

WEBSTEP

Annual Report 2020

Developing for tomorrow



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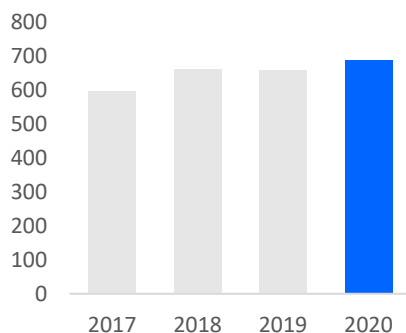
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Key figures

NOK million	2020	2019	2018	2017
Operating revenues	690.0	660.5	663.2	596.5
EBITDA	63.9	60.4	78.8	57.1
EBITDA margin	9.3%	9.1%	11.9%	9.6%
EBIT	50.0	49.1	75.9	48.9
EBIT margin	7.2%	7.4%	11.4%	8.2%
Net profit	36.7	36.1	56.2	33.9
Net cash flow	14.3	(8.0)	26.9	(73.7)
Earnings per share (NOK)	1.38	1.36	2.13	1.55
Earnings per share, fully diluted (NOK)	1.38	1.36	2.12	1.55
Number of employees, average (FTE)	410	397	407	393
Number of employees, end of period	415	409	394	402
Operating revenue per employee (NOKt)	1,681	1,663	1,630	1,517
EBIT per employee (NOKt)	122	124	186	124

Operating revenues

NOK million



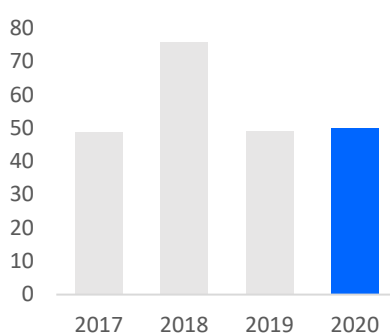
Year

2000

Founded

Operating profit (EBIT)

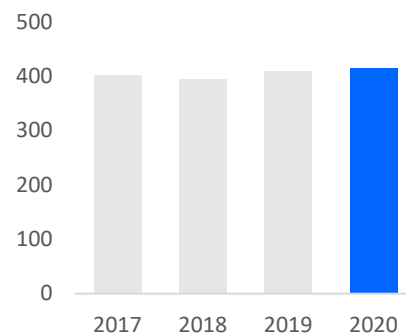
NOK million



9

Regional offices

Number of employees
(Year end)



Year

2017

Listed on Oslo Børs

Letter from the CEO

2020: The year of rapid digitalization

2020 started well, and it ended well, despite the challenges of the pandemic. The fear of revenue drop was replaced by the joy of growth. The wave of digitization accelerated during the pandemic and increased the use of solutions and services that became crucial in keeping the wheels of society running. New solutions were developed at express speed, and already planned development projects became even more urgent. IT expertise is more sought after than ever before, and Webstep has strengthened the organization in order to meet the demand from the market. The financial position is strong, and we are well equipped to solve an even broader range of tasks for our customers.



In the autumn of 2019, we launched our strategy for further growth, with improvement and further development of the business model as main ingredients. Customers ask for more - and we will also deliver more and broader than before.

Through 2020, we have therefore expanded our offer and categorized our services in three main delivery models: *IT Experts for hire*, *Team-as-a-service* and *Projects and Solutions*.

The delivery model *IT Experts for hire* is the very core of our business model. Our IT experts have helped many customers succeed with their digitization strategy over the past 20 years since Webstep was established in 2000. The assignments are often long-lasting and are characterized by trust and close cooperation with satisfied customers. This delivery model is still very attractive to customers who prefer to run their own projects, with the support from external expert consultants. Demand is high and still growing in all our local markets, and we are equipped to meet current and new customers' resource needs also in the future.

In addition to continuing to refine and strengthen our core offering, we work systematically to adapt the service offering to the customers' needs. Therefore, through 2020 we have invested in the expertise and methods required to expand our market reach through the two delivery models *Team-as-a-service* and *Projects and solutions*. We are seeing ever-increasing demand for full-scale development teams. Examples of this are the 2020 assignments for Sparebanken Vest and the Norwegian Court Administration, and quite recently in the framework agreement that we signed with Equinor. We are also seeing increasing demand for deliveries of total projects and

end-to-end solutions where Webstep is responsible for the project. An example of such a project is the "Samla" project for Larvik municipality, where Webstep developed an automated reporting solution that visualizes demographic key figures and changes in demographics. The solution is a subscription-based decision support tool with potential for rollout in other municipalities in both Norway and Sweden.

The already strong basis for further market growth has been further strengthened. At the beginning of 2020, we talked about four megatrends that support market growth going forward: The second wave of digitalization, industrialization of IT, cyber security and new technology. The wave of digitization gained momentum during the pandemic and we expect this to continue for a long time to come. We see a growing need for deep technology understanding in interaction with business understanding. Without this combination of skills, digitization becomes more of a challenge than an opportunity.

Security is an integral part of our deliveries and projects. The market has a growing awareness of the importance of ensuring safety at all levels in solutions that are developed.

The tech industry has always been characterized by rapid changes as new technologies and trends evolve. For a company like Webstep, it is crucial to be able to understand and master these new technologies in order to assist our customers in developing for tomorrow. Without an updated competence base, we are not relevant in the market.

To compete in this market, we depend on two important input factors: People and methods. But the people who master the methods are a scarce factor in today's market. There has long been an imbalance in the recruitment market, with the accompanying fierce battle for the best IT resources. This imbalance will persist, and it will limit the industry's ability to exploit its full growth potential. But in Webstep, we work hard and purposefully with recruitment, and we work to expand our recruitment base. Recruitment activity naturally slowed down in the first phase of the pandemic but picked up in the last six months of 2020 and has yielded good results. We are well positioned to attract even more skilled experts.

The growth going forward will mainly be organic, based on the premise that we continue to strengthen our local customer offering. Proximity to customers is important, even in the "new normal" where most employees work from home. By increasing recruitments in the local markets, we become bigger and stronger both locally and in total. Strong local regional offices in the largest cities in both Norway and Sweden ensure solid knowledge of local conditions and markets.

In a competence business, staying professionally up to date is key. At the same time, it is important for us to have a competitive customer offering at all times. Therefore, competence development is an area we also place great emphasis on. In order for our more than 400 experts to continue to be experts, we must give them the opportunity and the incentives to stay up to date. In a time where development is rapid, it is therefore crucial for an expert company to continuously create the conditions for effective learning and competence development.

2020 started well, and it ended well. After this demanding year, we are proud of achieving revenues of a solid NOK 690 million and a profit before tax of NOK 47 million. But the results have not come for free. Demanding tasks have been solved from home offices with varying comfort and work conditions. The customer dialogue was moved to digital rooms, and new tools

have been put into use. And yes, for a short period of time that impacted our efficiency negatively. But that phase passed quickly, and our digital interaction skills are now better than ever.

All our great employees deserve both honor and thanks for their adaptability and the solid effort in 2020. And with such a solid team of great people, healthy finances and high demand from customers, we are well equipped to develop for tomorrow.



Save Asmervik
CEO Webstep ASA

Board of directors' report

Highlights

Webstep reported revenue and EBIT growth in 2020. The Company continues to demonstrate that it has the capacity and expertise to deliver comprehensive projects and solutions in line with the previously communicated growth strategy, which also attracts a broader range of employees. Webstep enjoys a strong position in an attractive growth market and enters 2021 with a very robust order book. Strong financial position and positive outlook support dividend proposal of NOK 1.60 per share for 2020.

Webstep ASA recorded consolidated revenues in 2020 of NOK 690.0 million, up by 4.5 per cent from NOK 660.5 million in 2019. Revenue growth was driven by increased headcount and higher hourly rates. Consolidated EBIT for 2020 amounted to NOK 50.0 million, up from NOK 49.1 million in 2019. EBIT was impacted by increased headcount which has resulted in higher revenues, but also increased personnel cost. The COVID-19 salary program introduced in March, combined with slightly lower utilization following the COVID-outbreak and the turbulence in the oil related industries, had a negative impact on the EBIT-margin. The increased personnel cost has partly been offset by cost savings as a result of COVID-19 restrictions.

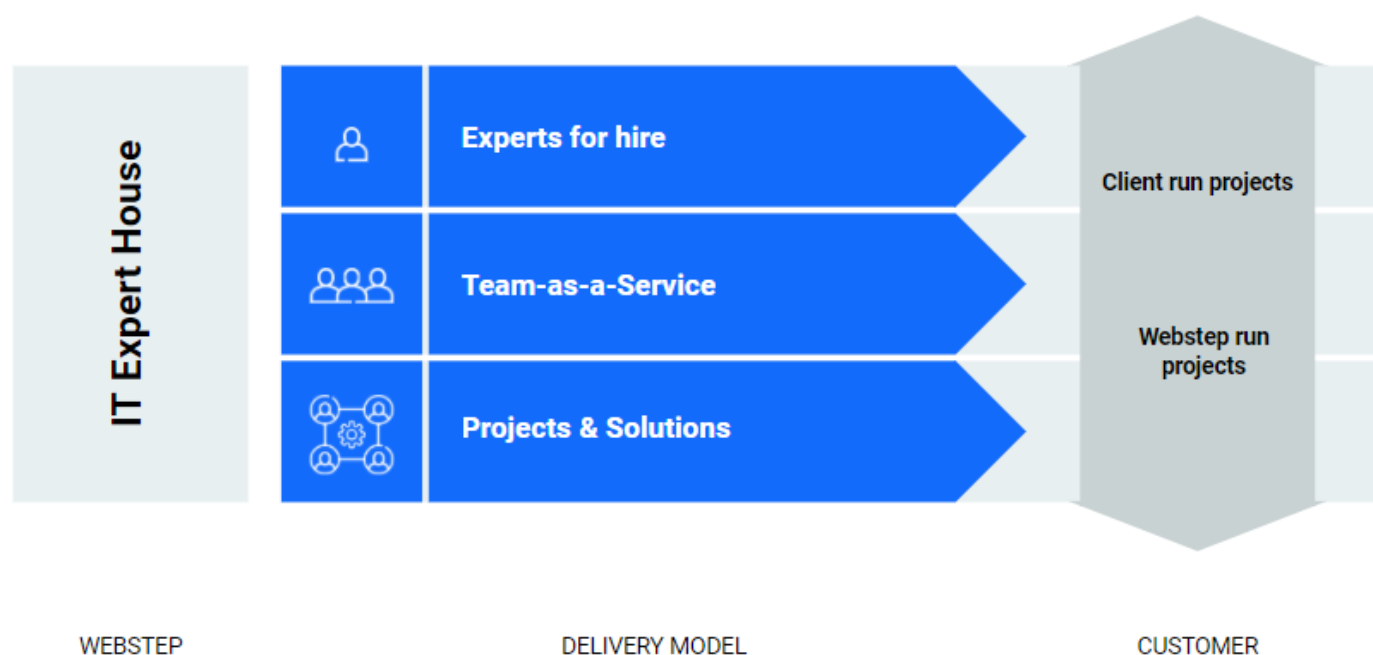
The market for IT services in Norway and Sweden is strong, and the competition in the recruitment market is fierce. In 2019, Webstep launched a new strategy aimed at expanding its go-to-market model in order to reach an even larger share of the market, as well as further expanding the recruitment base.

To provide clients with hand-picked technology experts who in an efficient and effective manner help to solve the client's challenges, is the traditional Webstep go-to-market model. The projects are normally run and managed by the clients. The experts employed by Webstep handle a broad range of technology platforms and disciplines - from the traditional programming languages such as .Net and Java, to highly sought-after services such as Cloud migration, advanced analytics, big data and machine learning.

Since the clients to an increasing extent request full scale developer teams ("team-as-a-service"), projects and end-to-end solutions that are managed and executed by their IT service vendors, Webstep has invested in the expertise and methodologies required in order to be a provider of these services.

These investments have started to yield results, such as the award of a significant framework agreement with the Norwegian Courts Administration in December 2020. What distinguishes this delivery from the traditional Webstep model, is the fact that Webstep will provide the client with full scale development teams as opposed to single consultants for expert roles. Autonomous development and operations teams from Webstep will be responsible for the Java based applications, and work as an integral part of the Norwegian Courts Administration's own IT organization.

Go-to-market model



The development of the delivery model further improves our edge in attracting new talented employees. The team and project deliveries give the consultants the opportunity to work closely with other Webstep colleagues on technically advanced and interesting challenges. The new delivery models also increase predictability and impact utilization and cross-leverage of expertise positively.

In February 2021, Save Asmervik was appointed the new CEO of Webstep. Mr. Asmervik previously held the position as regional director. He has been with the company for ten years, and has created an impressive growth story within Webstep with the success of the office in Trondheim.

The dividend policy remains unchanged, and the board of directors intend to propose a dividend of NOK 1.60 per share representing 117 per cent of the annual net profit of the Group for 2020.

Operations

The board of directors' report for the Webstep group ("Webstep" or "the Group") comprises the parent company Webstep ASA ("the Company") and its subsidiaries. Webstep ASA is a Norwegian public limited liability company headquartered in Oslo, Norway. The Group has offices in Norway and Sweden and had 415 employees as of 31 December 2020. The Company's shares are listed and traded on Oslo Børs under the ticker WSTEP. Webstep's business is conducted through the Group's two subsidiaries, Webstep AS in Norway and Webstep AB in Sweden. The Group has offices in Oslo, Bergen, Stavanger, Trondheim, Kristiansand and Haugesund (Norway), and in Stockholm, Malmö and Uppsala (Sweden). Webstep believes in the flexibility and responsiveness of a decentralized model based on strong local presence. The regional offices serve local clients with considerable autonomy, while leveraging the full expertise and capacity of Webstep.

Webstep is a provider of IT consultancy services and offers expertise to solve demanding digitalization and IT projects in the private and public sector, in a number of different industries including banking, finance and insurance, public administration, agriculture and food production, IT and telecommunication, commerce and transportation.

Webstep aims to be at the forefront of the technological development and offers cutting-edge IT expertise such as digitalization, cloud migration and integration, Internet of Things (IoT), machine learning, IT security, robotics 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 2020, the Group employed 415 employees, of which approximately 350 were IT consultants. The Group's consultants have on average more than 10 years of experience. This creates a solid foundation for a strong professional environment and high-quality deliveries. The Webstep work culture is driven by the values of being skilled, innovative, generous and uncomplicated.

When the COVID-19 outbreak started in March 2020, the employees were encouraged to keep delivering services to the customers as long as this was possible and did not compromise the security or well-being of the employees, the customers or their families. In Sweden, in response to the Swedish authorities' recommendations, the employees adopted home offices when possible. Most of the employees have been working from home since the outbreak started.

Financial review

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

In the view of the board, the income statement, the statements of comprehensive income, changes in equity and cash flow, the balance sheet and the accompanying notes, provide satisfactory information about the operations, financial results and position of the Group and the parent company 31 December 2020.

(All amounts in brackets are comparative figures for 2019 unless otherwise specifically stated).

Consolidated statement of income and comprehensive income

Total operating revenues amounted to NOK 690.0 million, up 4.5 per cent from NOK 660.5 million in 2019. The revenue growth was driven by increased number of consultants and higher hourly rates but is offset by slightly lower utilization compared to normal levels for Webstep.

Webstep's revenue model is based on hourly fees, with revenue capacity depending on the number of consultants and number of working days available. Calendar effects may therefore cause differences in revenue capacity between years. The average number of employees in 2020 was 410 (397) and the number of working days was 252 (249) and 252 (251) in Norway and Sweden, respectively.

The COVID-19 outbreak affected revenues negatively by approximately NOK 13 million in the first half year, and the turbulence in the oil related industries had a further negative effect on utilization continuing into the second half of 2020. This relates only to the business in Norway, and mainly to the offices on the west coast.

Cost of services and goods sold, mostly from use of subcontractors, amounted to NOK 78.9 million (NOK 84.2 million) for the year.

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.

Webstep's salary model is a merit-based model where the consultant directly benefits from his or her attractiveness in the market through a fixed share of the billable rate. In response to COVID-19, Webstep decided to establish a minimum base salary for consultants that were impacted by the outbreak ("the COVID-19 salary program"). The program lasted from March until October 2020.

Salaries and personnel costs amounted to NOK 513.2 million (NOK 474.2 million) for the full year. The increase from 2019 is explained by higher revenue-based salaries for consultants, the COVID-19 salary security program and increased number of sales- and management personnel. The increase has been partly offset by government grants following the reduction in social security contribution and extended family care benefit refunds amounting to NOK 5.0 million and reduced social activity costs following the COVID-19 restrictions.

Other operating expenses amounted to NOK 34.0 million (NOK 41.7 million) for the full year. The decrease from 2019 is explained by reduced costs for travel, courses, conferences, social events, etc. as a result of COVID-19 restrictions, partly offset by increased provision for loss on receivables.

A total of NOK 2.7 million has been spent on development of the cloud-based solution, *Samla*. *Samla* is a reporting system to visualize key population metrics and changes in demography for municipalities. The solution is developed by Webstep consultants in cooperation with the Norwegian municipality, Larvik, and was launched in February 2021. The subscription based solution will be introduced to other municipalities in Norway and Sweden. The investment in *Samla* has not been capitalized but recorded as operating costs in the income statement and is net of government funding from "SkatteFUNN" of NOK 0.3 million.

Depreciation and impairment costs were NOK 13.9 million (NOK 11.3 million). The main reason for the increase was the relocation of four Webstep offices, which has contributed to increased lease costs year-on-year.

The Group uses earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) as alternative performance measures. Total consolidated EBITDA amounted to NOK 63.9 million (NOK 60.4 million), and EBIT amounted to NOK 50.0 million (NOK 49.1 million).

Net financial costs were NOK 2.9 million (NOK 2.5 million) and income tax amounted to NOK 10.3 million (NOK 10.6 million). Net profit for the year was NOK 36.7 million (NOK 36.1 million).

Consolidated financial position

Total assets 31 December amounted to NOK 591.7 million (NOK 565.4 million). Non-current assets were NOK 432.1 million (NOK 428.1 million) and consisted mainly of intangible assets. Intangible assets amounted to NOK 389.8 million (NOK 384.5 million), and comprise primarily acquisition-related goodwill of NOK 385.3 million. Currently, there are no indications that impairment is required for any of the reporting units. Right-of-

use assets related to office rentals and car leases have been recognized in the balance sheet at the total amount of NOK 34.8 million (NOK 37.2 million). Total current assets of NOK 159.5 million (NOK 137.4 million) consisted of trade receivables, other current receivables and cash and short-term deposits. Trade receivables amounted to NOK 108.0 million (NOK 104.8 million). Revenues are invoiced on a monthly basis, and most receivables are due 30 days after invoicing. Other current receivables were NOK 11.8 million (NOK 7.1 million). Cash and short-term deposits amounted to NOK 39.7 million (NOK 25.5 million).

Total equity 31 December was NOK 380.2 million (NOK 371.6 million). The change is mainly related to earnings generated, offset by 2019 dividends paid in 2020.

Non-current liabilities amounted to NOK 25.8 million (NOK 29.9 million) and consisted mainly of non-current leasing liabilities of NOK 24.1 million (NOK 28.3 million). Current liabilities of NOK 185.6 million (NOK 163.9 million) consisted of current leasing liabilities, trade payables, tax payables, social taxes and VAT and other short-term liabilities.

Cash flow

Net cash flow from operating activities amounted to NOK 63.3 million (NOK 41.8 million) in 2020. The increased cash flow from operations compared to 2019 can primarily be explained by change in receivables and liabilities, and paid taxes.

Net cash flow from investing activities was negative NOK 4.0 million (negative NOK 3.7 million). The investments are mainly related to equipment for new employees and office upgrades.

Net cash flow from financing activities was negative NOK 45.1 million (negative NOK 46.1 million). The financing activities in 2020 mainly consist of payment of dividends and payment of lease liabilities.

The Webstep Group had an unutilized Revolving Credit Facility (RCF) with SpareBank1 SR-Bank of NOK 110 million and SEK 5 million with SEB. The Group has not been in breach with the covenants of the RCF during 2020. See note 17 and 21 for further details.

Segment information

The Group's activities are organized 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 EBIT performance. Assets and liabilities are not allocated between the segments.

Norway is the largest segment, accounting for 85 per cent of the consolidated operating revenues in 2020.

Norway

Webstep Norway is headquartered in Oslo and also has offices in Bergen, Stavanger, Trondheim, Kristiansand and Haugesund. The Group provides high-end IT consultancy services to more than 200 public and private clients across the country.

Total operating revenues for 2020 came to NOK 583.9 million (NOK 570.3 million), up 2.4 per cent compared to 2019. More employees, fewer holidays and higher hourly rates compared to 2019 impacted revenue, but this was partly offset by less use of subcontractors and lower utilization. The COVID-19 outbreak affected revenues negatively by approximately NOK 13 million in the first half year, and the turbulence in the oil related industries had a further negative effect on utilization which continued into the second half of 2020.

EBIT for the full year came to NOK 41.6 million (NOK 46.7 million). The reduced EBIT is mainly explained by increased salary costs due to increased number of consultants combined with the COVID-19 salary program, and the recruitment of sales- and management personnel. Increased lease costs, increased provision for loss on receivables have also impacted EBIT negatively. This is partly offset by cost savings as well as reduced social security contributions and increased care benefit refunds which amounted to NOK 4.3 million for the full year.

Webstep Norway had 352 employees 31 December 2020 (346 employees). The average number of employees in 2020 was 348 (337).

Sweden

Webstep Sweden has offices in Stockholm, Malmö, and Uppsala. Webstep Sweden serves clients in different industries, mainly in the private sector, and delivers the same high-end IT consultancy services as Webstep Norway, primarily within the Group's core digitalization offering.

Operating revenues for the full year came to NOK 106.1 million (NOK 90.2 million), an increase of 17.6 per cent. Revenues were primarily impacted by more employees, higher utilization and a positive currency effect. Adjusted for fluctuation in exchange rates, revenue grew by 6.4 per cent compared to 2019. EBIT came to NOK 8.4 million (NOK 2.4 million) for the full year. The increased EBIT is driven by higher revenues and cost savings. The support offered by the government has had a positive impact on EBIT, in particular through lower social security contributions amounting to NOK 0.7 million for 2020.

Webstep Sweden had 63 employees 31 December 2020 (63 employees). The average number of employees in 2020 was 63 (61).

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 Centers of Excellence as well as other permanent and ad-hoc

in-house teams, which continuously work on different innovation initiatives that create new insight.

The Group did not have any defined R&D initiative in 2020 which met the criteria of an intangible asset. The recognition as an asset is based on the management's assessment of future economic benefits from the projects and that the criteria in IAS 38.57 is met.

Three specific projects which are related to sensor technology, GDPR and *Samla*, have been approved by the Research Council of Norway (Forskningsrådet) to qualify for SkatteFUNN (government R&D tax incentive scheme) in 2020. Gross R&D costs related to these projects amounting to NOK 3.8 million have been expensed in 2020, and the expected refund from SkatteFUNN is NOK 0.5 million.

Risk and risk management

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

Business Risk

The Group is exposed to business risk especially related to:

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

The Group's results are affected by macroeconomic development and demand for its services. The business implications of the COVID-19 outbreak have been limited for Webstep so far, but the consequences going forward will depend on the future development of the outbreak. The large diversity of customers combined with various projects in different sectors and geographic areas, have a somewhat mitigating effect on the market risk exposure of the Group. Long-term contracts and consistent deliveries over time have secured a low-volatility price structure that has proven stable over time. The variable salary model for the majority of the consultants also reduces market risk exposure as the salary expenses to a large extent correlate with revenues.

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

expenses will therefore in general 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 standardized 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 willful misconduct, the Group may be liable to damages. In order to reduce these risks, according to market practice, the Group has insurance coverage for professional liability, occupational injury, general liability and employee dishonesty.

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

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

A settlement or an unfavorable 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 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Webstep engages with large and regular customers and has had low historical losses on receivables. In response to the COVID-19 pandemic, the Group is monitoring the economic environment and is taking actions to limit its exposure to customers that are severely impacted. Webstep has a diversified portfolio of customers in

various industries, and there is no single customer that represents a significant proportion of total revenues.

Currency risk refers to the exposure through operations across different countries, in regard to unpredictable gains or losses due to changes in the value of one currency in relation to another currency. Webstep operates in Norway and Sweden and fluctuations in exchange rates between NOK and SEK could 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 endeavor to match income and expenses as well as assets and liabilities in the same currency.

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 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 23.4 million (NOK 24.2 million) in 2020. The Company's net financial revenue for 2020 was NOK 44.7 million (NOK 49.1 million) and mainly consists of group contribution from its subsidiaries. Profit before tax came to NOK 21.3 million (NOK 24.9 million), while net profit was NOK 16.6 million (NOK 19.4 million). The overall decrease in profit before taxes, relates to decrease in Group contribution NOK 46.5 million (NOK 52.0 million).

The board proposes the following allocation of the net profit of NOK 16.6 million for the parent company:

Transferred from other equity	NOK 69.1 million
Dividends paid in 2020	NOK 42.7 million
Proposed dividends for 2020	NOK 43.1 million

The book value of the Company's investments in the subsidiary companies is NOK 432.1 million (NOK 432.1 million). The Company is the administrator and owner of the Group's bank accounts in Norway, and hence the positive cash flow generated by the Group increases the cash position of the Company. Any deposits generated by the Norwegian subsidiary are classified as liabilities to Group companies. At year end the cash and short-term deposits amounted to NOK 22.7 million (NOK 17.4 million), and the liabilities to Group companies amounted to NOK 164.9 million (NOK 139.9 million). Total receivables from Group companies amounted to NOK 56.8 million (NOK 55.5 million). Equity amounted to NOK 290.3 million (NOK 352.9 million), which corresponds to an equity ratio of 56.7 per cent (69.8 per cent). Changes in equity is mainly explained by profit for the period offset by 2019 dividends paid in 2020 and proposed dividend for 2020.

The board of directors considers that Webstep ASA had adequate equity and liquidity at the end of 2020. The board of directors will propose an ordinary dividend of NOK 1.60 per share for approval by the Annual General Meeting 28 April 2021. The proposed dividend represents 259 per cent of the annual net profit of the Company, and 117 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, 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 4.4 of the continuing obligations for issuers of shares pursuant to Oslo Rule Book II – Issuer Rules. The Accounting Act may be found (in Norwegian) at

www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2019, may be found at www.nues.no.

The annual statement on corporate governance for 2020 has been approved by the board and can be found on page 73 in the Annual Report.

Corporate Responsibility

Webstep recognizes 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 organizations and contributes 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 organizations 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 emphasize ethical behavior, strong data security, and encourage excellent financial and practical business practices. All employees are required to comply with the Company's policy for anti-corruption and data security. Both of these topics are essential to build strong relationships 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 organization.

CR is implemented in the value set of the organization and especially channeled 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 organizations, 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 organizations 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, Labor, Environment and Anti-Corruption. Webstep recognizes its responsibility as an organization 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).

Sustainable cities and communities (11). Although Webstep's activities have a limited negative effect on the environment, the Group makes systematic efforts to reduce the environmental impact of its business, for instance by using video and telephone conference solutions as often as possible to reduce pollution through business travels. The Group's headquarters is certified as an Eco-Lighthouse ("Miljöfyrtårn"), 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 CO2 emissions starting 1 January 2019. The costs associated with this will be insignificant for the Group, as the CO2 emissions from the Group's activities are very low.

Employees

Webstep makes great efforts in taking good care of its employees in terms of health, safety and environment management, a zero tolerance of discrimination and by supporting the employees' personal and professional development. As of 31 December 2020, the Group had a total of 415 employees (409).

Sickness and injuries

Webstep works systematically with health, safety and environment management and makes concerted efforts to mitigate health risks and prevent injuries. No accidents or injuries were registered in neither 2020 nor 2019. Sick leave in the Group was 2.3 per cent in 2020, down from 3.6 per cent in 2019. The decrease is a result of reduced long-term sickness absence. The employees on long-term sick leave 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 Webstep work culture is driven by the values of being skilled, innovative, generous and uncomplicated. 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.

During the COVID-19 lock-down, the employees were encouraged to keep delivering services to the customers as long as this was possible and did not compromise the security or well-being of the employees, the customers or their families. In Sweden, in response to the Swedish authorities' recommendations, the employees adopted home offices when possible. The Webstep organization has been leveraging collaborative tools and video conferencing for many years. The collaborative culture among employees has ensured a smooth transition to working from home as the new normal, and the customers have also adapted well to the situation.

Building and sharing of competence and skills is vital to Webstep. The concept «Webstep Community» fuels initiatives across Webstep, labeled Webstep Discover, Webstep Learn and Webstep Create. On-site live productions all over Webstep are made digitally available for all employees, as sources of inspiration, learning and innovation. To further strengthen the community feeling among Webstep employees during the Covid-19 out-break, various digital social initiatives emerged across regions. From virtual "Friday meetups", to joint Personal Trainer digital sessions with colleagues across regions, the ingenuity and creativity shown has been great.

Retaining and attracting experienced IT consultants

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

The Group endeavors 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 incentivize 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 and discrimination

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 color, language, religion and beliefs. It is clearly stated in the employee guidelines that discrimination is not tolerated, and in the event that this should occur, it should be reported immediately.

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 customization of working conditions, and in work on developing attitudes.

However, there is an inherent risk that discrimination can occur in different processes within the Company, such as the recruitment processes, the sales process, appointment processes, social activities etc. The responsibility lies with the management to ensure that discrimination on the basis of gender, ethnicity, disabilities or other grounds does not occur in these processes. The risk is mainly considered to be related to unconscious biases rather than conscious discrimination. But even the risk of unconscious biases is considered low, as diversity is something Webstep strives to achieve. Diversity is an asset when it comes to creating the best solutions for the customers. Webstep has a broad range of nationalities employed, and many of them are hand-picked experts with PhDs within their field. The individual departments work on different initiatives to address the local challenges and opportunities when it comes to diversity.

In order to avoid discrimination, the Company has established clearly defined ethical guidelines for all employees stating that discrimination is not accepted within the Company, and explaining how any instances should be reported,

The IT business is characterized by a high share of male employees. Webstep works actively to attract female employees and recognizes its responsibility to strive for a better gender balance within the whole tech industry. Webstep is a member of the national ODA Female Network for women in the IT industry in Norway and participates actively in the network. In 2020 one of the female consultants in Webstep was recognized as one of the top 50 female talents and role models within the tech industry in Norway by Abelia. Webstep employees also participate in events for kids and students such as the TENK Tech camp and Ada to promote the tech industry for the next generation. One important mitigating factor to the risk of gender pay gap in Webstep, is the consultants' salary model which is based on the revenue they generate. For sales- and management personnel, the bonus pay criteria are equal for men and women, and the model as such does not give room for discrimination.

15 per cent (15 per cent) of the Group's 415 employees 31 December were female and 85 per cent (85 per cent) were male. The Group's executive management team is defined as consisting of the CEO (man) and the CFO (woman). From December 2020 until February 2021, the interim CEO position was filled by a woman. The full Group management team comprised one (one) woman and six (six) men. The parent company board of directors consisted of two female and three male directors 31 December 2020. The employees have elected three observers to the board of directors. In 2020 two (two) women were elected and one (one) man. The average number of weeks of parental leave for women and men were 35 and 13, respectively. There are no temporary employees in the Group.

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

Webstep has a Health, Safety and Environment (HSE) handbook and a clearly communicated process for whistleblowing. No warnings have been submitted in 2020, neither in 2019.

Changes to the executive management and board of directors

Arne Norheim stepped down as CEO 30 November 2020, and Liv Annike Kverneland served as Interim CEO from 1 December 2020 until 14 February 2021. Save Asmervik was appointed new CEO 15 February 2021.

At the annual general meeting 7 May 2020 Trond K. Johannessen was elected as chair of the board after Klaus-Anders Nysteen made his directorship available. Trond K. Johannessen is the CEO of Embron Group AS which is an affiliate of Webstep's largest shareholder, Embro Eiendom AS.

Trygve Christian Moe was elected as a new board member. Trygve Christian Moe is EVP of Embron Group AS which is an affiliate of Webstep's largest shareholder, Embro Eiendom AS. In January 2021 Kjetil Bakke Eriksen was elected as a new board member after Bjørn Ivar Danielsen made his directorship available.

Share and shareholder matters

The Company's shares have been listed on Oslo Stock Exchange 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 30 December 2020 of NOK 22.20.

The total number of outstanding shares 31 December 2020 was 26.7 million (excl. treasury shares). The shares are registered in the Norwegian Central Securities Depository (VPS). The Company's registrar is SR-Bank ASA. The shares carry the securities number ISIN NO 0010609662.

Dividend policy

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

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

Employee share purchase program

In December 2020, all employees in Webstep AS and Webstep ASA were given the opportunity to purchase shares in Webstep ASA through a share investment program using the Company's own treasury shares. 63 per cent of the employees participated in the program. They acquired a total of 234,074 shares with a 20 per cent discount to the market price.

Long-term incentive program

The annual general meeting in 2019 approved a three year long long-term incentive program (the "Long-term Incentive Program" or "LTIP") for the Company's executive management and other managers as decided by the board of directors. The LTIP has an initial term of three years. The number of options granted in each respective year cannot exceed 2.5 per cent of the

Company's share capital. The total number of issued options under the program cannot constitute more than 8 per cent of the Company's share capital at any time. The LTIP is structured so that 25 per cent of the options may be exercised following the first anniversary of the grant date, an additional 25 per cent of the options may be exercised following the second anniversary of the grant date and the outstanding 50 per cent of the options may be exercised following the third anniversary of the grant date. The options expire following the fifth anniversary of the grant date. The exercise of options is conditional of continued employment in the group at the exercise date.

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the senior executive remains employed during the vesting period. 515 876 options were granted 18 November 2019, whereof 46,884 options have been terminated, and 546,000 options were granted 24 November 2020. Following the grant, the total number of outstanding options in the Company is 1,014,992.

The options granted 18 November 2019 will vest, or have vested, in the following tranches:

- 117,248 (25%) options vested 18 November 2020
- 117,248 (25%) options vest 18 November 2021
- 234,496 (50%) options vest 18 November 2022

The options granted 24 November 2020 will vest in the following tranches:

- 136,500 (25%) options vest 24 November 2021
- 136,500 (25%) options vest 24 November 2022
- 273,000 (50%) options vest 24 November 2023

The exercise price of the options granted 18 November 2019 and 24 November 2020 is NOK 21.50 and 22.73, respectively. The potential dilution through the LTIP accounts for 15,954 shares. None of the vested shares have been exercised. The outstanding options may be settled in cash.

Events after the balance date

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

New CEO appointed

In February 2021, Save Asmervik was appointed the new CEO of Webstep. Mr. Asmervik previously held the position as regional director. He has been with the company for 10 years. 98,000 options were granted 10 February 2021 to the new CEO. The exercise price of the options is NOK 23.42. Following the grant, the total outstanding share options in the Company is 1,112,992.

Other matters

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

Outlook

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

The company continues to prove that it has the capacity and expertise to deliver comprehensive projects and solutions in line with the previously communicated growth strategy, which also attracts a broader range of employees. The acceleration in the digital shift following the pandemic, creates opportunities for IT expert companies such as Webstep. The ongoing projects and the newly won contracts are expected to build a solid foundation for the coming quarters. Recruitment activities have picked up after it was put on hold in the beginning of the pandemic. This is expected to further strengthen the organization and enhance revenue and profit growth.

The dividend policy remains unchanged, and the board of directors intend to propose a dividend of NOK 1.60 representing 117 per cent of the annual net profit of the Group for 2020.

The Board of directors and CEO
WEBSTEP ASA

OSLO, 23 March 2021



Trond Klethagen Johannessen
Chair of the board



Kjetil Bakke Eriksen
Board member



Toril Nag
Board member



Siw Ødegaard
Board member



Trygve Christian Moe
Board member



Save Asmervik
Chief Executive Officer



Financial statements – Group

Consolidated statement of comprehensive income

NOK'000	Note	2020	2019
Sales revenues	5	689,987	660,513
Total revenues		689,987	660,513
Cost of services and goods		(78,918)	(84,200)
Salaries and personnel cost	7,8,22	(513,151)	(474,172)
Depreciation and amortization	11,12	(13,916)	(11,291)
Other operating expenses	7,24	(33,998)	(41,738)
Total operating expenses		(639,983)	(611,400)
Operating profit(loss)		50,004	49,113
Finance income	9	256	264
Finance expense	9,24	(3,163)	(2,742)
Profit before tax		47,097	46,635
Income tax expenses	10	(10,348)	(10,550)
Profit for the period		36,749	36,085
Other comprehensive income			
Currency translation differences		7,892	(1,962)
Other comprehensive income for the period, net of tax		7,892	(1,962)
Total comprehensive income for the period, net of tax		44,641	34,123
Attributable to:			
Shareholders in parent company		44,641	34,123
Earnings per share (NOK)	23	1.38	1.36
Earnings per share, fully diluted (NOK)	23	1.38	1.36

Consolidated statement of financial position

NOK'000	Note	31 Dec 2020	31 Dec 2019
Assets			
Intangible assets	11	389,832	384,522
Fixed assets	12	6,490	5,917
Right-of-use assets	12,24	34,807	37,156
Non-current financial assets	13	10	10
Deferred tax assets	10	998	454
Total non-current assets		432,137	428,059
Trade receivables	14	107,972	104,797
Other current receivables	14	11,827	7,112
Cash and short-term deposits	15	39,724	25,454
Total current assets		159,524	137,363
Total assets		591,660	565,422
Equity			
Shareholders' equity	16,22	380,184	371,645
Liabilities			
Non-current leasing liabilities	10	24,082	28,335
Deferred tax	24	1,755	1,539
Total non-current liabilities		25,838	29,874
Current leasing liabilities	24	10,724	8,821
Trade and other payables	18	20,862	18,901
Tax payable	10	9,923	8,587
Social taxes and VAT	18	60,525	56,399
Other short-term liabilities	18,19	83,604	71,195
Total current liabilities		185,639	163,903
Total liabilities		211,476	193,777
Total equity and liabilities		591,660	565,422

The Board of directors and CEO
WEBSTEP ASA

OSLO, 23 March 2021



Trond Klethagen Johannessen
Chair of the board



Kjetil Bakke Eriksen
Board member



Toril Nag
Board member



Siw Ødegaard
Board member



Trygve Christian Moe
Board member



Save Asmervik
Chief Executive Officer

Consolidated statement of change in equity

NOK'000	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total earned equity	Non-controlling interest	Total equity
1 January 2019	26,967	(486)	153,960	10,282	185,851	376,574	-	376,574
Profit for the period	-	-	-	-	36,085	36,085	-	36,085
Sales of treasury shares	-	193	4,304	-	-	4,497	-	4,497
Other comprehensive income/(loss)	-	-	-	(1,962)	-	(1,962)	-	(1,962)
Share incentive program	-	-	(1,354)	-	173	(1,181)	-	(1,181)
Dividends	-	-	-	-	(42,369)	(42,369)	-	(42,369)
31 December 2019	26,967	(293)	156,910	8,321	179,740	371,645	-	371,645
Profit for the period	-	-	-	-	36,749	36,749	-	36,749
Sales of treasury shares	-	234	5,110	-	-	5,344	-	5,344
Other comprehensive income/(loss)	-	-	-	7,892	-	7,892	-	7,892
Share incentive program	-	-	-	-	1,232	1,232	-	1,232
Dividends	-	-	-	-	(42,677)	(42,677)	-	(42,677)
31 December 2020	26,967	(60)	162,020	16,213	175,043	380,184	-	380,184

Consolidated statement of cash flows

NOK'000	Note	2020	2019
Operating activities			
Profit/(loss) before tax		47,097	46,635
Adjustments for:			
Depreciation of property, plant and equipment	11, 12, 24	13,916	11,291
Interest income	9	(256)	(264)
Interest expense	9	3,163	2,742
Net change in trade and other receivables	14	(7,891)	(3,639)
Net change in trade and other liabilities	18, 19	18,497	6,330
Net foreign exchange differences		1,111	(250)
Income tax expenses	10	(9,395)	(18,652)
Interest received	9	256	264
Interest paid	9	(3,163)	(2,742)
Net cash flow from operating activities		63,336	41,788
Investing activities			
Purchase of property and equipment	12	(3,974)	(3,670)
Net cash flow from investing activities		(3,974)	(3,670)
Financing activities			
Repayments of principal portion of lease liabilities	24	(8,989)	(7,088)
Sale of treasury shares, EIP and incentive program		6,575	3,316
Payment of dividends		(42,677)	(42,369)
Net cash flows from financing activities		(45,092)	(46,142)
Net increase/(decrease) in cash and cash equivalents		14,270	(8,024)
Cash and cash equivalents 1 January	15	25,454	33,478
Cash and cash equivalents 31 December	15	39,724	25,454

Notes to the consolidated financial statements

Note 1 General information

The Company and the Group

Webstep ASA, the parent company ("the Company") of the Webstep Group ("the Group") is a limited liability company incorporated and domiciled in Norway, with its head office in Edvard Storms gate 2, 0166 Oslo, Norway.

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

These consolidated financial statements have been approved for issuance by the Board of Directors on 23 March 2021 and are subject to approval by the Annual General Meeting on 28 April 2021.

Note 2 Significant accounting principles

Basis for preparation

The consolidated financial statements 31 December 2020 for Webstep ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements for the year ended 31 December 2020 were authorized for issue by the Board of Directors on 23 March 2021.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 000's), except when otherwise indicated. The format for presenting the income statement is based on the nature of the expenditure.

Going concern

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

Basis of measurement

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

Foreign currency translation

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

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates

at the date the transaction first qualifies for recognition.

Receivables, debt and other monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Differences between the exchange rate at the balance sheet date and the date on which the receivable or debt arose, or was included in the latest balance sheet, are recognized 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 recognized directly in other comprehensive income.

Segment reporting

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

Changes in accounting policies and disclosures

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation

approach) mainly for short-duration contracts
IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

New and amended standards and interpretations

The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or

obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Summary of significant accounting policies

Revenues from contracts with customers

The Group is in the business of selling IT-consultancy manhours to its customers. Revenue for IT- services are to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group, and satisfies each of its performance obligations (that is, it fulfils its promises to the customer) over time by transferring control of the promised service underlying that performance obligation to the customer. The fact that another entity would not need to re-perform the services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the group’s performance as it performs. The input method is considered to be the best method

when recognizing revenue over time because there is a direct relationship between the group’s effort (i.e., labor hours incurred) and the transfer of service to the customer. The contracts are normally based on service agreements with hourly fees. Fixed price contracts are recognized as revenue according to the stage of completion, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the group. The input method used to measure progress is based on number of hours worked, as this is considered to provide a faithful depiction of the transfer of services.

Estimated loss on contracts will be recognized in the income statement in its entirety in the period when it has been identified.

Contract balances

Contract assets

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

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer.

Contract liabilities

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

Cost of goods and services (COGS)

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

Salaries and personnel expenses

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

Other operating expenses

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

Finance income and expense

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

Government grants

For contributions received accounted for as government grants related to income under IAS 20, the accounting policy of the Group is to recognize such grants when there is reasonable assurance that the conditions attaching to the grant will be complied with and that the grants will be received. The grants are recognized as income unless directly related to specific items of expense.

Taxes

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Intangible assets

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

Internally generated intangibles, excluding capitalized development costs, are not capitalized 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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 amortization 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 amortized. The economic life is assessed annually with regard to whether the assumption of an indefinite economic life can be justified. If it cannot, the change to a definite economic life is made prospectively.

Research and development costs

Expenses relating to research activities are recognized in the statement of comprehensive income as they incur. Expenses relating to development activities are capitalized 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 capitalized include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Capitalized development costs are recognized at their cost less accumulated depreciation and accumulated impairment losses. Depreciation of the asset begins when development is complete and the asset is available for use. Capitalized development costs are depreciated on a straight-line basis over the period of expected future benefits. During the period of development, the asset is tested for impairment annually.

Business combination and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized 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 recognized in profit or loss.

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

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

Current versus non-current classification

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

Property, plant and equipment

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

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

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

Impairment of assets

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

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

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

Leases

The Group, as a lessee, assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

The Group, as a lessee, applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group, as a lessee, recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

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

Receivables

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

After initial measurement, they are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized 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 amortization is included in finance income in the statement of profit or loss.

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

Cash and short-term deposits

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

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

Treasury shares

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

No gain or loss is recognized 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 recognized in the share premium.

Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend. Dividends to the Company's shareholders are classified as a liability when the dividends proposed have been approved by the Annual General Meeting.

Employee benefits

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

Share-based payments

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

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognized 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 recognized 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 recognized as at the beginning and end of that period. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The discounts granted to employees in the Norwegian entities are recognized as a cost in salaries and personnel cost in the profit and loss statement. A total share value of 25,000 NOK per employee, measured at the market share price on the granting day, is the threshold given by the tax authorities in Norway for discounted shares. The 20 per cent discount granted is a tax-free discount for the employee.

Cash flow statement

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

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

Note 3 Estimates, judgments and assumptions

Significant accounting judgment, estimates and assumptions

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

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

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have

the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

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

Estimates and assumptions

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

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

Impairment of non-financial assets

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

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

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

Note 4 Financial risks and financial instruments

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

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

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

Market risk

The Group has a good order backlog and list of sales prospects, with competencies that are highly attractive in the market. The outlook is robust for the market for IT consultancy services, however there is always a risk that macroeconomic factors can cause a downturn in the economy and reduced demand for the Group's services. The business implications of the COVID-19 outbreak have been limited for Webstep so far, but the consequences going forward will depend on the future development of the outbreak.

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

The short-term revolving credit facility is exposed to interest rate risk because of floating interest rate 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

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

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

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

Currency sensitivity	Change in SEK rate	Effect on profit before tax	Effect on pre-tax equity
		NOK'000	NOK'000
2020	10 %	794	8,833
	(10 %)	(794)	(8,833)
2019	10 %	222	7,420
	(10 %)	(222)	(7,420)

Market risk - market price risk

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

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. The Group's exposure to credit risk is mainly related to its outstanding trade debtors (see note 14). Other counterparty credit risk exposure to the Group is related to its cash deposits with financial institutions. The table below provides an overview of financial assets exposed to credit risk at year-end 2020 and 2019. Liquidity and credit risk management is performed on

a monthly basis and is evaluated in board meetings.

NOK'000	2020	2019
Trade and other receivables	119,800	111,909
Cash and cash equivalents	39,724	25,454
Total	159,524	137,363

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group engages with large and regular customers and has had low historical losses on receivables. In response to the COVID-19 pandemic, the Group is monitoring the economic environment and is taking actions to limit its exposure to customers that are severely impacted. In accordance with IFRS 9, receivables are recognized and carried at their anticipated realizable value, which implies that a provision for a loss allowance on lifetime expected credit losses of the receivable is recognized. A provision for loss allowance for expected credit losses is performed at each, statutory reporting date and is based on a multifactor and holistic analysis depending on several considerations. The table below shows the aging of trade debtors and information about credit risk exposure using a provision matrix. Increase in expected credit loss during 2020 is mainly related to an extraordinary provision for loss on receivables (NOK 1.9 million) to an individual customer in the travel industry.

Aging trade debtors

NOK'000	Not due	Less than 30 days	30 – 60 days	Above 60 days	Total
31 December 2020					
Trade debtors (note 14)	82,099	23,242	4,103	1,264	110,708
Expected credit loss rate (percent)					2.40%
Expected credit loss (NOK'000)					2,736
31 December 2019					
Trade debtors (note 14)	97,594	42	4,360	3,618	105,614
Expected credit loss rate (percent)					0.80%
Expected credit loss (NOK'000)					817

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.

2020

Maturity profile of liabilities		Contractual maturity			
NOK'000	Carrying amount	Total	< 1 year	1 - 5 years	> 5 years
Debt to credit institutions	0	0	0	0	0
Lease liabilities (note 24)	34,807	38,783	11,750	26,898	135
Trade and other payables	20,862	20,862	20,862	0	0
Tax payable (note 10)	9,923	9,923	9,923	0	0
Social Taxes and VAT	60,525	60,525	60,525	0	0
Other short-term debt	83,604	83,604	83,604	0	0
Total 31 December	209,721	209,721	185,638	24,082	0

2019

Maturity profile of liabilities NOK'000	Carrying amount	Total	Contractual maturity		
			< 1 year	1 - 5 years	> 5 years
Debt to credit institutions	0	0	0	0	0
Lease liabilities (note 24)	37,156	43,211	10,206	33,005	0
Trade and other payables	18,901	18,901	18,901	0	0
Tax payable (note 10)	8,587	8,587	8,587	0	0
Social Taxes and VAT	56,399	56,399	56,399	0	0
Other short-term debt	71,195	71,195	71,195	0	0
Total 31 December	192,238	192,238	163,903	28,335	0

Categories of financial instruments

NOK'000	2020	2019
Trade receivables	107,972	104,797
Other receivables	11,827	7,112
Cash and short-term deposits	39,724	25,454
Financial assets measured at amortized cost	159,524	137,363
Debt to credit institutions	0	0
Trade payables	20,862	18,901
Other payables	60,525	56,399
Other short-term debt	83,604	71,195
Financial liabilities measured at amortized cost	107,972	104,797

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

Carrying amount is a reasonable approximation of fair value, and has been applied accordingly.

Note 5 Revenue from contracts with customers

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

2020

<i>Segments (in 1000)</i>	Norway	Sweden	Group
Type of goods or services			
IT-related consulting services	586,496	103,014	689,862
Other	150	122	125
Total revenues from contracts with customers	586,646	103,135	689,987
Timing of revenue recognition			
Services and solutions transferred over time	586,646	103,014	689,862
Services transferred at a point in time	0	122	125
Total revenue from contracts with customers	586,646	103,135	689,987

2019

<i>Segments (in 1000)</i>	Norway	Sweden	Group
Type of goods or services			
IT-related consulting services	572,566	96,892	660,434
Other	152	85	79
Total revenues from contracts with customers	572,718	96,977	660,513
Timing of revenue recognition			
Services and solutions transferred over time	572,718	96,892	660,434
Services transferred at a point in time	0	85	79
Total revenue from contracts with customers	572,718	96,977	660,513

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

Revenues NOK'000	2020		2019	
	Norway	Sweden	Norway	Sweden
External customer	586,496	103,366	572,569	94,534
Inter-segment	150	2,614	152	2,443
Inter-segment adjustments and eliminations	(150)	(2,614)	(152)	(2,443)
Total revenue from contracts with customers	586,496	103,366	572,569	94,534

Contract balances:

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

NOK'000	12/31/2020	12/31/2019	1/1/2019
Receivables which are included in trade receivables	101,932	104,797	103,288
Contract assets	6,041	2,418	537
Contract liabilities	838	57	120

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

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

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

Contract assets (NOK'000)	2020	2019
1 January	2,418	537
Additions	6,041	2,418
Transfers from contract assets recognized at the beginning of the period to receivables	(2,418)	(537)
Impairment losses and allowances recognized in the period	0	0
31 December	6,041	2,418

Contract liabilities (NOK'000)	2020	2019
1 January	57	120
Invoiced in advance for the period	838	57
Revenues recognized that was included in the contract liability balance at the beginning of the period	(57)	(120)
31 December	838	57

Note 6 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 and tax" (EBIT) 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.

2020

NOK'000	Norway	Sweden	Elimination*	Total
Total revenue (IT-related consulting services)	586,646	106,105	(2,764)	689,987
Total operating expenses less depreciation and impairment	545,059	97,688	(2,764)	639,983
EBIT	41,587	8,417	0	50,004
EBIT margin (% of total revenue)	7.1 %	7.9 %		7.2 %

2019

NOK'000	Norway	Sweden	Elimination*	Total
Total revenue (IT-related consulting services)	572,719	90,218	(2,423)	660,513
Total operating expenses less depreciation and impairment	526,019	87,805	(2,423)	611,401
EBIT	46,700	2,413	0	49,113
EBIT margin (% of total revenue)	8.2 %	2.7 %		7.4 %

*Elimination consists of hiring of consultants from Sweden to Norway and management fee from Sweden to Norway.

Major customers

The Group does not disclose a breakdown per customer, as sales revenues for any customer do not exceed 10% of the total revenue in the Group.

Geographical analysis of assets**Analysis of non-current assets by geographical location****Asset location**

(NOK'000)	2020	2019
Norway	35,087	42,386
Sweden	10,753	6,744
Non-current segment assets	45,840	49,130
Other intangible assets	385,288	378,464
Non-current financial assets	10	10
Deferred tax asset	998	454
Trade receivables	107,972	104,797
Other receivables	11,827	7,112
Cash and short-term deposits	39,724	25,454
Consolidated total assets	591,660	565,422

Non-current assets for this purposes consist of right-of-use assets, research and development and fixed assets.

Note 7 Salaries, remuneration and audit fees

NOK'000	2020	2019
Salaries	418,523	378,602
Social security costs	63,629	61,452
Pensions	18,763	13,845
Share-based compensation	1,375	1,144
Other benefits and refunds	10,861	19,129
Total salaries and personnel expenses	513,151	474,172

Number of employees, average FTEs	410	397
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	Compensation	2020 Pension	Other *	Compensation	2019 Pension	Other *
Remuneration to executive management						
CEO - Arne Lee Norheim (from 2 May 2019 until 30 November 2020)	4,427	54	11	3,594	34	8
CEO/CFO - Liv Annike Kverneland	2,309	53	11	1,926	71	12
CEO - Kjetil Bakke Eriksen (until 1 May 2019)				2,167	47	23
Total remuneration to executive management	6,736	107	22	7,687	152	43

Chairman of the board - Trond K. Johannessen (from 7 May 2020)	326	0	0	72	0	0
Chairman of the board - Klaus-Anders Nysteen (until 6 May 2020)	123	0	0	370	0	0
Board member - Bjørn Ivar Danielsen	250	0	0	246	0	0
Board member - Siw Ødegaard	246	0	0	242	0	0
Board member - Toril Nag	239	0	0	234	0	0
Board member - Trygve Christian Moe (from 7 May 2020)	149	0	0	0	0	0
Board member - Terje Bakken (until 29 Aug 2019)	0	0	0	157	0	0
Total remuneration to board members	1,333	0	0	1,321	0	0

*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 2020 and 2019 is based on the decision made by the Annual General Meetings. The compensation is paid in arrears.

Determination of remuneration to executive management

The Company's executive management comprises the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Remuneration to executive management is mainly fixed salary, with performance based bonus decided by the remuneration committee. Bonuses for 2019 were accrued for in the consolidated statement of comprehensive income for 2019 and paid in Q1 2020. The CEO was paid a bonus of NOK 1.1 million, of which NOK 0.5 million were committed to share purchase of the Webstep share. The CFO received a bonus of 0.5 million.

The CEO and the CFO were entitled to bonuses for 2020 which were accrued for in the consolidated statement of comprehensive income for 2020 and paid in Q1 2021. The CEO received a bonus of NOK 0.75 million. The CFO received a bonus of NOK 0.75 million. The CFO was entitled to participate in the Long-term incentive program as described in note 22.

The accrued bonuses are included in the table above.

Arne Lee Norheim stepped down as CEO 30 November 2020, and Liv Annike Kverneland served as Interim CEO from 1 December 2020 until 14 February 2021. Mr. Norheim is employed by the Company until 31 May 2021, and receives compensation for being

available during this period. Further, Mr. Norheim is entitled to severance pay equal to six month's base-salary. The compensation to be paid to Mr. Norheim in 2021 is provided for in the financial statements for 2020, but is not included in the table above.

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 two board members. The former chairperson, Klaus-Anders Nysteen, served as chair of the committee until he stepped out of the board at the annual general meeting 7 May 2020. Mr. Nysteen was then replaced by the new chairperson of the board, Trond K. Johannessen. Toril Nag is the second member of the remuneration committee. 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.

Guidelines for determination of salaries and other remuneration for executive personnel will be proposed to the Annual General Meeting 28 April 2021 in accordance with the Norwegian Public Limited Liability Companies Act, § 6-16a. The current principles are valid until the new guidelines are adopted by the Annual General Meeting.

The executive management participates in the Company's defined contribution pension scheme in accordance with mandatory law. The executive management is entitled to free service telephone and private broadband, in addition to company health services, as benefits in kind.

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

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. The executive management had bonuses as part of their total remuneration package based on 2020 performance.

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

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

Audit fees*

NOK'000	2020	2019
Statutory audit fees	1,031	855
Audit-related assistance	84	183
Non-audit related assistance	0	48
Other included recognized on equity	0	0
Total audit fee	1,116	1,086

* VAT is not included

Note 8 Pension costs

All companies within the Group have 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 2020 is NOK 18,8 million (2019: NOK 13.8 million).

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

Note 9 Financial items

NOK'000	2020	2019
Finance income		
Interest income	154	220
Other finance income (including foreign exchange effects)	102	44
Total finance income	256	264

Interest income primarily comprise interest received on bank deposits.

NOK'000	2020	2019
Finance expense		
Interest expense	(3,033)	(2,250)
Other finance expense (including foreign exchange effects)	(131)	(492)
Total finance expense	(3,163)	(2,742)

Interest expense primarily comprise interest and expenses paid on revolving credit facility (note 21) and estimated interest on leasing liabilities (note 24).

Note 10 Taxes

NOK'000	2020	2019
Consolidated statement of profit and loss		
Current income tax	10,838	10,679
Unprovided income tax charge from previous year	0	15
Deferred tax	(490)	(145)
Income tax expense reported in the statement of profit or loss	10,348	10,550

Reconciliation of tax expense and the accounting profit multiplied by the Group's tax rate for 2020 and 2019:

NOK'000	2020	2019
Reconciliation of tax base		
Accounting profit before tax	47,097	46,635
Permanent differences	461	1,330
Change in temporary differences	1,908	675
Tax base for the year	49,466	48,640
Tax payable (22%)	10,882	10,701
Prepaid tax	(913)	(2,091)
Differences in tax rates on foreign subsidiary	(46)	(23)
Tax payable in the balance sheet	9,923	8,587

NOK'000	2020	2019
Deferred tax		
Fixed assets	1,461	1,111
Receivables	2,736	817
Provisions, not yet tax deductible	335	120
Statutory tax provisions in Sweden	(8,515)	(7,176)
Total	(3,983)	(5,128)
Net deferred tax asset/(liability) (22%)	(876)	(1,128)
Effect of change in tax rates Sweden (20,6%/21,4%)	119	43
Total adjusted for differences in tax rates	(757)	(1,085)

Reflected in the statement of financial position as follows

Deferred tax assets	998	454
Deferred tax liabilities	(1,755)	(1,539)
Deferred tax liabilities, net	(757)	(1,085)

Effective tax rate		
Expected income tax	10,361	10,260
Permanent differences	101	293
Effect of change in tax rate and other	(115)	(2)
Income tax expense*	10,348	10,550

* Income tax expense in relation to income before tax	22.0 %	22.6 %
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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 recognized as an expected public refund in 2020 was NOK 485 thousand. NOK 254 thousand were recorded in 2019.

Note 11 Intangible assets and goodwill

NOK'000	Goodwill Norway	Goodwill Sweden	R&D	Total
Cost				
1 January 2019	313,575	66,669	7,573	387,817
Additions	0	0	0	0
Disposals	0	0	0	0
Exchange adjustment	0	(1,780)	0	(1,780)
31 December 2019	313,575	64,889	7,573	386,037
Additions	0	0	0	0
Disposals	0	0	0	0
Exchange adjustment	0	6,824	0	6,824
31 December 2020	313,575	71,713	7,573	392,861
Depreciation and impairment				
1 January 2019	0	0	0	0
Impairment	0	0	0	0
Depreciation charge for the year	0	0	(1,515)	(1,515)
31 December 2019	0	0	(1,515)	(1,515)
Impairment			0	0
Depreciation charge for the year	0	0	(1,515)	(1,515)
31 December 2020	0	0	(3,029)	(3,029)
Net book value				
31 December 2019	313,575	64,889	6,058	384,522
31 December 2020	313,575	71,713	4,544	389,832
Useful life	Infinite	Infinite	5 years	
Depreciation method	NA	NA	Straight line	

Goodwill includes the value from acquisition of Webstep AS in 2011 and Webstep AB in 2012, where NOK 313.5 million and NOK 58.6 million was added to goodwill respectively. Goodwill is not amortized, but tested yearly for impairment.

Capitalized R&D comprises investments in the strategic initiative Webstep Internet of Things (IoT), where a total of NOK 4.5 million is recognized at balance date. The reclassification and recognition as an intangible asset is based on the management's assessment of future economic benefits from the projects and that the criteria in IAS 38.57 is met.

R&D activities that have been recognized as costs in the consolidated statement of comprehensive income in 2020 amount to NOK 3.0 million (NOK 1.4 million in 2019).

Impairment testing

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

NOK'000	2020	2019
Cash generating units		
Norway	313,575	313,575
Sweden	71,713	64,889
Total	385,288	378,464

Goodwill is tested for impairment at least annually, or when there are indications of impairment. The COVID-19 pandemic is identified as an impairment indicator for the CGUs. The impairment test is conducted for each cash generating unit, by evaluating the present value of future cash flows, based on cash flow projections five years ahead. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flow and the expected risk.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

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

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

The discount interest is based on weighted average cost of capital (WACC). A discount rate of 8.0 per cent after tax is used for both CGU's (Norway and Sweden). This is based on a risk free interest rate of 1.0 per cent for Norway and 0.1 per cent for Sweden. The risk premium is calculated based on market statistics for comparable companies. The cash flow forecast takes into account both historical results, expected future growth rates, and market conditions. These budgets and forecast calculations generally cover a period of five years. For Norway and Sweden, the underlying model calculate annual cash flows per department, based on periodized employee development, utilization rate, expected trend in hourly rate, sales / management / overhead changes, wage growth and cost growth. The annualized compound growth rate over the next 5 year period is 2% for each CGUs. The EBITDA-margin in both the Norwegian CGU and the Swedish CGU is expected to be in line with historical level.

Based on the impairment tests performed, there are no indications that impairment is required for any of the CGUs.

Note 12 Fixed assets

NOK'000	Equipment, fixtures and furniture	Right-of-use assets	Total
Cost			
1 January 2019	18,385	12,261	30,646
Additions	3,670	32,159	35,829
Disposals	0	0	0
Exchange adjustment	0	(251)	(251)
31 December 2019	22,055	44,170	66,225
Additions	3,974	5,856	9,830
Disposals	0	0	0
Exchange adjustment	0	784	784
31 December 2020	26,029	50,810	76,839
Depreciation and impairment			
1 January 2019	(13,374)	0	(13,374)
Impairment	0	0	0
Depreciation charge for the year	(2,764)	(7,014)	(9,778)
31 December 2019	(16,138)	(7,014)	(23,152)
Impairment	0	0	0
Depreciation charge for the year	(3,401)	(8,989)	(12,390)
31 December 2020	(19,539)	(16,003)	(35,542)
Net book value			
31 December 2019	5,917	37,156	43,073
31 December 2020	6,490	34,807	41,297
Useful life	3 - 5 year	1-5 year	
Depreciation method	Straight line	Amortization	

Note 13 Financial assets – non-current vs current

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

NOK'000	2020	2019
Financial assets		
Other long-term deposit	10	10
Total	10	10

Note 14 Trade and other receivables

NOK'000	2020	2019
Trade and other receivables		
Trade receivables - net of related parties	110,709	105,614
Provision for bad debt	(2,736)	(817)
Trade Receivables net of provision	107,972	104,797
Prepayments and other receivables	11,827	7,112
Receivables from related parties	0	0
Payables to related parties	0	0
Total trade receivables and prepayments	119,800	111,909
Of which long-term receivables from related parties	0	0
Short-term receivables and prepayments	119,800	111,909

Specification of receivables

NOK'000	2020	2019
Trade receivables	101,932	102,379
Accrued income	6,041	2,418
Other receivables	0	0
Trade and other receivables	107,972	104,797
Prepaid costs	7,693	6,449
Prepaid public duty debt	3,777	427
Prepaid rent	358	235
Prepayments	11,827	7,112
Total receivables and prepayments	119,800	111,909

Due dates and fair value of trade and other receivables

NOK'000	2020	2019
Due within one year*)	119,800	111,909
After one year **)	0	0
Fair Value	119,800	111,909

*) 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 2,736 thousand in 2020 up from NOK 817 thousand in 2019. Increase in expected credit loss during 2020 is mainly related to an extraordinary provision for loss on receivables (NOK 1.9 million) to an individual customer in the travel industry.

NOK'000	Not due	Less than 30 days	30 – 60 days	Above 60 days	Total
2020	82,100	23,242	4,103	1,264	110,709
2019	97,594	42	4,360	3,618	105,614

Trade receivables at year end were NOK 110.7 million (NOK 105.6 million).

Note 15 Cash and short-term deposits

Cash and cash equivalents

NOK'000	2020	2019
Cash in bank	39,724	25,454
Cash equivalents	0	0
Total cash and cash equivalents	39,724	25,454
Utilized bank overdraft	0	0
Net cash and cash equivalents/bank overdraft	39,724	25,454
Of which restricted cash		
Guarantees for leases and credits from suppliers	1,230	0
Taxes withheld	642	786
Other restricted cash	0	0
Total restricted cash	1,871	786

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

Note 16 Shareholders capital and largest shareholders

Share capital

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

	2020	2019
Authorized (No. of thousands)		
Ordinary shares of NOK 1 each	26,967	26,967
Ordinary shares (No. of thousands)		
Issued and fully paid:		
1 January	26,967	26,967
Issued	0	0
31 December	26,967	26,967
Treasury shares (No. of thousands)		
1 January	(294)	(486)
Sale of treasury shares	234	193
31 December	(60)	(294)
Foreign currency translation reserve (NOK'000)		
1 January 2019	10,282	
Foreign currency translation	(1,962)	
31 December 2019	8,321	
Foreign currency translation	7,892	
31 December 2020	16,213	
Shareholder equity (NOK'000)		
Share capital	26,967	26,967
Treasury shares	(60)	(293)
Share premium	162,020	156,910
Retained earnings	175,043	179,741
Non-controlling interest	0	0
Shareholders equity inclusive currency translation	380,184	371,644

Statement of change in equity

NOK'000	Issued capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Total earned equity	Non-controlling interest	Total equity
1 January 2019	26,967	(486)	153,960	10,282	185,851	376,574	-	376,574
Profit for the period	-	-	-	-	36,085	36,085	-	36,085
Sales of treasury shares	-	193	4,304	-	-	4,497	-	4,497
Other comprehensive income/(loss)	-	-	-	(1,962)	-	(1,962)	-	(1,962)
Share incentive program	-	-	(1,354)	-	173	(1,181)	-	(1,181)
Dividends	-	-	-	-	(42,369)	(42,369)	-	(42,369)
31 December 2019	26,967	(293)	156,910	8,321	179,740	371,645	-	371,645
Profit for the period	-	-	-	-	36,749	36,749	-	36,749
Sales of treasury shares	-	234	5,110	-	-	5,344	-	5,344
Other comprehensive income/(loss)	-	-	-	7,892	-	7,892	-	7,892
Share incentive program	-	-	-	-	1,232	1,232	-	1,232
Dividends	-	-	-	-	(42,677)	(42,677)	-	(42,677)
31 December 2020	26,967	(60)	162,020	16,213	175,043	380,184	-	380,184

Top 20 shareholders 31 December 2020

Shareholder name	Shares	Ownership	Voting rights
Embro Eiendom AS	7,721,387	28.63%	28.70%
Virtus Kar International Small-Cap	3,119,279	11.57%	11.59%
Verdipapirfondet Alfred Berg Gamba	1,556,645	5.77%	5.79%
Jakob Hatteland Holding AS	1,000,000	3.71%	3.72%
Salt Value AS	930,429	3.45%	3.46%
Park Lane Family Office AS	905,581	3.36%	3.37%
Verdipapirfondet Nordea Norge Verd	703,281	2.61%	2.61%
Polar Capital European Forager Fun	583,058	2.16%	2.17%
Holmen Spesialfond	568,566	2.11%	2.11%
Danske Invest Norge Vekst	542,000	2.01%	2.01%
Nordea Norwegian Stars Fund	470,182	1.74%	1.75%
Viola AS	418,782	1.55%	1.56%
Intertrade Shipping AS	400,000	1.48%	1.49%
Citibank	320,000	1.19%	1.19%
Virtus Tactical Allocation Fund	282,917	1.05%	1.05%
Espedal & Co AS	261,111	0.97%	0.97%
Employees Retir System of Texas	225,741	0.84%	0.84%
Verdipapirfondet Nordea Avkastning	225,383	0.84%	0.84%
Mp Pensjon PK	224,000	0.83%	0.83%
Nordnet Bank AB	217,873	0.81%	0.81%
Other shareholders	6,231,243	23.11%	23.16%
Total number of shares excluding treasury shares	26,907,458	99.78%	
Treasury shares as of 31 December 2019	59,559	0.22%	
Total shares outstanding	26,967,017	100.00%	

Shareholding by board members, management and their related parties as of 31 December 2020

Trond K. Johannessen	30,000	0.11%	0.11%
Trygve Christian Moe (TCM Consulting AS)	5,000	0.02%	0.02%
Liv Annike Kverneland (LAK Invest AS and privately held)	35,983	0.13%	0.13%
Save Asmervik	2,570	0.01%	0.01%

Trond K. Johannessen and Trygve Christian Moe are employed by Embron Group AS, which is owned by J.C. Broch AS.

Webstep ASA holds 59,559 treasury shares. These shares have no voting rights nor dividend rights.

Note 17 Interest bearing loans and borrowings

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

The term of the RCF is two years, after which it is subject to renewal. The facility was renewed in 2019 and in March 2021. The total payable interest rate is based on 3 months NIBOR in addition to an agreed margin of 2.85 per cent per annum. The interest calculation is based on the net of cash and overdraft. The quarterly charge for the credit facility is 0.25 per cent of the granted credit. Under the RCF, the Company has pledged security over the shares, inventory, insurance payouts and accounts receivable in Webstep AS and negative pledge over the shares in Webstep AB.

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

Webstep AB has a local revolving credit facility of SEK 5 million which was unutilized 31 December 2020.

NOK'000	2020	2019
Non-current borrowings		
Debt to credit institutions	0	0
Lease liabilities	24,082	28,335
Current borrowings		
Debt to credit institutions	0	0
Lease liabilities	10,724	8,821
Total borrowings	34,807	37,156

Booked value of assets pledged as security

NOK'000	2020	2019
Shares	432,119	432,119
Fixed assets	6,490	5,917
Receivables	107,972	104,797
Cash	39,724	25,454
Total	586,306	568,287

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

NOK'000	2020	2019
Trade payables	20,862	18,901
Other payables	60,525	56,399
Other short-term debt	83,604	71,195
Total financial liabilities	164,991	146,495
Total current	164,991	146,495
Total non-current	0	0

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**2019**

NOK'000	1 Jan 2019	Cash flows	Changes foreign exchange rate	Other	31 Dec 2019
Debt to credit institutions non-current	0	0	0	0	0
Lease liabilities non-current and current (note 24)	12,261	(7,014)	(251)	32,159	37,156
Debt to credit institutions current	0	0	0	0	0
Total liabilities from financing activities	12,261	(7,014)	(251)	32,159	37,156

2020

NOK'000	1 Jan 2020	Cash flows	Changes foreign exchange rate	Other	31 Dec 2020
Debt to credit institutions non-current	0	0	0	0	0
Lease liabilities non-current and current (note 24)	37,156	(8,989)	784	5,856	34,807
Debt to credit institutions current	0	0	0	0	0
Total liabilities from financing activities	37,156	(8,989)	784	5,856	34,807

Note 18 Trade and other payables

NOK'000	2020	2019
Trade and other payables	20,862	18,901
Social taxes and VAT	60,525	56,399
Accrued vacation pay	39,332	36,083
Accrued expenses including salaries payable	43,100	34,992
Other current payables (note 19)	1,172	120
Total trade and other payables	164,991	146,495

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Social Taxes and VAT are normally settled six times per year (Norway) or monthly (Sweden).

Accrued vacation pay is paid in June (Norway).

Salaries payable are normally settled monthly.

For explanations on the Group's liquidity risk management processes, refer to note 21.

Note 19 Other short-term debt

NOK'000	2020	2019
Salaries payable, vacation pay, bonus etc.	79,792	66,003
Other accrued expenses	2,639	5,015
Received prepayments of revenues	838	57
Other	335	119
Total other short-term debt	83,604	71,195

Note 20 Related party disclosure

The consolidated financial statements of the Group include:

Name	Country of in-corporation	Business Address	% equity interest	
			2020	2019
Webstep AS	Norway	Edvard Storms gate 2, 0166 Oslo	100%	100%
Webstep AB	Sweden	Kungsgatan 44, 111 35 Stockholm	100%	100%

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

Note 21 Capital management

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

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

The primary objective of the Group's capital management is to maximize shareholder value. The policies shall ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business objectives. The policies shall ensure sufficient, financial flexibility. The objectives for capital management are regarded achieved as of December 31 2020.

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

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

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

Group equity ratio

NOK'000	31 Dec 2020	31 Dec 2019
Total equity	380,184	371,644
Total assets	591,660	565,422
Group equity ratio	0.64	0.66

As of January 1 2019 the Group has applied IFRS 16 and recognized right-to-use assets in the balance sheet. The recognition effects total assets. The covenants with the financial institution are based on "frozen GAAP" as of date of entering the agreements in 2017. To measure Group equity ratio according to the covenants, the total assets in 2020 and equity have to be reduced by the recognized amount of right-to-use assets and effect to equity, as specified in the table below.

Group equity ratio according to covenants

NOK'000	31 Dec 2020	31 Dec 2019
Total equity as stated in the financial statement	380,184	371,644
- Changes to equity due to IFRS 16 (see note 23)	0	0
= Applicable total equity according to current covenants	380,184	371,644
Total assets as stated in the financial statement	591,660	565,422
- Right-of-use assets (see note 24)	(34,807)	(37,156)
= Applicable total assets according to current covenants	556,854	528,266

Applicable group equity ratio according to current covenants	0.68	0.66
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The covenant requires a Group equity ratio of minimum 0.3. The requirement was met year end 2020 and the Group has been in compliance with the requirements during all of 2020.

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

NIBD to EBITDA ratio

NOK'000	2020	2019
NIBD (Net Interest Bearing Debt)		
Cash and cash equivalents (minus indicates positive amount)	(39,724)	(25,454)
Restricted cash	1,871	786
Debt to credit institutions	0	0
Leasing liabilities (non-current and current)	34,807	37,156
NIBD	(3,046)	12,488
EBITDA (Earnings Before Interest Tax Depreciation and Amortization)		
Operating profit/loss	50,004	49,113
+Depreciation and amortization	13,916	11,291
= EBITDA	63,920	60,403
 Ratio NIBD/EBITDA	 (0.05)	 0.21

NIBD to EBITDA ratio according to covenant

NOK'000	2020	2019
NIBD (Net Interest Bearing Debt)		
Cash and cash equivalents (minus indicates positive amount)	(39,724)	(25,454)
Restricted cash	1,871	786
Debt to credit institutions	0	0
Leasing liabilities (non-current and current)	34,807	37,156
- Reversal of leasing liabilities according to "frozen GAAP"	(34,807)	(37,156)
= NIBD according to covenant	(37,852)	(24,668)
EBITDA (Earnings Before Interest Tax Depreciation and Amortization)		
Operating profit/loss	50,004	49,113
+Depreciation and amortization	13,916	11,291
- Reversal of depreciation of right-to-use assets (note 24)	(8,989)	(7,014)
- Reversal of interest expense portion of right-to-use assets (note 24)	(1,128)	(658)
= EBITDA	53,803	52,731
 Ratio NIBD/EBITDA according to covenant	 (0.70)	 (0.47)

The covenant requires a Group NIBD/EBITDA ratio of minimum 3. The requirement was met year end 2020 and the Group has been in compliance with the requirements during all of 2020.

Note 22 Share based payments

Share based payment programs

Employee share purchase program ("ESPP")

An employee share purchase program was implemented in November 2018, and a similar programs has been carried out in 2019 and 2020. In November 2020 each of the employees in the Norwegian entities, including executive management, were invited to acquire shares with a market price of NOK 25,000 with a 20 per cent discount. 220 employees participated in the program, and costs of NOK 1,07 million were included in salaries and personnel expenses. The transactions were settled by transfer of the Company's treasury shares 9 December 2020.

Long-term incentive program ("LTIP")

Under the Long-term incentive program, share options of the parent are granted to senior executives of the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the senior executive remains employed during the vesting period.

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

515,876 options were granted 18 November 2019, whereof 46,884 were terminated during 2020, and 546,000 options were granted 24 November 2020.

The options granted 18 November 2019 will vest, or have vested, in the following tranches:

- 117,248 options vested 18 November 2020
- 117,248 options vest 18 November 2021
- 234,496 options vest 18 November 2022

The options granted 24 November 2020 will vest in the following tranches:

- 136,500 options vest 24 November 2021
- 136,500 options vest 24 November 2022
- 273,000 options vest 24 November 2023

The exercise price of the options granted 18 November 2019 and 24 November 2020 is NOK 21.50 and 22.73, respectively. The potential dilution through the LTIP accounts for 15,954 shares. None of the vested shares have been exercised.

The share options can be exercised up to five years after the grant date. Therefore, the contractual term of each option granted is five years. In the event the Company is not capable of delivering shares following an exercise of options, the Company shall fulfil its obligations through a cash-out.

NOK'000	2020	2019
Expense arising from equity-settled share-based payment transactions related to the Long-term incentive program	1,232	173
Social security tax provisions	27	6
<i>Granted instruments:</i>	Option	Option
Quantity	546,000	515,876
Contractual life*	5	5
Strike price*	22.73	23.10
Share price*	23	23
Expected lifetime*	3.25	3.25
Expected volatility*	34.28%	32.02%
Risk-free interest rate*	0.33%	1.24%
Dividend yield	0	0
Model used	Black-Scholes	Black-Scholes
Fair value per instrument*	5.74	5.48

*Weighted average parameters at grant of instrument

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

Expenses

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

NOK'000	2020	2019
Expenses related to the Saving Shares Plan (SPP)	0	405
Expenses related to the Employee Share Purchase Program (ESPP)	1,069	566
Expenses related to the Long-term Incentive Program (LTIP)	1,232	173
Total share-based payment expenses in the period	2,300	1,144
Social security tax expense for the period	0	261
Social security tax accrual for the period	27	6
Number of discounted shares sold through the Employee Share Purchase Program (ESPP)	234,074	120,383
Discounted share price	18.3 NOK /share	18.8 NOK /share
Weighted average fair value of each discounted share sold through the ESPP	4.60	4.70

Movements during the year (LTIP)

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

Long-term incentive program	2020	2020	2019	2019
	Number of instruments	Weighted Average Strike Price	Number of instruments	Weighted Average Strike Price
Outstanding 1 January	515,876	21.50	0	
Granted	546,000	22.73	515,876	23.10
Exercised	0		0	
Released	0		0	
Adjusted	0		0	
Performance Adjusted	0		0	
Cancelled	0		0	
Terminated	(46,884)	21.50		
Expired	0		0	
Outstanding 31 December	1,014,992	22.18	515,876	23.10
Vested 31 December	117,246	21.50	0	
The weighted average remaining contractual life		5 years		5 years
The weighted average exercise prices for options outstanding	22.18		23.10	

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

Number of share options	Title	2020	2019
Save Asmervik	CEO	52,000	46,884
Liv Annike Kverneland	CEO/CFO	52,000	46,884

The options were granted on the 18th of November 2019 and 24 November 2020. A total of 23,442 shares to key employees have vested per 31 December 2020. None of the vested shares have been exercised.

Note 23 Earnings per share

The Company had one share class and a total of 26,907,458 outstanding shares (excl. treasury shares) 31 December 2020.

In 2020 the Long-term Incentive Program as described in note 22 had dilutive effects.

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

NOK'000	2020	2019
Profit for the year	36,749	36,085
Average number of shares outstanding	26,691	26,501
Average number of outstanding shares, fully diluted	26,696	26,572
Basic earnings per share (NOK/Share)	1.38	1.36
Diluted earnings per share	1.38	1.36
Average number of shares outstanding	26,691	26,501
Average dilutive effects	5	71
Warrants	0	0
Average number of shares outstanding adjusted for dilutive effects	26,696	26,572
Dilutive effect of options issued 18 November 2019	16	14
Dilutive effect of options issued 24 November 2020	0	

Note 24 Rent and lease agreements

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use

assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office rents 1 to 5 years
- Company cars and other equipment 1 to 3 years

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

The right-of-use assets are also subject to impairment.

The Group has applied its incremental borrowing rate for all leases except where rates are implicit in the contracts for company cars. The weighted, average incremental borrowing rate applied 31 December 2020 is 4,70%.

Right-of-use assets

The Group's right-of-use assets are identified as office rentals and rental of company cars in Sweden.

NOK'000	Company cars	Offices Sweden	Offices Norway	Total
Acquisition cost 1 January 2019	3,673	4,826	3,762	12,261
Addition of right-of-use assets	868	0	31,291	32,159
Currency exchange differences	(100)	(151)	0	(251)
Acquisition cost 31 December 2019	4,441	4,675	35,053	44,169
Accumulated depreciation 1 January 2019	0	0	0	0
Depreciation for the period	1,003	1,470	4,541	7,014
Accumulated depreciation 31 December 2019	1,003	1,470	4,541	7,014
Carrying amount of right-of-use assets 31 December 2019	3,438	3,205	30,511	37,156
Acquisition cost 1 January 2020	4,441	4,675	35,053	44,169
Addition of right-of-use assets	487	5,369	0	5,856
Currency exchange differences	362	423	0	784
Acquisition cost 31 December 2020	5,290	10,466	35,053	50,809
Accumulated depreciation 1 January 2019	1,003	1,470	4,541	7,014
Depreciation for the period	1,164	1,542	6,284	8,989
Accumulated depreciation 31 December 2020	2,167	3,012	10,825	16,003
Carrying amount of right-of-use assets 31 December 2020	3,123	7,455	24,228	34,807
Lower of remaining lease term or economic life	1-3 years	1-3 years	1-5 years	
Depreciation method	Amortization	Amortization	Amortization	

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

NOK'000	Total
Short-term lease expenses	783
Low-value assets lease expenses	127
Variable lease expenses in the period (not included in the lease liabilities)	834
Total lease expenses in the period related to practical expedients and variable payments	1,743

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows:

NOK'000	Company cars	Offices Sweden	Offices Norway	Total
Less than 1 year	2,395	1,930	7,425	11,750
1-2 years	751	1,572	7,602	9,925
2-3 years		1,588	7,566	9,154
3-4 years		1,604	4,596	6,200
4-5 years		1,620		1,620
More than 5 years		135		135
Total undiscounted lease liabilities 31 December 2020	3,146	8,448	27,189	38,783

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

NOK'000		Total
Extension options		
Kongens gate 16, Trondheim	Yearly, callable options until 30.04.2029	6,324
Kongsgata 52-54, Stavanger	Option until 31.08.2029	5,264
Total extension options		6,329

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

Summary of the lease liabilities in the financial statements

NOK'000	Statement of	Company cars	Offices Sweden	Offices Norway	Total
Total lease liabilities 1 January 2020	Financial position	3,438	3,205	30,513	37,156
New leases liabilities recognized in the year	Financial position	487	5,369		5,856
Cash payments for lease liabilities	Cash flows	(1,164)	(1,542)	(6,284)	(8,989)
Currency exchange differences	Financial position	362	423		784
Total lease liabilities 31 December 2020	Financial position	3,123	7,455	24,228	34,807
Current lease liabilities	Financial position	2,395	1,630	6,699	10,724
Non-current lease liabilities	Financial position	728	5,825	17,529	24,082
Cash outflows for the principal portion of the lease liabilities	Cash flows	(1,164)	(1,542)	(6,284)	(8,989)
Cash outflows Interest expense portion of the lease liabilities	Cash flows/ profit or loss	(18)	(334)	(776)	(1,128)
Total cash outflows for leases recognized as leases	Cash flows	(1,182)	(1,875)	(7,060)	(10,117)
Cash outflows recognized related to practical expedients and variable payments					(1,743)
Total cash outflows for leases					(11,860)

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

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

Contracts with penalties if options for extensions are not exercised and where the certainty for exercising the options is assessed as not reasonable, the estimated or actual penalty amounts are provided for and treated as a part of the rental cost of the contracts decomposed in depreciation, installment and interest.

In addition to the lease liabilities presented above, the Group is committed to pay variable lease payments for its office leases related to future inflation/index adjustments in Norway and Sweden which is not included in the initial recognition of lease liabilities. When the inflation/index adjustment is known, the present value of the change to the future lease payments is added to the lease liability and right-of-use asset.

Sensitivity of assumptions to the estimates

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

Effect on incremental borrowing rates

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

Changes in interest rate

NOK'000	Applied	+200 BPS	-200 BPS
Office rentals			
Applied NIBOR 3 month December 31st	(1.85%)	3.85%	(0.15%)
Estimated value December 31st 2020	31,683	30,176	33,207
Deviation from applied estimate: Amount		1,507	(1,524)
Deviation from applied estimate: Percent		4.8%	(4.8%)

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

Changes in leasing amount

NOK'000	Applied	+10%	-10 %
Company cars			
Average implicit rate December 31st	0,00%	2,00%	(2,00%)
Estimated value December 31st 2020	3,123	3,106	3,168
Deviation from applied estimate: Amount		(40)	22
Deviation from applied estimate: Percent		(1.3%)	0.7%

Note 25 Contingencies and legal claims

The Group has not been involved in any legal or financial disputes in 2020, where an adverse outcome is considered more likely than remote.

Note 26 Distribution made and proposed

The Group has not been involved in any legal or financial disputes in 2020, where an adverse outcome is considered more likely than remote.

NOK'000	2020	2019
Cash dividends on ordinary shares declared and paid		
Final dividends	42,677	42,369
Dividends per share (NOK)	1.60	1.60
Proposed dividends on ordinary shares		
Proposed dividends	43,052	0
Dividends per share (NOK)	1.60	0

Note 27 Events after the balance sheet date

In February 2021, Save Asmervik was appointed the new CEO of the company. Mr. Asmervik previously held the position as regional director for Webstep. He has been with the company for 10 years. 98,000 options were granted 10 February 2021 to the new CEO. The exercise price of the options is NOK 23.42. Following the grant, the total outstanding share options in the Company is 1,112,992.

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

Financial statements – Parent company

Statement of comprehensive income

NOK'000	Note	2020	2019
Sales revenues		150	152
Total revenues	5	150	152
Salaries and personnel expenses	3,5,13	(19,783)	(17,713)
Depreciation and impairment	6	(28)	(21)
Other operating expenses	3	(3,755)	(6,593)
Total operating expenses		(23,566)	(24,327)
Operating profit (loss)		(23,416)	(24,175)
Finance income and expense			
Finance income from group companies		46,540	52,025
Interest income from group companies	8	474	461
Other interest income		152	220
Other finance income		0	0
Interest expense from group companies	8	(1,174)	(2,124)
Other interest expenses		(1,264)	(1,488)
Net financial items		44,728	49,094
Profit before tax		21,312	24,919
Income tax expenses	11	(4,689)	(5,501)
Profit for the period		16,623	19,418
Total comprehensive income for the period, net of tax		16,623	19,418
Attributable to:			
Dividends		(85,729)	0
Change in retained earnings		69,106	(19,418)
Total		(16,623)	(19,418)

Statement of financial position

NOK'000	Note	31 Dec 2020	31 Dec 2019
Assets			
Property, plant and equipment	6	50	78
Investments in subsidiaries	7,10	432,119	432,119
Loans to group companies	8	9,073	2,897
Other non-current receivables		10	10
Total non-current assets		441,252	435,104
Trade receivables	8	150	150
Other current receivables	8	48,381	53,030
Cash and short-term deposits	2,10	22,651	17,437
Total current assets		71,181	70,617
Total assets		512,434	505,722
Equity			
Total equity	12,13	290,326	352,857
Liabilities			
Deferred tax	11	1	3
Total non-current liabilities		1	3
Trade and other payables	8	246	480
Tax payable	11	4,691	5,485
Social Taxes and VAT	2	1,213	1,117
Dividend		43,052	0
Other short-term debt	9	8,057	6,320
Current debt to group companies	8	164,848	139,460
Total current liabilities		222,107	152,862
Total liabilities		222,108	152,865
Total equity and liabilities		512,434	505,722

The Board of directors and CEO
Webstep ASA

OSLO, 23 March 2021



Trond Klethagen Johannessen
Chair of the board



Kjetil Bakke Eriksen
Board member



Toril Nag
Board member



Siw Ødegaard
Board member



Trygve Christian Moe
Board member



Save Asmervik
Chief Executive Officer

Statement of change in equity

NOK'000	Issued capital	Treasury shares	Share premium	Retained earnings	Total earned equity	Non-controlling interest	Total equity
1 January 2020	26,967	(294)	156,914	169,269	352,857	0	352,857
Profit for the period	0	0	0	16,623	16,623	0	16,623
Other comprehensive income/(loss)	0	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	16,623	16,623	0	16,623
Sale of treasury shares	0	234	5,110	0	5,344	0	5,344
Share incentive program	0	0	0	1,232	1,232	0	1,232
Dividends paid in the period	0	0	0	(42,677)	(42,677)	0	(42,677)
Dividends provided for the period	0	0	0	(43,052)	(43,052)	0	(43,052)
31 December 2020	26,967	(60)	162,024	101,394	290,326	0	290,326

Statement of cash flows

NOK'000	Note	2020	2019
Operating activities			
Profit/(loss) before tax		21,312	24,919
Adjustments for:			
Income tax expense	11	(5,485)	(10,600)
Depreciation of property, plant and equipment	6	28	21
Net change in trade receivables		0	0
Net change in other receivables		(295)	135
Net change in trade creditors		99	49
Net change in social taxes and VAT		95	468
Net change in other liabilities		1,737	4,188
Net change in intercompany balances	8	(872)	(1,590)
Net cash flow from operating activities		16,619	17,590
Investing activities			
Purchase of property and equipment	6	0	(73)
Net cash flow from investing activities		0	(73)
Financing activities			
Change in intercompany balances	8	24,697	12,630
Sales of treasury shares/employment incentive plan		6,576	3,316
Payment of dividends		(42,677)	(42,369)
Net cash flows from financing activities		(11,405)	(26,422)
Net increase/(decrease) in cash and cash equivalents		5,214	(8,905)
Cash and cash equivalents 1 January		17,437	26,342
Cash and cash equivalents 31 December		22,651	17,437

Notes to the financial statements – Parent company

Note 1 General information

The Company and the Group

Webstep ASA, the parent company (the Company) of the Webstep Group (the Group) is a limited liability company incorporated and domiciled in Norway, with its head office in Edvard Storms gate 2, 0166 Oslo, Norway. The 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 recognized 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 recognized in the same year as appropriated in the subsidiary accounts. Dividend from other companies are recognized 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 recognized if it exceeds withheld profits after acquisition. Group contribution is recognized 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 recognized at net value after tax. Group contribution to subsidiaries increases the value of the investment. Group contribution paid is recognized at net value net after tax.

Sales revenues from contracts

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

Balance sheet classification

Current assets and current debt comprise assets and debt due within one year. Other entries are classified as fixed assets and/or long-term creditors. Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value. Fixed assets are valued at the cost of acquisition, in the case of non-incidental reduction in value the asset will be written down to the fair value amount. Fixed assets with limited lifetime are depreciated. Long term debt is recognized at historical nominal value.

Trade and other receivables

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

Leasing

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

Foreign currency translation

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

Property, plant and equipment

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

Provisions

A provision is recognized 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 amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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 amortization 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 recognized on a continuous basis and classified as payroll costs.

Government grants

For contributions received accounted for as government grants related to income under IAS 20, the accounting policy of the Group is to recognize such grants when there is reasonable assurance that the conditions attaching to the grant will be complied with and that the grants will be received. The grants are recognized as income unless directly related to specific items of expense.

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

Cash flow statement

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

Equity

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

Share-based payments

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

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognized 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 recognized 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 recognized as at the beginning and end of that period. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. The discounts granted to employees in the Norwegian entities are recognized as a cost in salaries and personnel cost in the profit and loss statement. A total share value of 25,000 NOK per employee, measured at the market share price on the granting day, is the threshold given by the tax authorities in Norway for discounted shares which are tax-free discounts for the employee.

Note 2 Bank deposits

Webstep ASA has restricted cash of NOK 642 thousand to cover taxes withheld.

Note 3 Salaries, remuneration and audit fees

NOK'000	2020	2019
Salaries	17,455	15,126
Social security costs	1,808	2,005
Pensions	324	278
Other benefits and refunds	196	305
Total salaries and personnel expenses	19,783	17,713

Number of employees, average FTEs	6	6
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Remuneration to executive management	Compensation	Pension	Other *
CEO - Arne Lee Norheim (from 2 May 2019 until 30 November 2020)	4,427	54	11
CEO/CFO - Liv Annike Kverneland	2,309	53	11
Total remuneration to executive management	6,736	107	22
Chairman of the board - Trond K. Johannessen (from 7 May 2020)	326	0	0
Chairman of the board - Klaus-Anders Nysteen (until 6 May 2020)	123	0	0
Board member - Bjørn Ivar Danielsen	250	0	0
Board member - Siw Ødegaard	246	0	0
Board member - Toril Nag	239	0	0
Board member - Trygve Christian Moe (from 7 May 2020)	149	0	0
Board member - Terje Bakken (until 29 Aug 2019)	0	0	0
Total remuneration to board members	1,333	0	0

*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 2020 and 2019 is based on the decision made by the Annual General Meetings. The compensation is paid in arrears.

Determination of remuneration to executive management

The Company's executive management comprises the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Remuneration to executive management is mainly fixed salary, with performance based bonus decided by the remuneration committee. Bonuses for 2019 were accrued for in the consolidated statement of comprehensive income for 2019 and paid in Q1 2020. The CEO was paid a bonus of NOK 1.1 million, of which NOK 0.5 million were committed to share purchase of the Webstep share. The CFO received a bonus of 0.5 million.

The CEO and the CFO were entitled to bonuses for 2020 which were accrued for in the consolidated statement of comprehensive income for 2020 and paid in Q1 2021. The CEO received a bonus of NOK 0.75 million. The CFO received a bonus of NOK 0.75 million. The CFO was entitled to participate in the Long-term incentive program as described in note 13.

The accrued bonuses are included in the table above.

Arne Lee Norheim stepped down as CEO 30 November 2020, and Liv Annike Kverneland served as Interim CEO from 1 December 2020 until 14 February 2021. Mr. Norheim is employed by the Company until 31 May 2021, and receives compensation for being available during this period. Further, Mr. Norheim is entitled to severance pay equal to six month's base-salary. The compensation to be paid to Mr. Norheim in 2021 is provided for in the financial statements for 2020, but is not included in the table above.

Main principles for the determination of remuneration for the executive management of Webstep AS

The board of directors has established a remuneration committee consisting of two board members. The former chairperson, Klaus-Anders Nysteen, served as chair of the committee until he stepped out of the board at the annual general meeting 7 May 2020. Mr. Nysteen was then replaced by the new chairperson of the board, Trond K. Johannessen. Toril Nag is the second member of the remuneration committee. 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.

Guidelines for determination of salaries and other remuneration for executive personnel will be proposed to the Annual General Meeting 28 April 2021 in accordance with the Norwegian Public Limited Liability Companies Act, § 6-16a. The current principles are valid until the new guidelines are adopted by the Annual General Meeting.

The executive management participates in the Company's defined contribution pension scheme in accordance with mandatory law. The executive management is entitled to free service telephone and private broadband, in addition to company health services, as benefits in kind.

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

The executive management may be offered performance-based bonuses in addition to their base-salary and other benefits as described herein. Any such performance-based bonus will be agreed on an individual basis if applicable. The executive management had bonuses as part of their total remuneration package based on 2020 performance.

Webstep introduced a long-term incentive program for senior executives of the Group in November 2019. The program is further described in note 13.

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

Audit fees*

NOK'000	2020	2019
Statutory audit fees	343	295
Audit-related assistance	53	97
Non-audit related assistance	0	17
Other included recognized on equity	0	0
Total audit fee	396	409

* VAT is not included

Note 4 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 324 thousand in 2020.

Note 5 Revenue by segment

NOK'000	2020	2019
Per business area		
Managerial services	150	150
Other	0	2
Total	150	152
Geographical distribution / Segment distribution		
Sweden	150	150
Norway		2
Total	150	152

Note 6 Fixed assets

NOK'000	Equipment, fixtures and furniture	Total
Cost		
1 January 2020	141	141
Additions	0	0
31 December 2020	141	141
Depreciation and impairment		
Depreciation charge for the year	(28)	(28)
31 December 2020	(91)	(91)
Net book value		
31 December 2020	50	50
Useful life	3 - 5 year	
Depreciation method	Straight line	

Note 7 Subsidiaries, associated companies etc.

Company	Acquired	Office	Ownership	Profit and loss 2020	Equity 31 December	Net book value 31 December
Webstep AS*	10.05.2011	Oslo	100 %	46,540	78,849	359,025
Webstep AB**	19.11.2012	Stockholm	100 %	6,270	10,073	73,094
Total				52,811	88,922	432,119

*According to NGAAP

**According to SGAAP

Note 8 Intercompany receivables and payables

NOK'000	2020	2019
Intercompany receivables		
Receivable group contribution Webstep AS	46,540	52,025
Other receivables Webstep AS	10,074	3,359
Receivable Webstep AB	150	150
Total intercompany receivables	56,764	55,533
Intercompany payables		
Trade payables Webstep AS	99	431
Payables cash pool Webstep AS	164,848	139,460
Other payables Webstep AS	0	0
Total intercompany payables	164,947	139,891

The Company has received a group contribution of NOK 46.5 million from Webstep AS in 2020. The group contribution is recognized as a receivable 31 December 2020.

Interest income of NOK 473 thousand is recognized as a receivable from Webstep AS in 2020.

Webstep ASA has not purchased any goods or services from related parties in 2020 of material amount.

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 recognized 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 2020. Interest cost of NOK 1.2 million is charged on the cash pool agreement to Webstep AS in 2020.

Note 9 Other current payables

NOK'000	2020	2019
Other current payables		
Accrued interest cost	0	0
Provision salaries and holiday pay	7,324	3,137
Other accruals	733	3,184
Total	8,057	6,320

Note 10 Pledges and guarantees

NOK'000	2020	2019
Pledged liabilities		
Non-current debt to credit institutions	0	0
Revolving credit facility SR-Bank	0	0

The revolving credit facility is part of the Group's cash pooling system with a credit limit of NOK 110 million. Net drawn on the group facility 31 December 2020 was NOK 0 million.

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

Booked value of assets pledged as security

NOK'000	2020	2019
Shares in Webstep AS	359,025	359,025
Fixed assets	50	78
Receivables	57,454	53,180
Bank deposits	642	786
Total pledged assets	417,170	413,069

Note 11 Taxes

NOK'000	2020	2019
Current year tax base		
Accounting profit before tax	21,312	24,919
Permanent differences	(0)	19
Share issuance cost recognized on equity	0	0
Group contribution recognized as income, taxable	(46,540)	(52,025)
Change in temporary differences	9	(6)
Tax base before group contribution	(25,219)	(27,093)
Received group contribution including tax	46,540	52,025
Tax base for the year	21,321	24,932
Tax payable (22%)	4,691	5,485
Tax payable in the balance sheet	4,691	5,485
Income tax expenses for the year		
Tax payable	4,691	5,485
Tax unprovided for previous periods	0	14
Changes in deferred tax	(2)	1
Total income tax expenses for the year	4,689	5,501
Temporary differences		
Fixed assets including goodwill	5	14
Net temporary differences 31 December	5	14
Deferred tax assets/deferred tax (22%)	1	3
Effective tax rate		
Expected income tax	4,689	5,482
Permanent differences (22%)	(0)	4
Effect of change in tax rate and other	0	14
Income tax expense	4,689	5,501
Effective tax rate *	22%	22%

* Income tax expense in relation to income before tax

Note 12 Share capital and shareholders

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

Top 20 shareholders 31 December 2020

Shareholder name	Shares	Ownership	Voting rights
Embro Eiendom AS	7,721,387	28.63%	28.70%
Virtus Kar International Small-Cap	3,119,279	11.57%	11.59%
Verdipapirfondet Alfred Berg Gamba	1,556,645	5.77%	5.79%
Jakob Hatteland Holding AS	1,000,000	3.71%	3.72%
Salt Value AS	930,429	3.45%	3.46%
Park Lane Family Office AS	905,581	3.36%	3.37%
Verdipapirfondet Nordea Norge Verd	703,281	2.61%	2.61%
Polar Capital European Forager Fun	583,058	2.16%	2.17%
Holmen Spesialfond	568,566	2.11%	2.11%
Danske Invest Norge Vekst	542,000	2.01%	2.01%
Nordea Norwegian Stars Fund	470,182	1.74%	1.75%
Viola AS	418,782	1.55%	1.56%
Intertrade Shipping AS	400,000	1.48%	1.49%
Citibank	320,000	1.19%	1.19%
Virtus Tactical Allocation Fund	282,917	1.05%	1.05%
Espedal & Co AS	261,111	0.97%	0.97%
Employees Retir System of Texas	225,741	0.84%	0.84%
Verdipapirfondet Nordea Avkastning	225,383	0.84%	0.84%
Mp Pensjon PK	224,000	0.83%	0.83%
Nordnet Bank AB	217,873	0.81%	0.81%
Other shareholders	6,231,243	23.11%	23.16%
Total number of shares excluding treasury shares	26,907,458	99.78%	
Treasury shares as of 31 December 2019	59,559	0.22%	
Total shares outstanding	26,967,017	100.00%	

Shareholding by board members, management and their related parties as of 31 December 2020

Trond K. Johannessen	30,000	0.11%	0.11%
Trygve Christian Moe (TCM Consulting AS)	5,000	0.02%	0.02%
Liv Annike Kverneland (LAK Invest AS and privately held)	35,983	0.13%	0.13%
Save Asmervik	2,570	0.01%	0.01%

Trond K. Johannessen and Trygve Christian Moe are employed by Embron Group AS, which is owned by J.C. Broch AS.

Webstep ASA holds 59,559 treasury shares. These shares have no voting rights nor dividend rights.

Note 13 Share based payments

Share based payment programs

Employee share purchase program ("ESPP")

An employee share purchase program was implemented in November 2018, and a similar program has been carried out in 2019 and 2020. In November 2020 each of the employees in the Norwegian entities, including executive management, were invited to acquire shares with a market price of NOK 25,000 with a 20 per cent discount. 220 employees participated in the program, and costs of NOK 1,07 million were included in salaries and personnel expenses for the Group whereof 6 employees in the Company acquired 6,564 shares with an expense charged to the Company of NOK 30 thousand. The transactions were settled by transfer of the Company's treasury shares 9 December 2020.

Long-term incentive program ("LTIP")

Under the Long-term incentive program, share options of the parent are granted to senior executives of the Group. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if the senior executive remains employed during the vesting period.

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

140,690 and 156,000 options were granted to senior executive of the Company 18 November 2019 and 24 November 2020, respectively.

The options granted 18 November 2019 will vest, or have vested, in the following tranches:

- 35,173 options vested 18 November 2020
- 35,173 options vest 18 November 2021
- 70,345 options vest 18 November 2022

The options granted 24 November 2020 will vest in the following tranches:

- 39,000 options vest 24 November 2021
- 39,000 options vest 24 November 2022
- 78,000 options vest 24 November 2023

The exercise price of the options granted 18 November 2019 and 24 November 2020 is NOK 21.50 and 22.73, respectively. The potential dilution through the LTIP accounts for 15,954 shares. None of the vested shares have been exercised.

The share options can be exercised up to five years after the grant date. Therefore, the contractual term of each option granted is five years. In the event the Company is not capable of delivering shares following an exercise of options, the Company shall fulfil its obligations through a cash-out.

NOK'000	2020	2019
Expense arising from equity-settled share-based payment transactions related to the Long-term incentive program	249	31
Social security tax provisions	5	1
<i>Granted instruments:</i>	Option	Option
Quantity	156,000	140,690
Contractual life*	5	5
Strike price*	22.73	23.10
Share price*	23	23
Expected lifetime*	3.25	3.25
Expected volatility*	34.28%	32.02%
Risk-free interest rate*	0.33%	1.24%
Dividend yield	0	0
Model used	Black-Scholes	Black-Scholes
Fair value per instrument*	5.74	5.48

**Weighted average parameters at grant of instrument*

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

Expenses

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

NOK'000	2020	2019
Expenses related to the Saving Shares Plan (SPP)	0	-7
Expenses related to the Employee Share Purchase Program (ESPP)	30	15
Expenses related to the Long-term Incentive Program (LTIP)	249	31
Total share based payment expenses in the period	279	39
Social security tax expense for the period	0	6
Social security tax accrual for the period	5	1
Number of discounted shares sold through the Employee Share Purchase Program (ESPP)	6,564	3,162
Discounted share price	18.3 NOK/share	18.8 NOK/share
Weighted average fair value of each discounted share sold through the ESPP	4.60	4.70

Movements during the year (LTIP)

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

Long-term incentive program	2020	2020	2019	2019
	Number of instruments	Weighted Average Strike Price	Number of instruments	Weighted Average Strike Price
Outstanding 1 January	515,876	21.50	0	
Granted	546,000	22.73	515,876	23.10
Exercised	0		0	
Released	0		0	
Adjusted	0		0	
Performance Adjusted	0		0	
Cancelled	0		0	
Terminated	(46,884)	21.50		
Expired	0		0	
Outstanding 31 December	1,014,992	22.18	515,876	23.10
Vested 31 December	117,246	21.50	0	
The weighted average remaining contractual life		5 years		5 years
The weighted average exercise prices for options outstanding	22.18		23.10	

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

Number of share options	Title	2020	2019
Save Asmervik	CEO	52,000	46,884
Liv Annike Kverneland	CEO/CFO	52,000	46,884

The options were granted on the 18th of November 2019 and 24 November 2020. A total of 23,442 shares to key employees have vested per 31 December 2020. None of the vested shares have been exercised.

Annual statement on corporate governance

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

Webstep ASA ("Webstep" or the "Company" and together with its subsidiaries the "Group") is a publicly listed company and is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 4.4 of the continuing obligations for issuers of shares pursuant to Oslo Rule Book II – Issuer Rules. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at www.nues.no.

The annual statement on corporate governance for 2020 follows below. The statement has been approved by the board of directors on 23 March 2021.

1. Implementation and reporting on corporate governance

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

The Company's overall principles for corporate governance were approved by the board of directors in 2017 as part of the preparations for the listing of the Company's shares on the Oslo Stock Exchange. The principles were revised in 2019 to reflect the changes in the revised version of The Norwegian Code of Practice for Corporate Governance and in 2021 to reflect the implementation of the Market Abuse Regulation (MAR) in Norway. The development of, and improvements in, the Company's corporate governance principles are ongoing and important processes that the board of directors intends to focus on.

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

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

2. Business

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

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

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

3. Equity and dividends

Equity

As of 31 December 2020, the Group had a consolidated equity of NOK 380.2 million, which corresponds to an equity ratio of 64.3 per cent. Consolidated equity adjusted for proposed dividends, will be NOK 337.1 million. Webstep ASA had an equity of NOK 290.3 million, corresponding to an equity ratio of 56.7 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 and the Swedish subsidiary, Webstep AB, has a RCF of SEK 5 million. Both facilities were unutilized at year end. The board of directors considers that the Group has a capital structure that is appropriate to its objectives, strategy and risk profile.

Board authorizations

The annual general meeting on 7 May 2020 granted the board of directors an authorization 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 authorization is valid until the annual general meeting in 2021, but no longer than 30 June 2021, and includes share capital increases with share contribution in other assets than cash etc. and in connection with mergers. The preferential rights of the existing shareholder to subscribe for new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act (the "Companies Act") may be deviated from with respect to the mentioned authorization.

The annual general meeting also granted the board of directors authorization to increase the share capital in connection with the long-term incentive program (see section 12). The authorization is up to NOK 2,157,000 and it is valid until the annual general meeting in 2022, but no longer than to and including 6 May 2022. The authorization for two years is a deviation from the code which recommends a maximum duration until next year's annual general meeting. A two-year authorization corresponds better with the vesting schedule of the options which is the reason why the board decided to deviate from the code. The authorization comprises share capital increases against contribution in kind and the right to incur specific obligations on behalf of the Company, cf. section 10-2 of the Norwegian Public Limited Companies Act. The preferential rights of the existing shareholder to subscribe for new shares pursuant to Section 10-4 of the Norwegian Public Limited Companies Act (the "Companies Act") may be deviated from with respect to the mentioned authorization.

The annual general meeting on 7 May 2020 further granted the board of directors an authorization 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 optimizing the Company's capital structure. Further, such authorization 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 authorization is valid until the annual general meeting in 2021, but no longer than 30 June 2021.

Dividend

As a response to the uncertainty following the COVID-19 outbreak in March 2020, the board of directors was of the opinion that it was prudent, and in the best interest of the Company and its shareholders, to await further developments before potentially deciding to resolve a dividend for the financial year 2019. The annual general meeting 7 May 2020 granted the board of directors an authorization to resolve a distribution of dividends on the basis of the Company's annual accounts for the financial year 2019. The authorization was limited to a dividend of up to NOK 1.60 per share, which was equal to the board of directors' initial dividend proposal communicated on 11 February 2020. The authorization was utilized 13 October 2020 when the board of directors resolved to distribute a dividend of NOK 1.60 per share to the shareholders.

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 2020, the board of directors has proposed a dividend payment of NOK 1.60 per share, representing 259 per cent of

the annual net profit for the Company, and 117 per cent of the net profit for the Group.

The board of directors has not been granted any authorization to approve the distribution of dividends other than the authorization mentioned above.

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 authorization 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 2020 in the annual report.

5. Freely negotiable shares

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.

6. General meetings

The Company's annual general meeting will take place on 28 April 2021. The Company's financial calendar is published via Oslo Stock Exchange and in the investor relations section of the Company's website. Minutes from the general meetings are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker WSTEP) and in the investor relations section of the Company's website.

Notice, registration and participation

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

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

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

The board of directors shall ensure that the members of the board of directors, the chairman of the nomination committee and, if deemed necessary, 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 2020, as the general meeting elected the chairman of the board of directors to chair the meeting.

7. Nomination committee

The Company's articles of association § 8 provides for a nomination committee composed of two to three members. The current nomination committee comprises John Bjerkan (chair, elected before the public listing in 2017 and re-elected 8 May 2019), Petter Tusvik (elected 24 April 2018 and re-elected 7 May 2020) and Trude Sleire (elected 29 August 2019).

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

Responsibilities

The nomination committee shall recommend:

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

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

The chief executive officer and other members of the executive management should not 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 unless otherwise decided by the general meeting. The board of directors currently consists of five shareholder-elected directors and three employee-elected observers. The term of office will expire at the annual general meeting 2022 for all five directors.

The Company's corporate governance documents state that when considering members to the board of directors, emphasis should be placed on the joint composition of the board of directors with respect to expertise, capacity and diversity appropriate to attend to the Company's goals, main challenges and the common interests of all shareholders. Details on background, experience and independence of directors are presented on the Company's website. The Group and the

majority of the employees have agreed that the employees shall have the right to appoint three observers to the board of directors of the Company instead of having a corporate assembly.

Three 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 chairperson of the board of directors was elected by the annual general meeting on 7 May 2020 and is employed by the Company's largest shareholder.

Eleven board meetings were held in 2020. Each board member's attendance at board meetings is recorded by the Company. In 2020, all five board members were present in all eleven meetings.

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

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

The board of directors has established an audit committee amongst its members and adopted instructions for the work of the audit committee. Throughout 2020 the committee comprised Bjørn Ivar Danielsen as the leader and Siw Ødegaard as member. Currently, the committee comprises Siw Ødegaard as the leader and Trygve C. Moe as member. Siw Ødegaard and Bjørn Ivar Danielsen are independent of the Company. Trygve C. Moe are employed by the Company's largest shareholder. As long as at least 50 per cent of the committee's members are independent, the Company considers this to be compliant with the independence requirement in the code.

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 Trond K. Johannessen as the leader and Toril Nag as member. Kjetil Bakke Eriksen was included as member of the committee in February 2021.

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 organization 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 2020, these processes have been under review to fully comply with the code.

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

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

The organization 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 organization, financial reporting and asset management are subject to satisfactory controls. Overall policies, governing processes and routines have been established for day-to-day management. The board periodically reviews the Company's governing documents. The board reviews annually the most important risk areas and the internal controls established to mitigate these risks.

Reporting

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

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

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

The interim reports and annual financial statements are reviewed by the audit committee ahead of the discussions in the board meeting. Financial risk management and internal control are also addressed by the board's audit committee. The latter

reviews the external auditor's findings and assessments after the interim and annual financial audits. Significant issues in the auditor's report, if any, are reviewed by the board of directors.

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

11. Remuneration of the board of directors

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

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

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

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

12. Remuneration of executive personnel

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

The Company's guidelines for the remuneration of executive management are described in note 7 to the consolidated financial statements. This note also provides further details about remuneration in 2020 for the executive management. The guidelines are presented annually to the annual general meeting and include the main principles for the Company's remuneration policy. The guidelines also help to ensure convergence of the financial interests of the shareholders and the executive management.

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

Guidelines for determination of salaries and other remuneration to executive personnel will be proposed to the Annual General Meeting 28 April 2021 in accordance with the new revision of the Norwegian Public Limited Liability Companies Act, § 6-16a. The current principles are valid until the new guidelines are adopted by the Annual General Meeting.

In 2019 a long-term incentive program for the Company's executive management was approved by the annual general meeting and implemented in November. The program consists of share options which will be granted on an annual basis over the three years. The program continued in 2020 and is further described in note 16 to the financial statements.

13. Information and communication

The Company has established an overall communications policy, which states that the communication activities shall be characterized 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, and via the Company's website <https://investor.webstep.com>.

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

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

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

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

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

14. Takeovers

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

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

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

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

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

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

15. Auditor

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

During the financial year 2020, 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.



Statement by the Board of directors and CEO

We confirm to the best of our knowledge that:

The consolidated financial statements for 2020 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2020 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and the Group, and includes a description of the material risks that the Board of Directors, at the time of this report, deem might have a significant impact on the financial performance of the Group.

The Board of directors and CEO
Webstep ASA

OSLO, 23 March 2021



Trond Klethagen Johannessen
Chair of the board



Kjetil Bakke Eriksen
Board member



Toril Nag
Board member



Siw Ødegaard
Board member



Trygve Christian Moe
Board member



Save Asmervik
Chief Executive Officer

Auditor's report



Statsautoriserte revisorer
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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 statement of financial position as at 31 December 2020, 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 statement of financial position as at 31 December 2020, income statement, statements of comprehensive income, cash flows and statement of 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 2020, 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 2020 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 2020. 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.

Penneo Dokumentnr: Z1EQ3-SZGLQ-INVGE-IJOTN-SYMBB-AWVSN



Impairment of goodwill

Goodwill amounted to NOK 385 million per 31 December 2020, representing 65 % 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 11 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

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

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

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

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

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

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



Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

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

Bergen, 23 March 2021
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The auditor's report is signed electronically

Eirik Moe
State Authorised Public Accountant (Norway)

Appendix

Alternative performance measures

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

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

Group departments

Webstep has 9 regional offices in major cities in Norway and Sweden. Webstep believes in the power of local business and the decentralized model is based on strong local presence. The regional offices provide expertise and capacity to local clients, while leveraging the full organizational capacity.

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