



WEBSTEP

Annual  
report **2018**

WEBSTEP ASA





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## HIGHLIGHTS

- Revenues of NOK 663.2 million in 2018, up 11.2 per cent from 2017
- EBITDA of NOK 78.8 million, and a solid EBITDA margin of 11.9 per cent
- Strong financial position and positive outlook support dividend proposal of NOK 1.60 per share
- Another year of high employee satisfaction, proved by very good results in the Great Place to Work® surveys
- Announced opening of new offices in Haugesund, Norway and Uppsala, Sweden



## KEY FIGURES

### CONSOLIDATED

Amounts in NOK million	2018	2017
Sales revenues	<b>663.2</b>	596.5
Sales growth, year-on-year	<b>11%</b>	6%
EBITDA <sup>1</sup>	<b>78.8</b>	57.1
EBITDA margin <sup>1</sup>	<b>11.9%</b>	9.6%
EBITDA excl. non-recurring costs <sup>1</sup>	<b>78.8</b>	71.0
EBITDA margin excl. non-recurring costs <sup>1</sup>	<b>11.9%</b>	11.9%
Net profit	<b>56.2</b>	33.9
Net cash flow	<b>26.9</b>	(73.7)
Earnings per share (NOK)	<b>2.13</b>	1.55
Earnings per share, fully diluted (NOK)	<b>2.12</b>	1.55
Number of employees, average (FTE)	<b>407</b>	393
Number of employees, end of period	<b>394</b>	402
Number of work days, (excl. vacation)	<b>249</b>	251
EBITDA per average employee <sup>1</sup> (NOK thousand)	<b>193.6</b>	145.3
EBITDA per average employee excl. non-recurring costs <sup>1</sup> (NOK thousand)	<b>193.6</b>	180.7

### Sales revenues

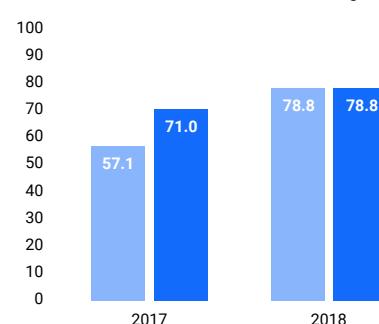
NOK million



### EBITDA

NOK million

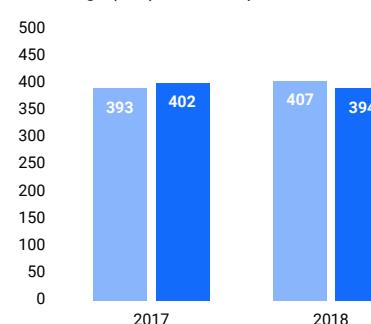
■ EBITDA<sup>1</sup> ■ EBITDA excl. non-recurring costs<sup>1</sup>



### Employees

Number of employees

■ Average (FTE) ■ End of period



Sales revenues  
NOK **663.2**  
million

<sup>1</sup>) See note 25 to the Consolidated Financial Statements for alternative performance measures.

## Letter from the CEO

# DEAR SHAREHOLDER

**Looking back at 2018, I am pleased to note that we have delivered a year of double-digit growth**

**– without compromising on our solid EBITDA margin. This has been achieved through our employees' strong efforts to meet the customers' growing demand for advanced IT-expertise.**

Our continued strong development can of course be attributed to several factors. Most importantly, the services that we offer are in high demand, as the wave of digitalisation continues to sweep across Scandinavia. To a rapidly increasing extent, the things that surround us get connected, automated and analysed. Our employees are key when it comes to unlocking the potential these new technologies create, as our expert services help our clients to meet the technology shift.

Our broad range of expert competencies gives us a solid position in the market for what we define as our Core Services: digitisation, cloud services and system integration. At the same time, we have experienced an increased demand for our New Services such as Internet of Things (IoT), machine learning (AI), robotics (RPA) and analytics. Most companies are at the very beginning of identifying how these technologies can improve, re-shape or potentially disrupt their businesses. They seek expertise from consultancies like Webstep to guide them in these processes.

The customers' needs are changing rapidly and our ability to offer the right services at the right time is key to continued customer satisfaction and growth. Our Centres of Excellence will

help us to ensure close collaboration and sharing of knowledge between our geographical divisions and to strengthen sales and execution of New Services.

One example, where our consultants have put new technologies in use to create substantial value for our clients, is a project for GK, one of Scandinavia's leading end-to-end technical facility managers. The solution is based on sensor technology and the IoT platform from Piscada, where we have developed software for reducing energy usage in buildings. The solution can also predict costly technical problems and shutdowns before they occur.

The second project I would like to mention, is the work that we do for Kolumbus, the provider of public transportation services in Rogaland, Norway, supporting their development of intelligent systems for predicting traffic movements and estimating travel time, helping people to better plan their everyday journeys.

Digitalisation is at the core of practically all new development in business and society as a whole, and the possibilities are truly endless. In my opinion, no trade-wars, stock market jitters or geo-political unrest can stop this huge demand for digital solutions. Our impression is, that while most companies

*– We have experienced an increased demand for new services, such as Internet of Things, machine learning, robotics and analytics.*



want to embrace new technologies, they are not sure how to make use of them, nor to what purpose. These are situations where Webstep thrives, as our consultants combine deep technological knowledge with a keen understanding of our customer's needs.

Webstep invests significantly in continuous learning for our consultants

through workshops and seminars with internationally acclaimed practitioners. In an incredibly fast-moving technology space, we recognise our employees' need to stay relevant and up to date. We strive to be a preferred employer for skilled consultants and take great pride in being awarded second place in Great Place to Work in 2018. Our internal scores for job

satisfaction are also at an all-time high. At the same time, we acknowledge that our team of experts are highly attractive in a market where the demand for digitalisation competence exceeds supply. Sadly, we witnessed this first hand when a number of consultants from one department at our Oslo branch decided to pursue new opportunities in 2018. We are actively recruiting replacements in order to meet our clients' needs, and to build a foundation for further growth.

We are also pursuing other growth options, such as geographical expansion, and look forward to welcoming new employees and new clients into

our new offices in Haugesund, Norway and in Uppsala, Sweden. Two more locations will be opened in 2019, bringing Webstep's Scandinavian presence up to eleven cities.

Going forward, we will also consider mergers and acquisitions (M&A) as a means for growth. This is why we have established a new position in the executive management team, dedicated to Business Development, with responsibility for identifying and exploring such opportunities. Main focus will be on expert companies that will complement our existing services, but also environments that can broaden our service offering.

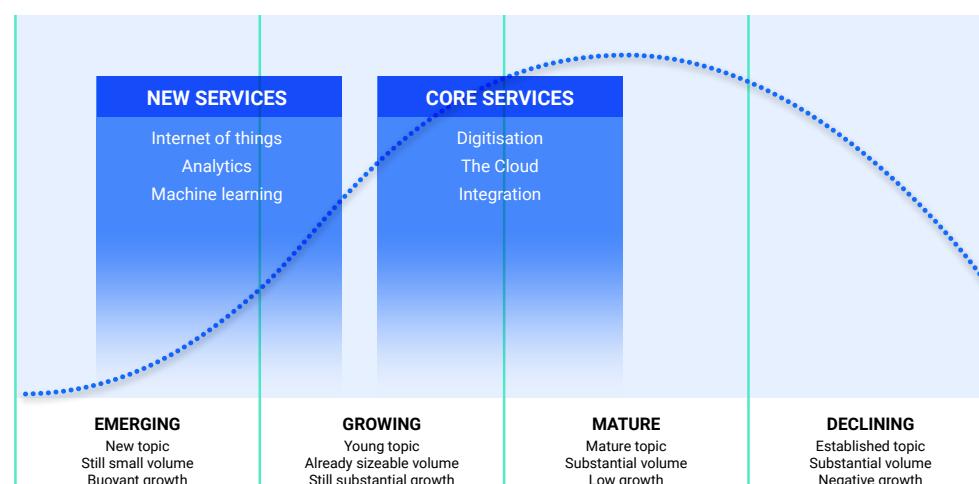
As announced earlier this year, I have decided to resign from my position as the CEO of Webstep. I've been with the company for 15 years and I have served as the company's CEO the past 13 years. Webstep is a great organisation with great people, and I am very proud of the accomplishments we have made over these years. We have built a culture where we nurture a company-wide hunger to explore new technologies, which at the same time is characterised by a solid commitment to assist our clients in their digital journey. I'm fully confident that my successor Arne Norheim, will further develop the strong company culture, and take Webstep to the next level of growth.

We have entered 2019 with great confidence and an optimistic view on the future. Webstep's services are becoming increasingly critical to the everyday operations of our clients, and the willingness to pay for the expertise of our consultants is starting to reflect the importance of the solutions that we build. We have some catching up to do to rebuild our growth capacity in the coming months, and we recognise that the competition to recruit the best talents is fierce. Webstep's variable compensation structure ensures that both employer and employee profit from the structural upward shift in hourly rates that we are witnessing in the market. At the same time the compensation structure provides the consultants with a highly appreciated flexibility in terms of work hours.

Webstep's main objective remains to assist our clients by delivering excellent solutions that can help them reach their digital goals. As long as we are true to this commitment, I'm certain that we will continue to create value for our shareholders in years to come.



Kjetil Eriksen, CEO



## Board of directors' report

# CONTINUED GROWTH AND STRONG DEMAND

**Webstep experienced solid growth in 2018. The increased demand for Webstep's services combined with high utilisation and higher rates, gave strong growth in both revenue and profits. The board proposes a dividend of NOK 1.60 per share, representing more than 75 per cent of the Group's net profit for 2018. The market outlook is positive and Webstep entered 2019 with a very strong order book.**

*(All amounts in brackets are comparative figures for 2017 unless otherwise specifically stated).*

The growth in the Nordic IT consulting market continued and Webstep saw a revenue growth of 11 per cent in 2018 with total consolidated revenues amounting to NOK 663.2 million. The high interest in digitalisation for innovation has generated high investment activity across industries and sectors. The strong demand combined with a general shortage of IT experts has resulted in high utilisation and increased market rates.

Consolidated EBITDA for 2018 was 78.8 million, compared to NOK 57.1 million in 2017 (NOK 71.0 million excluding non-recurring costs). According to Webstep's dividend policy, the ambition is to distribute at least 75 per cent of the Group's net profit as dividend. Based on the Company's solid financial position, the board of directors intend to propose a dividend of NOK 1.60, representing 75.4 per cent of the annual net profit of the Group for 2018.

– An important part of the Group's strategy is to employ and offer highly qualified senior IT consultants with significant experience.



## OVERVIEW OF THE BUSINESS

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

Webstep ASA is a Norwegian public limited liability company headquartered in Oslo, Norway. The Group has offices in Norway and Sweden and had 394 employees as of 31 December 2018.

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

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

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

An important part of the Group's strategy is to employ and offer highly qualified senior IT consultants with significant experience. As of 31 December 2018, the Group employed 394 employees, of which approximately 350 were IT consultants. The Group's IT consultants have on average more than 10 years of experience.

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

The Group intends to broaden its offering of core services as well as new

services throughout its organisation, both in Sweden and Norway.

In addition to organic growth, Webstep is monitoring the market for potential acquisition targets, which may increase the Group's competencies, geographical footprint and service offering 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 technological innovations and trends to its current and new customers.

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

## HIGHLIGHTS 2018

■ Continued profitable revenue growth driven by high demand for digitalisation experts and increasing interest in new services, such as Internet of Things (IoT), machine learning (AI), robotics (RPA) and analytics

■ The continued strong growth resulted in high utilisation and increased rates, but the general shortage of IT experts has made recruitment more challenging

- Another year of high employee satisfaction, proved by very good results in the Great Place to Work® surveys
- The solid market position confirmed by continued, long-lasting customer relations and several new clients won
- Strengthening of Centres of Excellence and cross-sales capacity
- Strengthening strategic technology partnership with Amazon Web Services, and new partnerships established with Google Cloud Services and Blue Prism
- Announced opening of new offices in Haugesund, Norway and Uppsala, Sweden
- Strong financial position and positive outlook support dividend proposal of NOK 1.60 per share, representing more than 75 per cent of the consolidated net profit for 2018

## 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 2018.

### Consolidated statement of income and comprehensive income

Total operating revenues amounted to NOK 663.2 million, up 11.2 per cent from NOK 596.5 million 2017, reflecting strong demand, high utilisation and increased market rates.

Webstep's revenue model is based on hourly fees, with revenue capacity depending on the number of consultants and number of work days. Calendar effects therefore cause differences in revenue capacity between years. The full year 2018 had two calendar days less than 2017 (Norway). Growth capacity was lower in the second half of 2018 than in the first half, as unexpected high churn in a single branch at the Oslo office impacted the number of consultants in the second half of the year.

Cost of services and goods sold amounted to NOK 70.6 million (NOK 49.3 million) for the year, reflecting increased

use of subcontractors in Norway to meet customers' needs, especially following the abovementioned churn.

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 470.8 million (448.4 million) and reflect higher revenue-based salaries for consultants, following the revenue growth.

The Group uses earnings before interest, taxes and depreciations (EBITDA) as an alternative performance measure, as described in note 25 to the consolidated financial statements for 2018. Consolidated EBITDA for 2018 was 78.8 million, compared to NOK 57.1 million in 2017 (NOK 71.0 million excluding non-recurring costs consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program). There were no non-recurring items in 2018.

The increase in EBITDA is mainly due to the revenue growth, with high utilisation and higher hourly rates, combined

– Strong financial position and positive outlook support dividend proposal of NOK 1.60 per share.

with the impact of the non-recurring costs in 2017.

Depreciation and impairment costs were NOK 2.9 million (NOK 8.2 million). The decrease is explained by intangible assets that were fully amortised in 2017.

Operating profit was NOK 75.9 million (48.9 million) for 2018. The variations between 2017 and 2018 are explained above.

Net financial cost was NOK 2.3 million (NOK 8.6 million). The decrease 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 17.3 million (NOK 6.5 million). The income tax for 2017 is affected by the non-recurring costs, as previously described.

Net profit was NOK 56.2 million (NOK 33.9 million) for the year.

#### **Consolidated financial position**

Total assets at 31 December amounted to NOK 535 million (NOK 528.3 million). Non-current assets were NOK 393.3 million (NOK 392.5 million) and consisted mainly of intangible assets. Intangible assets at balance date were NOK 387.8 million (NOK 387.1 million) and comprised acquisition-related goodwill of NOK 380.2 million, which is impairment

tested annually, and R&D investments of NOK 7.6 million.

Total current assets of NOK 141.7 million (NOK 135.7 million) consisted mainly of trade receivables and cash and short-term deposits. Trade receivables at year end were NOK 103.3 million (NOK 125.5 million).

Cash and short-term deposits amounted to NOK 33.5 million (NOK 6.6 million), mainly explained by the positive cash effects from profit generated and reduction in receivables.

Total equity 31 December was NOK 376.6 million (NOK 357.7 million), which corresponds to an equity ratio of 70 per cent (68 per cent). The change is mainly related to earnings generated, offset by dividends paid in 2018. Non-current liabilities amounted to NOK 1.8 million (1.6 million) and consisted of deferred tax. The current liabilities amounted to NOK 156.7 million (NOK 168.9 million). The changes are mainly due to reduced debt to credit institutions since the Revolving Credit Facility ("RFC") of NOK 110 million was undrawn at 31 December 2018. The RFC with SpareBank 1 SR-Bank ASA was entered into by the Company as a part of the IPO process in 2017. The RCF may be utilised by each member of the Group that have access to the cash pooling account system related to the RCF. At balance date the RFC was unutilised.

#### **Cash flow**

Net cash flow in 2018 came to NOK 26.9 million (negative NOK 73.7 million). The increase is primarily a consequence of profits generated in 2018 and changes in receivables. 31 December falling on a weekday in 2018 and on a Sunday in 2017 explains the increased change in receivables, as most receivables are due the last day of the month. The 2017 figures were impacted by the non-recurring effects mentioned above, plus repayment of borrowings and IPO effects.

Cash flow from operations improved compared to 2017 and amounted to NOK 91.9 million (NOK 8 million). The increase reflects the positive cash effect of profit generated and the abovementioned changes in receivables.

Net cash flow from investing activities was negative NOK 5.5 million (negative NOK 8 million). The investments are mainly related to equipment for new employees, office upgrades and IoT-related R&D.

Net cash flow from financing activities was negative NOK 59.6 million (negative NOK 73.8 million). The financing activities in 2018 consisted mainly of payment of dividends, while in 2017 the effects of repayment of borrowings and net proceeds from new equity from the IPO affected the cash flow from financing activities.

## 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 and accounted for 86 per cent of the consolidated operating revenues in 2018.

### Norway

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

Total operating revenues for 2018 were NOK 570.3 million (NOK 495.2 million), an increase of 15.2 per cent from 2017. There is a high demand for Webstep's core IT services. Revenue growth

was impacted by high utilisation, increased hourly rates and on average 17 more employees than in 2017. Calendar effects had, however, a negative impact on growth, as 2018 had two work days less than 2017.

EBITDA for the year was NOK 75.3 million (NOK 51.4 million, NOK 65.4 million excluding non-recurring costs), at an EBITDA margin of 13.2 per cent (10.4 per cent, 13.2 per cent excluding non-recurring costs).

Webstep Norway had 334 employees at the end of 2018 (342 employees). The average number of employees through the year was 348 (331). Webstep Norway experienced unexpected churn in a single branch in the Oslo office in 2018. This is a contributing factor to end of period number of employees being lower than average number of employees in 2018.

A change to the Norwegian Working Environment Act (Arbeidsmiljøloven) came into force 1 January 2019, which required some adjustments to the employee contracts to ensure compliance. The changes were implemented in the fourth quarter of 2018 and are not expected to have significant impact on Webstep's profitability.

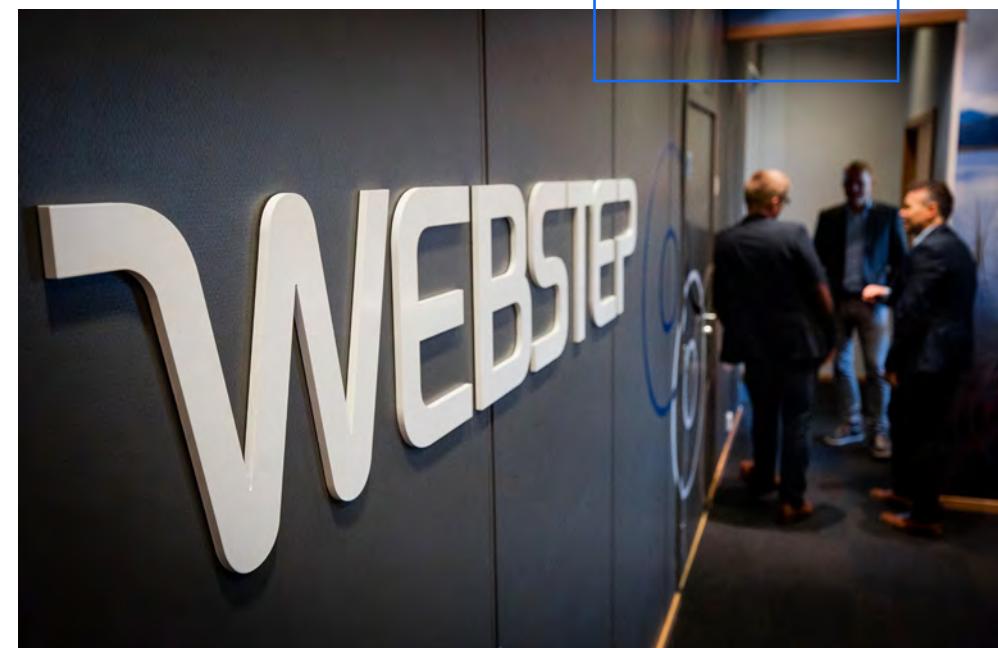
The order intake and backlog for Webstep Norway is generally high, with particularly high demand for the core digitalisation services.

### Sweden

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

Total operating revenues for 2018 came to NOK 92.8 million (NOK 101.3

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



million), down 8 per cent from 2017 (5 per cent constant currency). The reduced revenue in 2018 is mainly a consequence of fewer employees, lower utilisation and currency effect.

EBITDA for 2018 came to NOK 3.5 million (NOK 5.7 million), and the EBITDA margin was 3.7 per cent (5.6 per cent). The margin level in the Swedish segment was lower than in the Norwegian segment for several reasons. Firstly, the hourly rates are generally lower in the Swedish market than in the Norwegian market. Secondly, Webstep Sweden had a higher cost level relative to revenues due to investments in management capacity and marketing initiatives to support growth. The strong focus on recruitment continues, in an environment where the competition for IT experts has increased further.

Webstep Sweden had 60 employees at the end of 2018 (60 employees). The average number of employees through 2018 was 59 (63).

The order intake and backlog for Webstep Sweden is good. Together with new regional establishments this forms a base for growth and increased profitability.

#### RESEARCH AND DEVELOPMENT

The nature of the business of Webstep, is to contribute in the digital R&D processes of the Group's customers, and to



explore the opportunities created by new technologies. The Group has Centres of Excellence as well as other permanent and ad-hoc in-house teams, which continuously work on different innovation initiatives that create new insight.

The Group had one defined R&D initiative in 2018, which met the criteria of an intangible asset; Webstep Internet of Things (IoT). The target of the Webstep IoT initiative is to position Webstep in the Nordic IoT software space, leveraging the high-end software competence of the Group. 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. A specific branch of the project which is related to sensor technology, 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 2018 totalled NOK 2.8 million (NOK 3.6 million), which is recognised as an intangible asset in the balance sheet. 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. The IoT-related R&D investments will be amortised over five years starting 1 January 2019.

## RISK AND RISK MANAGEMENT

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

### Business Risk

The Group is exposed to business risk especially related to:

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

The Group's results are affected by macroeconomic development and demand for its services. The large diversity of customers combined with various projects in different sectors and geographic areas, have a somewhat mitigating effect on the market risk exposure of the Group.

The employees are the most important asset of Webstep. In order to ensure stable growth, the Group is dependent on being an attractive employer to retain and attract new employees. Webstep's strategy is to continuously invest in new technological trends and services, pro-

vide interesting and challenging assignments, and to offer attractive remuneration and benefits to its employees. The compensation model is based on a high proportion of variable salary, which is closely linked to the consultants' individual performance. Personnel expenses will therefore correlate with the Group's earnings.

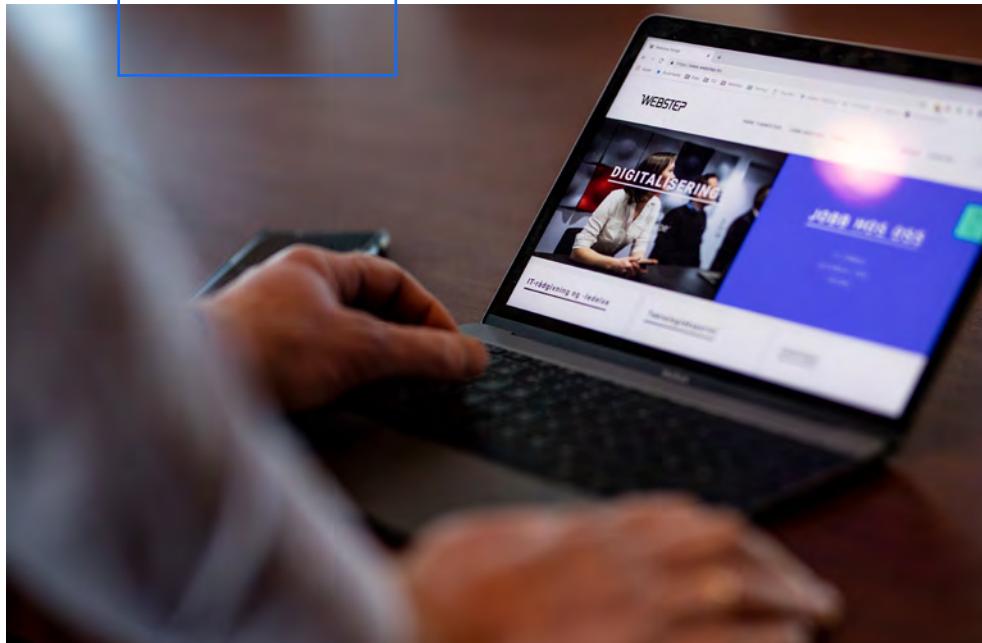
Consultancy businesses are exposed to the risk of disagreements and legal disputes related to client projects. A majority of the Group's assignments are based on standardised agreements with "Time & Material" pricing and monthly invoicing, which implies limited risk per contract.

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

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

An unfavourable outcome on any litiga-

– The Group engages with large and regular customers and has had low historical losses on receivables.



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

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

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

#### Financial Risk

The Group is exposed to financial risk such as:

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

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

The implied credit risk from counterparties not fulfilling their obligations is considered to be low. The Group engages with large and regular customers and has had low historical losses on receivables. Webstep closely follows both its customers' ability to pay and any

risks noted in the general development of the credit market.

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

The Group has previously incurred, and may in the future incur, significant amounts of debt. The Group is exposed to interest rate risk primarily in relation to its revolving credit facility, issued at floating interest rates based on NIBOR (Norwegian Interbank Offer Rate). As such, movements in interest rates could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and/or prospects. The Group does currently not

have any hedging positions in place to limit the exposure to interest rate fluctuations. The Group evaluates the interest rate risk to be minimal due to the stable financial situation in Norway, combined with low net debt and strong financial position for the Group.

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

#### GOING CONCERN

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

#### PARENT COMPANY RESULTS AND ALLOCATION OF NET PROFIT

Webstep ASA is the parent company of the Group. The Company facilitates and supports internal processes throughout

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

The Company had an operating loss of NOK 15.6 million (NOK 15.5 million) in 2018. The Company's net financial income for 2018 was NOK 61.6 million (NOK 37.2 million) and consisted mainly of group contribution from its subsidiaries. Profit before tax came to NOK 46 million (NOK 21.7 million), while net profit was NOK 35.4 million (NOK 19.9 million). The overall increase in profit before taxes related to increase in Group contribution NOK 63.9 million (NOK 46.9 million).

The board proposes the following allocation of the net profit of NOK 35.4 million for the parent company:

<i>NOK million</i>	
Transferred from other equity	6.9
Dividends proposed	42.4

The book value of the Company's investments in the subsidiary companies was NOK 432.1 million (NOK 432.1 million). The Company is the administrator and owner of

the Group's bank accounts in Norway, and hence the positive cash flow generated by the Group increases the cash position of the Company. Any deposits generated by the Norwegian subsidiary have been classified as liabilities to Group companies. At year end the cash and short-term deposits amounted to NOK 26.3 million (NOK 0.6 million), and the liabilities to Group companies amounted to NOK 141.8 million (NOK 11.8 million). Total receivables from Group companies amounted to NOK 67.6 million (NOK 66.6 million). Equity amounted to NOK 330.1 million (NOK 332.8 million), which corresponds to an equity ratio of 62.5 per cent (66.2 per cent). Changes in equity is explained mainly by profit for the period offset by dividend.

The board of directors considers that Webstep ASA had adequate equity and liquidity at the end of 2018. The board of directors will propose an ordinary dividend of NOK 1.60 per share for approval by the Annual General Meeting 8 May 2019. The proposed dividend represents 120 per cent of the annual net profit of the Company, and 75.4 per cent of the consolidated annual net profit of the Group. This is in accordance with the Company's dividend policy.

#### CORPORATE GOVERNANCE

Good corporate governance provides the foundation for long-term value creation,

## – Webstep aims to create value for customers, shareholders, employees and the society at large.

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](http://www.lovdata.no). The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at [www.nues.no](http://www.nues.no).

The annual statement on corporate governance for 2018 has been approved by the board and can be found on page 64 in this annual report.

### CORPORATE SOCIAL RESPONSIBILITY

Webstep recognises that it has a responsibility for the effect that its operations have on the society that surrounds the Group and seeks to ensure that it contributes in a positive manner to the areas

that are relevant to its business. Webstep is subject to corporate responsibility (CR) reporting 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 organisations and contribute to solving critical community tasks within health, transportation, customs, accounting, electrical power, pension and retirement, and justice administration. Webstep covers most industries and provides expertise and great capability to key players in for instance the agricultural and food industry, banking and financial institutions, oil and offshore operations, power and energy, and to telecom and organisations in the software industry.

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

### Work agreements and internal guidelines

Webstep has established work agreements and internal guidelines that emphasise ethical behaviour, strong data

security, and encourage excellent financial and practical business practices. All employees are required to comply with the Company's policy for anti-corruption and data security. Both of these topics are essential to build strong relationship with clients, suppliers and partners.

### Work environment and employees' rights, terms and benefits

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

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

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

## ENVIRONMENT AND SOCIETY

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

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

cities and communities (11)

Although Webstep's activities have a limited negative effect on the environment, the Group makes systematic efforts to reduce the environmental impact of its business, for instance by using video and telephone conference solutions as often as possible to reduce pollution through business travels. In 2018 the Group's headquarters were certified as an Eco-Lighthouse ("Miljøfyrtårn"), which means that it operates environmentally friendly and has sustainable procedures in areas including business travel, procurement and waste management. Webstep will strive to achieve a certification for the whole Group. The Group's services shall always be subject to strict requirements in terms of quality, safety and impacts on personal health and the environment. In 2018 Webstep also decided to level out the Group's carbon footprint by paying for the Group's CO<sub>2</sub> emissions starting 1 January 2019. The costs associated with this will be insignificant for the Group, as the CO<sub>2</sub> emissions from the Group's activities are very low.

## EMPLOYEES

Webstep makes great efforts in taking good care of its employees in terms of health, safety and environment (HSE) management, a zero tolerance of discrim-

ination and by supporting the employees' personal and professional development. As of 31 December 2018, the Group had a total of 394 employees (402).

## Sickness and injuries

Webstep works systematically with Health, safety and environment (HSE) management and makes concerted efforts to mitigate health risks and prevent injuries. No accidents or injuries were registered in neither 2018 nor 2017. Sick leave in the Group was 2.7 per cent in 2018, up from 2.5 per cent in 2017. The slight increase is due to a few instances of long-term sick leave. The employees involved are closely followed up by their respective managers, and the reasons for the sick leave are not considered to be work environment related.

## Company culture and work environment

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

Since 2008 Webstep has participated in the annual Great Place to Work® (GPTW) screening and award in Norway. Further, Webstep entered GPTW

– Webstep has been recognised as one of "Norway's Best Workplaces" by Great Place to Work® eleven years in a row.

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

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

#### **Retaining and attracting experienced IT consultants**

As part of its business strategy, the Group only hires experienced IT consultants. At year end, the consultants have on average more than 10 years of experience, where approximately 35 per cent

of the employees have above 15 years of experience. The employees are highly skilled, and an increasing portion of the Group's consultants have PhD degrees. The majority of the IT consultants hold a master's degree in computer engineering or similar.

The Group endeavours to assign its consultants interesting and challenging projects that ensure personal development and contentment. By constantly developing the consultants' skill sets, the Group's services as such are also improved. Further, the Group's incentive model for consultants is designed to attract and motivate 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 Webstep ever since inception in 2000.

The above-mentioned incentive model is designed to directly incentivise the Group's consultants to deliver high-end services to the Group's clients, while at the same time provide the consultants with a high degree of personal freedom, attractive compensation and, if desirable, certain downside protection. The model is also designed to inspire the consultants to be entrepreneurial due to

the close link between salary and effort. The Group's incentive model appears to be particularly attractive for highly experienced IT consultants, and the model is hence instrumental in the Group's strategy of attracting such consultants. Further, the incentive model makes the Group less vulnerable to price fluctuations and macro-economic changes due to the large degree of proportionality between costs and revenues related to the Group's consultants.

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

#### **Equal opportunities**

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

16 per cent (12 per cent) of the Group's 394 employees at 31 December were female and 84 per cent (88 per cent) were male. The Group's executive management team was changed in 2018, and at year-end comprised one woman (zero) and three men (two). The parent company board of directors consisted of two female and three male directors at 31 December 2018.

The IT business is characterised by a high share of male employees. Webstep works actively to attract female employees and to move towards gender balance. As the Webstep profile does not have any gender bias and should attract men and female alike, a project was established in 2017 to raise the percentage of women. 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 "Ellevé" creative women network in Stavanger.

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

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

Webstep has an HSE whistleblowing IT system, allowing the employees to

anonymously submit warnings in whatever relevant area for the employees. No warnings have been submitted in 2018, neither in 2017.

#### **Changes to the executive management and board of directors**

Liv Annike Kverneland assumed the position as Chief Financial Officer 1 September. In August Rolf Helle assumed the new position as Director Business Development and is also responsible for the M&A activities.

There were no changes to the board of directors in 2018.

#### **SHARE AND SHAREHOLDER MATTERS**

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

The shares are traded under the ticker WSTEP and had a closing price on 28 December 2018 of NOK 25.00.

The total number of outstanding shares 31 December 2018 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.

#### **Dividend policy**

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

*– The Group does not discriminate on the grounds of gender, disability, ethnicity, religion or the like.*



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

#### **Employee share program**

In connection with the IPO, the Company implemented a share purchase programme for the Group's employees. The program allowed participants who purchased shares in the employee offering ("Saving Shares") in the IPO to receive shares ("Matching Shares") free of charge after a vesting period of two years, provided that they remain employed by the Group and retain all the purchased Saving Shares throughout the said vesting period. The potential dilution through this program accounts for approximately 91 500 shares.

In December 2018, all employees in Webstep AS and Webstep ASA were given the opportunity to purchase shares in Webstep ASA through a share investment programme using the Company's own treasury shares. 63 per cent of the employees participated in the programme. They acquired a total of 123 874 shares with a 20 per cent discount to the market price.

#### **EVENTS AFTER THE BALANCE DATE**

On 31 January 2019 Arne Norheim was appointed Chief Executive Officer of the Company to succeed Kjetil Bakke Eriksen, who announced his decision to step down from the CEO position to leave the Company and pursue other opportunities.

#### **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 strong, following the continued general trend with high investment activity in digitalisation of the private and public sectors. This is expected to drive sustained high demand for Webstep's offering of IT exper-

tise. The continued strong order book confirms the good momentum. The high demand for Webstep's Core Services – digitisation, cloud and integration – is expected to continue in 2019.

Cloud is the main prerequisite for the use of data for New Services such as IoT, machine learning, robotics and analytics. These are all becoming important growth areas for Webstep. Investments in expertise and capacity in New Services remain highly prioritised due to a more mature market. Webstep has won an increasing number of Cloud and New Services projects during 2018, confirming the growth in these service segments. The Group sees great potential in further increasing its cross border and cross technology sales.

Webstep has a strong market position and a solid financial position. The order book is strong and the general outlook for 2019 is positive.

The Group continues its systematic recruitment efforts to meet clients' demand. Webstep has a strong position as preferred employer, yet recruitment processes are time consuming and the competition for the best talents is fierce. Total headcount 31 December 2018 was 394 full time employees, down from 402 at the same date in 2017. 2018 has been a year where the Group's capacity has been more or

less fully utilised, with increasing hourly rates as a consequence of the high demand. Still, the Group currently expects that, due to somewhat lower capacity expected in the first half of 2019 compared to the corresponding period in 2018, revenue growth for the first half year of 2019 can be a challenge.

Several measures are taken to secure future growth capacity. In addition

to continue its strong focus on recruitment in existing locations, the Group will seek to utilise its strong brand through establishments in new geographic locations in both Norway and Sweden. Following the opening of the new offices in Haugesund and Uppsala, there are plans for at least one more establishment in Norway and one in Sweden during 2019. This will bring the Group's Scandinavian

presence up to eleven cities during 2019, from seven cities in 2018. In sum it is expected that these numerous growth initiatives will give Webstep a solid growth platform from the second half of 2019 and beyond. The over-all and long-term ambition remains unchanged; to exceed the market average both in terms of profitability and growth.

Oslo, 4 April 2019

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 2018

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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Note	2018	2017
Sales Revenues	5	663 153	596 519
<b>Total revenues</b>		<b>663 153</b>	<b>596 519</b>
Cost of goods and services (COGS)		(70 635)	(49 333)
Salaries and personnel expenses	6, 7, 21	(470 813)	(448 395)
Depreciation and impairment	10, 11	(2 927)	(8 156)
Other operating expenses	6, 21, 23	(42 909)	(41 705)
Total operating expenses		(587 284)	(547 590)
<b>Operating profit (loss)</b>		<b>75 869</b>	<b>48 929</b>
Finance income	8	114	3 698
Finance expense	8	(2 452)	(12 263)
<b>Profit before tax</b>		<b>73 530</b>	<b>40 364</b>
Income tax expense	9	(17 310)	(6 514)
<b>Profit for the year</b>		<b>56 220</b>	<b>33 851</b>
<b>Other comprehensive income that will be reclassified to the income statement</b>			
<i>Foreign currency translation:</i>			
Exchange differences on translation of foreign operations		(2 109)	3 544
Other comprehensive income for the year, net of tax		(2 109)	3 544
<b>Total comprehensive income for the year, net of tax</b>		<b>54 111</b>	<b>37 395</b>
<b>Attributable to:</b>			
Equity holders of the parent		<b>54 111</b>	37 395
Non-controlling interest		-	-
Earnings per share		2.13	1.55
Earnings per share, fully diluted		2.12	1.55

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

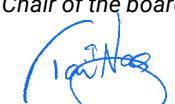
<b>NOK 1 000</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Non-current assets</b>			
Intangible assets	10	<b>387 816</b>	387 082
Fixed assets	11	<b>5 011</b>	5 228
Non-current financial assets	12	<b>10</b>	-
Deferred tax asset	9	<b>436</b>	232
<b>Total non-current assets</b>		<b>393 273</b>	392 542
<b>Current assets</b>			
Trade receivables	13	<b>103 288</b>	125 545
Other receivables	13	<b>4 983</b>	3 585
Cash and short-term deposits	14	<b>33 478</b>	6 580
<b>Total current assets</b>		<b>141 750</b>	135 710
<b>Total assets</b>		<b>535 023</b>	528 252

Oslo, 4 April 2019  
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

<b>NOK 1 000</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Equity</b>			
Share capital	15	<b>26 967</b>	26 967
Treasury shares	15	<b>(486)</b>	(610)
Share premium		<b>153 964</b>	149 827
Retained earnings		<b>196 130</b>	181 554
<b>Total equity</b>		<b>376 574</b>	357 738
<b>Non-current liabilities</b>			
Deferred tax	9	<b>1 753</b>	1 616
<b>Total non-current liabilities</b>		<b>1 753</b>	1 616
<b>Current liabilities</b>			
Debt to credit institutions	14, 16	-	24 287
Trade and other payables	17	<b>21 558</b>	16 659
Tax payables	9	<b>16 530</b>	7 293
Social taxes and VAT	17	<b>53 738</b>	49 255
Other short-term debt	17, 18	<b>64 868</b>	71 404
<b>Total current liabilities</b>		<b>156 696</b>	168 898
<b>Total liabilities</b>		<b>158 449</b>	170 514
<b>Total equity and liabilities</b>		<b>535 023</b>	528 252

## CONSOLIDATED STATEMENT OF CASH FLOWS

NOK 1 000	Note	2018	2017
<b>Operating activities</b>			
Profit/ (loss) before tax		<b>73 530</b>	40 364
Adjustments for:			
Depreciation of property, plant and equipment	10, 11	<b>2 927</b>	8 156
Net change in trade and other receivables	13	<b>20 860</b>	(40 939)
Net change in other liabilities	17, 18	<b>2 846</b>	16 975
Net foreign exchange differences		<b>(192)</b>	693
Income tax expense	9	<b>(8 043)</b>	(17 206)
<b>Net cash flow from operating activities</b>		<b>91 927</b>	8 043
 Investing activities			
Investments in R&D-initiatives	10	<b>(2 762)</b>	(3 561)
Investments in property and equipment	11	<b>(2 707)</b>	(4 456)
<b>Net cash flow from financing activities</b>		<b>(5 469)</b>	(8 017)
 Financing activities			
Repayment of borrowings	16	-	(192 500)
Change in bank overdraft	16	<b>(24 287)</b>	(4 446)
Net proceeds from equity		-	123 189
Sales of treasury shares		<b>4 261</b>	-
Payment of dividends		<b>(39 535)</b>	-
<b>Net cash flow from financing activities</b>		<b>(59 562)</b>	(73 758)
Net increase/(decrease) in cash and cash equivalents		<b>26 897</b>	(73 731)
Cash and cash equivalents at 1 January	14	<b>6 580</b>	80 311
<b>Cash and cash equivalents at 31 December</b>	14	<b>33 478</b>	6 580

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<b>NOK 1 000</b>	<b>Issued capital</b>	<b>Treasury shares</b>	<b>Share premium</b>	<b>Foreign currency translation reserve</b>	<b>Retained earnings</b>	<b>Total attributable to equity holders parent</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
<b>At 1 January 2017</b>	21 256	(610)	32 109	8 847	135 316	196 918	-	<b>196 918</b>
Profit for the period	-	-	-	-	33 851	33 851	-	<b>33 851</b>
Other comprehensive income/(loss)	-	-	-	3 544	-	3 544	-	<b>3 544</b>
Shares issued	5 711	-	117 477	-	-	123 188	-	<b>123 188</b>
Share incentive program	-	-	237	-	-	237	-	<b>237</b>
<b>At 31 December 2017</b>	<b>26 967</b>	<b>(610)</b>	<b>149 823</b>	<b>12 391</b>	<b>169 167</b>	<b>357 738</b>	-	<b>357 738</b>
Profit for the period	-	-	-	-	56 220	56 220	-	<b>56 220</b>
Other comprehensive income/(loss)	-	-	-	(2 109)	-	(2 109)	-	<b>(2 109)</b>
Sales of treasury shares	-	124	3 020	-	-	3 144	-	<b>3 144</b>
Share incentive program	-	-	1 117	-	-	1 117	-	<b>1 117</b>
Dividends	-	-	-	-	(39 535)	(39 535)	-	<b>(39 535)</b>
<b>At 31 December 2018</b>	<b>26 967</b>	<b>(486)</b>	<b>153 960</b>	<b>10 282</b>	<b>185 852</b>	<b>376 574</b>	-	<b>376 574</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 01: GENERAL INFORMATION

### THE COMPANY AND THE GROUP

Webstep ASA, the parent company (the Company) of the Webstep Group (the Group) is a limited liability company incorporated and domiciled in Norway, with its head office in 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 as-

sist 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, robotics and analytics.

These consolidated financial statements have been approved for issuance by the Board of Directors on 4 April 2019 and is subject to approval by the Annual General Meeting on 8 May 2019.

## NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### BASIS FOR PREPARATION

The consolidated financial statements at 31 December 2018 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 2018 were authorised for issue by the Board of Directors on 4 April 2019.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 000's), ex-

cept 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 ex-

pected 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 2018. 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, 2018 and not early adopted by the Group – only those relevant for the Group is included:

#### **IFRS 16 – Leasing**

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

The standard will 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.

New standards, amendments and interpretations issued effective for the financial year beginning January 1, 2018 and not early adopted by the Group – only those relevant for the Group is included:

#### **IFRS 9 – Financial instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Under IFRS 9, debt instruments are

subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

There is no impact in the statement of financial position as at 1 January 2017, 31 December 2017 nor 31 December 2018. And there is no impact in the statement of profit or loss for the year ended 31 December 2017 nor for the year ended 31 December 2018.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

#### **IFRS 15 – Revenue from contracts with customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange

for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

No necessary changes to the Group's revenue recognition has been identified – neither for 2018 nor retrospective due to the nature of the customer contracts (see "Revenue" chapter for further information).

#### **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**

Revenue from services is recognised at the point in time when the billable con-

sultancy hours are delivered to the customer, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the hours provided. The Group has no fixed price contracts with customers, hence no part of the revenue is recognised over time.

#### **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.

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

Intangible assets with an indefinite economic life are tested for impairment at least once a year, either individually

or as a part of a cash-generating unit. Intangible assets with an indefinite economic life are not amortised. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

#### **R&D**

Expenses relating to research activities are recognised in the statement of comprehensive income as they incur. Expenses relating to development activities are capitalised to the extent that the product or process is technically and commercially viable and the Group has sufficient resources to complete the development work. Expenses that are capitalised include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Capitalised development costs are recognised at their cost minus accumulated amortisation and impairment losses.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset.

#### **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 indi-

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

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

#### **Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and at hand and short-term 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.

## Equity-settled transactions

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

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

## Cash flow from operating activities

Cash flow from operating activities is

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

## Cash flow from investing activities

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

## Cash flow from financing activities

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

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 strategic plans for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future invest-

## 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 ac-

companying 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

ments 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 esti-

mates 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 list of sales prospects, with competencies that are highly attractive in the market. The outlook is robust for the market for IT consultancy services, however there is always a risk that macroeconomic factors can cause a downturn in

the economy and reduced demand for the Group's services. Currently, this risk is considered low.

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

### Market risk – interest rate risk

The short-term revolving credit facility is exposed to interest rate risk because of floating interest rate conditions which makes the Group's financial cost exposed to changes in the market rate. The Group considers this risk to be minimal due to the stable financial situation in Norway, combined with low level of debt and strong financial position for the Group. Current financing and capital structure has limited interest rate risk, and variation in interest expenses due to changes in Nibor would have insignificant impact on financial expenses in the group and

presentation of "Analysis of sensitivity" is therefore left out.

### Market risk – currency risk

The Group is to a limited 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 currencies than the local currency in the market segment, 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 103 million (2017: NOK 126 million) 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 board meetings.

### Liquidity risk

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

**2018**

NOK 1 000	Carrying amount	<b>Total</b>	Contractual maturity		
			< 1 year	1 – 5 years	> 5 years
Debt to credit institutions	-	-	-	-	-
Estimated interest	309	<b>309</b>	309	-	-
Trade and other payables	21 558	<b>21 558</b>	21 558	-	-
Social Taxes and VAT	53 738	<b>53 738</b>	53 738	-	-
Other short-term debt	64 868	<b>64 868</b>	64 868	-	-
<b>Total 31 December 2018</b>	<b>140 474</b>	<b>140 474</b>	<b>140 474</b>	-	-

**2017**

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

**Categories of financial instruments**

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	<b>103 288</b>	<b>103 288</b>	125 545	125 545
Other receivables	<b>4 983</b>	<b>4 983</b>	3 585	3 585
Cash and short-term deposits	<b>33 478</b>	<b>33 478</b>	6 580	6 580
<b>Financial assets measured at amortised cost</b>	<b>141 750</b>	<b>141 750</b>	135 710	135 710
Debt to credit institutions	-	-	24 287	24 287
Trade payables	<b>21 558</b>	<b>21 558</b>	16 659	16 659
Other payables	<b>53 738</b>	<b>53 738</b>	49 255	49 255
Other short-term debt	<b>64 868</b>	<b>64 868</b>	71 404	71 404
<b>Financial liabilities measured at amortised cost</b>	<b>140 165</b>	<b>140 165</b>	161 605	161 605

The methods and assumptions used to estimate the fair value of debt instruments are described in note 2.

## 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 million	Norway	Sweden	Total
<b>2018</b>			
Total revenue (IT-related consulting services)	570.3	92.8	<b>663.2</b>
Total operating expenses less depreciation and impairment	495.0	89.3	<b>584.4</b>
EBITDA	75.3	3.5	<b>78.8</b>
EBITDA margin (% of total revenue)	13.2%	3.8%	<b>11.9%</b>
NOK million	Norway	Sweden	Total
<b>2017</b>			
Total revenue (IT-related consulting services)	495.2	101.3	<b>596.5</b>
Total operating expenses less depreciation and impairment	443.8	95.6	<b>539.4</b>
EBITDA	51.4	5.7	<b>57.1</b>
EBITDA margin (% of total revenue)	10.4%	5.6%	<b>9.6%</b>
Total operating expenses less depreciation and impairment excl. non-recurring items	429.8	95.6	<b>525.4</b>
EBITDA excl. non-recurring items	65.4	5.7	<b>71.1</b>
EBITDA margin excl. non-recurring items (% of total revenue)	13.2%	5.6%	<b>11.9%</b>

Non-recurring items are defined as items that are infrequent or unusual compared to the recurring operations and which are not expected to incur again in the foreseeable 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 2018.

## NOTE 06: SALARIES, REMUNERATION AND AUDIT FEES

### Salaries and personnel expenses

NOK 1 000	2018	2017
Salaries	<b>375 945</b>	357 654
Social security costs	<b>62 117</b>	58 221
Pensions	<b>15 274</b>	15 970
Other benefits and refunds	<b>17 477</b>	16 549
<b>Total salaries and personnel expenses</b>	<b>470 813</b>	448 395

Number of employees, average FTEs 407 393

**Remuneration to key employees**

NOK 1 000	2018			2017		
	Compensation	Pension	Other*	Compensation	Pension	Other*
CEO – Kjetil Bakke Eriksen	2 587	49	17	3 031	49	22
CFO – Anders Håvik Løken (employed until 30 Sep 2018)	1 122	38	10	2 518	46	19
CFO – Liv Annike Kverneland (employed from 1 Sep 2018)	583	15	8	-	-	-
CMO – Arnt Roger Aasen	1 416	52	20	1 279	52	5
Director Business Development – Rolf Helle	1 749	52	12	1 708	53	13
Chairman of the board – Klaus-Anders Nysteen	360	-	-	106	-	-
Board member – Bjørn Ivar Danielsen	239	-	-	211	-	-
Board member – Terje Bakken	229	-	-	68	-	-
Board member – Siw Ødegaard	235	-	-	70	-	-
Board member – Toril Nag	210	-	-	62	-	-
<b>Total remuneration</b>	<b>8 730</b>	<b>206</b>	<b>67</b>	<b>9 053</b>	<b>200</b>	<b>59</b>

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

**Board remuneration**

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

**Audit fees\***

NOK 1 000	2018	2017
Statutory audit fees	825	739
Audit-related assistance	196	103
Non-audit related assistance	325	118
Other included recognised on equity	-	708
<b>Total fee</b>	<b>1 346</b>	<b>1 669</b>

\* VAT is not included

**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 91 500 shares, which is valued NOK 2.3 million at balance date. Management invested through the employee share program and are entitled to 1 244 shares, given fulfilment of the conditions for Matching Shares. The allocated cost for the employee share program ("Matching shares") in 2018 accounts for NOK 1 286 thousand.

In December 2018 each of the employees in the Norwegian entities were offered to acquire shares with a market price of NOK 15 000 with a 20 per cent discount. 63 per cent of the employees participated in the program, and costs of NOK 0.6 million are included in salaries and personnel expenses.

### Main principles for the determination of remuneration for the executive management of Webstep ASA

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

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

Salary and other remuneration payable by the Company to its executive management will be aligned with the above principles for the calendar year 2019.

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

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

The new group CEO, who will be employed from 2 May 2019, is entitled to severance pay payable upon termination of employment by the Company equal to six months' base-salary. Other than for the new CEO, the Company has not entered into any severance pay agreements payable upon termination of employment by the Company with the executive management.

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. In 2018, none of the members of the executive management had bonus or any performance-based salary as part of their total remuneration package.

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

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

### NOTE 07: PENSION COSTS

All companies within the Group has defined contribution plans for all of its employees, governed by the local employment laws. The Group pays a contribution to the plan based on a fixed percentage of the salary, limited to 12 times the base amount (G). The total pension premium charge in 2018 is NOK 15 274 (2017: NOK 15 970).

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

### NOTE 08: FINANCIAL ITEMS

#### Finance income

NOK 1 000	2018	2017
Interest income	88	3 493
Other finance income (including foreign exchange effects)	26	205
<b>Total finance income</b>	<b>114</b>	<b>3 698</b>

Interest income primarily comprise interest received on bank deposits.

#### Finance expense

NOK 1 000	2018	2017
Interest expense	(2 453)	(10 785)
Other finance expense (including foreign exchange effects)	-	(1 478)
<b>Total finance expense</b>	<b>(2 453)</b>	<b>(12 263)</b>

Interest expense primarily comprise interest, commission and expenses paid on revolving credit facility.

**NOTE 09: TAXES****Consolidated statement of profit or loss**

NOK 1 000	2018	2017
Current income tax charge – Norway	16 517	6 409
Unprovided income tax charge from 2017	113	-
Deferred tax relating to operating activities – Norway	(204)	88
Current income tax charge – Sweden	747	1 996
Deferred tax relating to operating activities – Sweden	136	(1 980)
Currency exchange effect and other	-	-
<b>Income tax expense reported in the statement of profit or loss</b>	<b>17 310</b>	<b>6 513</b>

**Reconciliation of tax expense and the accounting profit multiplied by the Group's domestic tax rate for 2018 and 2017:****Reconciliation of tax base:**

NOK 1 000	2018	2017
<b>Norway:</b>		
Accounting profit before tax	70 207	41 357
Permanent differences	636	(14 329)
Contribution to Group	-	-
Utilized tax loss carried forward	-	-
Change in temporary differences	971	(324)
Tax base for group contributions	71 815	26 703
Received Group contribution including tax	-	-
Tax base for the year	71 815	26 703
<b>Tax payable (23%/24%)</b>	<b>16 517</b>	<b>6 409</b>

NOK 1 000	2018	2017
<b>Sweden:</b>		
Accounting profit before tax	3 322	(993)
Permanent differences	692	1 069
Change in temporary differences	(617)	8 998
Tax base for the year	3 397	9 075
Tax payable (22%)	747	1 996
Prepaid tax Sweden	(735)	(1 112)
<b>Total of tax payable reported in balance sheet</b>	<b>16 530</b>	<b>7 293</b>

**Deferred tax**

NOK 1 000	2018	2017
<b>Norway:</b>		
Fixed assets	1 110	639
Receivables	865	365
Other financial assets	-	-
Customer relationships	-	-
<b>Total</b>	<b>1 975</b>	<b>1 004</b>
<b>Net deferred tax asset/(liability) (22%/23%)</b>	<b>434</b>	<b>232</b>

**Sweden:**

Customer relationships	-	-
Other	(7 962)	(7 345)
<b>Total</b>	<b>(7 962)</b>	<b>(7 345)</b>
<b>Net deferred tax asset/(liability) (22%)</b>	<b>(1 752)</b>	<b>(1 616)</b>

Reflected in the statement of financial position as follows:

NOK 1 000	2018	2017
Deferred tax assets	434	232
Deferred tax liabilities	(1 752)	(1 616)
<b>Deferred tax liabilities, net</b>	<b>(1 318)</b>	<b>(1 384)</b>
<b>Effective tax rate</b>		
Expected income tax	16 879	9 707
Permanent differences	299	(3 204)
Effect of change in tax rate and other	133	10
<b>Income tax expense*</b>	<b>17 310</b>	<b>6 513</b>
* Income tax expense in relation to income before tax	23.5%	16.1%

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 2018 is NOK 135 thousand. NOK 407 thousand were recorded in 2017.

## NOTE 10: INTANGIBLE ASSETS AND GOODWILL

NOK 1 000	Goodwill Norway	Goodwill Sweden	Customer relationships Norway	Customer relationships Sweden	R&D	Total
<b>Cost</b>						
At 1 January 2017	313 575	65 370	43 000	32 314	-	454 259
Reclassification*	-	-	-	-	1 250	1 250
Additions	-	-	-	-	3 561	3 561
Disposals	-	-	-	-	-	-
<b>Exchange adjustment</b>	-	3 326	-	123	-	<b>3 449</b>
At 31 December 2017	313 575	68 696	43 000	32 437	4 811	462 519
Additions	-	-	-	-	2 762	2 762
Disposals	-	-	-	-	-	-
Exchange adjustment	-	(2 027)	-	-	-	(2 027)
<b>At 31 December 2018</b>	<b>313 575</b>	<b>66 669</b>	<b>43 000</b>	<b>32 437</b>	<b>7 573</b>	<b>463 254</b>
<i>*Classified as non-current financial asset in 2017. Reclassified in 2018.</i>						
<b>Depreciation and impairment</b>						
At 1 January 2017	-	-	(43 000)	(26 289)	-	(69 289)
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	(6 148)	-	(6 148)
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>(43 000)</b>	<b>(32 437)</b>	<b>-</b>	<b>(75 437)</b>
Impairment	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>(43 000)</b>	<b>(32 437)</b>	<b>-</b>	<b>(75 437)</b>
<b>Net book value</b>						
At 31 December 2017	313 575	68 696	-	-	4 811	387 082
At 31 December 2018	313 575	66 669	-	-	7 573	387 816
Useful life	Infinite	Infinite	5 years	5 years		
Depreciation method	NA	NA	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. Goodwill is not amortised, but tested yearly for impairment.

R&D comprises investments in the strategic initiative Webstep Internet of Things (IoT), where a total of NOK 7.6 million is recognised at balance date. The reclassification and recognition as an intangible asset is based on the management's assessment of future economic benefits from the projects and that the criteria in IAS 38.57 is met.

The investment will be depreciated straight line over its assessed useful life (5 years), from 1 January 2019.

#### **Impairment testing**

Goodwill acquired through business combinations has been allocated to two individual cash generating units, which are also defined as reportable segments according to note 5.

#### **Cash generating unit:**

NOK 1 000	2018	2017
Norway	313 575	313 575
Sweden	66 669	68 696
<b>Total</b>	<b>380 244</b>	<b>382 271</b>

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

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

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

The discount interest is based on weighted average cost of capital (WACC). A discount rate of 8 per cent after tax is used for both CGU's (Norway and Sweden). This is based on a risk free interest rate of 1.7 per cent for Norway and 0.47 per cent for Sweden. The risk premium is calculated based on market statistics for comparable companies. The cash flow forecast takes into account both historical results, expected future growth rates, and market conditions. The budget period is one year, but strategic growth plans are set out for a 5-year period by the Group Management. For Norway, the underlying model assumes a conservative annual growth rate and conservative EBITDA estimates. The model for Sweden is more extensive. Calculations of annual cash flows are made per department, based on periodised employee development, utilisation rate, expected trend in hourly rate, sales / management / overhead changes, wage growth and cost growth. The average annual growth rate in the impairment test for the Swedish segment is higher than in the Norwegian segment. The EBITDA-margin in the Swedish CGU is expected to at least double from todays level. This is also considered a conservative estimate.

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

**NOTE 11: FIXED ASSETS**

<b>NOK 1 000</b>	Equipment, fixtures and furniture
<b>Cost</b>	
At 1 January 2017	11 176
Additions	4 500
Disposals	-
Exchange adjustment	-
<b>Cost at 31 December 2017</b>	<b>15 676</b>
Additions	2 709
Disposals	-
Exchange adjustment	-
<b>Cost at 31 December 2018</b>	<b>18 385</b>
<b>Depreciation and impairment</b>	
At 1 January 2017	(8 438)
Disposals	-
Impairment	-
Depreciation charge for the year	(2 009)
Exchange adjustment	-
Other	-
<b>At 31 December 2017</b>	<b>(10 447)</b>
Disposals	-
Impairment	-
Depreciation charge for the year	(2 927)
Exchange adjustment	-
Other	-
<b>At 31 December 2018</b>	<b>(13 374)</b>
Net book value	
At 31 December 2017	5 228
At 31 December 2018	5 011
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**

<b>NOK 1 000</b>	<b>2018</b>	<b>2017</b>
Project: Internet of Things (IoT)	-	1 250
Reclassification of project *	-	(1 250)
Other long term deposit	10	-
<b>Total</b>	<b>10</b>	<b>-</b>

\* Reference to note 10

**NOTE 13: TRADE AND OTHER RECEIVABLES****Trade and other receivables**

<b>NOK 1 000</b>	<b>2018</b>	<b>2017</b>
Trade receivables – net of related parties	104 153	125 910
Provision for bad debt	(865)	(365)
<b>Trade Receivables net of provision</b>	<b>103 288</b>	<b>125 546</b>
Prepayments and other receivables	4 983	3 585
Receivables related to related parties	-	-
Payables to related parties	-	-
<b>Total trade receivables</b>	<b>108 271</b>	<b>129 130</b>
Of which long-term receivables to related parties	-	-
<b>Short-term Receivables</b>	<b>108 271</b>	<b>129 130</b>

**Specification of receivables**

NOK 1 000	2018	2017
Trade receivables	102 751	125 442
Accrued income	537	103
Other receivables	-	-
<b>Trade and other receivables</b>	<b>103 288</b>	<b>125 546</b>
Prepaid costs	4 154	1 979
Prepaid public duty debt	664	1 510
Prepaid rent	165	96
Prepayments	4 983	3 585
<b>Total</b>	<b>108 271</b>	<b>129 130</b>

**Due dates & Fair value of trade and other receivables**

NOK 1 000	2018	2017
Due within one year*	108 271	129 130
After one year **	-	-
<b>Fair Value</b>	<b>108 271</b>	<b>129 130</b>

\*) For receivables due within one year, fair value is equal to nominal value.

\*\*) Receivables that due later than one year are discounted and stated as fair value.

Group has a bad debt provision of NOK 865 thousand in 2018 up from NOK 365 thousand in 2017.

NOK 1 000	Total	Not due	Less than 30 days	30-60 days	60-90 days and above
2018	104 153	97 881	1 668	4 146	458
2017	125 910	61 717	58 156	3 136	2 901

Trade receivables at year end were NOK 104.2 million (NOK 125.9 million). The decrease from the same balance date in 2017 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.

**NOTE 14: CASH AND SHORT-TERM DEPOSITS****Cash and Cash Equivalents**

NOK 1 000	2018	1017
Cash in bank	33 478	6 580
Cash equivalents	-	-
<b>Total Cash and Cash Equivalents</b>	<b>33 478</b>	<b>6 580</b>
Utilised bank overdraft	-	24 287
<b>Net Cash and Cash Equivalents/Bank overdraft</b>	<b>33 478</b>	<b>(17 707)</b>

**Of which Restricted Cash:**

Guarantees for leases and credits from suppliers	-	-
Taxes withheld	459	628
Other restricted cash	-	-
<b>Total Restricted Cash</b>	<b>459</b>	<b>628</b>

For further 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.

	2018	2017
<b>Authorised:</b>		
Ordinary shares of NOK 1 each	26 967	26 967
<b>Ordinary shares:</b>		
Issued and fully paid:		
At 1 January	26 967	26 967
Issued	-	-
<b>At 31 December</b>	<b>26 967</b>	<b>26 967</b>
<b>Treasury shares:</b>		
At 1 January	(610)	(610)
Sale of treasury shares	124	-
<b>At 31 December</b>	<b>(486)</b>	<b>(610)</b>

### Foreign currency translation reserve

NOK 1 000	2018
At 1 January 2017	8 847
Foreign currency translation	3 544
<b>At 31 December 2017</b>	<b>12 391</b>
Foreign currency translation	(2 109)
<b>At 31 December 2018</b>	<b>10 282</b>

### Capital management

The Group is financed by equity with a credit facility 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 of directors.

<b>20 largest shareholders</b>	Number of shares	Ownership	Voting rights
Global Digital Holding As	3 844 255	14.26%	14.52%
Virtus Kar International Small-Cap	3 831 491	14.21%	14.47%
Verdipapirfondet Alfred Berg Gamba	1 556 645	5.77%	5.88%
Colina Invest As	839 080	3.11%	3.17%
Goldman Sachs International	783 058	2.90%	2.96%
Handelsbank Nordiska Smabolagsfond	721 869	2.68%	2.73%
VPF Nordea Norge Verdi	685 000	2.54%	2.59%
Park Lane Family Office As	632 801	2.35%	2.39%
Sole Active AS	551 046	2.04%	2.08%
Danske Invest Norge Vekst	542 000	2.01%	2.05%
J.P. Morgan Bank Luxembourg S.A.	520 000	1.93%	1.96%
Webstep ASA	486 427	1.80%	0.00%
Taaleri Nordic Value Equity Fund	470 000	1.74%	1.77%
Citibank, N.A.	438 491	1.63%	1.66%
Borea Global Equities Spesialfond	422 264	1.57%	1.59%
SEB Prime Solutions Carn Long Short	400 000	1.48%	1.51%
NWT Media As	390 000	1.45%	1.47%
Illari As	387 268	1.44%	1.46%
Salt Value As	358 130	1.33%	1.35%
DNB NOR Bank Asa	350 000	1.30%	1.32%
<b>Total 20 largest shareholders</b>	<b>18 209 825</b>	<b>67.53%</b>	<b>66.93%</b>
<b>Other shareholders</b>	<b>8 757 192</b>	<b>32.47%</b>	<b>33.07%</b>
<b>Total shares</b>	<b>26 967 017</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Shareholding by board members, management and their related parties</b>	<b>Number of shares</b>	<b>Ownership</b>	<b>Voting rights</b>
Klaus-Anders Nysteen (Nysteen Invest AS)	20 408	0.08%	0.08%
Kjetil Bakke Eriksen (privately and in Colina Invest AS)	844 648	3.13%	3.19%
Arnt Roger Aasen (privately and in Aravi AS)	273 286	1.01%	1.03%
Rolf Helle (privately and in Xerxes AS)	29 248	0.11%	0.11%
Liv Annike Kverneland	591	0.00%	0.00%

Terje Bakken is the chair of the board of Global Digital Holding AS.

Webstep ASA holds 486 427 treasury shares. These shares have no voting rights nor dividend rights.

## **NOTE 16: INTEREST-BEARING LOANS AND BORROWINGS**

The Group has a NOK 110 million Revolving Credit Facility ("RCF") with SpareBank 1 SR-Bank ASA which was entered into by the Company as a part of the IPO process in 2017. The RCF became effective on 11 October 2017. The RCF may be utilised by each member of the Group having access 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**

The cash pooling system implies a change in how the Group reports cash, short term deposits and bank overdraft for the accounts included in the cash pool. 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, to reflect the actual interest bearing figure at balance date.

NOK 1 000	2018	2017
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**Non-current borrowings**

Debt to credit institutions

**Current borrowings**

Debt to credit institutions

**Total borrowings****Booked value of assets pledged as security**

Shares	432 119	432 119
Fixed assets	5 011	5 228
Receivables	103 288	125 545
Cash	33 478	6 580
<b>Total</b>	<b>573 896</b>	<b>569 472</b>

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

NOK 1 000	2018	2017
Trade payables	21 558	16 659
Other payables	53 738	49 255
Other short-term debt	64 868	71 404
<b>Total financial liabilities</b>	<b>140 165</b>	<b>161 605</b>
<b>Total current</b>	<b>140 165</b>	<b>161 605</b>
<b>Total non-current</b>	<b>-</b>	<b>-</b>

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

**Changes in liabilities arising from financing activities****Year ended 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
<b>Total liabilities from financing activities</b>	<b>221 232</b>	<b>(196 946)</b>	<b>-</b>	<b>24 287</b>

**Year ended 2018**

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

**NOTE 17: TRADE AND OTHER PAYABLES**

NOK 1 000	2018	2017
Trade and other payables	21 558	16 659
Social taxes and VAT	53 738	49 255
Accrued vacation pay	35 500	32 589
Accrued expenses	29 227	36 118
Other current payables	141	2 697
<b>Total Trade and Other Payables</b>	<b>140 164</b>	<b>137 318</b>

**NOTE 18: OTHER SHORT-TERM DEBT**

<i>NOK 1 000</i>	<b>2018</b>	<b>2017</b>
Salaries payable, holiday pay, bonus etc.	<b>62 443</b>	66 976
Other accrued expenses	<b>2 305</b>	1 756
Received prepayments of revenues	<b>120</b>	2 672
Other	-	-
<b>Total other short-term debt</b>	<b>64 868</b>	71 404

Payable to subcontractors and fees has been reclassified to accounts payable.

**NOTE 19: RELATED PARTY DISCLOSURES**

The consolidated financial statements of the Group include:

Name	Country of in-corporation	% equity interest	
		<b>2018</b>	<b>2017</b>
Webstep AS	Norway	<b>100%</b>	100%
Webstep AB	Sweden	<b>100%</b>	100%

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

**NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE**

Since 31 December 2018 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 were recorded in the fourth quarter of 2017, mainly consisting of IPO transaction costs and one-off costs related to a terminated recruitment incentive program.

<i>NOK 1 000</i>	<b>Total 2017</b>
Cost of services rendered	<b>2 815</b>
Salary and personnel costs	<b>10 690</b>
Other operating expenses	<b>443</b>
<b>Sum</b>	<b>13 948</b>

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

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

## 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 relation to the IPO, the Company implemented a share program for the Group's employees. The potential dilution through this program accounts for approximately 91 500 shares. See note 6 for further detail on the share program.

The Company had one share class and a total of 26 480 590 outstanding shares (excl. treasury shares) 31 December 2018.

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.

NOK 1 000	2018	2017
Profit for the year	56 220	33 851
Average number of shares outstanding	26 367	21 879
Average number of shares and options outstanding	26 471	21 906
Basic earnings per share (NOK/Share)	2.13	1.55
Diluted earnings per share	2.12	1.55
Average number of shares outstanding	26 367	21 879
Dilutional effects	104	27
Warrants	-	-
Average number of shares outstanding adjusted for dilutional effects	26 471	21 906

## NOTE 23: RENT AND LEASE AGREEMENTS

The Group has no finance leases.

Leasing costs expensed in other operating expenses in 2018 was NOK 5.9 million (2017: NOK 6.1 million), primarily related to office rent.

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

Office rent	Nominal values 31 Dec 2018	Nominal values 31 Dec 2017
NOK 1 000		
Within one year	2 620	3 865
Between 1 and 5 years	2 975	5 595
Later than 5 years	-	-
<b>Total</b>	<b>5 595</b>	<b>9 460</b>

## NOTE 24: CONTINGENCIES AND LEGAL CLAIMS

The Group has not been involved in any legal or financial disputes in 2018, 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 divided by the average number of employees.

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

<i>NOK 1 000</i>	<b>2018</b>	<b>2017</b>
Operating profit (loss)	<b>75 868</b>	48 929
Depreciation and impairment	<b>2 927</b>	8 156
<b>EBITDA</b>	<b>78 795</b>	57 086
Non-recurring costs	-	13 948
<b>EBITDA excl. non-recurring cost</b>	<b>78 795</b>	71 034

Non-recurring items of NOK 14 million was 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	2018	2017
Sales Revenues	5	150	150
<b>Total revenues</b>		<b>150</b>	<b>150</b>
Salaries and personnel expenses	3, 4	(10 760)	(11 295)
Depreciation and impairment	6	(18)	(14)
Other operating expenses	3	(4 946)	(4 302)
Total operating expenses		(15 725)	(15 612)
<b>Operating profit (loss)</b>		<b>(15 575)</b>	<b>(15 462)</b>
 <b>Finance income and expense</b>			
Finance income from group companies		<b>63 888</b>	46 949
Interest income from group companies	8	<b>912</b>	-
Other interest income		<b>87</b>	491
Other finance income		-	190
Interest expense from group companies	8	(1 526)	(304)
Other interest expenses		(1 764)	(10 172)
<b>Net financial items</b>		<b>61 596</b>	37 154
 <b>Profit before tax</b>		<b>46 022</b>	21 692
Income tax expense	11	(10 586)	(1 751)
<b>Total comprehensive income for the year</b>		<b>35 435</b>	19 942
 <b>Total comprehensive income for the year</b>		<b>35 435</b>	19 942
 <b>Attributable to:</b>			
Dividends		(42 369)	(39 535)
Change in retained earnings		<b>6 934</b>	19 593
<b>Total</b>		<b>(35 435)</b>	(19 942)

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

NOK 1 000	Note	2018	2017
<b>Non-current assets</b>			
Property, plant and equipment	6	26	44
Investments in subsidiaries	7, 10	432 119	432 119
Loans to group companies	8	1 307	228
Other non-current receivables		10	-
<b>Total non-current assets</b>		<b>433 462</b>	<b>432 391</b>
<b>Current assets</b>			
Trade receivables	8	150	150
Other receivables	8	68 115	69 791
Cash and short-term deposits	2, 10	26 342	628
<b>Total current assets</b>		<b>94 607</b>	<b>70 569</b>
<b>Total assets</b>		<b>528 069</b>	<b>502 961</b>

Oslo, 4 April 2019  
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

NOK 1 000	Note	2018	2017
<b>Equity</b>			
Share capital	12	26 967	26 967
Treasury shares		(486)	(610)
Share premium		153 964	149 827
<b>Total paid-in equity</b>		<b>180 444</b>	<b>176 183</b>
<b>Retained earnings</b>			
Retained earnings		149 677	156 611
<b>Total retained earnings</b>		<b>149 677</b>	<b>156 611</b>
<b>Total equity</b>		<b>330 122</b>	<b>332 794</b>
<b>Non-current liabilities</b>			
Deferred tax	11	2	1
Debt to credit institutions	10	-	-
<b>Total non-current liabilities</b>		<b>2</b>	<b>1</b>
<b>Current liabilities</b>			
Debt to credit institutions	10	-	108 534
Trade and other payables	8	431	1 878
Tax payable	11	10 585	6 409
Social taxes and VAT	2	649	856
Dividend		42 369	39 535
Other short-term debt	9	2 132	1 195
Current debt to group companies	8	141 779	11 759
<b>Total current liabilities</b>		<b>197 945</b>	<b>170 166</b>
<b>Total liabilities</b>		<b>197 947</b>	<b>170 167</b>
<b>Total equity and liabilities</b>		<b>528 069</b>	<b>502 961</b>

**STATEMENT OF CASH FLOWS**

NOK 1 000	Note	2018	2017
<b>Operating activities</b>			
Profit/ (loss) before tax		<b>46 022</b>	21 692
Adjustments for:			
Income tax expense		(6 409)	(14 888)
Depreciation of property, plant and equipment		<b>18</b>	14
Net change in trade receivables		-	23
Net change in other receivables		<b>2 743</b>	(897)
Net change in trade creditors		(1 448)	314
Net change in social taxes and VAT		(207)	328
Net change in other liabilities		937	(747)
Net change in intercompany balances		(1 078)	1 508
<b>Net cash flow from operating activities</b>		<b>40 579</b>	7 347
<b>Investing activities</b>			
Purchase of property and equipment		-	(44)
Investment in subsidiary		-	(11 860)
Repayment on shares		-	19 409
<b>Net cash flow from financing activities</b>		-	7 505
<b>Financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	(192 500)
Change in bank overdraft	8	-	79 772
Change in intercompany balances	8	<b>20 408</b>	(25 460)
Net proceeds from equity		-	123 429
Sales of treasury shares		<b>4 261</b>	-
Payment of dividends		(39 535)	-
<b>Net cash flow from financing activities</b>		<b>(14 866)</b>	(14 759)
Net increase/(decrease) in cash and cash equivalents		<b>25 714</b>	124
Cash and cash equivalents at 1 January		<b>628</b>	504
<b>Cash and cash equivalents at 31 December</b>		<b>26 342</b>	628

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

**STATEMENT OF CHANGES IN EQUITY**

NOK 1 000	Attributable to owners of Webstep ASA					Non-controlling interests	Total	Total equity
	Issued capital	Treasury shares	Share premium	Retained earnings	Total			
<b>At 1 January 2018</b>	26 966	(610)	149 827	156 611	<b>332 794</b>		-	<b>332 794</b>
Profit for the period	-	-	-	35 435	<b>35 435</b>		-	<b>35 435</b>
Other comprehensive income/(loss)	-	-	-	-	-		-	-
Total comprehensive income for the period	-	-	-	35 435	<b>35 435</b>		-	<b>35 435</b>
Sale of treasury shares		124	3 020	-	<b>3 144</b>		-	<b>3 144</b>
Share incentive program	-	-	1 117	-	<b>1 117</b>		-	<b>1 117</b>
Dividends provided for	-	-	-	(42 369)	<b>(42 369)</b>		-	<b>(42 369)</b>
<b>At 31 December 2018</b>	26 966	(486)	153 964	149 677	<b>330 122</b>		-	<b>330 122</b>

# NOTES TO THE FINANCIAL STATEMENTS – PARENT COMPANY

## NOTE 01: ACCOUNTING PRINCIPLES

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

The annual report for Webstep ASA (the Company) is prepared according to the Norwegian Accounting Act 1998 § 3-9 and Regulations on simplified IFRS as enacted by the Ministry of Finance on 21 January 2008. In all material aspects, Norwegian Simplified IFRS requires that the IFRS recognition and measurement criteria (as adopted by the European Union) are complied with, but disclosure and presentation requirements (the notes) follow the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Standards.

### Simplified IFRS

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

### Management's assessment of accounting principles

The management has used estimates and assumptions that have impacted assets, liabilities, income, expenses and

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

### Subsidiaries and investments in associates

Subsidiaries and investments in associates are valued by the cost method in the parent company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present.

Dividends and other distributions are recognised in the same year as appropriated in the subsidiary accounts. Dividend from other companies are recognised when the shareholders' rights to

received dividend has been determined by the General Meeting.

If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the acquisition in the balance sheet.

Group contribution received from subsidiaries are recognised if it exceeds withheld profits after acquisition. Group contribution is recognised at gross value before tax at the time of recognition.

Reimbursement of invested capital will reduce the value of the acquisition in the balance sheet. Group contribution will then be recognised at net value after tax.

Group contribution to subsidiaries increases the value of the investment. Group contribution paid is recognised at net value net after tax.

### Sales revenues

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 of the asset. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are assigned to the acquisition cost and depreciated along with the asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net sell-

ing 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 a continuous basis and classified as payroll costs.

#### Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 22 per cent based on existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balance out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more

likely than not that the tax assets will be utilised.

To the extent that group contribution is not registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance.

#### Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents 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 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 459 thousand to cover taxes withheld.

### NOTE 03: SALARIES, REMUNERATION AND AUDIT FEES

#### Salaries and personell expenses

NOK 1 000	2018	2017
Salaries	9 111	8 411
Social security cost	1 232	1 161
Pensions	203	158
Other benefits and refunds	214	1 566
<b>Total salaries and personal expenses</b>	<b>10 760</b>	<b>11 295</b>

The Company had four full time employees (FTE) in 2018.

#### Remuneration to key employees

NOK 1 000	Compensation	Pension	Other
CEO – Kjetil Bakke Eriksen	2 587	49	17
CFO – Anders Håvik Løken (employed until 30 September 2018)	1 122	38	10
CFO – Liv Annike Kverneland (employed from 1 September 2018)	583	15	8
CMO – Arnt Roger Aasen	1 416	52	20
Director Business Development – Rolf Helle	1 749	52	12
Chairman of the board – Klaus-Anders Nysteen	360		
Board member – Bjørn Ivar Danielsen	239		
Board member – Terje Bakken	229		
Board member – Siw Ødegaard	235		
Board member – Toril Nag	210		
<b>Total remuneration</b>	<b>8 730</b>	<b>206</b>	<b>67</b>

#### 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 of-

fered 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 pro-

gramme 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 91 500 shares, which is valued NOK 2.3 million at balance date. Management invested through the employee share program and are entitled to 1 244 shares, given fulfilment of the conditions for Matching Shares.

In December 2018 each of the employees in the Norwegian entities of the Group were offered to acquire shares with a market price of NOK 15 000 with a 20 per cent discount. 63 per cent of the employees participated in the program.

#### Main principles for the determination of remuneration for the executive management of Webstep ASA

The board of directors has established a remuneration committee consisting of three board members, being the chairperson of

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

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

Salary and other remuneration payable by the Company to its executive management will be aligned with the above principles for the calendar year 2019.

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

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

The new group CEO, who will be employed from 2 May 2019, is entitled to severance pay payable upon termination of employment by the Company equal to six month's base-salary. Other than for the new CEO, the Company has not entered into any severance pay agreements payable upon termination of employment by the Company with the executive management.

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. In 2018, none of

the members of the executive management had bonus or any performance-based salary as part of their total remuneration package.

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

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

#### Audit fees

	2018	2017
NOK 1 000		
Statutory audit fees	273	143
Audit-related services	122	219
Non-audit related services	306	-
Other services recognised on equity	-	699
<b>Total fees</b>	<b>700</b>	<b>1 061</b>

#### 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 203 thousand in 2018.

#### NOTE 05: REVENUE BY SEGMENT

	2018	2017
NOK 1 000		
<b>Per business area</b>		
Managerial services	150	150
<b>Geographical distribution / Segment distribution</b>		
Sweden	150	150

#### NOTE 06: FIXED ASSETS

	Equipment, fixtures and furniture	Total
NOK 1 000		
Cost 1. January	68	68
Additions	-	-
Cost at 31. December	68	68
Depreciation and impairment 31. December	(41)	(41)
Net book value 31. December	26	26
Depreciation charge for the year	18	18
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 2018	Equity at 31.12	Net book value at 31.12
Webstep AS	10-05-2011	Oslo	100%	63 888	57 165	359 025
Webstep AB	19-11-2012	Stockholm	100%	2 173	6 431	73 094
<b>Total</b>				<b>66 061</b>	<b>63 595</b>	<b>432 119</b>

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

Services for NOK 150 thousand are charged Webstep AB in 2018. Interest cost of NOK 1 526 thousand is charged on the cash pool agreement to Webstep AS in 2018.

## NOTE 08: INTERCOMPANY RECEIVABLES AND PAYABLES

	2018	2017
<i>Receivables</i>		
Receivable group contribution Webstep AS	63 888	66 358
Other receivables Webstep AS	3 548	-
Receivable Webstep AB	150	228
<b>Total receivables</b>	<b>67 585</b>	66 586
<i>Payables</i>		
Trade payables Webstep AS	1 795	1 508
Payables cash pool Webstep AS	137 040	-
Other payables Webstep AS	2 943	11 759
<b>Total payables</b>	<b>141 779</b>	13 267

The Company has received a group contribution of NOK 63 888 thousand from Webstep AS in 2018. The group contribution is recognised as a receivable at 31 December 2018.

Interest income of NOK 911 thousand is recognised as a receivable from Webstep AS in 2018.

Webstep ASA has not purchased any goods or services from related parties in 2018 of material amount.

## NOTE 09: OTHER CURRENT PAYABLES

	2018	2017
Accrued interest cost	-	-
Provision salaries and holiday pay	942	719
Other accruals	1 190	476
<b>Total</b>	<b>2 132</b>	1 195

## NOTE 10: PLEDGES AND GUARANTEES

	2018	2017
Non-current debt to credit institutions	-	-
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 2018 was NOK 0 million.

The Company has no loans with payments due past 5 years.

**Booked value of assets pledged as security:**

NOK 1 000	2018	2017
Shares in Webstep AS	359 025	359 025
Shares in Webstep AB	73 094	73 094
Fixed assets	26	44
Receivables	68 741	66 586
Bank deposits	459	628
<b>Total pledged assets</b>	<b>501 345</b>	<b>499 378</b>

**NOTE 11: TAXES****Current year tax base:**

NOK 1 000	2018	2017
Accounting profit before tax	46 022	21 692
Permanent differences	5	15
Share issuance cost recognised on equity	-	(14 412)
Group contribution recognised as income, taxable	(63 888)	(46 949)
Change in temporary differences	(4)	(1)
Tax base before group contribution	(17 865)	(39 656)
Received group contribution including tax	63 888	66 358
Tax base for the year	46 023	26 703
Tax payable (23%/24%)	10 585	6 409

Tax payable in the balance sheet	10 585	6 409
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**Income tax expenses for the year**

Tax payable	10 585	6 409
Tax on group contribution not recognised in the profit and loss statement	-	(4 658)
<b>Total income tax expenses for the year</b>	<b>10 585</b>	<b>1 751</b>

**Temporary differences:**

NOK 1 000	2018	2017
Fixed assets including goodwill	8	3
Net temporary differences at 31.12	8	3
Deferred tax assets/deferred tax (22%/23%)	2	1

**Effective tax rate:**

NOK 1 000	2018
Expected income tax	10 585
Permanent differences (23%)	(1)
Effect of change in tax rate and other	-
<b>Income tax expense</b>	<b>10 584</b>

Effective tax rate \* 23%

\* Income tax expense in relation to income before tax

## NOTE 12: SHARE CAPITAL AND SHAREHOLDERS

### 20 largest shareholders at 31 December 2018

NOK 1 000	Number of shares	Owner-ship	Voting rights
Global Digital Holding As	3 844 255	14.26%	14.52%
Virtus Kar International Small-Cap	3 831 491	14.21%	14.47%
Verdipapirfondet Alfred Berg Gamba	1 556 645	5.77%	5.88%
Colina Invest As	839 080	3.11%	3.17%
Goldman Sachs International	783 058	2.90%	2.96%
Handelsbank Nordiska Smabolagsfond	721 869	2.68%	2.73%
VPF Nordea Norge Verdi	685 000	2.54%	2.59%
Park Lane Family Office As	632 801	2.35%	2.39%
Sole Active AS	551 046	2.04%	2.08%
Danske Invest Norge Vekst	542 000	2.01%	2.05%
J.P. Morgan Bank Luxembourg S.A.	520 000	1.93%	1.96%
Webstep ASA	486 427	1.80%	0.00%
Taaleri Nordic Value Equity Fund	470 000	1.74%	1.77%
Citibank, N.A.	438 491	1.63%	1.66%
Borea Global Equities Spesialfond	422 264	1.57%	1.59%
SEB Prime Solutions Carn Long Shor	400 000	1.48%	1.51%
NWT Media As	390 000	1.45%	1.47%
Illari As	387 268	1.44%	1.46%
Salt Value As	358 130	1.33%	1.35%
DNB NOR Bank Asa	350 000	1.30%	1.32%
<b>Total 20 largest shareholders</b>	<b>18 209 825</b>	<b>67.53%</b>	<b>66.93%</b>
Other shareholders	8 757 192	32.47%	33.07%
<b>Total shares</b>	<b>26 967 017</b>	<b>100.00%</b>	<b>100.00%</b>

### Shareholding by board members, management and their related parties

NOK 1 000	Number of shares	Owner-ship	Voting rights
Klaus-Anders Nysteen (Nysteen Invest AS)	20 408	0.08%	0.08%
Kjetil Bakke Eriksen (privately and in Colina Invest AS)	844 648	3.13%	3.19%
Arnt Roger Aasen (privately and in Aravi AS)	273 286	1.01%	1.03%
Rolf Helle (privately and in Xerxes AS)	29 248	0.11%	0.11%
Liv Anniike Kverneland	591	0.00%	0.00%

Terje Bakken is the chair of the board of Global Digital Holding AS. Webstep ASA holds 486 427 treasury shares. These shares have no voting rights nor dividend rights.

## 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 2018 have been prepared in accordance with IAS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act,
- the financial statements for the parent company for 2018 have been prepared in accordance with the Norwegian 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, 4 April 2019

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



Statsautoriserte revisorer  
Ernst & Young AS  
Thormøhlens gate 53 D, NO-5006 Bergen  
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#### INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Webstep ASA

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of Webstep ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, 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 2018 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 2018. 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.

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#### Impairment evaluation of goodwill

Goodwill amounted to NOK 380 million per 31 December 2018, representing 71 % of the Group's total assets. Goodwill is tested for impairment annually. Management has defined the operations in Norway and Sweden as separate cash generating units ("CGUs"). Impairment tests are performed for each CGU. The valuation of goodwill was important for our audit, because the balance is material and the cash flows used in the impairment tests were based on significant assumptions made by management. These assumptions were related to the discount rate used, growth rates, market developments and the company's future plans.

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

#### Other information

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

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

#### Responsibilities of management for the financial statements

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report - Webstep ASA



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

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

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

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

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

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

#### Report on other legal and regulatory requirements

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

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

Independent auditor's report - Webstep ASA

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#### 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, 4. April 2019  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Eirik Moe  
State Authorised Public Accountant (Norway)

Independent auditor's report - Webstep ASA

Penneo Dokumentnr&ell;: EUDX-0002234-UEWK-WBXAM-2ENQX-OF66K

# 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](http://www.lovdata.no). The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at [www.nues.no](http://www.nues.no).

The annual statement on corporate governance for 2018 follows below. The statement has been approved by the board of directors on 4 April 2019.

## 1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

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

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

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

## 2. BUSINESS

The Company's business objective is stated in the Company's articles of association section 3 and reads as follows: "The company's objective is to own com-

panies that offer services and products within the area of information technology, as well as conducting business associated therewith." Webstep's articles of association are available on the Company's website.

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

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

## 3. EQUITY AND DIVIDENDS

### Equity

As of 31 December 2018, the Group had a consolidated equity of NOK 376.6 million, which corresponds to an equity ra-

*- For the fiscal year 2018, the board of directors has proposed a dividend payment of NOK 1.60 per share, representing 75.4 per cent of the net profit for the Group.*



tio of 70 per cent. Consolidated equity adjusted for proposed dividends, will be NOK 334.2 million. Webstep ASA had an equity of NOK 330.1 million, corresponding to an equity ratio of 62.5 per cent. Neither the Company, nor the Group has any long-term liabilities. The Company and the Group have sufficient levels of working capital. Further, the Company has a Revolving Credit Facility (RCF) of NOK 110 million which is unutilised at

year end. The RCF can be utilised by all entities of the Group. The board of directors considers that the Group has a capital structure that is appropriate to its objectives, strategy and risk profile.

#### **Board authorisations**

The annual general meeting on 24 April 2018 granted the board of directors an authorisation to increase the share capital by up to NOK 2 696 700 to be used to give the board of directors financial flexibility in connection with financing further growth, to issue shares as consideration in connection with acquisition of other companies, businesses or assets or to finance such acquisitions. The authorisation is valid until the annual general meeting in 2019, but no longer than 30 June 2019, 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 (the "Companies Act") may be deviated from with respect to the mentioned authorisation.

The annual general meeting on 24 April 2018 further granted the board of directors an authorisation to acquire own shares with a maximum aggregate value of NOK 2 696 700. Repurchase

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

#### **Dividend**

The Company's ambition is to distribute at least 75 per cent of the Group's consolidated net profit. When deciding the annual dividend level, the board of directors will take into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. For the fiscal year 2018, the board of directors has proposed a dividend payment of NOK 1.60 per share, representing 120 per cent of the annual net profit for the Company, and 75.4 per cent of the net profit for the Group.

The board of directors has not been granted any authorisation to approve the distribution of dividends.

#### 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

##### Share issues without pre-emption rights for existing shareholders

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

##### Transactions in treasury shares

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

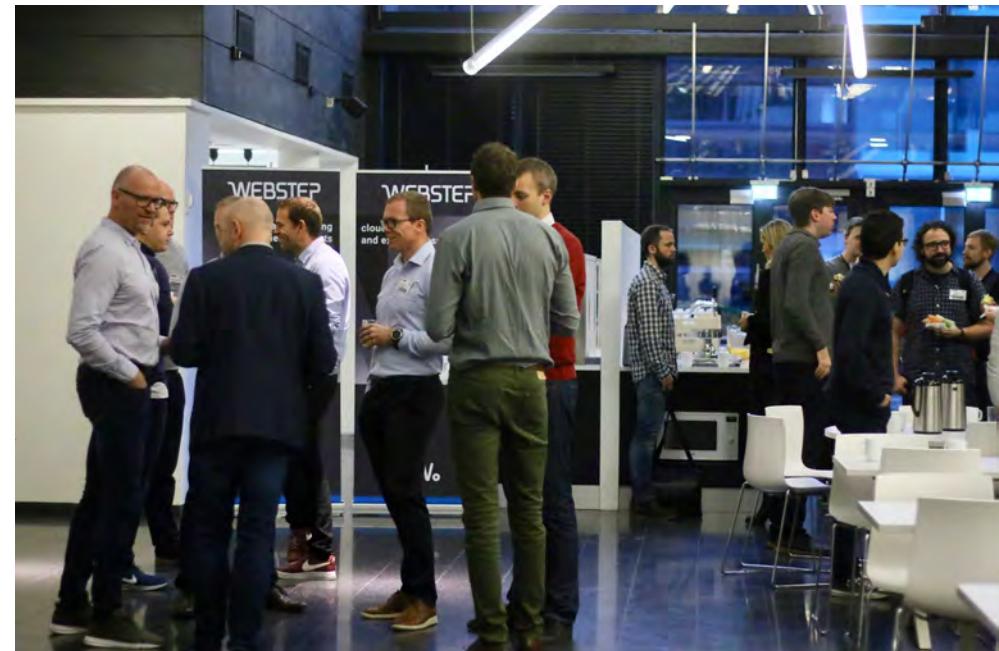
##### Approval of agreements with shareholders and other close associates

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

to the Company's consolidated financial statements for 2018 in the annual report.

#### 5. FREELY NEGOTIABLE SHARES

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



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

## 6. GENERAL MEETINGS

The Company's annual general meeting will take place on 8 May 2019. The Company's financial calendar is published via Oslo Stock Exchange and in the investor relations section of the Company's website. Minutes from the general meetings are published as soon as practicable via the stock exchange's reporting system ([www.newsweb.no](http://www.newsweb.no), ticker WSTEP) and in the investor relations section of the Company's website.

**Notice, registration and participation**  
The board of directors shall ensure that the Company's shareholders can participate at the Company's general meetings.

The board of directors shall ensure that the notice to the general meeting and any supporting documents, includ-

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

The board of directors shall ensure that the shareholders are able to vote separately on each individual matter, including on each candidate nominated

for election to Webstep's board of directors and other corporate bodies.

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

### Participation without attendance

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

Subject to satisfying the requirements in legislation for the proper and secure conduct of the general meeting,

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

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

#### **Chairperson of the meeting**

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

#### **7. NOMINATION COMMITTEE**

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

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

##### **Responsibilities**

The nomination committee shall recommend:

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

The present nomination committee was elected before the public listing of the Company, at the general meeting held on 14 September 2017, with an additional member elected by the annual general meeting held on 24 April 2018. It comprises John Bjerkan (chair), Sonja Cassidy and Petter Tusvik. No directors or members of executive management are represented on the nomination committee. The current nomination commit-

tee is independent of the board of directors. None of the three members are members of the board of directors.

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

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

##### **Tasks**

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



remuneration to the board members at the general meeting, propose remuneration to the members of the nomination committee, and nominate new members of the nomination committee to the general meeting.

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

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

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

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

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

## **8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE**

The articles of association state that the board of directors shall consist of between three and ten members and are elected to a two year-term. The board of directors currently consists of five shareholder-elected directors and three employee elected observers. The current members of the board of directors were elected by the general meeting on 14 September 2017 for a two-year term, and all board positions are thus up for election at the annual general meeting in 2019.

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

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

Seven board meetings and one strategy workshop were held in 2018. Each board member's attendance at board meetings is recorded by the Company. In 2018, all five board members participated in all seven board meetings held.

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

## 9. THE WORK OF THE BOARD OF DIRECTORS

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

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

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

The board appoints the Company's chief executive officer. Instructions which describe the rules of procedure for the board's work and its considera-

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

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

The board of directors has established an audit committee amongst its members and adopted instructions for the work of the audit committee. The committee currently comprises 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 Companies Act, the audit committee shall:

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



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

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

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

The board of directors evaluates its own work and that of the chief executive

and reports its findings to the nomination committee.

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

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

## **10. RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

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

The Company has in place processes and routines for internal control over financial reporting and risk management. During 2018, 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 disagree-

ments and legal disputes with its customers related to possible cost of delays or project errors that is always present in the consultancy business.

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

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

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

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

The board is responsible for seeing to that the Group's organisation, financial reporting and asset management are subject to satisfactory controls. Overall policies, governing processes and

routines have been established for day-to-day management. The board periodically reviews the Company's governing documents. The board reviews annually the most important 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 Com-

pany's equity or liquidity at any time is shown to be inadequate. The Company's management shall focus on frequent and relevant reporting of both operational and financial matters to the board of directors, where the purpose is to ensure that the board of directors has sufficient information for decision-making and is able to respond quickly to changing conditions. Board meetings shall be held frequently, and management reports shall be provided to the board as a minimum on a monthly basis. Financial performance shall be reported on quarterly basis.

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

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



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

## **11. REMUNERATION OF THE BOARD OF DIRECTORS**

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

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board. Nonetheless, one such assignment has been executed in 2018. The assignment has been disclosed to the full board, and the remuneration for this additional duty has been approved by the board. Konsu-

lentselskapet Glasshuset AS, which is specialised at facilitation of annual board evaluations, is run and partly owned by the board member Bjørn Ivar Danielsen. This company has supported the board its own self-assessment by supplying a digital tool for the evaluation and a thorough report of the findings. The cost of this service was NOK 55 thousand.

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 remuneration to the chief executive officer and other executive management should at all times support prevailing strategy and values in the Company.

The Company's guidelines for the remuneration of executive management are described in note 6 to the consolidated financial statements. This note also provides further details about remuneration in 2018 for the executive management. The guidelines are presented annually to the annual general meeting and include the main principles for the Company's remuneration policy. The guidelines also help to ensure convergence of the finan-

cial interests of the shareholders and the executive management.

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

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

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

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

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

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



convertible loans and all agreements of major importance that are entered into by Webstep and related parties.

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

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

#### **14. TAKEOVERS**

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

In the event of a take-over bid being made for the Company, the board will follow the overriding principle of equal treatment for all shareholders and will seek to ensure that the Company's business activities are not disrupted unnec-

essarily. The board will strive to ensure that shareholders are given sufficient information and time to form a view of the offer.

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

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

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

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

#### **15. AUDITOR**

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

During the financial year 2018, the Company's auditor has:

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

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

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

## **16. THE BOARD OF DIRECTORS' DECLARATION ON DETERMINATION OF SALARY AND OTHER REMUNERATION TO THE EXECUTIVE MANAGEMENT IN WEBSTEP ASA**

This declaration has been prepared by the board of directors of Webstep ASA (the "Company") in accordance with the Norwegian Public Limited Liability Companies Act Section 6-16a, in connection with the Company's annual general meeting in 2019.

The declaration includes the policies which the Company will use for its determination of salary and other remuneration for the Company's executive management in the calendar year 2019.

The policies for salary and other remuneration to the executive management shall be subject to an advisory vote by the general meeting, however so that the policies regarding equity-based remuneration shall be approved by the general meeting, cf. the Norwegian Public Limited

Liability Companies Act Section 5-6 (3).

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

### **Policies for salary and other compensation**

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

Salary and other remuneration payable by the Company to its executive manage-

ment will be aligned with the above principles for the calendar year 2019.

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

The executive management is entitled to free service telephone and private broadband, in addition to company health services, as benefits in kind. Additionally, the Company's new group CEO is entitled to certain other benefits as described below.

Other than as described below for the new group CEO, the Company has not entered into any severance pay agreements payable upon termination of employment by the Company with the executive management.

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. Except as described below for the new group CEO and CFO, none of the members of the executive management currently have bonus or any performance-based salary as part of their total remuneration package.

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

### **Equity based remuneration**

The board of directors will propose that the annual general meeting in 2019 approves a three year long long-term incentive program for the Company's executive management and other leaders in the group as decided by the board of directors.

The proposed long-term incentive program has an initial term of three years. The participants in the program may be granted a number of options pursuant to the board of directors' decision. The number of options granted in each respective year cannot exceed 2.5 per cent of the Company's share capital. The total number of issued options under the program cannot constitute more than 8 per cent of the Company's share capital at any time.

The proposed long-term incentive program is structured so that 25 per cent of the options may be exercised following the first anniversary of the grant date, an additional 25 per cent of the options may be exercised following the second anniversary of the grant date and the outstanding 50 per cent of the options may be exercised following the third anniversary of the grant date. The options expire following the fifth anniversary of the grant date.

The exercise of options is conditional of continued employment in the group at the exercise date.

It is noted that all employees in the Company and its Norwegian subsidiary, including the executive management, were in 2018 offered to purchase shares in the Company for an amount of between NOK 5 000 and NOK 15 000 each, with a 20 per cent discount.

It is further noted that the Company, in connection with the listing of the Company's shares on the Oslo Stock Exchange in 2017, implemented a share program for employees which was approved by the Company's general meeting on 14 September 2017. The 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 the proposed long-term incentive program, the Company does not currently have remuneration schemes based on share values, nor any option programs for shares in the Company or other group companies.

### **Appointment of new CEO of the Company and group CEO**

On 31 January 2019, the Company announced that it had appointed a new CEO of the Company and group CEO, who will assume the position on 2 May 2019. The new group CEO will be entitled to participate in the proposed long-term incentive program and to a short-term

and a long-term incentive bonus which are related to the achievement of pre-determined KPIs. Additionally, the new group CEO will be entitled to a sign-on bonus as compensation for the long-term incentive bonus he is abandoning with his former employer.

The short-term incentive bonus has an upper limit of 60 per cent of the group CEO's gross annual salary. The long-term incentive bonus has an upper limit of 25 per cent of the group CEO's gross annual salary. The incentive bonuses are resolved by the board of directors for the preceding year.

The new group CEO is obligated to invest any long-term incentive bonus paid in the Company's shares.

In addition to the base-salary, the new group CEO will be entitled to benefits in kind such as free service telephone, computer, private broadband, car allowance, and other benefits in kind. Furthermore, the new group CEO will participate in the Company's collective pension agreements and insurance arrangements, as applicable at all times. The Company will also arrange for a health insurance to be taken out for the new group CEO.

The new group CEO is entitled to severance pay payable upon termination of employment by the Company equal to six month's base-salary.

**Statement on the policy for the executive management's salary and other remuneration for 2018**

The Company's remuneration of the executive management in 2018 complied with the policies stated above.

The Company appointed a new CFO in 2018. The CFO's terms are in accordance with the policies set out above. The CFO is from 1 January 2019 entitled to a long-term incentive bonus which is related to the achievement of pre-determined KPIs. The KPIs relates to that the Company shall have an (i) 10% increase

in turnover from the preceding year (weighted 50%) and (ii) 10% increase in EBITDA from the preceding year (weighted 50%). The bonus has an upper limit of NOK 500 000, and the CFO is obligated to invest any net amount paid under the bonus in the Company's shares.

Except from this appointment, the Company did not enter into new employment agreements with the executive management or amend their existing employment agreements during 2018 in a way that could have a material impact on the Company or its shareholders.

The salary and other remuneration paid to the Company's executive management in 2018 are set out in note 6 of the group's annual accounts for 2018. It is noted that only the Company's CEO, CFO, director of business development and director of communications are currently considered part of the Company's executive management.

In 2018, the Company did not pay any remuneration beyond what follows from the existing employment agreements with the executive management other than as stated above.

Oslo, 4 April 2019

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



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