance with the Norwegian Accounting Act and the regulations on simplified application of international accounting standards (IFRS)

The parent company's profit before income taxes came to NOK 21.7 million (NOK 57.4 million), while net profit was NOK 19.9 million (NOK 42.4 million). The overall decline in profit before taxes, relates to non-recurring IPO costs and reduction in group contribution NOK 46.9 million (NOK 77.2 million).

The Group's license to operate rests on the confidence from these key stakeholders.

The board proposes the following allocation of the net profit of NOK 19.9 million for the parent company:

NOK million	
Transferred from other equity	19.6
Dividends proposed	39.5

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 30 October 2014, may be found at www.nues.no.

The annual statement on corporate governance for 2017 has been approved by the board and can be found on page 51 in this annual report.

CORPORATE SOCIAL RESPONSIBILITY

Webstep is subject to corporate responsibility (CR) reporting requirements 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 organizations 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 food industry, banking and financial institutions, oil and offshore operations, power and energy, and to telecom and organizations in the software industry.

The Group's license to operate 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 in place that emphasize ethical behavior, 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 and the organization.

CR is implemented in the value set of the organisation and especially channelled through developing, using, and sharing knowledge within the Company, 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.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Sickness absence, incidents and injuries

Webstep works systematically with HSE management and makes concerted efforts to mitigate health risks and prevent injuries.

The working environment in the Company is considered to be good. No accidents or injuries were registered in 2017.

Sick leave in the Group was 2.5 per cent in 2017, down from 2.6 per cent in 2016.

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 2017.

Company culture and health

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 recognizing 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 is analyzed 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 "Norwegian Best Workplaces" by GPTW ten 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.

Environment and society

Webstep has a vision of zero harm to people, the environment and society. The Group makes systematic efforts to reduce the environmental impact of its business. The Group's services shall always be subject to strict requirements in terms of quality, safety and impacts on personal health and the environment The Group strives not to pollute the external environment. All distribution activities are outsourced.

EMPLOYEES, ORGANISATION AND EQUAL OPPORTUNITIES

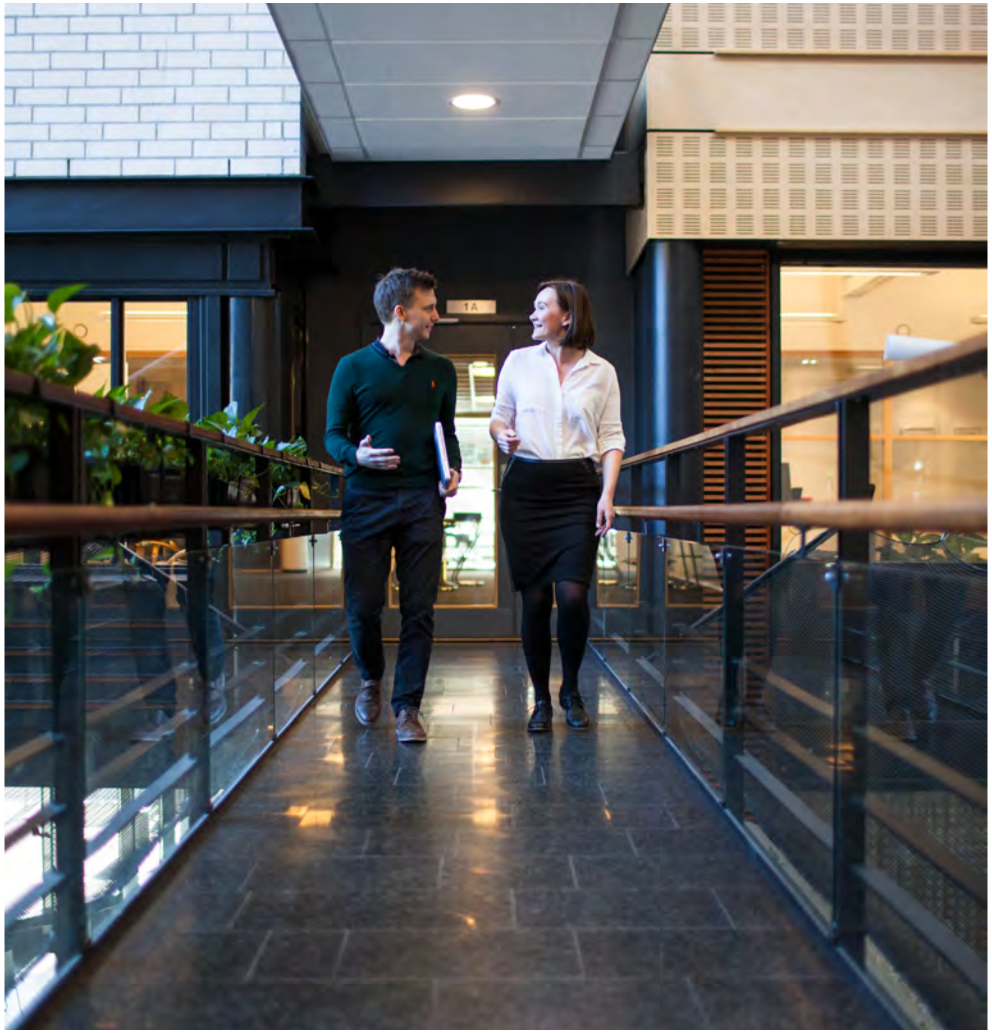
The number of employees in the Webstep Group has increased steadily over the years. As of 31 December 2017 the Group employed a total of 402 persons.

Employees and expertise

As part of its business strategy, the Group only hires experienced IT consultants. At year end, the consultants have on average more than ten years of experience, where approximately 30 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

> An increasing portion of the Group's consultants have PhD degrees.



improved. Further, the Group's incentive model for consultants is designed to attract and motivate 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 based on revenue sharing. The salary model for consultants has been a pillar in the Company 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. In the Company's view, the Group's incentive model is 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.

Recruitment position

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.

Employee share purchase programme

In connection with the IPO, the Company implemented a share program 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.

Working environment

The board considers the working environment to be good and the collaborative relationship with employee representatives is perceived as positive.

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.

12 per cent of the Group's 402 employees at 31 December were female and 88 percent were male. The Group's executive management comprised two men. The parent company board at 31 December consisted of two female and three male directors.

The IT business is characterized 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, a project was established in 2017 to raise the percentage of women. Through this effort 11 women were recruited. Other measures taken is establishing Webstep as a member of the national ODA Female Network for women in the IT industry, as well as sponsoring and assisting in establishing the "She Says" tech 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. Work space and job responsibilities are tailored for employees or job applicants with disabilities.

Approximately 5 per cent of employees in the Group had a mother tongue other than Norwegian at 31 December.

The Company 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.

Changes to the executive management and board of directors

In connection with the IPO and the listing of Webstep on Oslo Stock Exchange in 2017, the Group's parent company Azure Holding AS changed name to Webstep ASA and was converted to a public limited company ("Allmennaksjeselskap"). A new board of directors was established. Klaus-Anders Nysteen was elected as chair of the board, along

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

The Company's objective is to pay annual dividends representing minimum 75 per cent of the Company's net profit.

with board members Siw Ødegaard, Toril Nag, Bjørn Ivar Danielsen and Terje Bakken. The latter two were re-elected from the preceding board of directors.

SHARE AND SHAREHOLDER MATTERS

Webstep completed a successful Initial Public Offering (IPO), followed by a public listing of the Company's shares on Oslo Stock Exchange on 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 symbol WSTEP and had a closing price on 29 December 2017 of NOK 26.00.

Gross proceeds of NOK 138 million were raised through the IPO. Net proceeds of NOK 123 million were used to repay long term debt and hence strengthen the financial position of the Company. The IPO included an employee offering, in which Webstep's employees were offered shares. The employee offering was very successful, with approximately 57 per cent of the employees subscribing for shares.

A total of 5.7 million new shares were issued in the IPO. The total number of outstanding shares at 31 December 2017 was 26.4 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.

Dividends

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 Company'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 dividends paid may not exceed the amount recommended by the board of directors.

For 2017, the board will propose a dividend of NOK 1.50 per share for approval by the Annual General Meeting on 24. April 2018. The proposed dividend represents in total 117 per cent of the annual net profit and is in the upper range of the dividend policy.

Employee share program

In connection with the IPO, the Company implemented a share program 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 potential dilution through this program accounts for approximately 107 000 shares.

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 overall market outlook is robust, following the general trend with high investment activity in digitalisation of private and public sector. This is expected to drive continued high demand for Webstep's overall offering of IT expertise. A very strong order book entering 2018 confirms these substantial trends.

The high demand for the Group's core services (defined as digitisation, cloud and integration) is expected to continue. Cloud services show positive development and represent further potential. Webstep has taken a high-end position as strategic advisor and designer of Cloud strategies for clients. In 2017, there has been a significant increase in the number of customers running comprehensive cloud adoption programs.

Cloud is also the main prerequisite for the use of data for IoT, Machine Learning and Analytics, all expected to become important growth areas, though still in an early phase. Investments in expertise and capacity in these services is therefore still highly prioritized, knowing that sales processes for new services generally take longer time. Lower utilisation of these experts should still be expected in a short-term perspective.

Webstep has a strong focus on recruitment of experienced experts and employer branding going forward, to secure future growth capacity.

The over-all ambition remains unchanged; profitable growth above market and maintaining EBITDA margin levels above the average market level, as demonstrated over the last years.

Oslo, 21 March 2018

The board of directors and CEO
Webstep ASA

Klaus-Anders Nysteen
Chair of the board

Siw Ødegaard
Board member

Terje Bakken
Board member

Toril Nag
Board member

Bjørn Ivar Danielsen
Board member

Kjetil Bakke Eriksen
CEO

WEBSTEP ASA ANNUAL ACCOUNTS 2017

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	*Note*	**2017**	2016
Sales Revenues	*5*	**596 519**	562 515
Total revenues		**596 519**	562 515
Cost of goods and services (COGS)		**(49 333)**	(33 836)
Salaries and personnel expenses	*6, 7, 21*	**(448 395)**	(417 897)
Depreciation and impairment	*10, 11*	**(8 156)**	(10 563)
Other operating expenses	*6, 21, 23*	**(41 705)**	(38 063)
Total operating expenses		**(547 590)**	(500 359)
Operating profit (loss)		**48 929**	62 156
Finance income	*8*	**3 698**	1 716
Finance expense	*8*	**(12 263)**	(9 319)
Profit before tax		**40 364**	54 553
Income tax expense	*9*	**(6 514)**	(14 033)
Profit for the year		**33 851**	40 519
Other comprehensive income that will be reclassified to the income statement			
Foreign currency translation:			
Exchange differences on translation of foreign operations		**3 544**	(6 438)
Other comprehensive income for the year, net of tax		**3 544**	(6 438)
Total comprehensive income for the year, net of tax		**37 395**	34 082
Attributable to:			
Equity holders of the parent		**37 395**	34 082
Non-controlling interest		**-**	-
Earnings per share		**1.55**	2.02
Earnings per share, fully diluted		**1.55**	2.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK 1 000	*Note*	**2017**	2016
Non-current assets			
Intangible assets	*10*	**387 082**	384 970
Fixed assets	*11*	**5 228**	2 738
Non-current financial assets	*12*	**-**	2 693
Deferred tax asset	*9*	**232**	320
Total non-current assets		**392 542**	390 720
Current assets			
Trade receivables	*13*	**125 545**	82 610
Other receivables	*13*	**3 585**	4 139
Cash and short-term deposits	*13, 14*	**6 580**	80 311
Total current assets		**135 710**	167 060
Total assets		**528 252**	557 781

NOK 1 000	*Note*	**2017**	2016
Equity			
Share capital	*15*	**26 967**	21 256
Treasury shares	*15*	**(610)**	(610)
Share premium		**149 827**	32 109
Retained earnings		**181 554**	144 164
Total equity		**357 738**	196 918
Non-current liabilities			
Debt to credit instutitions	*16*	**-**	161 250
Deferred tax	*9*	**1 616**	3 596
Total non-current liabilities		**1 616**	164 846
Current liabilities			
Debt to credit institutions	*14, 16*	**24 287**	59 983
Trade and other payables	*17*	**16 659**	10 615
Tax payables	*9*	**7 293**	15 689
Social Taxes and VAT	*17*	**49 255**	48 895
Other short-term debt	*17, 18*	**71 404**	60 833
Total current liabilities		**168 898**	196 016
Total liabilities		**170 514**	360 862
Total equity and liabilities		**528 252**	557 781

Oslo, 21 March 2018

The board of directors and CEO
Webstep ASA

Klaus-Anders Nysteen	Siw Ødegaard	Terje Bakken	Toril Nag	Bjørn Ivar Danielsen	Kjetil Bakke Eriksen
Chair of the board	*Board member*	*Board member*	*Board member*	*Board member*	*CEO*

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK 1 000	*Note*	**2017**	2016
Operating activities			
Profit/ (loss) before tax		**40 364**	54 553
Adjustments for:			
Depreciation of property, plant and equipment	*10, 11*	**8 156**	10 563
Net change in trade and other receivables	*13*	**(40 939)**	(2 732)
Net change in other liabilities	*17, 18*	**16 975**	2 652
Net foreign exchange differences		**693**	604
Income tax expense	*9*	**(17 206)**	(15 167)
Net cash flow from operating activities		**8 044**	50 473
Investing activities			
Payments for R&D-initiatives	*10*	**(3 561)**	-
Purchase of property and equipment	*11*	**(4 456)**	(1 730)
Net cash flow from financing activities		**(8 017)**	(1 730)
Financing activities			
Proceeds from borrowings		**-**	200 000
Repayment of borrowings	*16*	**(192 500)**	(62 384)
Change in bank overdraft	*16*	**(4 446)**	-
Net proceeds from equity		**123 189**	-
Purchase of treasury shares		**-**	(130)
Payment of dividends		**-**	(173 679)
Net cash flow from financing activities		**(73 758)**	(36 193)
Net increase/(decrease) in cash and cash equivalents		**(73 731)**	12 550
Cash and cash equivalents at 1 January		**80 311**	67 761
Cash and cash equivalents at 31 December		**6 580**	80 311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK 1 000	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders parent	Non-controlling interests	**Total equity**
At 1 January 2016	20 126	(604)	181 031	15 285	110 215	326 053	10 592	**336 645**
Profit for the period	-	-	-	-	40 519	40 519	-	**40 519**
Other comprehensive income/(loss)	-	-	-	(6 438)	-	(6 438)	-	**(6 438)**
Net purchase of treasury shares	-	(6)	-	-	279	273	(1 001)	**(728)**
Restructuring of sub-group	1 130	-	21 078	-	(12 617)	9 591	(9 591)	**-**
Dividends to NCI	-	-	-	-	(3 080)	(3 080)	-	**(3 080)**
Dividends	-	-	(170 000)	-	-	(170 000)	-	**(170 000)**
At 31 December 2016	21 256	(610)	32 109	8 847	135 316	196 918	-	**196 918**
Profit for the period	-	-	-	-	33 851	33 851	-	**33 851**
Other comprehensive income/(loss)	-	-	-	3 544	-	3 544	-	**3 544**
Shares issued	5 711	-	117 477	-	-	123 188	-	**123 188**
Share incentive program	-	-	237	-	-	237	-	**237**
At 31 December 2017	26 967	(610)	149 823	12 391	169 166	357 737	-	**357 737**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01: GENERAL INFORMATION

THE COMPANY AND THE GROUP

Webstep ASA, the parent company of the Webstep Group (the Group) is a public limited company incorporated and domiciled in Norway, with its head office in Lilleakerveien 8, 0283 Oslo, Norway.

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

These consolidated financial statements have been approved for issuance by the board of directors on 21 March 2018 and is subject to approval by the Annual General Meeting on 24 April 2018.

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

BASIS FOR PREPARATION

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

Basis of preparation

The consolidated financial statements at 31 December 2017 for Webstep ASA is presented 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 2017 were authorised for issue by the board of directors on 21 March 2018.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 1 000'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 2017. 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 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.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted by the Group – only those relevant for the Group is included:

IFRS 9 – Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, which was approved by the EU in November 2016. The effective date for IFRS 9 is annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group would implement the standard with effect January 1, 2018.

The standard replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 contains three classification categories for financial assets; (i) measured at amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit or loss. Thus, the standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The Group is yet to assess the full impact of IFRS 9, but it is not expected to have a material impact on the financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces IAS 18 and IAS 11, and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer. The standard is based on the principle that revenue is recognised when control of a good or a service is transferred to a customer. In that way, the notion of control replaces the existing notion of risks and rewards. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service.

The standard was endorsed by the EU in October 2016 and is effective from 1 January 2018. The standard would be implemented with effect of January 1 2018.

Management has analysed potential effects of implementation of new standard with the conclusion of no material impact in the revenue accounting process but it would increase the disclosure requirements.

IFRS 16 – Leasing

IFRS 16 Leases was issued in January 2016 and it replaces IAS 17 Leases from January 1, 2019.

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

The standard would be implemented with effect of January 1 2019.

Management has analysed potential effects of implementation of new standard with the conclusion of no material impact in the leasing accounting process, however it will increase the disclosure requirements.

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 and the chief financial officer.

Revenue recognition

Revenue from services is recognised when the hours are delivered. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

Income tax

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 to unused tax losses.

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 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 realised 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 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. Customer relationships are assessed to have a finite useful life of 5 years.

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.

R&D

The Group currently has one main strategic R&D initiative; Webstep Internet of Things (IoT). The target of the Webstep IoT project is to position Webstep in the Nordic IoT software space, leveraging the high-end software competence of the Company.

Research and development cost associated with this project is recognised as an asset. The estimated net present value of the project is calculated based on a DCF model and is exceeding the capitalised amount. The project is approved by the Research Council of Norway (Forskningsrådet) to qualify for SkatteFUNN (government R&D tax incentive scheme).

The criteria for recognising the initiative as an asset is in accordance with the criteria in IAS 38.57.

Goodwill

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.

Financial assets – current vs non-current

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 depreciations.

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 is linear over the expected service lives of the assets based on the following assessments of the expected service life 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.

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 EIR method, 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 deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

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.

Employee share purchase or bonus program
Webstep ASA introduced a share purchase programme for employees of the Group as a part of the Initial Public Offering in 2017, granting the employees additional shares free of charge after a vesting period of two years under certain criterias. The program is classified as equity-settled transaction. 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.

Leasing
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

The Group has not recognised any leasing contracts as financial since criteria for transferring risk is assessed as not met. Current, operational leasing contracts are not significant in volume or amount.

Cash flow statement
The cash flow statement shows the Company'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 Company'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.

Impairment of non-financial assets (goodwill)
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 budget 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 GGUs 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 oversees the management of these risks. A description of the different risks is given below.

Market risk

The Group has a good order backlog and sales prospect, with consultants that are sought after in the market. In this regard, the Group will remain relatively stable in the event of a market downturn.

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

Market risk – Interest-rate-risk

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

Market risk – currency risk

The Group is to a low degree exposed to currency risk. The domestic customers in each market segment are invoiced in either NOK or SEK and corresponding expenses are in the same currency. Invoicing or expenses in other currency than the market segment, domestic currency, is insignificant. The Group statements are influenced by the translation of the Swedish segment into NOK for reporting purposes – see principles for applying foreign currency in the Group statements.

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 consultants also reduces risk of significant changes in the salary expenses.

Credit risk

The risk that counterparties will not fulfil their obligations is considered to be low. The Group engage with large and regular customers and has had low historical losses on receivables. The gross credit risk was NOK 126 million (2016: NOK 83 millon) on the balance sheet date. The Group has not entered into derivative financial instrument to hedge credit risk exposures. Liquidity and credit risk management is performed on a monthly basis and is evaluated in ordinary Board Meetings which occur approximately every second month.

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.

Liquidity risk

Liquidity risk is that the Group will not be able to meet its financial obligations as the fall due. The Groups approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilites when due, under both normal and stresed conditions, wtihout incurring uacceptable losses or risking damage to the Groups reputation. Executive management have evaluated that the Group has good liquidity. Maturity of trade receivables have been reduced as a consequence of a process improvement in 2014. This has enhanced the liquidity of the Group.

2017			Contractual maturity		
NOK 1 000	Carrying amount	**Total**	< 1 year	1 – 5 years	> 5 years
Debt to credit institutions	24 287	**24 287**	24 287	-	-
Estimated interest	385	**385**	385	-	-
Trade and other payables	16 659	**16 659**	16 659	-	-
Social Taxes and VAT	49 255	**49 255**	49 255	-	-
Other short-term debt	71 404	**71 404**	71 404	-	-
Total 31 December 2017	161 990	**161 990**	161 990	-	-

2016	Carrying amount	**Total**	Contractual maturity		
NOK 1 000			< 1 year	1 – 5 years	> 5 years
Debt to credit institutions	221 233	**192 500**	31 250	161 250	-
Estimated interest	24 857	**24 857**	8 501	16 356	-
Trade and other payables	10 615	**10 615**	10 615	-	-
Social Taxes and VAT	48 895	**48 895**	48 895	-	-
Other short-term debt	60 833	**60 833**	60 833	-	-
Total 31 December 2016	280 743	**252 010**	90 760	161 250	-

Categories of financial instruments	**2017**		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Trade receivables	**125 545**	**125 545**	82 610	82 610
Other receivables	**3 585**	**3 585**	4 139	4 139
Cash and short-term deposits	**6 580**	**6 580**	80 311	80 311
Financial assets measured at amortised cost	**135 710**	**135 710**	167 060	167 060
Debt to credit instutions	**24 287**	**24 287**	221 233	221 233
Trade payables	**16 659**	**16 659**	10 615	10 615
Other payables	**49 255**	**49 255**	48 895	48 895
Other short-term debt	**71 404**	**71 404**	60 833	60 833
Financial liabilities measured at amortised cost	**161 605**	**161 605**	341 577	341 577

The methods and assumptions used to estimate the fair value of debt instruments are described in note 1.

NOTE 05: 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.

NOK 1 000	Norway	Sweden	Total	PL
2017				
Total revenue (IT-related consulting services)	495.2	101.3	596.5	596.5
Sum COGS, salaries and other operating cost	443.8	95.6	539.4	539.4
EBITDA	51.4	5.7	57.1	57.1
EBITDA margin (% of total revenue)	10.4%	5.6%	9.6%	9.6%
Sum COGS, salaries and other operating cost excl. non-recurring items	429.8	95.6	525.4	
EBITDA excl. non-recurring items	65.4	5.7	71.1	
EBITDA margin excl. non-recurring items (% of total revenue)	13.2%	5.6%	11.9%	

NOK 1 000	Norway	Sweden	Total	PL
2016				
Total revenue (IT-related consulting services)	478.5	84.0	562.5	562.5
Sum COGS, salaries and other operating cost	411.0	78.8	489.8	489.8
EBITDA	67.5	5.3	72.8	72.7
EBITDA margin (% of total revenue)	14.1%	6.3%	12.9%	12.9%

Non-recurring items are defined as items that are infrequent or unsual 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.

Non-recurring items of NOK 14 million have been recorded in the fourth quarter of 2017, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program. See note 21 for details.

No non-recurring items were recorded in 2016.

NOTE 06: AUDIT FEES, SALARIES AND REMUNERATION

Audit fees*

NOK 1 000	**2017**	2016
Statutory audit fees	**739**	831
Audit-related assistance	**103**	173
Non-audit related assistance	**118**	140
Other included recognised on equity	**708**	266
Total fee	**1 669**	1 410

** VAT is not included*

Salaries and personnel expenses

NOK 1 000	**2017**	2016
Salaries	**357 654**	333 306
Social security costs	**58 221**	44 712
Pensions	**15 970**	14 204
Other benefits and refunds	**16 549**	25 675
Total salaries and personnel expenses	**448 395**	417 897
Number of full time equivalents	**393**	394

Employee share program
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 are subject to a two year lock-in period. Additionally, purchased shares through the programme qualify 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 is 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 purchased shares and participate in the programme. The total number of shares sold through the share programme was 428 441. The potential dilution (Matching Shares) through the program accounts for approximately 107 000 shares, which is valued NOK 2.8 million at balance date. Management invested through the employee share program and are entitled to 2 488 shares, given fulfilment of the conditions for Matching Shares. The allocated cost for the employee share program ("Matching shares") in 2017 accounts for NOK 237 thousand.

Remuneration to key employees

	2017			2016		
NOK 1 000	**Compen-sation**	**Pension**	**Other***	Compen-sation	Pension	Other*
CEO – Kjetil Bakke Eriksen	**3 031**	**49**	**22**	2 531	47	16
CFO – Anders Håvik Løken	**2 518**	**46**	**19**	1 501	43	16
Chair of the board – Klaus-Anders Nysteen	**106**	**-**	**-**	-	-	-
Board member – Bjørn Ivar Danielsen	**211**	**-**	**-**	-	-	200
Board member – Terje Bakken	**68**	**-**	**-**	-	-	-
Board member – Siw Ødegaard	**70**	**-**	**-**	-	-	-
Board member – Toril Nag	**62**	**-**	**-**	-	-	-
Former board member – Rolf Helle employed	**1 708**	**53**	**13**	1 663	50	16
Total remuneration	**7 774**	**148**	**54**	5 695	140	248

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

Determination of remuneration to employees
Remuneration to key employees is based on a bonus scheme and key targets. The management was entitled to a bonus upon successful IPO. The amount is included in the figures above.

Main principles for the determination of remuneration for the executive management of Webstep ASA
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 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. Salaries and other remuneration payable by the Company to its management executives will be aligned with the above policies for the calendar year 2018.

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. None of the members of the executive management currently have bonus or any performance-based salary as part of their total remuneration package.

In connection with the listing of the Company's shares on the Oslo Stock Exchange in 2017, the Company implemented a share program for employees which was approved by the Company's general meeting on 14 September 2017. 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. Other than this, 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. However, the board of directors will during the course of 2018 consider whether to implement a share purchase program for the Group's employees.

The executive management participates in the Company's defined contribution pension scheme in accordance with mandatory law and are entitled to free service telephone and private broadband, in addition company health services, as benefits in kind. The Company has not entered into any severance pay agreements with the executive management.

The other companies in the Group shall follow the main principles for remuneration of executives as is applicable for Webstep ASA.

The Company did not enter into new employment agreements with the executive management or amend their existing employment agreements during 2017 in a way that could have a material impact on the Company or its shareholders.

As the Company was converted to a public limited liability company in the second half of 2017, the Company has not previously prepared any declaration regarding the determination of salary and other remuneration for the executive management. However, the Company's remuneration of the executive management in 2017 complied with the guidelines stated above, provided that a one-time transaction bonus was paid to the Company's executive management in connection with the listing of the Company's shares in 2017.

The salary and other remuneration paid to the Company's executive management in 2017 are set out above. It is noted that only the Company's CEO and CFO are presently part of the Company's executive management.

In 2017, the Company did not pay any remuneration beyond what follows from the existing employment agreements with the executive management other than as stated above.

NOTE 07: PENSION COSTS

The Group has an occupational pension scheeme in accordance with the Act on Required Occupational Pensions. Webstep ASA has defined contribution plans for all of its employees, governed by the employment laws. The pension premium charge is NOK 15 970 000 (2016: NOK 14 204 000).

NOTE 08: FINANCIAL ITEMS

Finance income

NOK 1 000	**2017**	2016
Interest income	**3 493**	1 695
Other finance income (including foreign exchange effects)	**205**	21
Total finance income	**3 698**	1 716

Interest income primarily comprise interest received on bank deposits.

Finance expense

NOK 1 000	**2017**	2016
Interest expense	**(10 785)**	(8 394)
Other finance expense (including foreign exchange effects)	**(1 478)**	(925)
Total finance expense	**(12 263)**	(9 319)

Interest expense primarily comprise interest paid on bank loans. Amortized borrowing cost of NOK 1.4 million on terminated long-term borrowings is recognised as a financial expense in 2017.

NOTE 09: TAXES

Consolidated statement of profit or loss

NOK 1 000	**2017**	2016
Current income tax charge – Norway	**6 409**	14 888
Deferred tax relating to operating activities – Norway	**1 996**	(438)
Current income tax charge – Sweden	**88**	801
Deferred tax relating to operating activities – Sweden	**(1 980)**	(1 880)
Currency exchange effect and other	**-**	662
Income tax expense reported in the statement of profit or loss	**6 513**	14 033

Reconciliation of tax expense and the accounting profit multiplied by the Group's domestic tax rate for 2017 and 2016:

Reconciliation of tax base:

NOK 1 000	**2017**	2016
Norway:		
Accounting profit before tax	**41 357**	57 093
Permanent differences	**(14 329)**	723
Contribution to Group	**-**	-
Utilized tax loss carried forward	**-**	-
Change in temporary differences	**(324)**	1 737
Tax base for group contributions	**26 703**	59 553
Received Group contribution including tax	**-**	-
Tax base for the year	**26 703**	59 553
Tax payable (24%/25%)	**6 409**	14 888
Sweden:		
Accounting profit before tax	**(993)**	(2 540)
Permanent differences	**1 069**	(2 366)
Change in temporary differences	**8 998**	8 547
Tax base for the year	**9 075**	3 641
Tax payable (22%)	**1 996**	801
Prepaid tax Sweden	**(1 112)**	-
Total of tax payable reported in balance sheet	**7 293**	15 689

Deferred tax

NOK 1 000	**2017**	2016
Norway:		
Fixed assets	**639**	963
Receivables	**365**	365
Other financial assets	**-**	-
Customer relationships	**-**	-
Total	**1 004**	1 328
Net deferred tax asset/(liability) (23%/24%)	**232**	320
Sweden:		
Customer relationships	**-**	(6 025)
Other	**(7 345)**	(10 318)
Total	**(7 345)**	(16 343)
Net deferred tax asset/(liability) (22%)	**(1 616)**	(3 595)
Reflected in the statement of financial position as follows:		
Deferred tax assets	**232**	320
Deferred tax liabilities	**(1 616)**	(3 596)
Deferred tax liabilities, net	**(1 384)**	(3 276)
Effective tax rate		
Expected income tax	**9 707**	13 714
Permanent differences	**(3 204)**	(340)
Effect of change in tax rate and other	**10**	658
Income tax expense*	**6 513**	14 033
* Income tax expense in relation to income before tax	**16.1%**	25.7%

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 2017 is NOK 407 thousand. NOK 156 thousand were recorded i 2016.

NOTE 10: INTANGIBLE ASSETS AND GOODWILL

NOK 1 000	Goodwill Norway	Goodwill Sweden	Customer relationships Norway	Customer relationships Sweden	R&D	**Total**
Cost						
At 1 January 2016	313 575	71 988	43 000	33 556	-	**462 119**
Additions	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
Exchange adjustment	-	(6 618)	-	(1 242)	-	**(7 860)**
At 31 December 2016	313 575	65 370	43 000	32 314	-	**454 259**
Reclassification*	-	-	-	-	1 250	**1 250**
Additions	-	-	-	-	3 561	**3 561**
Disposals	-	-	-	-	-	**-**
Exchange adjustment	-	3 326	-	123	-	**3 449**
At 31 December 2017	313 575	68 696	43 000	32 437	4 811	**462 519**

**Classified as non-current financial asset in 2016. Reclassified in 2017.*

	Goodwill Norway	Goodwill Sweden	Customer relationships Norway	Customer relationships Sweden	R&D	Total
Depreciation and impairment						
At 1 January 2016	-	-	(40 850)	(19 497)	-	**(60 347)**
Impairment			-	-	-	**-**
Depreciation charge for the year	-	-	(2 150)	(6 792)	-	**(8 942)**
At 31 December 2016	-	-	(43 000)	(26 289)	-	**(69 289)**
Impairment			-	-	-	**-**
Depreciation charge for the year	-	-		(6 148)	-	**(8 942)**
At 31 December 2017	-	-	(43 000)	(32 437)	-	**(75 437)**
Net book value						
At 31 December 2016	313 575	65 370	-	6 025	-	**384 970**
At 31 December 2017	313 575	68 696	-	-	4 811	**387 082**
Useful life			5 year	5 year		
Depreciation method			Straight line	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.
R&D comprises investments in the strategic initiative Webstep Internet of Things (IoT), where a total of NOK 4.8 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.

Impairment testing
Goodwill acquired through business combinations has been allocated to two individual cash–generating units, which are also reportable segments, for impairment testing, as follows:

Cash generating unit:

NOK 1 000	**2017**	2016
Norway	**313 575**	313 575
Sweden	**68 696**	65 370
Total	**382 271**	378 945

An annual impairment test is conducted for each cash generating unit, by evaluating the present value of future cash flows, based on cash flow projections ten years ahead. The recoverable amounts for Webstep AS and Webstep AB are NOK 953 million and NOK 216 million respectively.

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

A discount rate of 8 per cent after tax is used for both CGU's (Norway and Sweden). The forecast takes into account both historical results, expected future growth rates, and market conditions. For Webstep AS, the underlying model assumes a conservative growth rate and EBITDA compared to Norway's annual growth rate and EBITDA in the past two years. The model for Webstep AB is more extensive. Calculations of annual cash flows are made per department, based on periodized employee development, utilization rate, expected trend in hourly rate, sales / management / overhead changes, wage growth and cost growth. The budget period is one year.

At current, there are no indications that impairment is required.

NOTE 11: FIXED ASSETS

Cost

NOK 1 000	Equipment, fixtures and furniture
At 1 January 2016	9 510
Additions	1 703
Disposals	(37)
Exchange adjustment	-
Cost at 31 December 2016	11 176
Additions	4 500
Disposals	-
Exchange adjustment	-
Cost at 31 December 2017	15 676
Depreciation and impairment	
At 1 January 2016	(6 851)
Disposals	-
Impairment	-
Depreciation charge for the year	(1 621)
Exchange adjustment	-
Other	34
At 31 December 2016	(8 438)
Disposals	-
Impairment	-
Depreciation charge for the year	(2 009)
Exchange adjustment	-
Other	-
At 31 December 2017	(10 447)
Net book value	
At 31 December 2016	2 738
At 31 December 2017	5 228
Useful life	3 – 5 year
Depreciation method	Straight line

NOTE 12: FINANCIAL ASSETS – NON-CURRENT VS CURRENT

In 2017 the remaining amortised borrowing cost on long-term debt was recognised as a financial cost due to refinancing of the Group. The R&D initiative Internet of Things (IoT) was reclassified to an intangible asset in 2017.

Financial assets

NOK 1 000	**2017**	2016
Project: Internet of Things (IoT)	**1 250**	1 250
Reclassification of project *	**(1 250)**	-
Amortised borrowing cost	**-**	1 444
Total	**-**	2 694

** Reference to note 10*

NOTE 13: TRADE AND OTHER RECEIVABLES

Trade and other receivables

NOK 1 000	**2017**	2016
Trade receivables – net of related parties	**125 910**	82 975
Provision for bad debt	**(365)**	(365)
Trade Receivables net of provision	**125 545**	82 610
Prepayments and other receivables	**3 585**	4 139
Receivables related to related parties	**-**	-
Payables to Related Parties	**-**	-
Total trade receivables	**129 130**	86 750
Of which long-term receivables to related parties	**-**	-
Short-term Receivables	**129 130**	86 750

Specification of receivables

NOK 1 000	**2017**	2016
Trade receivables	**125 442**	82 243
Accrued income	**103**	367
Other receivables	**-**	-
Trade and other receivables	**125 545**	82 610
Prepaid costs	**1 979**	2 818
Prepaid public duty debt	**1 510**	1 048
Prepaid rent	**96**	273
Prepayments	**3 585**	4 139
Total	**129 130**	86 749

Due dates & Fair value of trade and other receivables

NOK 1 000	**2017**	2016
Due within one year*)	**129 130**	86 749
After one year **)	**-**	-
Fair Value	**129 130**	86 749

**) 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 365 thousand both in 2017 and 2016.

NOK 1 000	**Total**	Not due	Less than 30 days	30-60 days	60-90 days and above
2017	**125 910**	61 717	58 156	3 136	2 901
2016	**82 975**	53 698	24 494	2 384	2 399

Trade receivables at year end were NOK 125.9 million (NOK 83.0 million). The increase from the same balance date in 2016 is primarily a consequence of 31 December 2017 falling on a Sunday, and concurrently being the due date for a significant part of the receivables. Such payments are normally registered as cash received after the weekend. Consequently, trade receivables dropped significantly in the first days of January. Approximately NOK 45 million were paid by 3 January 2018, leaving trade receivables at approximately NOK 80 million after this date.

NOTE 14: CASH AND SHORT-TERM DEPOSITS

Cash and Cash Equivalents

NOK 1 000	**2017**	2016
Cash in bank	**6 580**	80 311
Cash equivalents	**-**	-
Total Cash and Cash Equivalents	**6 580**	80 311
Utilised bank overdraft	**24 287**	59 983
Net Cash and Cash Equivalents/Bank overdraft	**(17 707)**	20 328
Of which restricted Cash:		
Guarantees for leases and credits from suppliers	**-**	-
Taxes withheld	**628**	882
Other restricted cash	**-**	-
Total Restricted Cash	**628**	882

A NOK 110 million Revolving Credit Facility ("RCF") and new bank agreements were entered into with SpareBank 1 SR-Bank ASA by the Company as a part of the IPO process.

The new bank agreements include a cash pooling account system in the Norwegian operation, which implies a change in how the Group reports cash, short term deposits and utilised overdraft facilities. Cash and short-term deposits and overdraft facilities are now being reported as a net figure, while it has previously been reported as separate gross figures on the balance sheet. The RCF may be utilised by each member of the Group having acceded to the cash pooling account system. For details on the Group's cash reporting and cash pooling system, see note 16.

NOTE 15: SHARE CAPITAL, CAPITAL MANAGEMENT AND LARGEST SHAREHOLDERS

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

In 1 000	**2017**	2016
Authorised:		
Ordinary shares of NOK 1 each	**26 967**	21 256
Ordinary shares Issued and fully paid:		
At 1 January	**21 256**	20 125
Issued	**5 711**	1 130
At 31 December	**26 967**	21 256
Treasury shares:		
At 1 January	**(610)**	(604)
Purchase of treasury shares	**-**	(6)
At 31 December	**(610)**	(610)

Foreign currency translation reserve

NOK 1 000	**2017**
At 1 January 2016	**15 285**
Foreign currency translation	**(6 438)**
At 31 December 2016	**8 847**
Foreign currency translation	**3 544**
At 31 December 2017	**12 391**

Capital management
The Group is financed by equity with a credit facilty to finance fluctuations in net working capital.

The primary objectives of the Group's capital management policy are to 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 and to maximise shareholder value.

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 amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

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

20 largest shareholders

	Number of shares	Ownership	Voting rights
Global Digital Holding AS	3 844 255	14.26%	14.59%
Virtus Kar International Small-cap	2 760 800	10.24%	10.47%
Verdipapirfondet Alfred Berg Gamba	1 532 037	5.68%	5.81%
Jpmorgan Chase Bank, n.a., London	1 142 000	4.23%	4.33%
Colina Invest as	839 080	3.11%	3.18%
Park Lane Family Office AS	800 000	2.97%	3.04%
Vpf Nordea Norge Verdi	685 000	2.54%	2.60%
Nordea Nordic Small Cap Fund	671 311	2.49%	2.55%
Webstep ASA (treasury shares)	610 301	2.26%	0.00%
Goldman Sachs International	595 494	2.21%	2.26%
Xerxes as	540 000	2.00%	2.05%
Svenska Handelsbanken AB	489 160	1.81%	1.86%
Citibank, n.a.	438 491	1.63%	1.66%
Sole Active as	401 046	1.49%	1.52%
SEB Prime Solutions Carn Long Shor	400 000	1.48%	1.52%
Dnb Nor Bank Asa	395 000	1.46%	1.50%
NWT Media AS	390 000	1.45%	1.48%
Illari AS	387 268	1.44%	1.47%
Borea Global Equities Spesialfond	352 264	1.31%	1.34%
Danske Invest Norge Vekst	342 000	1.27%	1.30%
Total 20 largest shareholders	17 615 507	65.33%	64.52%
Other shareholders	9 351 510	34.67%	35.48%
Total shares	**26 967 017**	**100.00%**	**100.00%**
Shareholding by board and executive management			
Nysteen Invest AS (Klaus-Anders Nysteen)	20 408	0.08%	0.08%
Colina Invest AS (Kjetil Bakke Eriksen)	839 080	3.11%	3.18%
Canacas AS (Anders Håvik Løken)	116 756	0.43%	0.44%

** Webstep ASA holds 610 301 treasury shares. These shares have no voting rights nor dividend rights.*

NOTE 16: INTEREST-BEARING LOANS AND BORROWINGS

Net proceeds of NOK 123 million from new equity was used to partly repay the former long-term loan (balance of NOK 170 million at 30 September 2017). The remainder of the loan was converted to the a new credit facility, which is detailed below. The former NOK 40 million overdraft facility was replaced by the new credit facility.

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. The RCF became effective on 11 October 2017 upon (i) completion of the offering with minimum gross proceeds from the offer of the New Shares of NOK 100 million, (ii) repayment and cancellation of the former Senior Facility Arrangement and (iii) cancellation of the former Overdraft Facility of NOK 40 million. The RCF may be utilised by each member of the Group having acceded to the cash pooling account system related to the RCF.

The term of the RCF is two years, after which it is subject to renewal. The total payable interest rate is based on 3 months NIBOR in addition to an agreed margin of 2.85 per 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 have 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.

Cash and debt reporting
With the refinancing of the debt structure, new bank agreements were entered into. The new agreements include a cash pooling account system in the Norwegian operation, which implies a change in how the Group reports cash, short term deposits and bank overdraft. While these figures have previously been reported separately under assets and debt respectively, the same figures are now reported as one net figure, either asset or debt, depending on the net figure, to reflect the actual interest-bearing figure at balance date.

The cash and overdraft figures reported as of 31 December 2016 have therefore been restated in the tables below, in order to ease comparison between the 2017 and 2016.

NOK 1 000	**2017**	2016	Restated 2016
Non-current borrowings			
Debt to credit institutions	-	161 250	161 250
Current borrowings			
Debt to credit institutions	**24 287**	59 983	31 250
Total borrowings	**24 287**	221 233	192 500
Booked value of assets pledged as security			
Shares	**432 119**	435 010	435 010
Fixed assets	**5 228**	2 738	2 738
Receivables	**125 545**	82 547	82 547
Cash	**6 580**	80 311	51 578
Total	**569 472**	600 606	571 873

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

NOK 1 000	**2017**	2016	Restated 2016
Trade payables	**16 659**	10 615	10 615
Other payables	**49 255**	48 895	48 895
Other short-term debt	**71 404**	60 833	60 833
Total financial liabilities	**161 605**	341 577	312 844
Total current	**161 605**	180 327	151 594
Total non-current	-	161 250	161 250

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 every year and 3) accrued bonus from terminated recruitment incentive program, for payment in 2018.

Changes in liabilities arising from financing activities

Year ended 2016

NOK 1 000	1 Jan 2016	Cash flows	Other	31 Dec 2016
Debt to credit institutions non-current	21 000	140 250	-	161 250
Debt to credit institutions current	62 616	(2 633)	-	59 983
Total liabilities from financing activities	83 616	137 616	-	221 232

Year ended 2017

NOK 1 000	1 Jan 2017	Cash flows	Other	31 Dec 2017
Debt to credit institutions non-current	161 250	(161 250)	-	-
Debt to credit institutions current	59 983	(35 696)	-	24 287
Total liabilities from financing activities	221 232	(196 946)	-	24 287

NOTE 17: TRADE AND OTHER PAYABLES

NOK 1 000	**2017**	2016
Trade and other payables	**16 659**	10 615
Social Taxes and VAT	**49 255**	48 895
Accrued vacation pay	**32 589**	31 512
Accrued expenses	**36 118**	29 180
Other current payables	**2 697**	142
Total Trade and other payables	**137 318**	120 344

NOTE 18: OTHER SHORT-TERM DEBT

NOK 1 000	**2017**	2016
Salaries payable, holiday pay, bonus etc.	**66 976**	59 016
Other accrued expenses	**1 756**	1 700
Received prepayments of revenues	**2 672**	117
Other	**-**	-
Total other short-term debt	**71 404**	60 833

Payable to sub-contractors and fees has been reclassified to accounts payable.

NOTE 19: RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include:

		% equity interest	
Name	Country of in-corporation	**2017**	2016
Webstep AS	Norway	**100%**	100%
Webstep AB	Sweden	**100%**	100%

Webstep ASA is the ultimate parent of the Group, and wholly owns Webstep AS and Webstep AB. Balances and transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation and are not disclosed in this Note. The Group does not have any material transactions with related parties, except for re-muneration to management (note 6).

NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

Since 31 December 2017 and until the date of these financial statements, the board of directors is not aware of any matter or circumstance not otherwise dealt with in this report that has significantly or may significantly affect the operations of the consolidated entity.

NOTE 21: IPO RELATED EXPENSES AND OTHER NON-RECURRING ITEMS

Non-recurring items of NOK 14 million have been recorded in the fourth quarter of 2017, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program.

NOK 1 000	Total
Cost of services rendered	2 815
Salary and personnel costs	10 690
Other operating expenses	443
Sum	13 948

In addition an amount of NOK 14 million has been recognised in equity, which is directly related to the capital increase in 2017.

NOK 1 000	Share capital	Share premium	**Total**
Share issuance cost			
Payment gross on share issuance	5 711	131 893	**137 604**
Issuance cost recognised in equity		(14 416)	**(14 416)**
Net paid on share issuance	5 711	117 477	**123 188**

NOTE 22: EARNINGS PER SHARE

2017 had dilutive effects on the number of shares due to the Initial Public Offering (IPO). A total of 5 711 285 new shares were issued, following the IPO.

In connection with the IPO, the Company implemented a share program for the Group's employees. The potential dilution through this program accounts for approximately 107 000 shares. See note 6 for further detail on the share program.

The Company had at 31 December 2017 one share class and a total of 26 356 714 outstanding shares (excl. treasury shares).

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

Amounts in 1 000	**2017**	2016
Profit for the year	**33 851**	40 519
Average number of shares outstanding	**21 879**	20 023
Average number of shares and options outstanding	**21 906**	20 023
Basic earnings per share (NOK/Share)	**1.55**	2.02
Diluted earnings per share	**1.55**	2.02
Average number of shares outstanding	**21 879**	20 023
Dilutional effects	**27**	-
Warrants	**-**	-
Average number of shares outstanding adjusted for dilutional effects	**21 906**	20 023

NOTE 23: RENT AND LEASE AGREEMENTS

The Group has no finance leases.

Leasing costs expensed in other operating expenses in 2017 was NOK 6.1 million (2016: NOK 5.9 million), primarily related to office rent.

Annual minimum rent on non-cancellable operating lease agreements per 31 December is as follows:

Office rent

NOK 1 000	**Nominal values 31 Dec 2017**	Nominal values 31 Dec 2016
Within one year	**3 865**	3 864
Between 1 and 5 years	**5 595**	9 173
Later than 5 years	**-**	-
Total	**9 460**	13 037

NOTE 24: CONTINGENCIES AND LEGAL CLAIMS

The Group has not been involved in any legal or financial disputes in 2017, where an adverse outcome is considered more likely than remote.

NOTE 25: 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.

EBITDA excl. non-recurring costs is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation excluding impact of non-recurring items as specified when such costs occur.

EBITDA per employee is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation divided by the average number of employees.

EBITDA per employee excl. non-recurring costs is Earnings before Interest and other financial items, Taxes, Depreciation and Amortisation excluding impact of non-recurring items as specified when such costs occur.

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

NOK 1 000	**2017**	2016
Operating profit (loss)	**48 929**	62 156
Depreciation and impairment	**8 156**	10 563
EBITDA	**57 086**	72 719
Non-recurring costs	**13 948**	-
EBITDA excl. non-recurring cost	**71 034**	72 719

Non-recurring items of NOK 14 million have been recorded in the fourth quarter of 2017, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program.

FINANCIAL STATEMENTS – PARENT COMPANY

STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	*Note*	**2017**	2016
Sales Revenues	*5*	**150**	250
Total revenues		**150**	250
Salaries and personnel expenses	*3, 4*	**(11 295)**	(7 062)
Depreciation and impairment	*6*	**(14)**	(7)
Other operating expenses	*3*	**(4 302)**	(2 849)
Total operating expenses		**(15 612)**	(9 918)
Operating profit (loss)		**(15 462)**	(9 668)
Finance income and expense			
Finance income from group companies		**46 949**	77 242
Interest income from group companies		**-**	1 000
Other interest income		**491**	-
Other finance income		**190**	135
Interest expense from group companies		**(304)**	(3 235)
Other interest expenses		**(10 172)**	(8 040)
Net financial items		**37 154**	67 102
Profit before tax		**21 692**	57 435
Income tax expense	*11*	**(1 751)**	(15 004)
Profit for the year		**19 942**	42 431
Total comprehensive income for the year		**19 942**	42 431
Attributable to:			
Dividends		**(39 535)**	-
Change in retained earnings		**19 593**	(42 431)
Total		**(19 942)**	(42 431)

STATEMENT OF FINANCIAL POSITION

NOK 1 000	*Note*	**2017**	2016
Non-current assets			
Property, plant and equipment	*6*	**44**	15
Investments in subsidaries	*7, 10*	**432 119**	435 010
Loans to group companies	*8*	**228**	11 182
Other non-current receivables		**-**	1 444
Total non-current assets		**432 391**	447 650
Current assets			
Trade receivables		**150**	250
Other receivables	*8*	**69 791**	80 206
Cash and short-term deposits	*2, 10*	**628**	504
Total current assets		**70 569**	80 960
Total assets		**502 961**	528 610

NOK 1 000	*Note*	**2017**	2016
Equity			
Share capital	*12*	**26 967**	21 256
Treasury shares		**(610)**	(610)
Share premium		**149 827**	32 109
Retained earnings		**156 611**	176 204
Total equity		**332 794**	228 958
Non-current liabilities			
Deferred tax	*11*	**1**	1
Debt to credit institutions	*10*	**-**	161 250
Total non-current liabilities		**-**	161 250
Current liabilities			
Debt to credit institutions	*10*	**108 534**	59 983
Trade and other payables	*8*	**1 878**	56
Tax payable	*11*	**6 409**	14 888
Social Taxes and VAT	*2*	**856**	4
Dividend		**39 535**	-
Other short-term debt	*9*	**1 195**	1 942
Current debt to group companies	*8*	**11 759**	61 528
Total current liabilities		**170 166**	138 401
Total liabilities		**170 167**	299 652
Total equity and liabilities		**502 961**	528 610

Oslo, 21 March 2018
The board of directors and CEO
Webstep ASA

Klaus-Anders Nysteen	Siw Ødegaard	Terje Bakken	Toril Nag	Bjørn Ivar Danielsen	Kjetil Bakke Eriksen
Chair of the board	*Board member*	*Board member*	*Board member*	*Board member*	*CEO*

STATEMENT OF CASH FLOWS

NOK 1 000	**2017**	2016
Operating activities		
Profit/ (loss) before tax	**21 692**	57 435
Adjustments for:		
Income tax expense	**(14 888)**	(9 819)
Depreciation of property, plant and equipment	**14**	7
Net change in trade receivables	**23**	250
Net change in other receivables	**(897)**	1 363
Net change in trade creditors	**314**	(888)
Net change in social taxes and VAT	**328**	(555)
Net change in other liabilities	**(747)**	(24)
Net change in intercompany balances	**1 508**	-
Net cash flow from operating activities	**7 347**	47 769
Investing activities		
Purchase of property and equipment	**(44)**	-
Investment in subsidiary	**(11 860)**	(4 552)
Repayment on shares	**19 409**	2 471
Net cash flow from financing activities	**7 505**	(2 081)
Financing activities		
Proceeds from borrowings	**-**	200 000
Repayment of borrowings	**(192 500)**	(62 384)
Change in bank overdraft	**79 772**	-
Change in intercompany balances	**(25 460)**	(35 467)
Net proceeds from equity	**123 429**	22 208
Purchase of treasury shares	**-**	(130)
Payment of dividends	**-**	(170 000)
Net cash flow from financing activities	**(14 759)**	(45 774)
Net increase/(decrease) in cash and cash equivalents	**124**	(86)
Cash and cash equivalents at 1 January	**504**	590
Cash and cash equivalents at 31 December	**628**	504

STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of Webstep ASA					Non-controlling interests	
NOK 1 000	Issued capital	Treasury shares	Share premium	Retained earnings	**Total**	**Total**	**Total equity**
At 31 December 2016	21 255	(610)	32 109	176 204	**228 958**	**-**	**228 958**
At 1 January 2017	21 255	(610)	32 109	176 204	**228 958**	**-**	**228 958**
Profit for the period	-	-	-	19 942	**19 942**	**-**	**19 942**
Other comprehensive income/(loss)	-	-	-	-	**-**	**-**	**-**
Total comprehensive income for the period	-	-	-	19 942	**19 942**	**-**	**19 942**
Shares issued	5 711	-	117 481	-	**123 193**	**-**	**123 193**
Share incentive program	-	-	237	-	**237**	**-**	**237**
Dividends provided for	-	-	-	(39 535)	**(39 535)**	**-**	**-39 535**
At 31 December 2017	26 966	(610)	149 827	156 611	**332 794**	**-**	**332 794**

NOTES TO THE FINANCIAL STATEMENTS – PARENT COMPANY

NOTE 01: ACCOUNTING PRINCIPLES

Webstep ASA, the Parent Company of the Webstep Group (the Group) is a public limited company incorporated and domiciled in Norway, with its head office in Lilleakerveien 8, 0283 Oslo, Norway.

The annual report for the 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

Revenues from services are recognised at execution.

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 life time 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.

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 time. 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 23 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 includes 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.

NOTE 02: BANK DEPOSITS

Webstep ASA has restricted cash of NOK 628 000 to cover taxes withheld.

NOTE 03: SALARIES, REMUNERATION AND AUDIT FEES

Salaries and personell expenses

NOK 1 000	**2017**	2016
Salaries	**8 411**	5 927
Social security cost	**1 161**	862
Pensions	**158**	149
Other benefits and refunds	**1 566**	124
Total salaries and personal expenses	**11 295**	7 062

The company had three full time employees (FTE) in 2017.

Remuneration to key employees

NOK 1 000	Compensation	Pension	Other
CEO – Kjetil Bakke Eriksen	3 031	49	22
CFO – Anders Håvik Løken	2 518	46	19
Chair of the board – Klaus-Anders Nysteen	106	-	-
Board member – Bjørn Ivar Danielsen	211	-	-
Board member – Terje Bakken	68	-	-
Board member – Siw Ødegaard	70	-	-
Board member – Toril Nag	62	-	-
Former board member – Rolf Helle employed	1 708	53	13

Employee share program
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 are subject to a two year lock-in period. Additionally, purchased shares through the programme qualify 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 is 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.

The potential dilution ("Matching shares") through the program accounts for approximately 107 000 shares, which is valued NOK 2.8 million at balance date, whereas the main part of the cost will be for the subsidiaries. Management invested through the employee share program and are entitled to 2,488 shares, given fulfilment of the conditions for Matching shares. In 2017 NOK 9 thousand is recognised as cost. Remaining, estimated cost for 2018 and 2019 is at 31 December 2017 NOK 89 thousand.

Main principles for the determination of remuneration for the executive management of Webstep ASA
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 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. Salaries and other remuneration payable by the Company to its management executives will be aligned with the above policies for the calendar year 2018.

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. None of the members of the executive management currently have bonus or any performance-based salary as part of their total remuneration package.

In connection with the listing of the Company's shares on the Oslo Stock Exchange in 2017, the Company implemented a share program for employees which was approved by the Company's general meeting on 14 September 2017. 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. Other than this, 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. However, the board of directors will during the course of 2018 consider whether to implement a share purchase program for the group's employees.

The executive management participates in the Company's defined contribution pension scheme in accordance with mandatory law and are entitled to free service telephone and private broadband, in addition company health services, as benefits in kind. The Company has not entered into any severance pay agreements with the executive management.

The other companies in the group shall follow the main principles for remuneration of executives as is applicable for Webstep ASA.

The Company did not enter into new employment agreements with the executive management or amend their existing employment agreements during 2017 in a way that could have a material impact on the Company or its shareholders.

As the Company was converted to a public limited liability company in the second half of 2017, the Company has not previously prepared any declaration regarding the determination of salary and other remuneration for the executive management. However, the Company's remuneration of the executive management in 2017 complied with the guidelines stated above, provided that a one-time transaction bonus was paid to the Company's executive management in connection with the listing of the Company's shares in 2017.

The salary and other remuneration paid to the Company's executive management in 2017 are set out above. It is noted that only the Company's CEO and CFO are presently part of the Company's executive management.

In 2017, the Company did not pay any remuneration beyond what follows from the existing employment agreements with the executive management other than as stated above.

Audit fees

NOK 1 000	**2017**	2016
Statutory audit fees	**143**	139
Audit-related services	**219**	84
Non-audit related services	**-**	85
Other services recognised on equity	**699**	198
Total fees	**1 061**	507

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 158 thousand in 2017.

NOTE 05: REVENUE BY SEGMENT

NOK 1 000	**2017**	2016
Per business area		
Managerial services	**150**	250
Geographical distribution / Segment distribution		
Norway	**150**	250

NOTE 06: FIXED ASSETS

NOK 1 000	**2017**	2016
Cost 1 January	**24**	24
Additions	**44**	44
Cost at 31 December	**68**	68
Depreciation and impairment 31 December	**(23)**	(23)
Net book value 31 December	**44**	44
Depreciation charge for the year	**14**	14
Useful life	**3 – 5 year**	
Depreciation method	**Straight line**	

NOTE 07: SUBSIDIARIES, ASSOCIATED COMPANIES ETC

NOK 1 000

Company	Acquired	Office	Ownership	Profit and loss 2017	Equity at 31 Dec	Net book value at 31 Dec
Webstep AS	10-05-2011	Oslo	100%	46 949	42 470	359 025
Webstep AB	19-11-2012	Stockholm	100%	(1 010)	4 170	73 094
Total				45 939	46 640	432 119

NOTE 08: INTERCOMPANY RECEIVABLES AND PAYABLES

NOK 1 000	**2017**	2016
Receivables		
Receivable group contribution Webstep AS	**66 358**	79 714
Receivable Webstep AB	**228**	11 182
Total receivables	**66 586**	90 896
Payables		
Trade payables Webstep AS	**1 508**	-
Other payables Webstep AS	**11 759**	61 528
Total payables	**13 267**	61 528

The company has received a group contribution of NOK 66 358 thousand from Webstep AS in 2017. The group contribution is recognised as a receivable at 31 December 2017.
Webstep ASA has not purchased any goods or services from related parties in 2017 of material amount.
Bonus payments related to the initial public offering to key employees in the group has been recognised as a salary expenses in Webstep ASA.
Services for NOK 150 thousand are charged Webstep AB in 2017. Interest cost of NOK 304 thousand is charged on payables to Webstep AS in 2017.

NOTE 09: OTHER CURRENT PAYABLES

NOK 1 000	**2017**	2016
Accrued interest cost	**-**	1 229
Provision salaries and holiday pay	**719**	713
Other accruals	**476**	-
Total	**1 195**	1 942

NOTE 10: PLEDGES AND GUARANTEES

NOK 1 000	**2017**	2016
Non-current debt to credit institutions	**-**	192 500
Revolving credit facility SR-Bank	**108 534**	-

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 at 31 December 2017 was NOK 24.3 million. The Company has no loans with payments due past 5 years.

Booked value of assets pledged as security:

NOK 1 000	**2017**	2016
Shares in Webstep AS	**359 025**	373 776
Shares in Webstep AB	**73 094**	61 234
Fixed assets	**44**	15
Receivables	**66 586**	90 896
Bank deposits	**628**	504
Total pledged assets	**499 378**	526 424

NOTE 11: TAXES

Current year tax base:

NOK 1 000	**2017**	2016
Accounting profit before tax	**21 692**	57 434
Permanent differences	**15**	108
Share issuance cost recognised on equity	**(14 412)**	-
Group contribution recognised as income, taxable	**(46 949)**	(77 242)
Change in temporary differences	**(1)**	(462)
Tax base before group contribution	**(39 656)**	(20 162)
Received group contribution including tax	**66 358**	79 714
Tax base for the year	**26 703**	59 553
Tax payable (24%/25%)	**6 409**	14 888
Tax payable in the balance sheet	**6 409**	14 888
Income tax expenses for the year		
Tax payable	**6 409**	14 888
Tax on group contribution not recognised in the profit and loss statement	**(4 658)**	115
Total income tax expenses for the year	**1 751**	15 004

Temporary differences:

NOK 1 000	**2017**	2016
Fixed assets including goodwill	**3**	4
Net temporary differences at 31.12	**3**	4
Deferred tax assets/deferred tax (23%/24%)	**1**	1
Effective tax rate		
Expected income tax	**5 206**	
Permanent differences (24%)	**(3 455)**	
Effect of change in tax rate and other	**-**	
Income tax expense	**1 751**	
Effective tax rate *	**8%**	

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

NOTE 12: SHARE CAPITAL AND SHAREHOLDERS

20 largest shareholders at 31 December 2017

NOK 1 000	Number of shares	Ownership	Voting rights
Global Digital Holding AS	3 844 255	14.26%	14.59%
Virtus Kar International Small-cap	2 760 800	10.24%	10.47%
Verdipapirfondet Alfred Berg Gamba	1 532 037	5.68%	5.81%
Jpmorgan Chase Bank, n.a., London	1 142 000	4.23%	4.33%
Colina Invest as	839 080	3.11%	3.18%
Park Lane Family Office AS	800 000	2.97%	3.04%
Vpf Nordea Norge Verdi	685 000	2.54%	2.60%
Nordea Nordic Small Cap Fund	671 311	2.49%	2.55%
Webstep ASA (treasury shares)	610 301	2.26%	0.00%
Goldman Sachs International	595 494	2.21%	2.26%
Xerxes as	540 000	2.00%	2.05%
Svenska Handelsbanken AB	489 160	1.81%	1.86%
Citibank, n.a.	438 491	1.63%	1.66%
Sole Active as	401 046	1.49%	1.52%
SEB Prime Solutions Carn Long Shor	400 000	1.48%	1.52%
Dnb Nor Bank Asa	395 000	1.46%	1.50%
NWT Media AS	390 000	1.45%	1.48%
Illari AS	387 268	1.44%	1.47%
Borea Global Equities Spesialfond	352 264	1.31%	1.34%
Danske Invest Norge Vekst	342 000	1.27%	1.30%
Total 20 largest shareholders	17 615 507	65.33%	64.52%
Other shareholders	9 351 510	34.67%	35.48%
Total shares	26 967 017	100.00%	100.00%
Shareholding by board and management			
Nysteen Invest AS (Klaus-Anders Nysteen)	20 408	0.08%	0.08%
Colina Invest AS (Kjetil Bakke Eriksen)	839 080	3.11%	3.18%
Canacas AS (Anders Håvik Løken)	116 756	0.43%	0.44%

Share capital:

NOK 1 000	Number	Face value	Net book value
Ordinary shares	26 967 017	NOK 1	26 967

Webstep holds 610 301 treasury shares, an equivalent of 2.26% of the shares. These shares have no voting rights or dividend rights.

Share issuance 2017
Cost of share issuance

NOK 1 000	Share capital	Share premium	**Total**
Issued and fully paid	5 711	131 893	**137 604**
Issuance cost deductible	-	(14 416)	**(14 416)**
Issued and net paid	5 711	117 477	**123 188**

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 2017 have been prepared in accordance with IAS as adopted by the EU, as well as additional infor¬mation requirements in accordance with the Norwegian Accounting Act,
- the financial statements for the parent company for 2017 have been prepared in accordance with the Nor¬wegian Accounting Act and generally accepted accounting practice in Norway,
- 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,
- 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, 21 March 2018

The board of directors and CEO
Webstep ASA

Klaus-Anders Nysteen *Chair of the board*	Siw Ødegaard *Board member*	Terje Bakken *Board member*
Toril Nag *Board member*	Bjørn Ivar Danielsen *Board member*	Kjetil Bakke Eriksen *CEO*

AUDITORS' REPORT

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Thormøhlens gate 53 D, NO-5006 Bergen
Postboks 6163, NO-5892 Bergen

Foretaksregisteret: NO 976 389 387 MVA
Tlf.: +47 24 00 24 00
Fax: +47 55 21 30 01

www.ey.no
Medlemmer av Den norske revisorforening

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 2017, the 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 2017, the statements of other 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 2017, 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 2017 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 2017. 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 of goodwill

Goodwill per 31 December 2017 amounted to NOK 382 million, representing 72 % of Group's total assets. Goodwill is assessed and tested for impairment annually. Management has defined the operations in each country as separate cash generating units ("CGUs"). The recoverable amount of goodwill is dependent on future cash flows, and there is a risk that, if these cash flows do not meet the Group's expectations, goodwill might be impaired. The impairment tests performed by management contain a number of assumptions that are subject to significant judgment, including revenue growth, profit margins and discount rate, and was therefore a key audit matter.

We obtained the Group's annual impairment test and assessed key assumptions, including revenue growth rates and EBITDA margins. Our assessment included a discussion with management 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, such as 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 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, 21 March 2018
ERNST & YOUNG AS

Eirik Moe
State Authorised Public Accountant (Norway)

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 30 October 2014, may be found at www.nues.no.

The annual statement on corporate governance for 2017 follows below. The statement has been approved by the board of directors on 21 March 2018.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The board of directors is committed to contribute a good and trust-based relationship between Webstep and the Company's 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 Oslo Stock Exchange. 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 complies with the Norwegian Code of Practice for Corporate Governance (the code) issued by the Norwegian Corporate Governance Board, latest edition of 30 October 2014.

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.

Corporate values

The Company's core values are defined as "being honest and uncomplicated", "being innovative and competent" and "being engaged and quality oriented" and form the foundation for building a

positive corporate culture and for building trust among key stakeholders.

Ethics and corporate social responsibility
High ethical standards and a responsible business culture builds trust and are prerequisites for long term value creation. Webstep has established internal guidelines that emphasize high, ethical business standards and practices. All employees are required to comply with the Company's policy for anti-corruption and data security.

In the view of the board, Webstep has internal control systems that addresses the organisation and execution of the financial reporting, as well as cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility.

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 Company's strategy is described in the board of the directors' report.

3. EQUITY AND DIVIDENDS

Equity
As of 31 December 2017, the Company had a consolidated equity of NOK 357.8 million. Consolidated equity adjusted for proposed dividends, will be NOK 318.2 million. The board of directors considers that the Company has an equity capital that is appropriate to its objectives, strategy and risk profile.

Board authorisations
Any authorisation granted to the board of directors to increase the Company's share capital or purchase treasury shares shall be restricted to defined purposes. Authorisations granted to the board of directors to increase the share capital or purchase treasury shares shall be limited in time and shall in no event last longer than two years. However, it is recommended that an authorisation to increase the share capital or purchase of treasury shares does not last longer than until the Company's next annual general meeting and the Company will follow that recommendation.

The board of directors was by the extraordinary general meeting of the Company held 14 September 2017 granted an authorisation to purchase treasury shares for an amount equalling 10 per cent of the share capital of the Company. The highest amount that can be paid per share is NOK 100 and the lowest amount that can be paid per share is NOK 1. The authorisation to acquire treasury shares may be used, inter alia, as an instrument to optimize the Company's capital structure, in connection with issuance of shares in any share incentive programs and as full or partial considerations in connection with acquisitions.

The board of directors was by the extraordinary general meeting of the Company held 14 September 2017 granted an authorisation to increase the share capital by up to NOK 8 500 000 to be used in connection with the Initial Public Offering. The authorisation is valid until the General Meeting in 2018, yet no longer than 30 June 2018, and includes share capital increases with share contributions in other assets than cash etc., but not in connection with mergers.

The extraordinary general meeting on 14 September 2017 also granted the board of directors an authorisation to increase the share capital by up to NOK 2 125 500 to be used to give the board of directors' financial flexibility in connection with financing further growth etc. of the Group. The authorisation is valid until the General Meeting in 2018, yet no longer than 30 June 2018, and includes share capital increases with share contribution's 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 may be deviated from with respect to the mentioned existing authorisations.

Dividend
The Company's ambition is to distribute at least 75 per cent of its 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. For the fiscal year 2017, the board of directors has proposed a dividend payment of NOK 1.50 per share, representing 117 per cent of the annual net profit.

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 pro-

visions in the Norwegian public limited liability companies act. Independent valuations shall also be procured for transactions between companies within the Group if any of the companies involved have minority shareholders.

Board members and executive personnel must notify the board of directors when such members have any significant, direct or indirect, interest in a transaction carried out by the Company.

Any transactions mentioned in this item are described in the notes to the consolidated financial statements for 2017 in the annual report.

5. FREELY NEGOTIABLE SHARES

The Company's shares are freely negotiable. The articles of association do not impose any restriction on the negotiability of the shares.

6. GENERAL MEETINGS

The annual general meeting shall discuss and decide upon the following:

1. Approval of the annual accounts and annual report, including distribution of dividend.

2. Any other matters that according to law or the articles of association are to be decided upon by the general meeting.

Documents relating to matters to be dealt with by the Company's 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 shareholders may cast their votes in writing, including through electronic communication, in a period prior to the general meeting. The board of directors may establish specific guidelines for such advance voting. It must be stated in the notice of the general meeting which guidelines have been set.

The access to cast votes in advance is subject to the presence of a safe method of authenticating the sender.

The board of directors may decide that shareholders who want to participate in the general meeting must notify the Company thereof within a specific deadline that cannot expire earlier than three days prior to the general meeting.

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting. The annual general meeting will take place on 24 April 2018. The Company's financial calendar is published via Oslo Stock Exchange and in the investor relations section of the Company's website.

The board of directors shall ensure that as many of the Company's shareholders as possible are able to exercise their voting rights at the Company's general meetings, and that the general

meeting is an effective forum for shareholders and the board of directors.

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 shall be 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 and comprehensive 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 practically possible. The time limit may not expire earlier than three days before the meeting.

The board of directors and the chairperson of the general meeting shall ensure that the shareholders are able to vote separately on each candidate nominated for election to Webstep's board of directors and other corporate bodies (if applicable).

Participation without attendance

Shareholders who are unable to attend the general meeting shall be given the opportunity to be represented by proxy and to vote by proxy. The Company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, insofar as this is possible, be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

Chairing meetings, elections, etc.

The Company's chair of the board and chief executive are required to attend, and the complete board of directors is encouraged to attend the general meetings, following the instructions for the board.

Members of the nomination committee, the audit committee and the remuneration committee, as well as the auditor shall and will be present at general meetings where matters of relevance for such committees/persons are on the agenda. The Company's auditor is present at the annual general meeting.

Deviation from the code: The general meeting is opened by the chair of the board or the person appointed by the board, and the chair of the meeting is elected by the meeting.

The general meeting elects the members of the nomination committee as well as the shareholder-elected directors on the board.

Minutes from general meetings are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker code: WSTEP) and in the investor relations section of the Company's website.

7. NOMINATION COMMITTEE

The Company's articles of association §8 provide for a nomination committee composed of two to three members. The current members of the nomination committee are John Bjerkan (chair) and Sonja Cassidy.

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 chairman, to (a) the board of directors of the Company and (b) the nomination committee, respectively; and

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

The present nomination committee was elected before the public listing of the Company, at the extraordinary general meeting of 14 September 2017. It comprises John Bjerkan (chair) and Sonja Cassidy. 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 two members are members of the supervisory board or the board of directors.

The chief executive officer and other members of the executive management are 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 meeting, propose remuneration to the board members at the general meeting, propose remuneration to the members of the nomination committee, and to nominate new members of the nomination committee to the general meeting.

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

Procedures for shareholders to submit nominations to the nomination committee will be implemented in advance of the relevant annual general meeting. Further details and deadlines for submission will be published on the Company's website.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The articles of association states that the board of directors shall consist of between three and ten members and are elected to a two year-term. The board currently consists of five shareholder-elected directors and three employee appointed observers. The Company's corporate governance documents states 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 of the Company on 14 September 2017.

15 board meetings were held in 2017. Each board member's attendance at board meetings is recorded by the Company.

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 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 ensure acceptable management of the Company's assets.

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 labour between the board and the chief executive is specified in greater detail in the instructions. The chief executive 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 elected an audit committee amongst its members and adopted instructions for the work of the audit committee.

The committee currently comprises of 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 Norwegian Public Limited Liability 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 of the board. 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 Terje Bakken 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 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 some other member of the board

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors is responsible of 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 inter-

nal 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 system 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.

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 2017, 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 enterprise, 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 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 prior year, budgets and forecasts. Reporting also includes non-financial key performance indicators related to each business area. In addition, the administration prepares a long term forecast of financial trends, showing profits and cash flow development.

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.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration to the board of directors is described in note 6 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 options.

An overview of shares owned by the directors and their close associates is included in note 15 to the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The Company's guidelines for determining salary and other remuneration to the 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 6 to the consolidated financial statements. This note also provides further details about remuneration in 2017 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 as well as contribute to align the interests of shareholders and the executive management.

The guidelines specify the main principles for the Company's salary and remuneration policy for the executive management, and have been framed with the aim of ensuring that the interests of shareholders and executive management coincide. No share options have been issued to employees or elected officers of the Company.

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 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.

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, press releases, 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 website at the same time as it is sent to shareholders.

The Company will publish an annual, electronic 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 shall be 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. 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.

Separate guidelines have been drawn up for handling of inside information, see "Instructions for handling of inside information" and "Instructions for primary insiders". The Company also has in place a policy on whom in the board of directors who is entitled to publically speak on behalf of the Company on various subjects.

Information to shareholders 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.

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

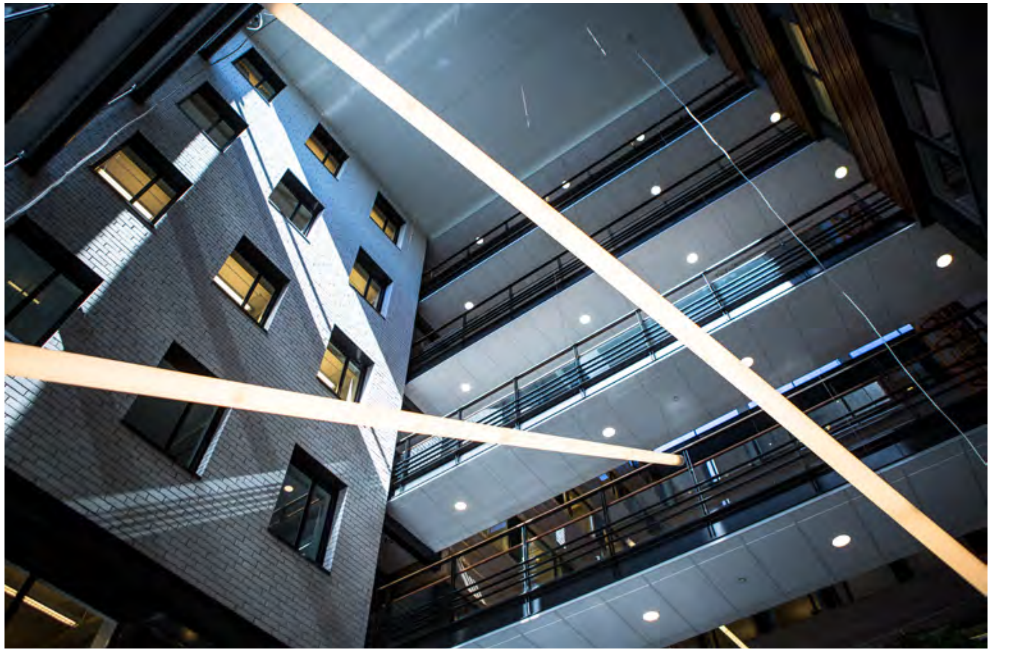
The Company's auditor, EY, submits the main features of the plan for the audit of the Company to the audit committee annually.

- Presented the main features of the audit work
- Attended board meetings considering the annual report, reviewing possible significant changes in accounting principles, assessing significant accounting estimates, and considering 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

EY has attended one meeting with the audit committee, which included reviewing results from the audit in preparation for the year-end closing of accounts for 2017.

The board has not established guidelines for the Company's management 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.



WEBSTEP ASA

Visiting adderess:
Lilleakerveien 8
NO-0283 OSLO

E: ir@webstep.com
T: +47 400 03 325

Postal address:
PO Box 272 Lilleaker
NO-0216 Oslo

webstep.com