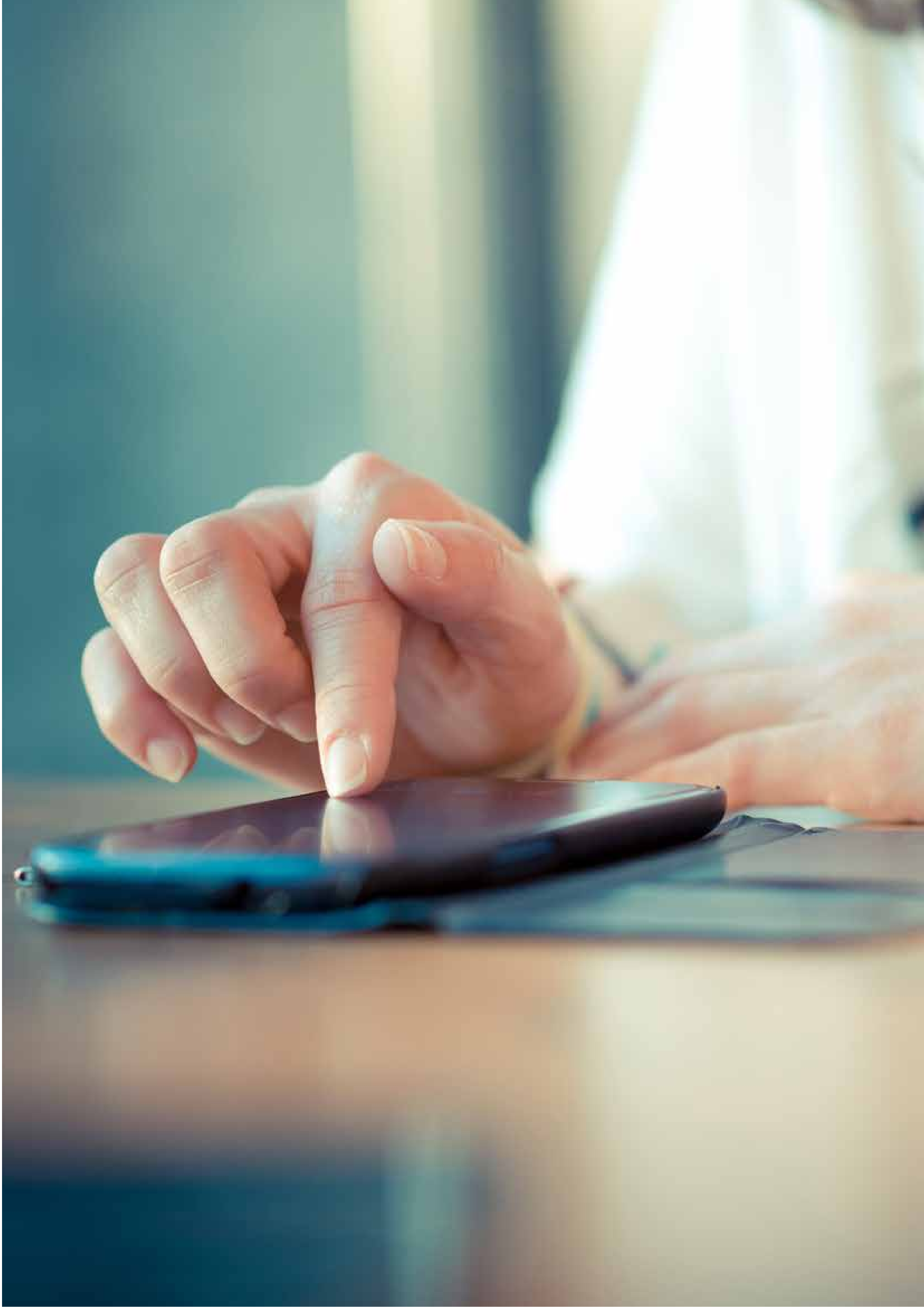
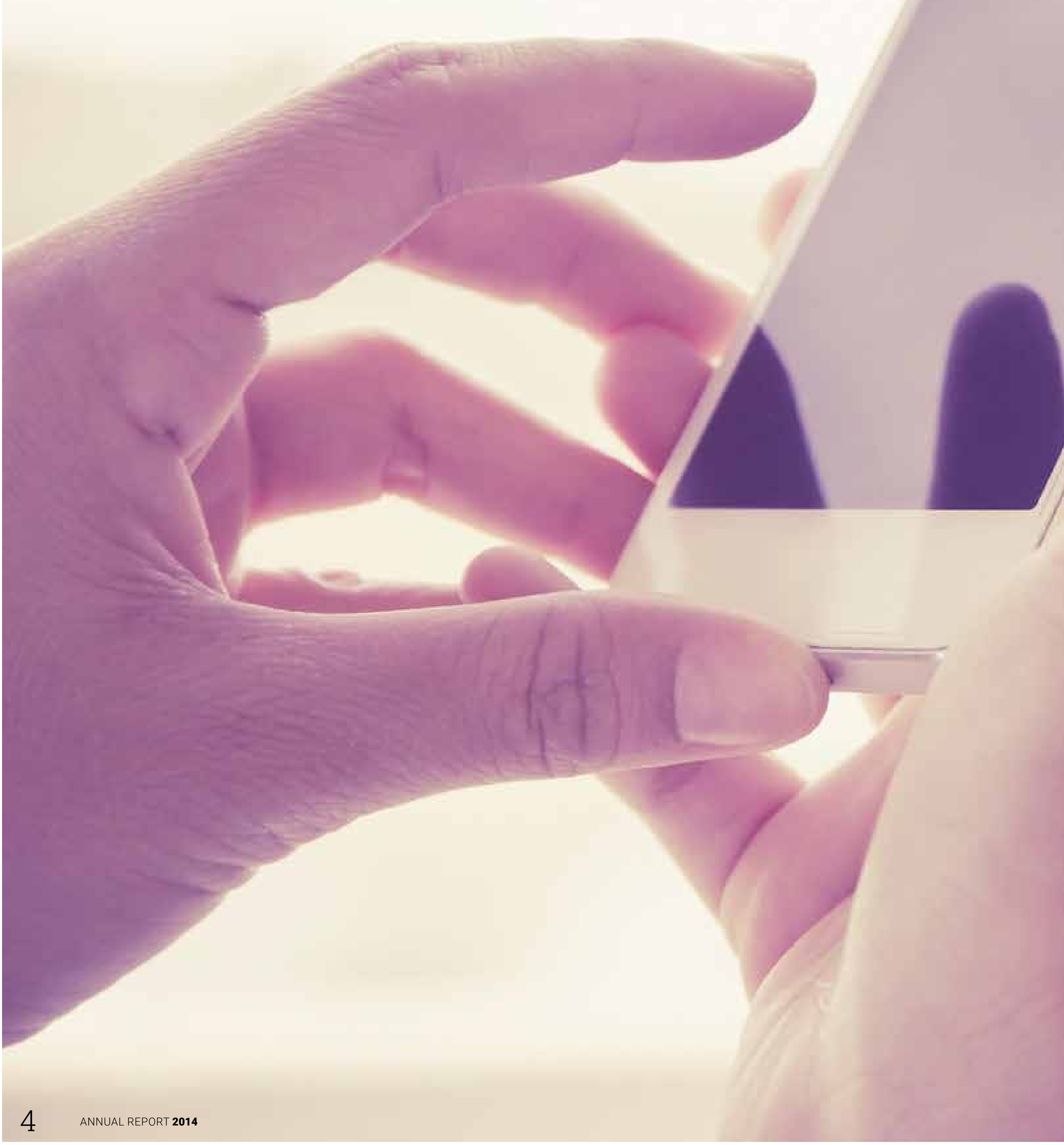
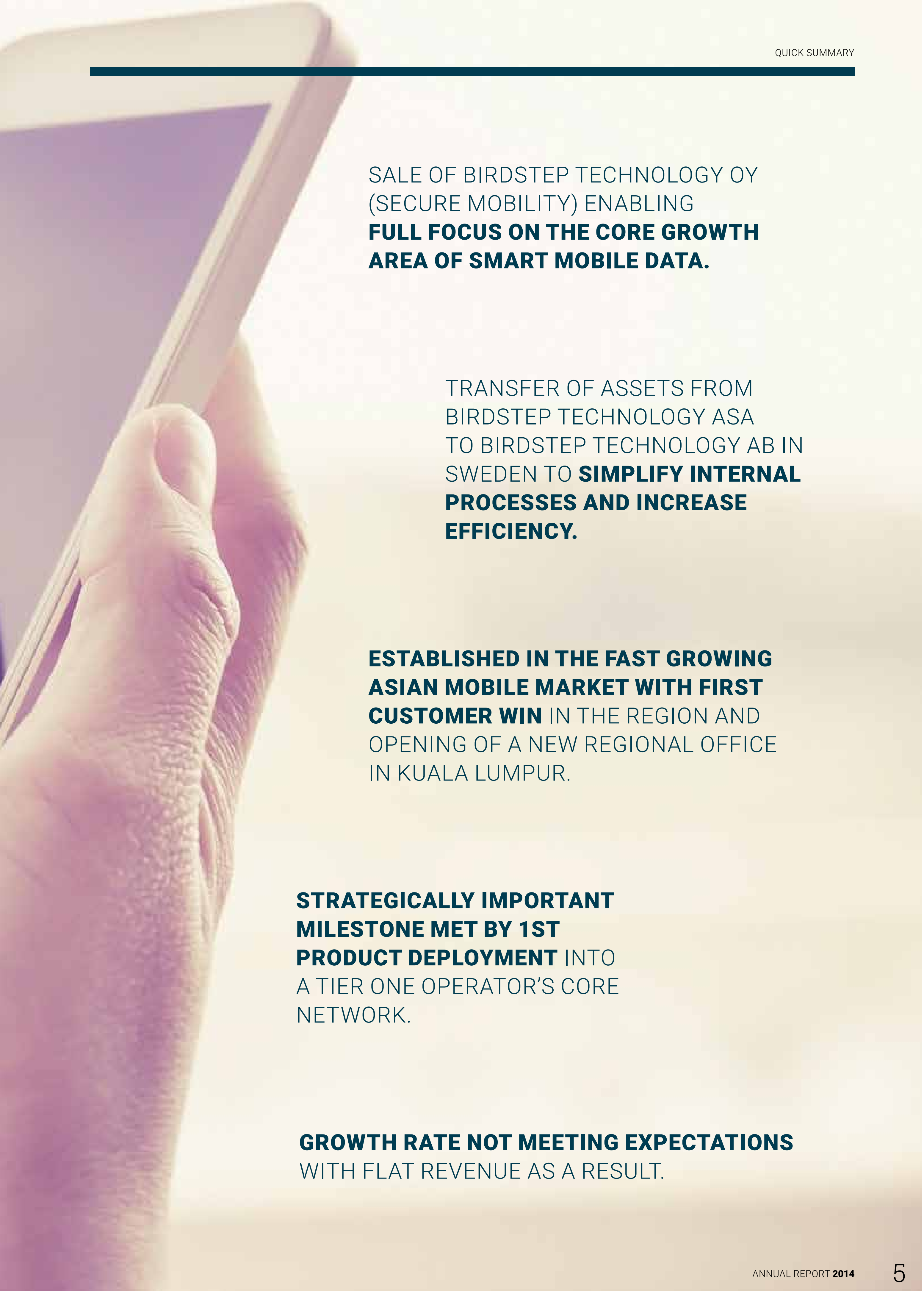
BIRDSTEP TECHNOLOGY ASA
ANNUAL REPORT 2014.



CONTENT

QUICK READING
2014 SUMMARY.





SALE OF BIRDSTEP TECHNOLOGY OY (SECURE MOBILITY) ENABLING **FULL FOCUS ON THE CORE GROWTH AREA OF SMART MOBILE DATA.**

TRANSFER OF ASSETS FROM BIRDSTEP TECHNOLOGY ASA TO BIRDSTEP TECHNOLOGY AB IN SWEDEN TO **SIMPLIFY INTERNAL PROCESSES AND INCREASE EFFICIENCY.**

ESTABLISHED IN THE FAST GROWING ASIAN MOBILE MARKET WITH FIRST CUSTOMER WIN IN THE REGION AND OPENING OF A NEW REGIONAL OFFICE IN KUALA LUMPUR.

STRATEGICALLY IMPORTANT MILESTONE MET BY 1ST PRODUCT DEPLOYMENT INTO A TIER ONE OPERATOR'S CORE NETWORK.

GROWTH RATE NOT MEETING EXPECTATIONS WITH FLAT REVENUE AS A RESULT.

Lonnie Schilling, CEO

THE CEO UPDATE.

YEAR OF **CHALLENGE**

2014 has been a challenging year for Birdstep, just as it has been for most of the industry. It is naturally disappointing not being able to sustain the long period of continuous growth with which we entered 2014, but we are also proud at how well we have responded to disruptive changes in the market. We have stuck to our core value that everything starts with the customer and have continued to innovate around our great strengths based on real time smart data analytics leading to intelligent network selection. Fortunately the slowdown in growth does not reflect dissatisfaction from customers since we have continued to build on our existing relationships. Instead it reflects several other factors in our various geographical markets.

On the positive side, our discussions with customers and various players in the Telco value chain strongly support our view that Wi-Fi is now becoming more firmly established as a core enabling technology for strategic HetNet (Heterogeneous Network) offerings. Service provider Wi-Fi is still a young market which is only now gaining a clear sense of direction, helped by increasingly rapid standardization.

STRONGER FOCUS ON HETNETS

One good reason for optimism is that Birdstep is now much more clearly focused on our core market than we were a year ago. As momentum grew behind HetNets, driven by smart data analytics to ensure customers are always best connected, we decided to streamline our business by selling our Secure Mobility business, Birdstep Technology OY. This realized Euro 2 million cash for the transaction in January 2015, which we are now reinvesting in our Smart Mobile Data business. We have also transferred all corporate assets from Birdstep Technology ASA to Birdstep Technology AB, resulting in a much more efficient and focused company for 2015. I am confident that those transactions will strengthen our company, allowing us to clearly articulate a cohesive business strategy, while allowing for increased financial flexibility. We are already witnessing the benefits of this consolidation internally through stronger alignment across the entire sales process and further reinforcement of our HetNet strategy.

BUILDING **OUR MARKETS**

Our three key markets of North America, Asia Pacific and Europe are in very different phases that all offer opportunities for us. Europe has proved the weakest, with Wi-Fi adoption by carriers retarded by the relatively slow rate of 4G/LTE cellular rollout, but even there we have received orders for renewal of licenses from Tier 1 European operators, expressing satisfaction with our roadmap and products.

NORTH AMERICA HAS BECOME HIGHLY COMPETITIVE AND WHILE TRAFFIC GROWTH IS STILL DRIVING DATA OFFLOAD FOR MOBILE OPERATORS, THE EMPHASIS HAS CHANGED SUBTLY TOWARDS HETNETS THAT SELECT THE BEST AVAILABLE CONNECTION

This is very good news for Birdstep since this can only be accomplished through intelligent application of real time analytics to ensure Experience Continuity. I therefore believe that the role of Birdstep's actionable SmartAnalytics and Intelligent Network Selection will be crucial in delivering Experience Continuity to North American mobile operators' end-users.

Asia Pacific is the most exciting geographical market currently where we see mobile operators becoming much more aggressive in their use of Wi-Fi offload strategies, with several now trialling Birdstep's products. Asia Pacific has become the fastest growing region for offload, carrier Wi-Fi and HetNet deployment, with Birdstep well positioned to capitalize. During 2014 we opened an office and gained sales representation in Asia, resulting in an expanded pipeline and increased rate of deal flow.

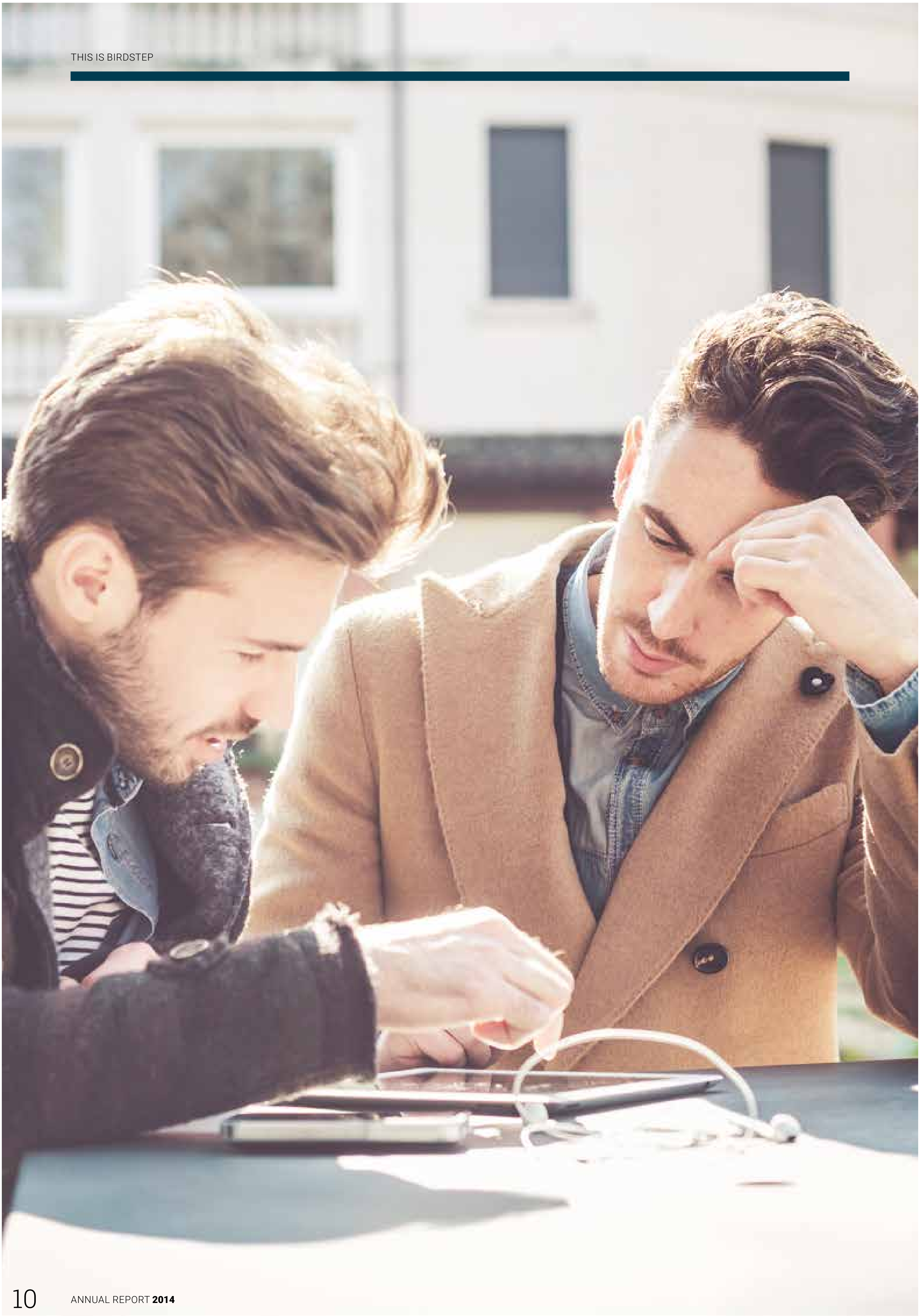
We also believe that in 2015 across all our geographical markets more MVNOs (Mobile Virtual Network Operators) as well as cable operators will solidify their HetNet strategies around Wi-Fi to expand coverage for their customers. Birdstep will therefore target opportunities here as well as among our traditional MNO and device OEM customer base.

HETEROGENEOUS NETWORKS

Also known as HetNets, Heterogeneous Networks are becoming a vital component to mobile communication. They are comprised of traditional cellular networks coupled with Small Cells and Wi-Fi, all of which can carry both voice and data. HetNets are particularly useful in creating seamless coverage in high density areas as well as urban areas where a simple cell site may not be able to handle the volume of traffic during high traffic times, or where tall buildings may block signals. As the volume of data traffic for mobile has increased enormously, HetNets are particularly important as network operators can rely on their increased coverage to provide reliable, uninterrupted data. Birdstep delivers solutions that create predictable, intelligent HetNets. Our EasySmart Solution Suite makes the implementation of HetNet optimisation strategies an easy choice for operators.

Our latest product Always Smartest Connected (ASC), ended the year in trials with various customers in all our markets. This builds on our existing Smart Analytics capabilities to increase further the degree of intelligence in routing decisions between cellular and Wi-Fi, optimizing quality of service, coverage and cost for operators and their customers. As a result we have a strategy and roadmap for 2015 and beyond which puts Birdstep in a strong position to capitalize on the trends in the market toward intelligent HetNets and enable our customers to provide an exceptional user experience.

Lonnie Schilling
CEO, Birdstep Technology



THIS IS **BIRDSTEP.**

BIRDSTEP TECHNOLOGY IS A LEADING PROVIDER OF SMART MOBILE DATA FOR MOBILE NETWORK OPERATORS, MOBILE VIRTUAL NETWORK OPERATORS, WI-FI INTERNET SERVICE PROVIDERS AND ORIGINAL EQUIPMENT MANUFACTURERS. WE ARE COMMITTED TO EXPERIENCE CONTINUITY AND TO COMBINING THE POWER OF WI-FI WITH THE COVERAGE OF MOBILE NETWORKS THROUGH “TRAFFIC STEERING” BY INTELLIGENT NETWORK SELECT.

Drawing on extensive experience of successful customer projects and cooperation with operators and OEM partners around the world, we deliver industry-leading solutions for HetNet optimisation strategies. Our Smart Mobile Data services offer advanced solutions for data offload and intelligent network selection, support automation and end-user communication to network operators

Birdstep Technology has a successful track record of creating and deploying innovative connectivity software solutions with operators and OEMs throughout the globe. Over the past years Birdstep Technology has developed long-term customer relationships with Tier 1 mobile operators. The company is also gaining traction among OEMs (Original Equipment Manufacturer), MSO Cable TV Operators (Multiple System Operator) and MVNOs (Mobile Virtual Network Operator).
Our ongoing relationships with many industry leaders including HP, Acom Networks, and Boingo open up interesting business opportunities.

In order to ensure quality and reduce time to market, Birdstep Technology has established a close working relationship with device manufacturers and other technology partners and resellers. Our dedication to our customers and our ability to adapt to their way of doing business has resulted in our solutions being deployed with more than 40 mobile operators, Tier 1 partnerships and OEM relationships worldwide. Birdstep has, with more than 30 million clients deployed, the largest market share on the market today for operator initiated offload.

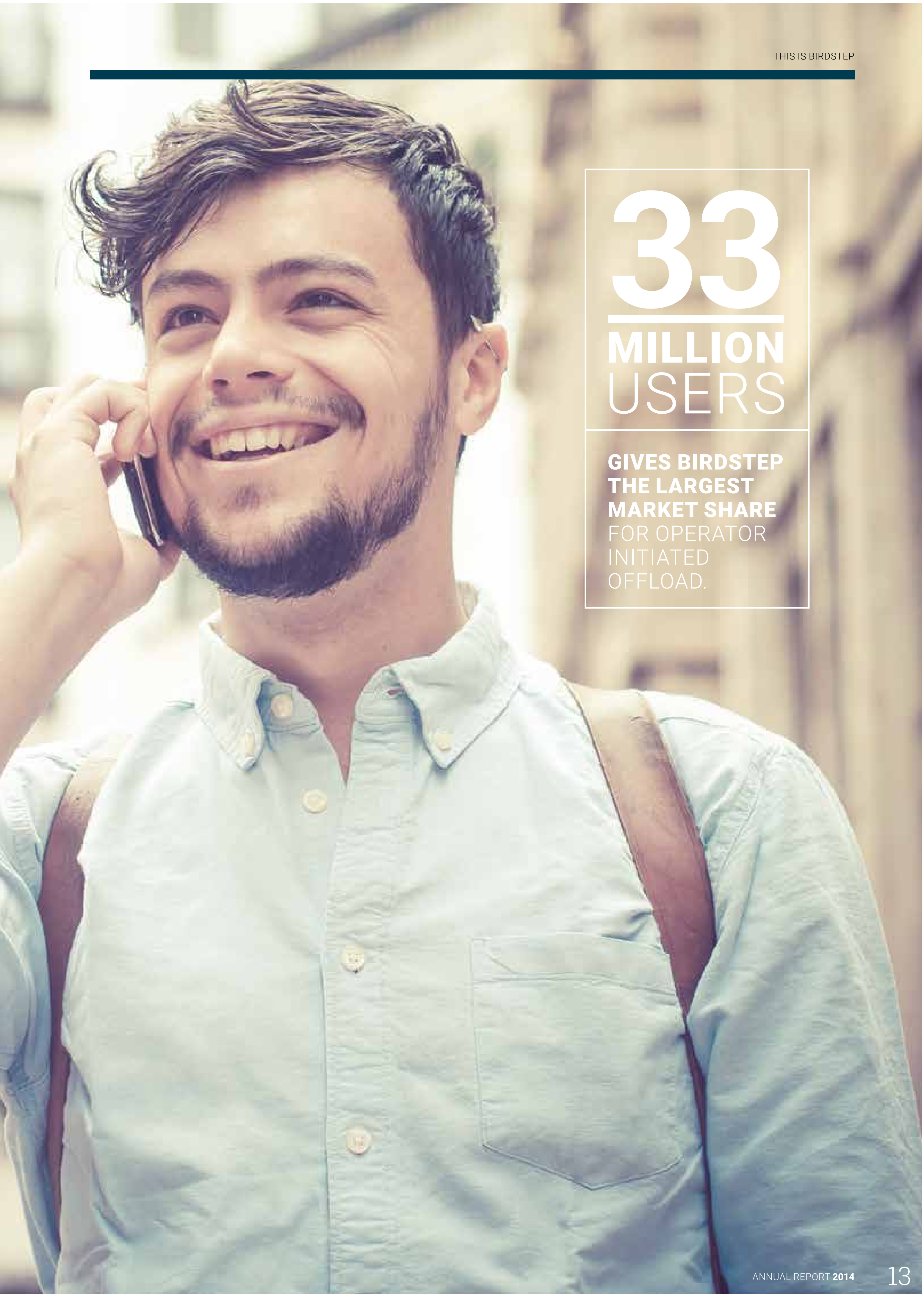
Birdstep Technology was founded in 1996 and has been listed on the Oslo Stock Exchange since 2002. The company is headquartered in Oslo, Norway, with it’s operational headquarter in Stockholm, Sweden, a subsidiary in San Francisco, USA, and sales offices in Kansas City, USA, Kuala Lumpur, Malaysia, and Tokyo, Japan.

For more information, visit www.birdstep.com and follow @BirdstepTech on Twitter.

SMART MOBILE DATA SOLUTIONS

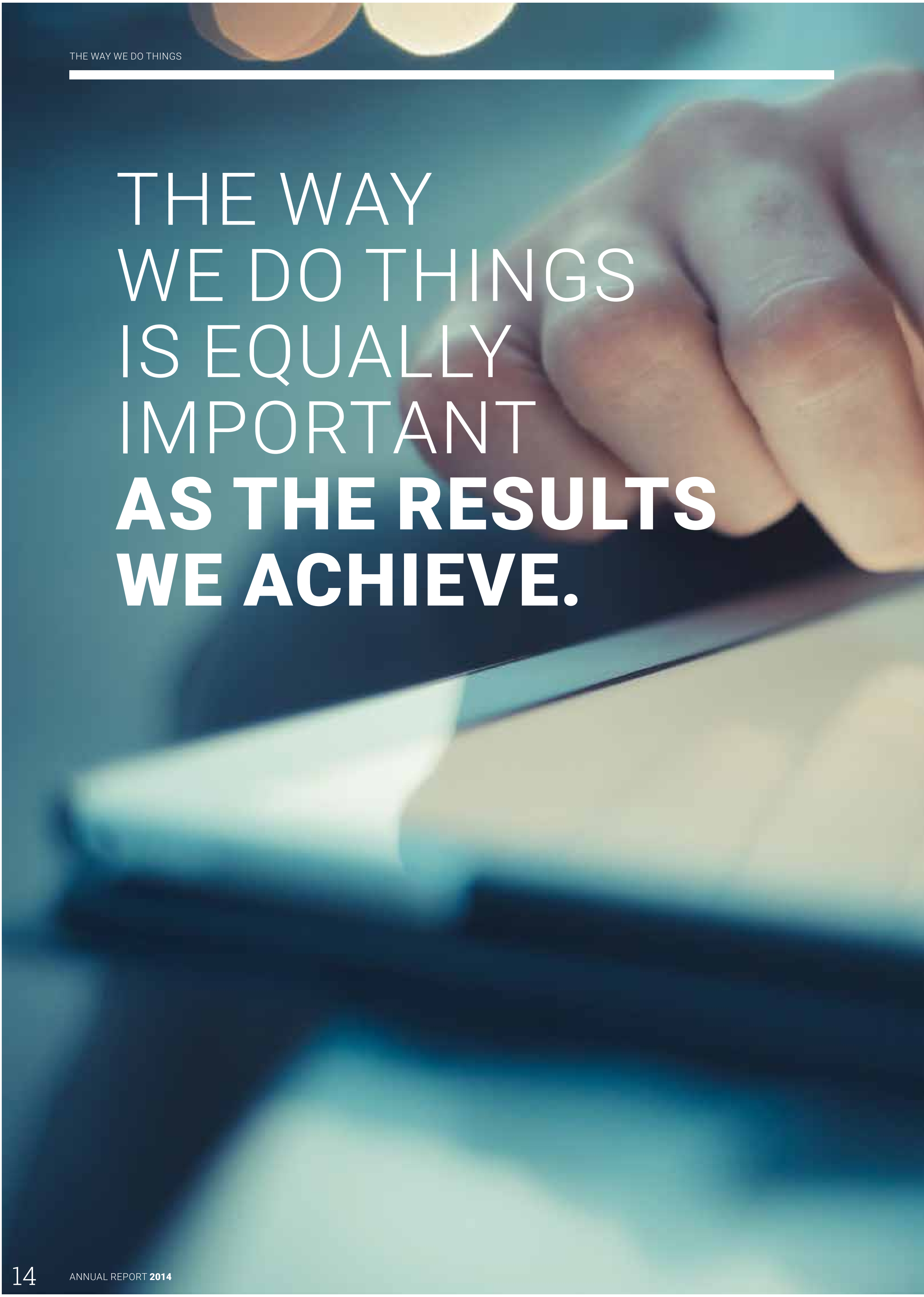
- SmartPolicy is policy management that allows user experience optimization that allows our customers to maximize their suite of Birdstep solutions.
- SmartAnalytics offers the mobile operator insight into, and understanding of, network performance and true customer
  behaviour from the perspective of the device.
- SmartSelect provides efficient and transparent offload of data traffic to and from Wi-Fi with no interruption in service or security.
- SmartControl enables operators to make sure their users are Always Smartest Connected for a truly optimized quality of experience.
- SmartProvision allows the operator to keep track of partner networks and manage credentials as well as providing data about the preferred net-work for a particular service and how to manage different authentication schemes. It also allows the operator to provision and de-provision all services and extends the reach to legacy devices and networks where SIM card accreditation is not available.
- SmartCommerce provides a mobile marketing/advertising engine that allows operators to monetize by marketing location and situation specific offers to users.

In December Birdstep concluded the sale of our Secure Mobility unit in order to focus more clearly on our Smart Mobile Data solutions. As the spread and adoption of Wi-Fi as a key component to HetNets, Birdstep recognized that our leadership position could only be strengthened by a complete focus of resources on Smart Mobile Data. The cash generated from the sale of the Secure Mobility unit is being invested in strengthening the sales organization and in the development of new and updated solutions to drive the growth of HetNet optimisation in the industry.

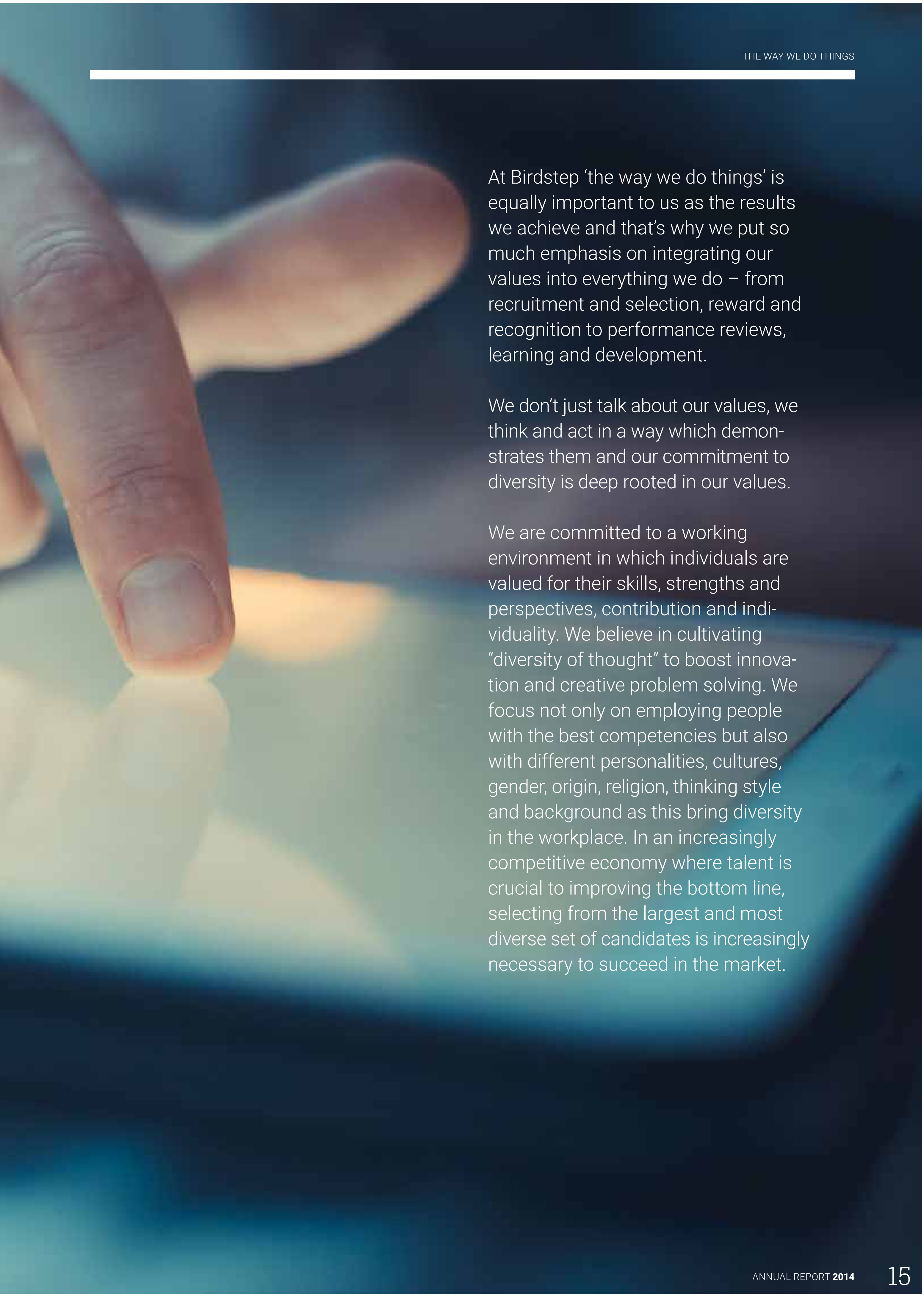


33 MILLION USERS

GIVES BIRDSTEP THE LARGEST MARKET SHARE FOR OPERATOR INITIATED OFFLOAD.



THE WAY WE DO THINGS IS EQUALLY IMPORTANT **AS THE RESULTS WE ACHIEVE.**



At Birdstep 'the way we do things' is equally important to us as the results we achieve and that's why we put so much emphasis on integrating our values into everything we do – from recruitment and selection, reward and recognition to performance reviews, learning and development.

We don't just talk about our values, we think and act in a way which demonstrates them and our commitment to diversity is deep rooted in our values.

We are committed to a working environment in which individuals are valued for their skills, strengths and perspectives, contribution and individuality. We believe in cultivating "diversity of thought" to boost innovation and creative problem solving. We focus not only on employing people with the best competencies but also with different personalities, cultures, gender, origin, religion, thinking style and background as this bring diversity in the workplace. In an increasingly competitive economy where talent is crucial to improving the bottom line, selecting from the largest and most diverse set of candidates is increasingly necessary to succeed in the market.

OUR **VALUES.**

WE ARE **CONNECTED**

At Birdstep we use different cultures, backgrounds, personalities and competencies to stimulate creativity, spur insight, and increase efficiency. Diversity is one of our greatest strengths. Our workforce comprises of 14 different nationalities with diverse origins who are connected by common objectives and continuously strive to provide smart, easy and secure connectivity solutions to our customers.

WE INSPIRE **CHANGE**

With so many different and diverse minds coming together, additional ideas and solutions arise as every individual brings their way of thinking, operating, solving problems and decision making. Everyone is encouraged to use their diversity and skills to think outside the box in order to identify and introduce positive change into the organization, our solutions, and in their own working practice. We inspire change by giving our employees not only the tools they need to perform with confidence but also by providing them a forum where they can share and implement their innovative ideas. We celebrate ``Inspire Change Day`` quarterly in which employees present their ideas that become a part of our innovation process.

WE ARE **PASSIONATE**

The passion for our technology and market is our driving force. It is crucial for us to select employees who are passionate about what they do and what the company wants to achieve. A mix of nationalities from every continent speaking over 20 languages together with a collaborative approach to projects, have created an environment where everyone is very passionate to achieve the company's goals.

WE DELIVER **EXCELLENCE**

At Birdstep we have a diverse set of skills, competencies, experiences and cultural understanding.
All together this has made us capable of delivering excellence and providing services to a broad variety of customers spread across the world. Our customers, suppliers and shareholders are increasingly global and diverse, each expecting us to understand, respond and deliver services that meet their individual expectations. Our multicultural , innovative and global cross-functional teams are always striving to deliver excellence in terms of secure & smart connectivity.

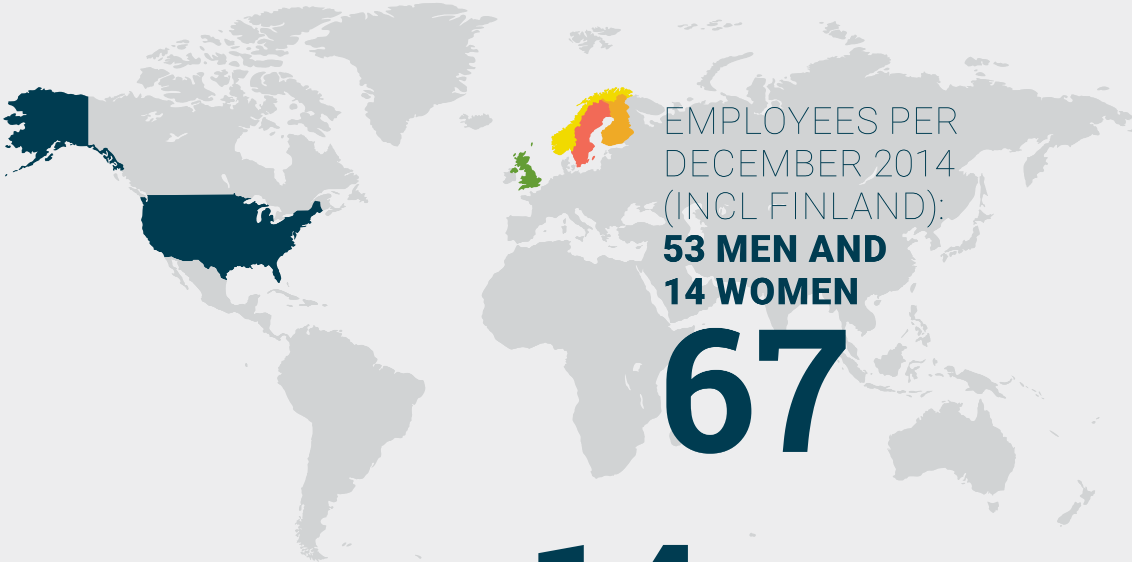
WE EARN **TRUST.**

For us, everything starts with the customer. We are continuously working towards establishing direct, long-term relationships with our customers around the globe. These relationships give us a deep understanding of what our customers want – and don't want – and enable us to stay focused on providing the services that best meet their needs. At Birdstep we try to maximize of our individual talents. We allow and encourage everyone to take responsibility and that has resulted in increased productivity and created a satisfied customer base.

BIRDSTEP **EMPLOYEES.**

EMPLOYEES PER **JANUARY 2015**

46



EMPLOYEES PER
DECEMBER 2014
(INCL FINLAND):
53 MEN AND
14 WOMEN

67

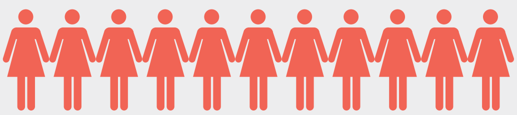
NATIONALITIES 14

Algeria	India	Mexico	Sweden
Bangladesh	Iran	Norway	USA
Great Britain	Iraq	Pakistan	
Greece	Ireland	Russia	

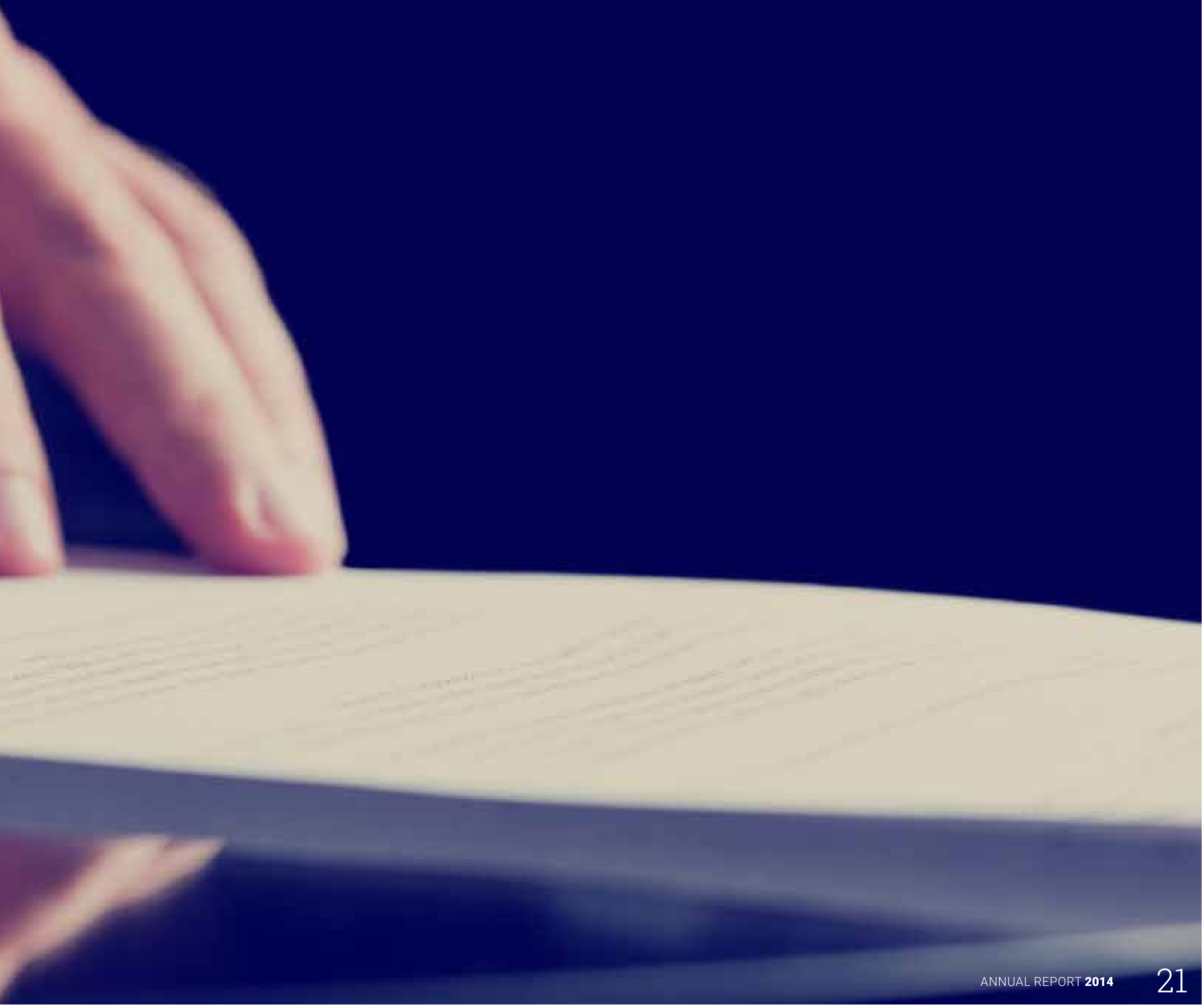
GENDER DISTRIBUTION

35

11



THE EXECUTIVE MANAGEMENT **TEAM.**



LONNIE SCHILLING
CHIEF EXECUTIVE OFFICER

Mr. Schilling brings 20 years of experience of equity investment, strategic business development, architecture sales and marketing within the international communications market. He was most recently Director, Mobile Service Provider Sales & Business Development at Cisco and he has also held leading management positions in other global companies such as Motorola, ITT, Worldview Technology Partners, Bolt Beranek and Newman (BBN). Schilling holds a B.S. in Computer Science from the University of Maryland. He completed graduate and postgraduate studies at the Swiss Federal Institutes of Technology, the International Institute for Management Development, INSEAD and the Marshall School of Business at USC.

HASSAN TABRIZI
ACTING CHIEF FINANCIAL OFFICER

Mr. Tabrizi has 20 years of international experience from various financial positions in companies like Cathay Pacific Airways Ltd, Tele Office AB, Connecta AB, Axfood AB, SmartTrust Group and Giesecke & Devrient Group. As CFO for SmartTrust, a privately owned company group with the Carlyle Group as controlling shareholder, Mr. Tabrizi supported the business to develop effective strategies for growth while remaining cost competitive. With 430 million SEK in revenue and 200 employees worldwide, the company built a strong position in the market as leading global supplier of systems for managing SIM cards and mobile phones Over-the-Air. In June 2009, the parent company was acquired by Giesecke & Devrient GmbH in Munich where Mr. Tabrizi entered the position as Head of Enterprise Development.

CFO Ms. Rabenius is on maternity leave since October 20, 2014.

MARIE-LOUISE NILSSON-KANON
VP MARKET COMMUNICATIONS

Ms. Nilsson-Kanon brings to Birdstep more than fifteen years of experience of diversified marketing & communications expertise in the IT and Telecom industry. Previous to Birdstep Ms Nilsson-Kanon served as Marketing Director at Kentor AB and Head of Marketing at Rosenberger Carlberg Group. She has also run her own consulting company offering small business startup marketing services, including web site design, logo design, copywriting, marketing plans, etc. Ms. Nilsson-Kanon has a financial background and served in the beginning of her career as Head of Accounting for a subsidiary within Ångpanneföreningen.

LARS ESSHAGEN
VP PRODUCT MANAGEMENT

Mr. Esshagen brings 15 years of experience in the telecoms business working with product management, business development and product development. He most recently comes from a position as Director for Product Management with Birdstep and before this he co-founded and held a position as CTO at the company Visibilly. He has also held leading positions in companies in the location industry as well as the gaming industry. Mr. Esshagen has a Master of Science degree in M Sc in Computer Science.

KEY EVENTS AND **BRAND BUILDING.**

1ST QUARTER

The Company began the quarter by aligning the sales teams in our Smart Mobile Data and Secure Mobility divisions to reinforce its global and regional sales presence.

Birdstep strengthened its position as thought leader in the Smart Mobile Data industry by publishing a forward-thinking whitepaper, **Experience Continuity – The True OTT Differentiator**, focused on understanding real user behaviour and how it enables operators to establish network, device and content policies for Intelligent Network Selection. This publication and associated Webinar generated a marked uptick in media attention and established Birdstep's key communication messages for the balance of 2014.

Birdstep signed a two-year contract extension with a Tier 1 US mobile operator for the supply of **EasySmart, EMS, Analytics**, and associated services for their Android products. A global expansion order was signed with HP for the supply of the **EasySmart** client. This expansion was provided on several OS platforms in 9 additional geographical markets. Birdstep signed a new, strategically important contract with a Tier 1 US Mobile Operator for the launch of the Birdstep **Provisioning Server**, which solves credential distribution problems by serving Wi-Fi credentials to end-user devices in an automated, yet fully secure manner. By EOY 2014 over 4 million devices were provisioned. An extension order was received from a Tier 1 Mediterranean operator for Birdstep's **EasyConnect** client.

SafeMove for Android launched in February for organizations with high mobility and security needs such as field services, public safety, healthcare and government. An order was received for **SafeMove Mobile VPN** licenses with a NHS Partnership Trust, one of the UK's largest providers of community health an adult social care services.

CEO Lonnie Schelling spoke at the Wi-Fi Offload Summit in Frankfurt, outlining how operators can create the best Experience Continuity using data analytics and connectivity policies. The Company also participated in the **Wireless Broadband Alliance Global Congress** workshops in Barcelona, in February. CEO Lonnie Schilling participated as a speaker along with Caroline Gabriel of Rethink Wireless. Birdstep's attendance at **Mobile World Congress** immediately following the WBA event continued to reinforce Birdstep's leadership role and furthered our Experience Continuity message.

2ND QUARTER

The Company entered the South African market by signing a new reselling partnership agreement with CONDYN, an information security-focused solutions provider. Birdstep also signed a strategically important **SafeMove** license agreement in Malaysia through our reseller Haynik with MAMPU. MAMPU, the Malaysian Administrative Modernization and Management Planning Unit, stipulates the IT policies for the Malaysian government, and can therefore create further opportunities with other governmental agencies throughout Malaysia.

The San Francisco, California office began build out of our expanded office space. The increased capacity and room for additional headcount assures on-time delivery of our best-in-class solutions to our customers.

Ian Jenks joined Birdstep's Board of directors in April bringing 30 years of board-level experience to support international growth. In June, Birdstep signed a significant new **EasySmart** contract in Southeast Asia with multinational mobile and Wi-Fi solutions provider. The joint solution provides an enhanced and customized Wi-Fi connection management service for a large device manufacturer.

Birdstep was active in industry events, again participating as gold sponsor at both the **Wi-Fi Offload Summits** in Palo Alto, California and Johannesburg, South Africa. The Birdstep team participated in panel discussions as well as presenting our Experience Continuity message in a speaking opportunities. The Company also participated in the **Enterprise Mobility Exchange** in the Netherlands and the **Cyber Security** event in Malaysia.

3RD QUARTER

Birdstep continued its leadership role by being the first to address the significance of the role of Wi-Fi as an element of the burgeoning Connected Car market. In a white paper titled **"Experience Continuity – The Key Enabler for Connected Cars?"** the Company made the case that Experience Continuity is key to consumer satisfaction and retention without regard mobile device. Birdstep first presented this position at a **Level 3** event held in London. To further this theme, Birdstep and Rethink Technology Research presented a webinar immediately prior to **Super Mobility Week at CTIA** in early September. Birdstep also participated in the Intelligent Networks sessions at **CTIA Mobile Talks** with Lonnie Schilling presenting "Experience Continuity – The Ultimate Differentiating Feature". The Company reinforced this message at the **Automotive Telematics Berlin Summit** mid-September.

UK utility company UK Power Networks (UKPN) extended their order for Birdstep's **SafeMove Mobile VPN** to extend use of SafeMove to their entire field engineering force.

The HP Data Pass solution developed between Birdstep and HP utilizing the EasySmart client was commercially deployed in Sweden, Denmark and the UK with further roll out planned for coming quarters.

4TH QUARTER

The Company began the quarter by announcing the release and trial of their all new Intelligent Network Selection and Always Smartest Connected solutions. The new solutions combined with the Company's SmartANDSF server created the world's first truly intelligent HetNet solution. Birdstep also announced the newest version of SafeMove Analytics (2.0) for visualizing and exploring enterprise connectivity data. The new SafeMove Analytics system is comprised of three major components: data collection, the analytics engine and the visualisation and reporting user interface (UI). This allows customers to have a user friendly UI to analyse connectivity performance. The Company also released a new version for its SafeMove Mobile VPN software (SafeMove 8.0), enabling smart connectivity and bringing major improvements in user experience for mobile workforces.

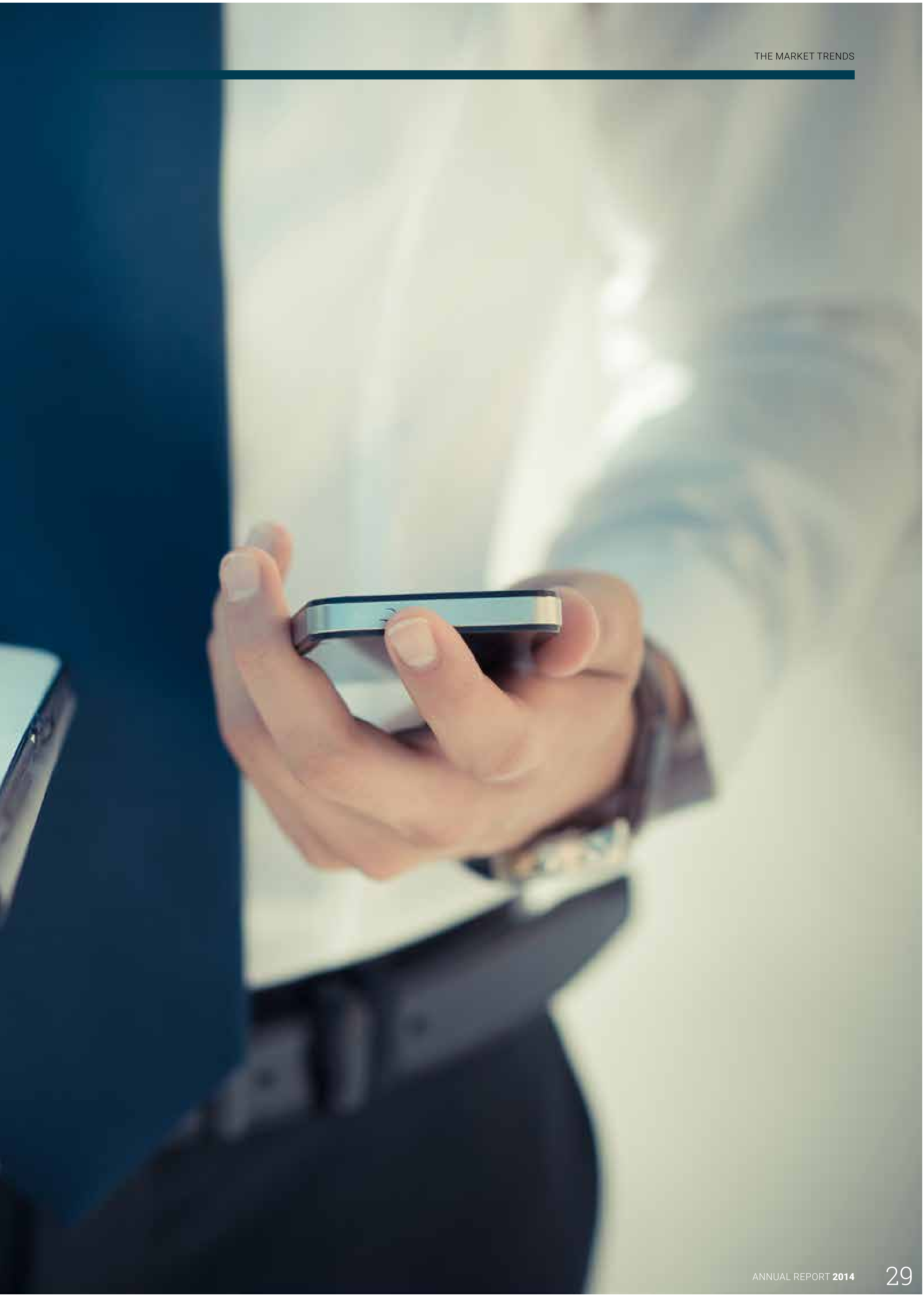
Focusing on the growing Asia Pacific market, Birdstep announced a new partnership with Ardent Networks, one of the largest distributors of IT products in the Philippines and South East Asia.

Additionally the Company announced a new Technology and Channel Partner agreement with Acom Networks Technology Co. Ltd, an experienced systems integrator for the Telco service providers in Taiwan. Birdstep also announced the appointment of Vice President – Sales to the newly formed APAC sales division.

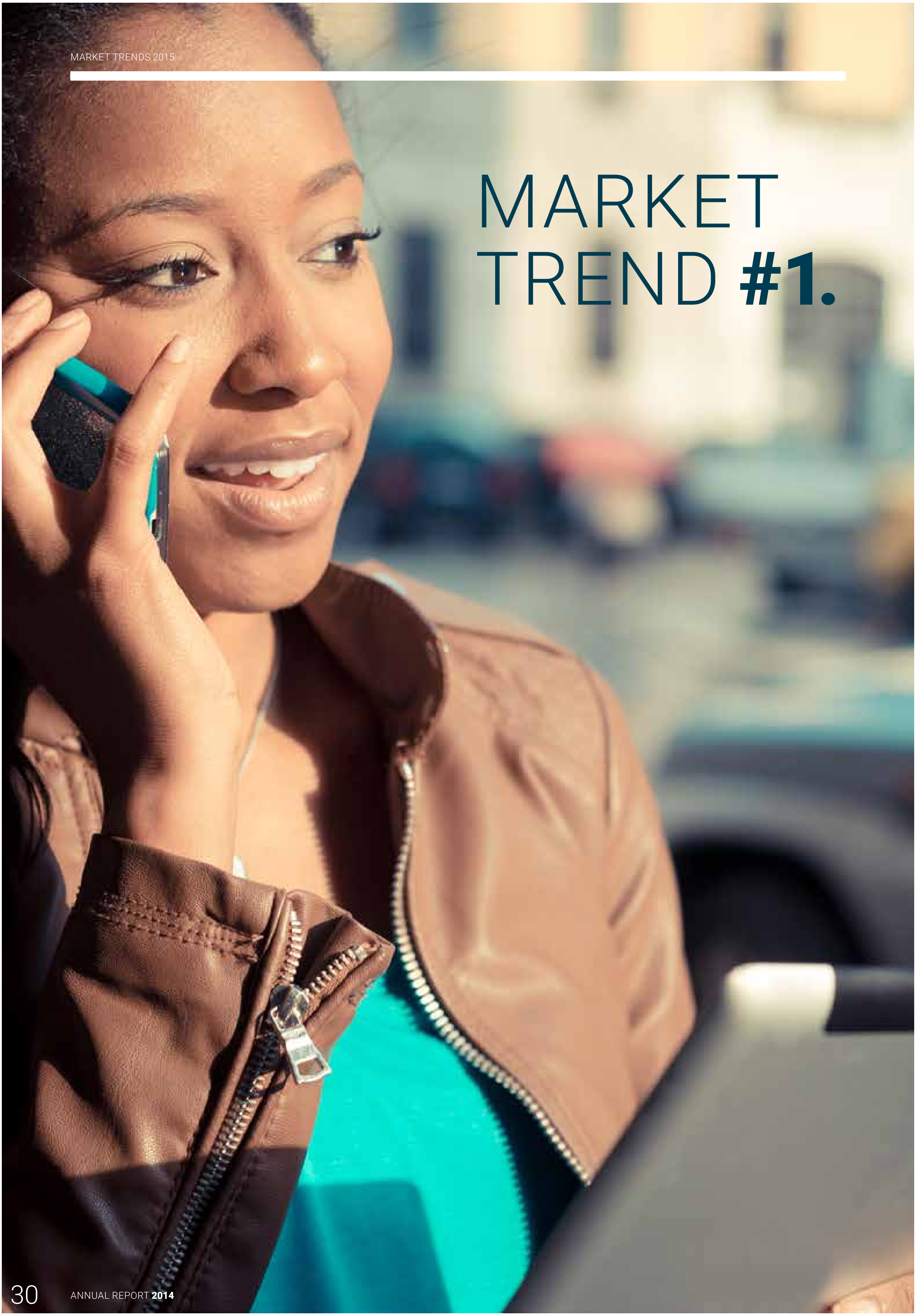
In October, Birdstep's SMD EMEA sales and business development team attended the **Broadband World Forum** in Amsterdam where the VP Sales – EMEA spoke on "Wi-Fi Offloading – Who Should Have Control". In November, the SM sales team attended EHI (eHealth Insider) conference in Birmingham followed up by attendance at the Healthcare IT Exchange 2014 also in Birmingham. At the **Wi-Fi Innovation Summit** in Copenhagen in December, Lonnie Schilling delivered an address on "Intelligent Connectivity" and participated in a panel discussion on device technology for seamless Wi-Fi connectivity and enhanced user experience.

During the quarter, the Company also appointed Hassan Tabrizi as Acting Chief Financial Officer during the current CFO's maternity leave. With over 20 years of international experience, Hassan is experienced in both public and privately held (private equity and/or venture capital) companies.

MARKET TRENDS **2015.**



MARKET TREND **#1.**



HETNETS COME OF AGE IN 2015 WITH TRAFFIC STEERING AND QUALITY CONTROL

HetNets have been brewing for a few years now but 2015 will be the year they become mainstream as several core components reach maturity. The starting point came with MNOs offloading data to Wi-Fi in order to avoid a capacity crunch on their backbone networks, while exploiting the superior economics of broadband infrastructures and almost as a by-product giving their customers in many cases a better quality of experience. Now offloading is evolving into "traffic steering", as parallel cellular and Wi-Fi networks continue to converge and devices become capable of selecting intelligently between them. This is a crucial development for the HetNet since it brings Wi-Fi and cellular networks together as coherent partners with complementary strengths and capabilities.

The advent of traffic steering highlights a vital element that has been missing from many early HetNets, which is client software capable of cooperating closely with the respective networks to maximise QoS while optimizing costs for the operator. This has required simultaneous progress on the client, network and operational fronts from specialists in the field like Birdstep and some operators have already taken advantage. Now the final pieces of the puzzle are falling into place, which means that more MNOs can contemplate deployment of robust HetNets that really do work as a single seamless infrastructure giving users a continuously best connected experience wherever they are.

As a result operators can now hand down rules on policy from their BSS (Business Support Systems) through the network for enforcement on the client device. Such a rule might specify that live video will always be routed over the best possible connection, while less urgent traffic such as emails or text messages should take the cheapest route. Real life scenarios could be more sophisticated, taking account of varying traffic conditions and the status of the user's device, so that Wi-Fi could be turned off when the battery is low and the user is away from home. Analytics will be employed increasingly on the client to give operators a clear view of the experience the user is currently getting as well as the status of the device. This will augment the existing analytics from the network so that operators can achieve a true end to end view at the service level as a basis for intelligent decisions over traffic steering.

There is one other important aspect of a HetNet that is sometimes forgotten in this age of asynchronous communications and that is telephony.

PEOPLE STILL DO LIKE TALKING ON THE PHONE, ESPECIALLY WHEN TRAVEL-LING, AND SO A HETNET IS ONLY TRULY WORTHY OF THE NAME IF IT ENABLES TELEPHONY OVER WI-FI AS WELL AS CELLULAR.

That deficiency will also be remedied during 2015 as more MNOs deploy consistent packet based telephony services that work equally well over Wi-Fi in public places such as airports, with transparent handoff to and from cellular as the user roams. For telephony too, the HetNet can select the best available network, which is a significant benefit given the problems with poor coverage in and around buildings suffered by many users of cellular services.

Therefore, during 2015, the ability of HetNets to deliver Experience Continuity – that is consistent, always available service, spanning both voice and data - will become a competitive advantage for operators.

MARKET TREND **#2.**

ANALYTICS TAKE CENTRE STAGE
IN HETNET OPTIMISATION STRATEGIES

Analytical examination of network performance in the mobile industry has existed for decades. Operators have relied on a picture of their network performance to help them plan expansion of cellular infrastructure and account for the associated CAPEX investment. The desire to develop wide ranging network coverage coupled with updating networks with the newest technological advances have proven to be an expensive, but necessary undertaking.

With the emergence of Wi-Fi as a viable solution for short term network congestion, operators began to see the cost savings that Wi-Fi offload offered.

NOW, WITH THE TRUE EVOLUTION OF SIMPLE OFFLOAD TO FULL HETNET TRAFFIC STEERING, COMPREHENSIVE ANALYTICS TAKE ON A SIGNIFICANT ROLE.

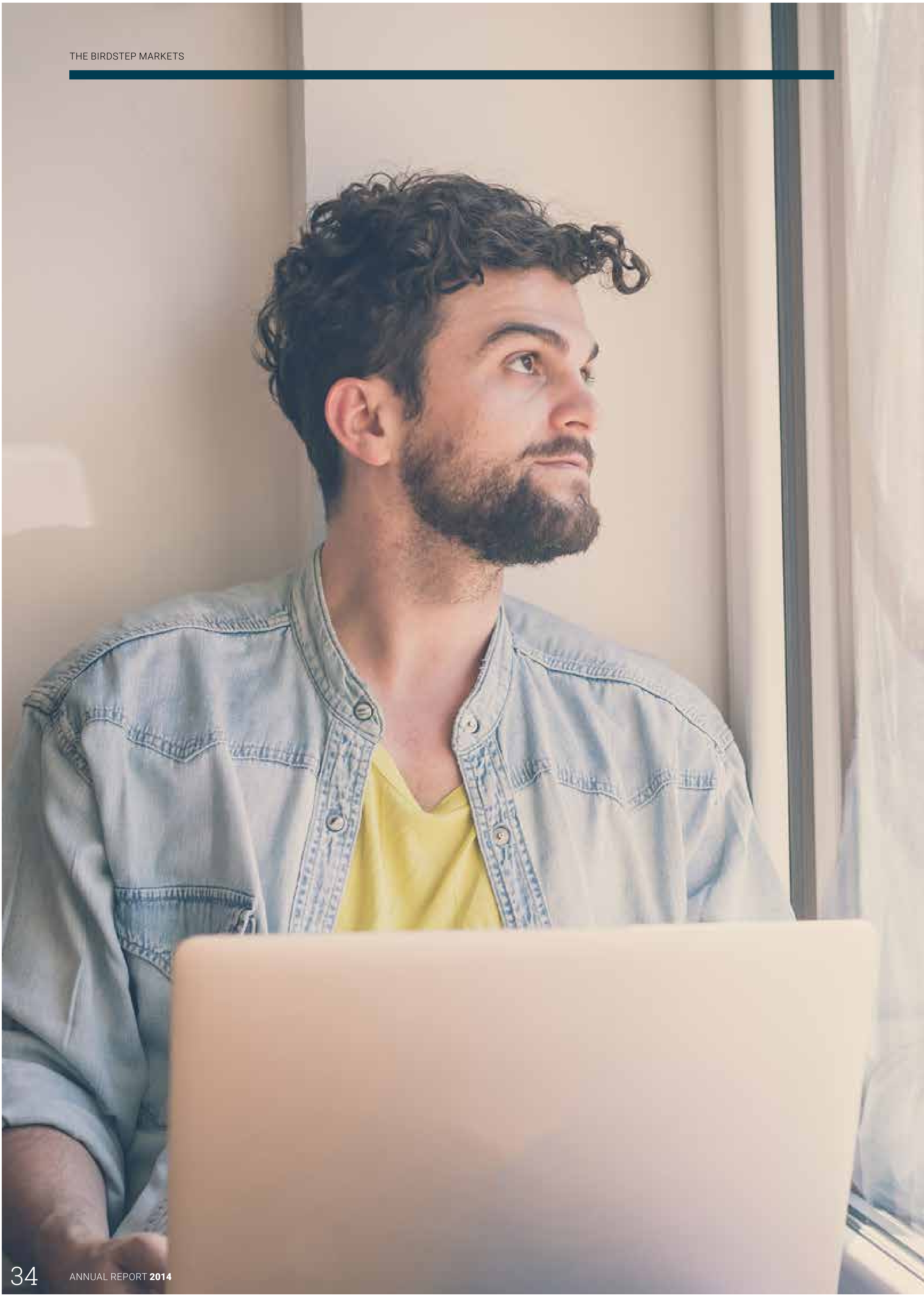
As users spend greater time on the Wi-Fi components of the HetNet, understanding their experience on Wi-Fi is critical to understanding their overall quality of experience.

It is estimated that only 20-40% of mobile data consumed on mobile devices is carried over cellular networks. Of course, this varies by region, but what does not vary is the desire by subscribers to manage their monthly data subscriptions while enjoying the full variety of mobile data applications and entertainment; hence the Wi-Fi traffic. Any experience a subscriber may encounter while on Wi-Fi is currently a blind spot for operators. The operators cannot assess the subscribers' quality of experience, what they are doing on their device, or even where the device is.

Additionally, in cellular networks, approximately 40% of the information on data usage is only available from the device. Accordingly, analytical solutions need to evolve to gather data on the device in order to give operators a full picture of the user experience. In a macro sense this has been referred to as "Datafication" by Timo Elliott of Business Analytics. As he explains it, "Datafication is what happens when technology reveals previously invisible processes – which can then be tracked and optimized. This isn't a new trend, but it's gathering speed as real-time operational analytics systems become available and the price of gathering data continues to plummet."

The importance of analytics in the emerging HetNet environment cannot be overlooked. For true data steering to be effective, analytics must operate at all times, in all environments and on all networks. Information gathered on the device itself becomes key to an effective HetNet optimisation strategy. Not only can operators see what the user is experiencing on their own cellular networks, but also on partner Wi-Fi, and other Wi-Fi to which users may connect over the course of their day. Coupled with an intelligent steering policy, operators can direct their customers to the best possible network connection in order to provide those users with the most satisfying experience. Further, with advanced policy, operators can differentiate between the type of data that is steered to and from Wi-Fi. For example, email and text messaging may not be as important to move to Wi-Fi as streaming data and other applications. Operators may want to keep users with VIP plans on their network while steering lower priced plan users to Wi-Fi. Business decisions will dictate the policy, but analytics will provide the intelligence to set, implement, evaluate and update those policies.

It is clear that in the emergence of true traffic steering for HetNet optimisation, analytics is the key foundation on which the optimisation strategy will be based.



BIRDSTEP **MARKETS.**

NEW AND STRATEGICALLY IMPORTANT TRIALS IN ASIA, WHICH CREATE A FOOTHOLD IN THIS HIGH-GROWTH POTENTIAL REGION

THE INCREASING IMPORTANCE OF HETNET OPTIMISATION STRATEGIES AND THEIR REQUIREMENT OF ACTIONABLE ANALYTICS CREATES AN EXCELLENT OPPORTUNITY FOR BIRDSTEP IN THE GLOBAL MARKET

NEW PRODUCTS AND PRODUCT ADVANCEMENTS CONTINUE SMART MOBILE DATA LEADERSHIP IN NORTH AMERICA

STREAMLINED AND REORGANISED SALES DIVISIONS CREATE A STRONGER FOOTPRINT FOR BIRDSTEP IN THE REGIONAL MARKETS

BIRDSTEP **PRODUCTS.**

BIRDSTEP EASYSMART SOLUTION SUITE

HELPING OPERATORS OPTIMISE THEIR HETEROGENEOUS NETWORK STRATEGIES, MONETISE THEIR NETWORKS, AND IMPROVE THE CUSTOMER EXPERIENCE.

Drawing on the extensive experience of successful customer projects and in cooperation with many operators worldwide, Birdstep offers advanced solutions for developing predictable, intelligent HetNets that provide intelligent network selection, support automation, and end-user communication to network operators.

SMART**POLICY**

Birdstep's SmartPOLICY offers smart policy management that allows true user experience optimisation. Heterogeneous networks, traffic steering and innovative services – these are all areas that require intelligence in the selection of network, how to access a network and when to do it. Initiatives to manage network and service selection have been taken by the major standardisation organizations such as IEEE and 3GPP as well as by the mobile operators. Thanks to Birdstep's extensive knowledge from large real world deployments of offload/onload technologies using policy management, we support not only basic policies but also offer a large set of augmented policy triggers.

In fact, a mobile operator could select a number of combinations to create the best possible selection for their subscribers or to optimize the use of their own network.

Examples of triggers for Birdstep's policies are:

> Network congestion
> Time of day
> Known locations
> Power and battery
> Roaming
> Low cellular RSSI
> Throughput
> Specified applications

Addressing the same challenges as ANDSF and Hotspot 2.0, Birdstep's well proven solution from millions of live clients out in the market is the perfect solution.

SmartPOLICY in short

> Tailor-made data traffic steering for each customer
> Integrates client and network policy control for consistency, performance and easy remote updating
> ”SmartANDSF” provides fine-grained policies
> Optimises device usage across the network

SMARTANALYTICS

Birdstep's SmartANALYTICS provides the ability to really understand customers' experience – across all networks. With heterogeneous networks comes the challenge to understand what the customer experiences and needs. When a user leaves the cellular network and roams onto Wi-Fi they are suddenly "invisible" to the mobile operator.

Even in cases with mobile operators that have their own Wi-Fi footprint, the user will sign in and out of other third party networks as well as their home and office connections.

In order to correlate user experience with churn, to follow up on the characteristics of partner Wi-Fi networks or to simply gather knowledge to create the most competitive tariff, the mobile operator needs to "see what the subscriber sees". Birdstep's solution, SmartANALYTICS, offers the mobile operator an insight to and understanding of the true customer needs.

SmartANALYTICS provides valuable information about

> Are the customers using Wi-Fi? If so where and with whom?
> What is the Wi-Fi experience on partner networks?
> Who his having poor experience with Wi-Fi connectivity and where?
> Wi-Fi usage compared to other cellular technologies?
> How much of users' traffic is going over Wi-Fi vs other cellular networks?
> Which hotspots are users using the most?
> Which hotspots are users seeing the most?
> Which hotspots are available for connection but are not connected?
> Which hotspots are users having trouble to connect?
> Which hotspots have long connection setup latencies?
> Where would new hotspot deployments help?
> Wi-Fi experience compared to other cellular technologies?

SMARTSELECT

Birdstep's SmartSELECT is a solution that lets operators use intelligent network selection to manage their data traffic. A flexible and modular server/client for Android and iOS handsets and tablets, SmartSELECT allows operators to develop a Wi-Fi optimisation strategy without extensive CAPEX outlay by utilising existing home and office Wi-Fi as preferred networks. By moving customers to existing Wi-Fi they can ease demand on their networks while providing uninterrupted quality of service to their subscribers. SmartSELECT also allows operators to create roaming partnerships with ISPs in order to provide excellent quality of service to subscribers when they are traveling and avoid their dissatisfaction of bill-shock from cellular roaming. Combined with Birdstep's SmartPOLICY, operators can set the parameters for the traffic steering based on their own business cases.

SmartSELECT in short

> Provides load balancing for congested cells
> Incorporates policy controlled network access
> Allows controlled roaming
> Improves usability and usage of service with automatic sign-in
> Combines maximum QoE and network cost optimisation
> Includes battery-smart connectivity management
> Offers a backend server suite for control of policies, configuration and access

SMARTCONTROL

Birdstep's SmartCONTROL is an always smartest connected solution based on real-time, automated crowdsourcing quality of service data. It allows operators to develop a predictable, intelligent HetNet strategy that permits them to load balance between all available networks, including Wi-Fi, in the most efficient and economical way. Operators can make certain that their subscribers are always connected to the best possible network based on their own HetNet strategy so that the subscribers have the best data experience and satisfaction. Combined with Birdstep's SmartPOLICY and SmartANALYTICS operators can use SmartCONTROL to deliver the best connection to their subscribers always.

By using SmartCONTROL operators can

- Load balance to ease congestion while delivering the best quality connection at all times
- Select different parameters for different subscription types i.e., pre-paid vs VIP, to optimise price points
- Experience real time network monitoring of all network activity through SmartCONTROL's Wi-Fi management system
- Combine with SmartANALYTICS to see heat map and subscriber type analytics for a clearer picture of network activity to help in short term load balancing and long term planning
- Continually fine tune their network operations so that the subscribers' experience is seamless and uninterrupted
- Expand their network reach without huge CAPEX outlay

SMART**COMMERCE**

Birdstep's SmartCOMMERCE is a solution that enables mobile advertising and marketing capabilities for operators to monetise their Wi-Fi optimisation strategies. It allows them to increase their revenue to offset that lost to OTT providers using their bandwidth. SmartCOMMERCE, in conjunction with SmartANALYTICS and SmartPOLICY, analyses customer patterns and allows operators to set policies based on location, time of day, available network and customer type to provide a clear advertising solution that is both location- and customer-sensitive. Birdstep's solution provides operators with an attractive offer for subscribers to migrate to free Wi-Fi and save their data plan if they agree to the simple act of receiving ads, or alternatively if their data plan has been used for the month, to receive extra data in return for accepting ads. It also allows operators to provide marketing opportunities that are location-specific i.e., shopping malls. When users are near the location the operator can send a message via their cellular network that there are special offers in the location. Once in the location, the subscriber will connect to the in-building Wi-Fi to receive store-specific offers. Operators can continually analyse consumer behaviour and fine tune their offers to advertisers so that the advertisers have a positive marketing experience and return as customers.

SMART**PROVISION**

Many Wi-Fi providers exist with whom network operators can partner as part of their HetNet optimisation strategy, but the problem is that each of the different providers has different credentials and authentication. SmartPROVISION is a solution that facilitates the provisioning and de-provisioning of services as well as manages the operators' Wi-Fi partner network credentials, delivering seamless authentication for uninterrupted service to their subscribers. Streamlined and automated "zero click" provisioning delivers an uninterrupted service experience for the subscriber. SmartPROVISION extends the operators' reach to legacy devices and networks by allowing Wi-Fi credential authentication where SIM card accreditation is not available.
This extends the ability for Wi-Fi network selection across all devices and networks in the operators' portfolios, allowing them greater network management opportunities with the associated cost savings.

BOARD OF **DIRECTORS.**

TOM NYMAN **CHAIRMAN**

Nyman is an executive officer at Pod Investment. He holds a Bachelor degree in Business Administration from Stockholm University and brings more than 20 years of operational experience from high growth companies. Nyman has held a number of important positions such as the COO in Jobline, CFO in the Kinnevik group, CEO in Airtime and controller at MTG. He has been a member of boards at several companies within the ICT sector, in media and business service. His currently holds the position as Chairman of the Board for Transmode AB (listed on the OMX Nastaq Stockholm), Adra Match A/S, OP5 AB and Netigate AB.

KIRSTEN ENGLISH **BOARD MEMBER**

English has worked on the strategic development and operational improvement of companies in the ICT sector for over 25 years. She is a non-executive Board Director at Universities SuperAnnuation Scheme Ltd , Tyman plc and Contis Group and acts as a consultant to private equity companies seeking growth in their portfolio investments. Previously roles were; Terra Firma Capital Partners, CEO of a Fund of Hedge Funds (Grenfell PAI), Entrepreneur in Residence at Warburg Pincus, co founder of Radianz, and spent over a decade with Reuters where, inter alia, she was CEO of the Norwegian and Icelandic operations. English holds a M.A. degree from Oxford University as well as Executive Development Program from Wharton School of Executive Management.

ANNA MALM BERNSTEN **BOARD MEMBER**

Malm Bernsten brings more than 25 years of international marketing and sales experience. She has held leading management positions in large global companies (Pharmacia, ASSA ABLOY and Baxter) as well as smaller innovative companies (Carmeda, Medivir and Aerocrine). Her latest position was as Chief Marketing Officer at GE Healthcare Life Sciences. Presently she runs her own consultancy company focusing on strategic marketing, business development, communication and branding. Her current board positions include Cellvision AB, Medivir AB and Neurovive AB, which are all listed on the OMX Nasdaq Stockholm. She is also the chairman of CEBA and Oatly AB. Malm Bernsten holds a M. Sc. in Engineering from the Royal Institute of Technology (KTH), Stockholm.

ARNE AARNES **BOARD MEMBER**

Aarnes has experience from the telecom industry and has been Managing Director and Chairman for Nextit Solutions (2006-2007), Managing Director of Briiz Gruppen (2004-2006) and Managing Director of Iqtele (2003-2004). Currently he is an independent consultant.

IAN JENKS **BOARD MEMBER**

Jenks brings over 30 years of board and executive level experience across a broad spectrum of technology companies, he is currently a Director of Optimal Payments Limited (OPAY), Econic Limited, Nexeon Limited and Seren Photonics Limited. Jenks has previously served as the Executive Chairman of Intune Networks Limited, the Executive Chairman of Evo Electric Limited, Chairman of Quantasol Limited and a Member of the Board of Altitun AB. He was a General Partner of Crescendo Ventures LLP from 2001 - 2007, Chairman of the Board of Oplink Communications Inc.(OPLK) from 2000 - 2001 and President of Uniphase Inc. (JDSU) from 1995 - 1999. Jenks holds a degree in Aeronautical Engineering from Bristol University in the UK.

REPORT OF **THE BOARD OF DIRECTORS.**

REPORT OF THE **BOARD OF DIRECTORS.**

On January 2, 2015, the company sold 100% of its shares in Birdstep Technology Oy i.e., the Secure Mobility segment. Assets and liabilities related to Birdstep Technology OY were reclassified as held for sale, and its profit as profit from discontinued operations.

During 2014 Birdstep Technology's operating revenue decreased by NOK 0.3 million from NOK 51.8 million in 2013 to NOK 51.5 million.

STATEMENT ON THE **ANNUAL FINANCIAL STATEMENTS**

In accordance with the Norwegian Accounting Act § 3.3a the Board confirms that the company fulfils the requirements necessary to operate as a going concern, and the 2014 financial statements have been prepared on the basis of this assumption. The company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU, and the parent company financial statements are prepared in accordance with a simplified application of IFRS.

Birdstep Technology Group

Operating revenues were NOK 51.5 (51.8) million, which represents a decrease of 0.6% over the same period last year. Salaries and wages were NOK 37 (35) million.

Other operating expenses were NOK 22.3 (18) million. EBITDA ended at NOK -11 (-2.1) million which represents an increased loss of NOK 8.9 million compared with the same period last year. As a result of the above, Income (Loss) from continuing operations before taxes of NOK -15.2 (-10.1) million was recorded.

The financial figures presented above are exclusive of Birdstep Technology OY due to discontinued operation. Assets and liabilities related to that entity were reclassified as held for sale, and its profit as profit from discontinued operations.

Cash flow was negative and net cash balance decreased by NOK 5.6 million to NOK 16.5 million and after the reclassification of NOK 0.2 million as held for sale. For the same period last year, the cash balance increased by NOK 5.4 million.

Net cash flow from operating activities was NOK -0.4 million. Compared to previous year, net cash flow from operating activities was NOK -6.8 million.

Birdstep Technology ASA

Operating Revenues of the parent company were NOK 51.5 million in 2014 representing a decline of NOK 0.3 million from the previous year. Operating expenses were NOK 64.8 million for 2014, which is an increase of NOK 8.0 million compared to 2013. Other Income, net, was NOK 11.0 million in 2014, compared to of NOK 2.0 million in 2013. The increase in Other Income, net is due to currency exchange gains. The parent company recorded a net loss of NOK 3.0 million for the year 2014. The Board proposes that the loss is transferred to other equity.

BUSINESS **RISKS**

Investing in Birdstep involves a high degree of risk. An investment in the Shares of the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. The group's activities expose it to a variety of financial risks, such as price, interest rates, exchange rates, credit and liquidity as well as marketing, intellectual property and operational risks. The exposure to foreign currency fluctuations can affect its revenue, operating profit and results of operations. Birdstep's exposure to the credit risks of its customers may make it difficult to collect accounts receivables. A significant portion of Birdstep's revenue is generated from a limited number of key accounts. Management of financial risk is performed by the group's central Finance Department and the main principle is to minimize exposure to financial risk, and the group holds no financial assets or liabilities for speculative purposes. The markets that Birdstep operates in are highly competitive and rapidly changing. Birdstep business success therefore depends on its ability to develop new products on a continual basis in the face of rapidly changing needs from mobile operators specifically. The nature of the long customer cycle for testing and integration makes it difficult to manage long term forecasting with accuracy. Competition for qualified personnel is intense and Birdstep must continue to attract and retain skilled and qualified personnel. Claims by others that Birdstep infringe on their proprietary technology could harm Birdstep's business. Birdstep may engage in future acquisitions that could disrupt its business and cause dilution to its shareholders.

GOING CONCERN

At the end of 2014, Birdstep Group had a cash balance of NOK 16.5 million. The company had a negative operating cash flow in 2014. It is a substantial financial risk for the company if the negative cash flow trend continues. Furthermore, Birdstep's business is heavily dependent on the capital spending patterns of its customers in a period of market uncertainty. Any decrease or delay in capital spending by its customers means reduced revenues for Birdstep. This coupled with the long sales cycle of some products impeded our ability to forecast accurately. In order to improve visibility and critically to win and retain future business, Birdstep's sales execution model has been restructured completely. By replicating this model across all of our deal-flow, Birdstep's management now has a more realistic view into business opportunities and the growth ahead. New products coupled with a disciplined sales execution are, we believe, key to growing our business. With a reviewed product portfolio, Birdstep is addressing the needs of our customers, creating new opportunities in adjacent markets and growing market share. These developments equate to a positive step change for business and feed into the financial statements that have been prepared on the going concern assumption. The Board therefore confirms that the company fulfils the requirements necessary to operate as a going concern.

MARKET OUTLOOK

The following section discusses the market outlook for individual business areas. The board emphasizes that all estimates of future conditions are associated with a high degree of uncertainty.

Secure Mobility

On January 2, 2015, the Company and Elektrobit Technologies Oy entered into a Share Purchase Agreement whereby Elektrobit Technologies Oy acquired 100% of the shares in Birdstep Technology Oy from the Company as of the same date. The debt free, net of cash and cash equivalents purchase price for the transaction, which was validated by external bankers, was EUR 2.0 million in cash and before transaction costs. After the audit of Birdstep Technology OY financials and considering changes in net working capital and net debts, the final debt free, net of cash and cash equivalents purchase price was set to EUR 1.9 million. The company has issued an Information Document regarding the transaction available at www.birdstep.com.

The assets and liabilities related to Birdstep Technology Oy, i.e., the Secure Mobility business segment, have been presented as held for sale following the sale of 100% of the shares in the company on January 2, 2015.

Smart Mobile Data

New and strategically important trials are being carried out in Asia creating a foothold in this high-growth potential region. Birdstep signed a significant new EasySmart contract in Southeast Asia with multinational mobile and Wi-Fi solution provider. The joint solution provides an enhanced and customized Wi-Fi connection management service for a large device manufacturer. Focusing on the growing Asia Pacific market, Birdstep announced a new partnership with Ardent Networks, one of the largest distributors of IT products in the Philippines and Southeast Asia. Additionally the company announced a new Technology and Channel Partner agreement with Acom Networks Technology Co. Ltd, an experienced systems integrator for the Telco service providers in Taiwan.

New products and product advancements continue Smart Mobile Data leadership in North America. Birdstep signed a two-year contract extension with a Tier 1 US Mobile operator for the supply of EasySmart, EMS, Analytics and associated services for their Android and Windows products. A global expansion order was signed with HP for the supply of the EasySmart client.

This expansion was provided on several platforms in 9 additional geographical markets. Birdstep signed a new, strategically important contract with a Tier 1 US mobile operator for the launch of Birdstep's Provisioning Server, which solves credential distribution problems by serving Wi-Fi credentials to end-user devices in an automated, yet fully secure manner. By end of year 2014 over 4 million devices were provisioned. An extension order was received from a Tier 1 Mediterranean Operator for Birdstep's EasySmart client. The environment in Europe remains challenging, but Birdstep continues to see the availability of exciting opportunities. During the year Birdstep has been active in several industry events, such as the Wireless Broadband Alliance Global Congress workshop and the Mobile World Congress in Barcelona, the WI-Fi Offload Summits in Frankfurt and Palo Alto, California and Johannesburg, South Africa, the Enterprise Mobile Exchange in the Netherlands and the Cyber Security event in Malaysia. Birdstep also strenghthened its position as thought leader in the Smart Mobile Data industry by publishing a forward-thinking whitepaper, by publishing two forward thinking whitepapers:

- **Experience Continuity - The True OTT Differentiator**;
- **Experience Continuity - The Key Enabler for Connected Cars?**

Both whitepapers can be found on our website.

ORGANIZATION AND EMPLOYEES

Birdstep Technology is a global company, with 46 employees as of year-end; 1 in Norway, 29 in Sweden and 16 in the United States. At Birdstep Technology we believe that the product we put out into the marketplace is only as good as the know-how within the company that creates it. Our employees are experienced leaders and enthusiastic emerging talents who share a passion for technology. Working at Birdstep offers a challenging and rewarding experience with plenty of growth potential. With offices in 3 countries we are offering our employees an international and stimulating environment. Our employees originate from a number of different nations, with a diverse range of cultural and religious backgrounds. We strive to attract applicants with diverse backgrounds and genders, which reflect in our recruitment process. Our workforce consists of 23.9% women and 76.1% men. The management team consists of 50% women and 50% men. The company promotes a work environment that is healthy, safe, fair and in accordance with applicable laws and regulations. There have been no injuries in the workplace in 2014. The Group has experienced sickness absence of 2.0 percent, compared with 1.8 percent in 2013. The Board is of the opinion that Birdstep Technology's activities do not have any significant effect on the environment.

DEVELOPMENT

Birdstep Technology is running both large and small development projects, both internally and in conjunction with third parties. In 2014, the major focus has been to develop and finalize the new product strategy. See section: Birdstep Products.

BIRDSTEP BUSINESS

Birdstep has bright and ambitious employees developing cutting edge technologies, services and products for MNO's, MSO's, MVNO's and OEM's.

CORPORATE GOVERNANCE

Birdstep Technology's principles of good corporate governance will lay the foundation for long-term value creation for the benefit of owners, employees, other stakeholders and society as a whole. These principles cannot replace efforts to continuously promote a healthy corporate culture in all parts of the company, but must be viewed in the context of these measures. Respect, responsibility and equality underpin the confidence of Birdstep Technology, both internally and externally. Birdstep Technology is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 in the "Continuing obligations of stock exchange listed companies". The Norwegian Code of Practice for Corporate Governance, which was last revised on 30 October 2014, may be found at www.nues.no. This statement of policy is an item of Birdstep Technology's Annual Report. The Board of Directors states that Birdstep Technology has been in compliance with the code throughout 2014.

Equal treatment of shareholders and transactions with related parties
All shareholders of Birdstep Technology have equal rights and equal status. The company has only one class of shares, which can be traded freely and can be transferred without restriction. Birdstep Technology holds itself strictly to the principle of equal treatment of all shareholders. The company's trading in its own shares is carried out in accordance with the Oslo Stock Exchange's guidelines. The company has a cautious attitude with regard to transactions with shareholders, directors, employees and related parties to the above. Openness and caution should be exercised in the context of investments that may involve close involvement or close relationship between the company and a board member. To ensure that such situations are handled in the best possible way, the board urges the use of transparency and good discernment in any transaction where both the company and a board member or a party to the board member may have interests. Birdstep Technology will follow the principles of equal treatment of related parties and possible related party transactions described in the Norwegian Code of Practice for Corporate Governance.

Freely tradable shares
All Birdstep Technology shares shall have equal rights and are freely transferable.

General Meetings
The Annual General Meeting is the company's highest decision-making body, in which shareholders can exercise their influence. Birdstep Technology encourages all shareholders to attend and use their rights in connection with the company's general meeting. The General Assembly elects the Board. The Board shall, in accordance with the statutes have 3-8 members. Birdstep Technology's CEO is not a member of the Board. The Board shall be composed so as to achieve a broad representation of the company's shareholders. At the election of directors, the company's need for expertise, capacity and balanced decisions are also taken into consideration. Birdstep Technology's goal is seeking to conduct general meetings in accordance with the Norwegian Code of Practice for Corporate Governance. This means, among other things, that the summons and supporting documents shall be made available on the company website no later than 21 days before the meeting, and that the deadline for reporting of attendance at the AGM is within legal limits. Shareholders who are unable to attend may vote by a proxy. The company will strive for differentiated voting by proxy, if and insofar as practicable, and it will seek to hold a vote on specific authorizations for capital increases and not as a collective authority. Board members, nomination committee and the auditor shall attend the Annual General Meeting.

Board of directors
In accordance with Norwegian law, the Board holds the responsibility for monitoring and supervising the management of the company and its operation. In addition to statutory requirements, the Board works in accordance with a set of board instructions. The instructions and procedures that apply to the Board include regulations for the preparation of agendas, privacy and confidentiality, competence, responsibility to establish a management system that ensures that activities are run in accordance with the company's core values, ethical guidelines and generally accepted principles of corporate governance, information on the use of committees and evaluation of the Board's activity and competence. In accordance with the said guidelines and procedures, the Board is responsible, to the degree necessary, for determining strategies, business plans and budgets for the company. The Board is also responsible for ensuring that the company has a competent management with clear internal distribution of responsibility and work.

Work of the Board
In 2014 there were 5 members of the board. The Board met 10 times during 2014. In addition to the statutory responsibility, the Board is working according to its rules of procedure. The rules of procedure and guidelines for board work includes the preparation of meeting agendas, privacy and confidentiality, competence, responsibility for establishing a management system which ensures that its operations are managed according to the company's core values, ethical guidelines and principles for good corporate governance, information about the use of committees and evaluation of the Board of activity and expertise. In accordance with the guidelines and procedures described above, the Board is responsible

for approving strategies, business plans and budgets for the company. The Board is also responsible for ensuring the company has a CEO. On an ongoing basis, the Board takes independent advice with respect to its procedures, corporate governance and other compliance matters. With a board of five members, all members are automatically appointed to the audit and remuneration subcommittees. Due to the limited size of the company, the Board has chosen not to establish subcommittees in order to process specific issues. The Board as a whole acts as Remuneration Committee. In this respect, the Board evaluates the total remuneration to the CEO and the policy for remuneration to managers. Furthermore, the Board acts as the Audit Committee for the purpose of identifying, understanding and evaluating operational and financial risks.

Nomination Committee
Birdstep Technology has a nomination committee elected by the Annual General Meeting. Nomination Committee in 2014 consisted of two persons. Nomination Committee works with a mandate and authority from its shareholders. All members are elected by the Annual General Meeting. Nomination Committee in 2014 consisted of:

- Urban Gillström, leader
- Axel Roos

Composition and independence in relation to members of the corporate assembly and board
The composition of the Board meets the Norwegian Code of Practice for Corporate Governance with regard to members' independence in relation to the company's executive management and in terms of key business relationships. This shall include a thorough evaluation of the company's financial reporting, auditing, and established procedures for advance approval of the auditor's remuneration, and also the handling of complaints from the employees in respect of accounts, control and audits. The Board holds biannual meetings with the company's appointed Auditor; one in the fall to discuss the preparations for the annual accounts and company audit, and one in the spring to discuss the final accounts and other findings.

Remuneration to directors
All remuneration to the directors is described in Note 15 of the accounts of Birdstep Technology Group. The Board is independent of company management and board members do not receive compensation from the company other than director's fees or fees for participation in any sub-committees to the Board for their work. The Company makes no loans to directors or members of its management. The proposed board fees for 2014 is NOK 135.000 to board members and NOK 300.000 to the chairman.

Remuneration to management
The Board considers and prepares annual guidelines for the remuneration and share-based compensation to its management. These guidelines will be reviewed and submitted to the advisory vote at the Annual General Meeting in 2015.

INFORMATION AND COMMUNICATION

Birdstep Technology's goal is to provide financial market transparency, timely and equal information, such that market participants will have the best possible basis for the continuous pricing of the shares correctly. Information and communication is handled in full accordance with guidelines from the Oslo Stock Exchange.

Equal treatment
Birdstep Technology publishes all notifications through the distribution system to the Oslo Stock Exchange, which provides for equal treatment of all participants in financial markets.

www.birdstep.com
Birdstep Technology considers www.birdstep.com as the primary IR-tool and makes all press releases, presentations and prospectuses immediately available on the website. The site is regularly updated with the shareholder lists, analyst coverage, increasing development, financial calendar, and other relevant information.

Price-sensitive information, extraordinary events and customer contracts
Birdstep Technology defines price-sensitive information as information which directly or indirectly says something about the current or future financial

performance, and is likely to have an effect on the share price, as well as something a rational investor will use as part of their investment decision. The definition applies whether the information is positive or negative. Extraordinary events such as mergers, acquisitions and management changes that will affect the valuation of the company, are published without delay and in full accordance with guidelines from the Oslo Stock Exchange. Customer contracts of major importance will be made public through the stock exchange.

Quarterly Reporting
Birdstep Technology will publish an earnings report on a quarterly basis before or after the Oslo Stock Exchange trading hours on the day of or day after the board approval of earnings report. In conjunction with the earnings report the company will have an open invitation to a telephone conference call. Presentations will be available on www.birdstep.com. The company also announces presentations and related materials through the distribution system to the Oslo Stock Exchange.

Guidance
Birdstep Technology does not provide guidance using direct quantitative measures of the company's potential future results.

Quiet period
Birdstep Technology holds no investor meetings and minimizes contact with investors, analysts and journalists in the last four weeks before the quarterly report. The company will not comment during this period on issues related to the company's financial position, in order to ensure equal treatment of all stakeholders.

Spokespersons
CEO and CFO are the company's spokespersons to the financial market and the press.

Acquisitions
The Board does not seek to impede any takeover bid for the company's assets, activities or shares unless there are special reasons to do this. In a situation of a takeover bid, as discussed in Section 14 of the Norwegian Code of Practice for Corporate Governance, the Board will seek to comply with the recommendation, as well as with relevant laws and regulations.

Auditors
BDO AS was elected by the General Assembly as the company's auditor and the General Assembly confirms Birdstep Technology's financial statements have been prepared and submitted in accordance with applicable laws and regulations. The auditor must be independent of the company. As a consequence, Birdstep Technology chose not to use the auditor for purposes other than to the financial review as required by law. The auditor is engaged in questions that are naturally related to the audit, tax in terms of technical assistance, financial statements, understanding of tax rules and the verification of financial information in different contexts.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors evaluate, at least annually, the company´s most significant risks and the related internal control measures in place. The Board of Directors oversees and evaluates the company´s internal control and risk management functions related to financial reporting. The management is responsible for establishing and maintaining adequate internal control of financial reporting. The objective of the internal control of financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Birdstep Technology´s financial statements for external reporting purposes in accordance with International Financial Reporting Standards. As part of the audit of the financial statements, the external auditor reports on the effectiveness of internal controls related to financial reporting to the Board of Directors at least once every year. In Birdstep Technology, all leaders have a responsibility for risk management and internal control as part of daily operations. This means that major decisions must fulfill the following requirements:

- use of business case analysis
- cost effectiveness in the implementation
- be in accordance with the existing financial reporting system
- comply with applicable laws and regulations

Birdstep Technology's system of risk management is fundamental to achieving these goals and sets high standards for financial reporting and the systems and processes underlying it.

CORPORATE SOCIAL RESPONSIBILITY

Taking overall responsibility is an important core value at Birdstep. The group aspires to be a responsible corporation in terms of labor standards, human rights, environment and anti-corruption. The company promotes a work environment that is healthy, safe, fair and in accordance with applicable laws and regulations. During 2014 Birdstep Technology evaluated the total implications and consequences to the company of implementing complete and formal guidelines, principles, procedures and standards relating to human rights, labor and social rights, environment and anti-corruption. During this evaluation it became evident that the magnitude of the costs and resources needed for implementing such a program significantly would exceed the benefits to the company. This is based on the company's situation, result and type of business. Birdstep Technology therefore has, for the time being, decided not to formally implement such a program. Birdstep Technology, however, do support and sees UN Global Compact's 10 principles as sound and relevant guidelines for the daily activities of the company. Birdstep Technology is not regulated by environmental licenses or injunctions.

ALLOCATION OF THE RESULT FOR THE YEAR

Birdstep Technology at the end of 2014 held 21.055 treasury shares. The General Assembly is set for 27th April 2015. The company will not pay out any dividend in the foreseeable future as it will be invested in the Company. The Company at the end of 2014 had no distributable reserves.

DECLARATION BY THE BOARD AND CEO

We confirm that the financial statements for the period from 1 January to 31 December 2014, to the best of our knowledge, have been prepared in accordance with applicable accounting standards, and that the accounts give a true picture of the assets, liabilities, financial position and results of operations, and that the information in the report includes a fair review of development, performance and position of the entity and the group, together with a description of the principal risks and uncertainties the company faces.

Oslo, 24 March 2015
Board and CEO of Birdstep Technology

Tom Nyman
Board member (Chairman)

Kirsten English
Board member

Anna Malm Bernsten
Board member

Arne Aarnes
Board member

Ian Jenks
Board member

Lonnie Schilling
CEO

FINANCIAL STATEMENTS 2014 **CONTENT.**

BIRDSTEP TECHNOLOGY GROUP

BIRDSTEP TECHNOLOGY ASA

BIRDSTEP TECHNOLOGY **GROUP.**

STATEMENTS OF **INCOME**

(Amounts in NOK 1 000)

		Group	
	Note	**2014**	**2013**
Operating revenues	**4**	**51,482**	**51,812**
Cost of Sales		(2,766)	(994)
Operating expenses			
Salaries and wages	10, 15	(37,346)	(34,896)
Other operating expenses	19	(22,376)	(17,999)
Total operating expenses		**(59,722)**	**(52,896)**
Operating income loss before depreciation and amortization (EBITDA)		(11,006)	(2,078)
Depreciation and amortization	4, 5, 6	(7,700)	(8,402)
Operating income loss after depreciation and amortization (EBIT)		(18,706)	(10,480)
Financial income (expense)			
Interest income, net		352	213
Other financial items. net	16	3,108	160
Financial income, net		**3,460**	**373**
Income(loss) from continuing operations before taxes		**(15,246)**	**(10,107)**
Income taxes	11	(186)	(701)
Income(loss) from continuing operations		**(15,432)**	**(10,807)**
Profit for the year from discontinued operations	22	5,596	1,972
Net income (loss)		(9,836)	(8,836)
Earnings and diluted earnings per share (NOK),			
Continuing operations		(0.15)	(0.11)
Discontinued operations		0.06	0.02
Total		**(0.09)**	**(0.09)**

STATEMENTS OF
COMPREHENSIVE INCOME

(Amounts in NOK 1 000)

		Group	
	Note	**2014**	**2013**
Net income (loss) for the period		(9,836)	(8,836)
Other comprehensive income			
Currency translation effect		2,626	1,344
Total comprehensive income		**(7,210)**	**(7,492)**
Attributable to:			
Equity holder of the parent company		(7,210)	(7,492)
Total comprehensive income		**(7,210)**	**(7,492)**

BALANCE SHEETS

(Amounts in NOK 1 000)

	Note	Group 2014	Group 2013
Non-current assets:			
Intangible assets	5	48,246	48,431
Tangible assets	6	1,235	195
Total non-current assets		**49,481**	**48,626**
Current assets:			
Accounts receivable	7	7,876	10,897
Other current assets		3,678	2,009
Cash & cash equivalents		16,539	19,707
Total current assets		**35,030**	**40,837**
Assets of disposal group classified as held for sale	22	6.937	8.224
Total assets		**84,511**	**89,463**

(Amounts in NOK 1 000)

	Note	Group 2014	Group 2013
Shareholders' equity:			
Share capital		10,162	10,012
Share premium fund		38,272	36,037
Retained earnings, including translation reserves		17,557	24,767
Total shareholders' equity	8	**65,991**	**70,816**
Non-current liabilities:			
Deferred income tax liabilities	11	178	175
Total non-current liabilities		**178**	**175**
Current liabilities:			
Accounts payable	2	3,110	2,239
Deferred revenue		488	1,207
Accrued expenses and other liabilities	12	9,406	8,420
Total current liabilities		**18,342**	**18,472**
Liabilities of disposal group classified as held for sale	22	5.338	6.605
Total Liabilities and Shareholders' Equity		**84,511**	**89,463**

Oslo, 24 March 2015
Board and CEO of Birdstep Technology

Tom Nyman
Board member
(Chairman)

Kirsten English
Board member

Anna Malm Bernsten
Board member

Arne Aarnes
Board member

Ian Jenks
Board member

Lonnie Schilling
CEO

STATEMENTS OF **CHANGES IN EQUITY**

(Amounts in NOK 1 000)

	Group					
	Share capital	Share premium	Other paid equity	Other equity	Translation reserves	Total equity
Equity as at 1 January 2014	**10,012**	**36,037**	**61,232**	**(49,140)**	**12,675**	**70,816**
Net income (loss)	-	-	-	(9,836)	-	(9,836)
Other comprehehensive income for the period	-	-	-	-	-	-
Foreign currency exchange	-	-	-	-	2,626	2,626
Total comprehensive income	**-**	**-**	**-**	**(9,836)**	**2,626**	**(7,211)**
Transactions with shareholders:						-
Net Issue of ordinary shares	150	2,235	-	-	-	2,385
Total transactions with shareholders	**150**	**2,235**	**-**	**-**	**-**	**2,385**
Equity as at 31 December 2014	**10,162**	**38,272**	**61,232**	**(58,976)**	**15,301**	**65,991**
Equity as at 1 January 2013	**9,199**	**17,165**	**61,232**	**(40,304)**	**11,330**	**58,622**
Net income (loss)	-	-	-	(8,836)	-	(8,836)
Other comprehehensive income for the period	-	-	-	-	-	-
Foreign currency exchange	**-**	**-**	**-**	**-**	**1,344**	**1,344**
Total comprehensive income	**-**	**-**	**-**	**(8,836)**	**1,344**	**(7,492)**
Transactions with shareholders:						
Net Issue of share capital	813	18,873	-	-	-	19,686
Total transactions with shareholders	**813**	**18,873**	**-**	**-**	**-**	**19,686**
Equity as at 31 December 2013	**10,012**	**36,038**	**61,232**	**(49,140)**	**12,674**	**70,816**

STATEMENTS OF **CASH FLOW**

(Amounts in NOK 1 000)

		Group	
	Note	**2014**	**2013**
Operating activities			
Income (loss) from continuing operations before taxes		(15,246)	(10,107)
Income (loss) from discontinuing operations		5,596	1,972
Depreciation and amortization	5, 6, 22	8,386	8,576
Change in receivables and payables		865	(7,213)
Net Cash from operating activities		**(398)**	**(6,772)**
Investing activities			
Capitalized development	5, 6, 22	(6,548)	(6,521)
Furniture, Machinery and Equipment and leashold improvments		(1,086)	-
Payment of loan		(722)	-
Change in loan balance with affiliated company		-	-
Net Cash from Investing activities		**(8,356)**	**(6,521)**
Finacial activities			
New Issue		2,385	19,692
Net cash from finacial activities		**2,385**	**19,692**
Effect of foreign exchange rate changes		**746**	**(990)**
Net increase(decrease) in cash & cash equivalents		(5,623)	5,410
Cash & cash equivalents, beginning of period		22,331	16,921
Cash & cash equivalents classified as held for sale		(168)	(2,623)
Cash & cash equivalents, end of period		**16,539**	**19,707**

The statement of cash flow is presented as if no discontinued operation has occurred.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Birdstep Technology ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange. The company's registered office is located at Henrik Ibsens Gate 100, 0230 Oslo, Norway.

The consolidated financial statements of Birdstep Technology ASA were approved by the Board on 24 March 2015.

Birdstep Technology ASA's subsidiaries include Birdstep Technology AB and Birdstep Technology San Francisco, Inc., (the "Group"), see more information in **note 14**.

The Group's operations are described in **note 4**.

1.1 BASIS FOR PREPARATION

The consolidated accounts have been prepared and presented in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements are based on the historical cost principles for similar transactions and events under otherwise similar circumstances.

The consolidated accounts are prepared using consistent accounting principles for similar transactions and events under similar circumstances.

Changes in accounting policy and disclosures

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1. January 2014. It is assessed that none of the standards, amendments and interpretation to existing standards will have material impact on the Group's financial statements. The Group implemented the following new accounting standards in 2014

IFRS 10 Consolidated Financial Statements

The standard is based on the principle to use the term control as the decisive criteria to decide how an ownership share in a company is to be treated in the Group financial statements. The standard puts more emphasis on actual control than prior standards. The Group's subsidiaries are mainly owned 100%, either directly or indirectly through the parent company Birdstep Technology ASA. The Groups investments in subsidiaries and associated companies are evaluated in relation to IFRS 10. The implementation of this standard has not resulted in any changes.

Amendment to IFRS 13 Fair Value Measurement

The amendment clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial. Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these consolidated financial statements

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. According to IASB the standard is effective for annual periods beginning on or after 1 January 2015. EU has not yet decided on effective date. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets and financial liabilities.

IFRS 15 Revenue recognition

In the spring of 2014, the IASB adopted a new standard for revenue recognition. The standard establishes a framework for recognition and measurement of revenue based on a fundamental principle that recognition of revenue reflects the transfer of ownership of goods and services to the customer. The objective for IFRS 15 is to clarify the principles of revenue recognition. The core principle of the framework is, that an entity should recognise revenue to depict the transfer of promised goods to services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To accomplish this, IFRS 15 requires the application of following steps:

1. Identify the contract
2. Identify the performance obligation (s)
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when each performance obligation is satisfied.

The standard takes mandatory effect on January 1, 2017.

Neither IFRS 9 nor IFRS 15 are approved by EU.
Preliminary assessments indicate that the standards will not result in considerable effects for the Group.
IASB has also adopted several small changes and clarifications in several different standards where the changes have not yet been implemented.
It is not expected that any of these changes will have considerable effect for the Group.

1.2 FUNCTIONAL AND PRESENTATION CURRENCY

The Group presents its accounts in Norwegian kroner (NOK). This is also Birdstep Technology ASA's functional currency.

The figures presented in the annual accounts are in thousands of Norwegian kroner unless stated otherwise.

1.3 CONSOLIDATION PRINCIPLES AND SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of Birdstep Technology ASA (the Company) and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are recognized using the historical cost to the parent company.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company. There are no non-controlling interests in the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1.4 TRANSACTIONS IN FOREIGN CURRENCY

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange rate differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, are translated into Norwegian kroner using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange rate differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange rate differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange rate differences arising are recognized in equity.

1.5 REVENUE RECOGNITION AND RELATED COSTS

Revenues

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for licenses or services supplied, stated net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of licenses

Licenses are sold to resellers in advance for an anticipated future use and are recorded as revenue at the date of delivery. Any purchased license is non-refundable and there is no unfulfilled obligation that could affect the reseller acceptance of the licenses.

Sales of services

Support & Maintenance, Hosting service fee and other services are recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are reorganised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period; servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Deferred Revenue

Advance payments are recorded on the balance sheet as a liability, until the services have been rendered or products have been delivered. Deferred revenue is a liability because it refers to revenue that has not yet been earned, but represents products or services that are owed to the customer. As the product or service is delivered over time, it is recognised as revenue on the income statement.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). The parent companies recognise dividends from subsidiaries and associates when it is reasonably certain that it will be received.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Costs

Costs are expensed according to the corresponding income. Expenses not directly attributable to income are expensed as incurred expenses. In case of restructuring or closure of operations, all the related expenses are accounted by the time of decision.

1.6 BUSINESS COMBINATIONS AND GOODWILL

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see 3.16.2); and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured at fair value less cost to sell.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bar-gain purchase gain.

Non-controlling interests that represent current ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.7 SOFTWARE DEVELOPMENT COSTS

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

1.8 FIXED ASSETS

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.9 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which are acquired separately, are capitalized at their cost. The costs of intangible assets acquired through acquisitions are recorded at fair value at the date of acquisition.

Patents and licenses

Amounts paid for patents and licenses are capitalized and amortized over their estimated useful lifetime. Expected life of the patents and licenses vary from 5 to 10 years.

Software

Expenses related to the purchase of new computer program are recorded as an intangible asset, if these expenses are not part of the hardware acquisition costs. Software is normally amortised using the straight line method over 3 years. Expenses incurred as a result of maintaining the software or maintaining the future benefit of software is expensed unless the changes in the software increase the future economic benefits of the software.

1.10 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.
A reversal of an impairment loss is recognised immediately in profit or loss to the extent the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

1.11 IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details' regarding the impairment of the year 2014 is set out in **note 3**.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.12 TRADE RECEIVABLES

Accounts receivable are initially measured at fair value. Allocations for losses are recognized when there are objective indicators that the Group will not receive settlement according to the original terms. Allocations are in the amount of the difference between nominal value and recoverable value, which is the present value of expected cash flows, discounted at the original effective interest rate.

1.13 TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, bank deposits, and other short-term readily tradable investments with up to three-month initial terms to maturity, and revolving credit facilities. The revolving credit facilities are presented in the balance sheet under short-term debt.

1.15 EQUITY

The nominal value of holdings of own shares is reported in the balance sheet as a deduction to share capital. The purchase price in excess of nominal value is charged to other equity. Gains or losses on transactions in own shares are applied directly to equity. If own shares are sold at a price in excess of cost price, the surplus is recognised as other paid-in equity. Realised losses related to sale of own shares are recognised against other paid-in equity, if positive, alternatively against other equity.

Transaction costs in relation to equity transactions are charged to equity after deducting tax. The fair value reserve includes cumulative net changes in fair value of financial instruments until the investment is disposed of or is judged to be of no value.

1.16 TREASURY SHARES

With the repurchase of shares in the parent company, their costs, including directly attributable transaction costs, are recognized as the change in equity. Treasury shares are presented as reduction of equity. Loss or gain on disposal of treasury shares is not recognized.

1.17 RETIREMENT BENEFIT PLAN

The group has defined contribution plans. A defined contribution plan is a retirement plan in which the group pays fixed contributions to a separate legal entity. The group has no legal or other obligation to pay additional contributions if the unit does not have sufficient assets to pay all employees benefits associated with earnings in present and previous periods. Pre-paid contributions are recorded in the accounts as an asset to the extent the contribution may be refunded or reduced by future contributions.

1.18 SHARE-BASED COMPENSATION

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 16.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payment transactions that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the consolidated financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

1.19 CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. The group's activities are divided in to operational, financing and investment activities. Investment in new business or sale of business is classified as cash from/to investments, in the cash flow statement, and amounts to the purchase price/sales price less transferred cash and cash deposits at the transaction dates.

1.20 SEGMENT INFORMATION

The Financial information presented is excluding of Birdstep Technology OY, i.e. the Secure Mobility segment due to discontinued operations. Assets and liabilities related to that entity were classified as held for sale, and its profit as profit from discontinued operations.
Financial information about the Smart Mobile Data segment and geographic distribution is presented in note 4.

Segment information, presented in note 4, is prepared in accordance with the accounting principles and guidelines that the Group uses for the preparation of consolidated financial statements.

1.21 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

1.22 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.23 USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

Management has used estimates and assumptions that affect the assets, liabilities, revenues, expenses and information regarding potential liabilities. This particularly applies to, share-based compensation, depreciation of fixed assets and intangible assets and allocation of excess value in a business combination. Future events may lead to the estimates change. Estimates and underlying assumptions are assessed continuously. Changes in accounting estimates are recognized in the period when the change occurs. If the changes also apply to future periods, the effects of current and future periods are recognized. See also note 3.

1.24 INTEREST BEARING LIABILITIES

Borrowings are recognized initially at fair value less attributable transaction costs. In subsequent periods, any measurable difference between cost and redemption value over the period is recognized using the effective interest rate method.

NOTE 2: **FINANCIAL RISK MANAGEMENT**

Birdstep Technology ASA is exposed to a variety of financial risks arising from the company's operational and financial activities. The company's risk management is coordinated from headquarters in close cooperation with the Board. It focuses on active operations, in the short and medium term, ensuring the company's cash flow by minimizing exposure to the financial markets. Long-term financial investments are made with the intent to generate long term returns.

Birdstep Technology ASA does not participate actively in the trading of financial instruments with speculative intent.

The key financial risks of the Group are related to interest rate risk, liquidity risk, currency risk and credit risk. The group has established leadership, ongoing assessment of these risks and guidelines for how these should be handled.

Interest rate risk

The Group is no longer exposed to interest rate risk related to interest-bearing debt.
The group is not into hedging positions.

Currency Risk

Because of the proportion of international activity, the Group's income and expenses are exposed to exchange-rate fluctuations to a certain extent. Risks of two kinds arise as a result: a transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's commercial cash flows in different currencies; and a translation risk, that is, the risk of adverse currency fluctuations in the translation of foreign operation and foreign assets and liabilities into Norwegian kroner (NOK) for the Group's consolidated financial statements.

The Group is exposed to currency risk, especially in relation to the EUR, USD and SEK. A significant portion of its revenues are in foreign currency. However, large parts of the employees and a certain proportion of the Group's operating expenses are in the same currencies, which reduce the net foreign exchange exposure. The group currently uses no instruments to limit currency risk, but this is considered ongoing. The fact that Birdstep does not currently hedge against currency risks and fluctuations between local currencies and NOK may have an adverse effect on the Group's consolidated financial condition and results of operations.

The Group has not entered into forward contracts and options to reduce currency risk in cash flows denominated in foreign currency. Currency risk is calculated for each currency taking into account the assets and liabilities, off-balance sheet liabilities and highly probable purchases and sales in the currency concerned.

The following table includes the lowest and the highest possible exchange rate relative to NOK that was used for 2014.

For Euro: 8.089 and 9.542
For USD: 5.8611 and 7.6111
For SEK: 0.8827 and 0.9991
For GBP: 9.883 and 11.98

The table below presents the effect on [net / pre tax] income and other comprehensive income if the relevant currencies would appreciate with the following percentages on the balance sheet date. A similar depreciation would have a similar effect, but in the opposite direction.

Effect on [net / pre tax] value		2014	2013
EUR	5%	120	19
USD	5%	546	1,438
SEK	5%	3	-
GBP	5%	14	11

Effect on comprehensive income		2014	2013
EUR	5%	2,557	2,411
USD	5%	121	94
SEK	5%	2,267	2,119

Credit risk

The Group is mainly exposed to credit risk, which is related to accounts receivable and other current assets. Applying the composition of the Group's accounts receivable it can be indicated that the company is exposed to low credit risk related to regular sales.

Maximum risk exposure is related to the carrying values of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying value of accounts receivable and other current assets.

The company's customer / and other receivables are actively monitored to avoid significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to service its financial obligations as they are due to be serviced. The Group's strategy to manage liquidity risk is to have sufficient liquidity at all times in order to meet its financial obligations when due, both under normal and extraordinary circumstances, without taking risk of unacceptable losses or at the expense of the group's reputation.

Surplus cash holdings will be kept in interest-bearing bank accounts with reputable banks. As of 31 December 2014, the Group has MNOK 16.5 in cash and no significant interest-bearing debt and regards the liquidity situation as satisfactory. The Company considers such cash balances in addition to expected future cash flows from operations will be sufficient to meet the Company's anticipated cash requirements for working capital and capital expenditures for the foreseeable future.

The table below analyses the group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscontinued cash flows.

(Amounts in NOK 1 000)

Liquidity Risk	Group					
At 31 December 2014	Total amount	Less than 3 month	Between 3 month and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	3,110	3,110	-	-	-	-
Interest - bearing liabilities	-	-	-	-	-	-
Total	**3,110**	**3,110**	**-**	**-**	**-**	**-**

(Amounts in NOK 1 000)

Liquidity Risk	Group					
At 31 December 2013	Total amount	Less than 3 month	Between 3 month and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	2,239	2,239	-	-	-	-
Interest - bearing liabilities	-	-	-	-	-	-
Total	**2,239**	**2,239**	**-**	**-**	**-**	**-**

Capital structure and equity

The main purpose of the Group's capital structure management is to ensure that the Group maintains a good credit rating and thus has more affordable loan terms from lenders, which is reasonable in relation for the operational business. The group will support the companies' activity and thus maximize the value of its shares by maintaining good debt-to-equity ratios.

The Group manages its capital structure and makes necessary changes to it based on current economic conditions of the business and future prospects in the short and medium term. Capital structure management is performed by issuing dividends, performing share repurchase, decreasing the share capital or issuing new shares.

NOTE 3: **UNCERTAINTY ESTIMATES**

While preparing the financial statements according to IFRS, the Company's management used the assumptions that are considered to be realistic. There will be situations or changes in market conditions that may lead to changes in estimates, and thus affect the company's assets, liabilities, equity and profits.

An overview of the significant accounting estimates is provided below:

Depreciation
Fixed assets are depreciated annually. Annual depreciation is based on expected useful lifetime and estimated residual salvage value. Estimated useful lifetimes of fixed assets vary from 3 to 5 years. Residual value is estimated to be zero for all such asset.

Depreciation on fixed-term intangible assets
Intangible fixed-term intangible assets are depreciated annually. Annual depreciation is based on expected useful lifetime and estimated residual salvage value. The estimated useful lifetimes of software and development activities are both up to 5 years while the estimated useful lifetime of customer relationships is valued at 10 years. Residual value is estimated to be zero for all such assets.

Impairment tests for intangible assets, including goodwill
The carrying value of goodwill is tested for impairment quarterly. Other intangible and tangible assets are tested for impairment if there are indications that the asset is impaired. In order to calculate the recoverable amount of goodwill, the discounted cash flow analysis is used, which has assumptions that predict future revenues, costs, discount rates and growth. These assumptions have significant effect on the estimated recoverable amount.

The fair value of assets and liabilities on acquisition
The acquisition analysis based on fair value is prepared at the time of acquisition in order to allocate the cost of assets acquired and liabilities assumed. If there is no quoted market price for the asset acquired, the fair value is calculated using the present value of the future cash flows method. In order to use the discounted future cash flow method, the assumptions regarding the future growth, discounting rate and future returns were made. These estimates and assumptions do have significant impact on the estimated value.

Capitalized development costs
Development costs are capitalized in accordance with the guidelines described under the accounting principles note. In assessing whether the criteria for capitalization are met, it is assumed that development projects are economically and technologically feasible. Furthermore, the assessment will be identified, relative to future economic benefits.

NOTE 4: **BUSINESS SEGMENTS**

The Company was divided into two segments; Smart Mobile Data and Secure Mobility. Smart Mobile Data segment portfolio includes the following products. SmartANALYTICS, a full analytics solution providing dashboard reports based on measurements directly from the device. SmartSELECT, a policy-based intelligent network selection solution. Takes advantage of home and office Wi-Fi to load balance data traffic. SmartCONTROL, a fully dynamic policy controlled always smartest connected solution based on near real-time, automated crowd-sourcing quality of service data. Smart-COMMERCE, a marketing and advertising solution providing a network independent and non-intrusive ad solution to the end users. SmartPROVISIONING, provides background automated “zero click” provisioning to deliver the most satisfying experience for your customers, managing Wi-Fi partners network and service credentials. SmartPOLICY, an integral and vital element of the solutions above. An augmented ANDSF solution used as the steering intelligence of the defined product package.

The Secure Mobility segment was sold as part of the disposal of Birdstep Technology Oy, see more information under **note 22.**

Largest customer
One of Birdstep’s customers represents 89%, or NOK 45.8 million of the total revenue in the Smart Mobile Data segment. The contract with this customer is automatically renewed on yearly basis, unless terminated by either party at least 90 days before the expiration of the term.

Other
Others relate to transactions that are not directly attributable to the above segments and will essentially correspond to costs related to being a listed company.

Business Segments 31 December 2014

(Amounts in NOK 1 000)

	Smart Mobile Data	Total
Operating Revenue		
Sale of licenses	37,975	37,975
Support & Maintenance	5,533	5,533
Hosting service	4,791	4,791
Consulting services	3,182	3,182
Total Operating Revenue	**51,482**	**51,482**
Cost of Sales	(2,766)	(2,766)
Operating Expenses	(59,722)	(59,722)
EBITDA	**(11,006)**	**(11,006)**
Depreciation and amortization	(7,700)	(7,700)
Write down and impairment of intangible assets	-	-
EBIT	**(18,706)**	**(18,706)**
Other income, net	3,460	3,460
Income taxes	(186)	(186)
Income (loss) from continuing operations	**(15,432)**	**(15,432)**
Net income (loss)	**(15,432)**	**(15,432)**
Assets		
Non-current assets	49,481	49,481
Current assets	28,093	28,093
Total assets	**77,574**	**77,574**
Liabilities		
Non-current liabilities	178	178
Current liabilities	13,004	13,004
Total liabilities	**13,182**	**13,182**

Business Segments 31 December 2013

(Amounts in NOK 1 000)

	Smart Mobile Data	Total
Operating Revenue		
Sale of licenses	40,888	40,888
Support & Maintenance	4,429	4,429
Hosting service	2,669	2,669
Consulting services	3,827	3,827
Total Operating Revenue	**51,812**	**51,812**
Cost of Sales	(994)	(994)
Operating Expenses	(52,896)	(52,896)
EBITDA	**(2,078)**	**(2,078)**
Depreciation and amortization	(8,402)	(8,402)
Write down and impairment of intangible assets	-	-
EBIT	**(10,480)**	**(10,480)**
Other income, net	373	373
Income taxes	(701)	(701)
Income(loss) from continuing operations	**(10,807)**	**(10,807)**
Net income(loss)	**(10,807)**	**(10,807)**
Assets		
Non-current assets	48,626	48,626
Current assets	32,613	32,613
Total assets	**81,239**	**81,239**
Liabilities		
Non-current liabilities	175	175
Current liabilities	11,807	11,807
Total liabilities	**12,042**	**12,042**

Segments assets and segment liabilities consist of liabilities to external parties only, i.e., intra-group balances do not appear in the overview above.

Geographical segments

(Amounts in NOK 1 000)

			EMEA					
2014	**USA**	**Asia**	**UK**	**Finland**	**Greece**	**Other Europe**	**Middle East / Africa**	**Total**
Smart Mobile Data	48,469	-	575	-	1,016	1,422	-	51,482
Total	**48,469**	**-**	**575**	**-**	**1,016**	**1,422**	**-**	**51,482**

			EMEA					
2013	**USA**	**Asia**	**UK**	**Finland**	**Greece**	**Other Europe**	**Middle East / Africa**	**Total**
Smart Mobile Data	44,542	-	2,124	2,725	1,213	1,074	133	51,812
Total	**44,542**	**-**	**2,124**	**2,725**	**1,213**	**1,074**	**133**	**51,812**

On January 2 2015, the company sold 100% of its shares in Birdstep Technology OY, i.e. the Secure Mobility Segment.

NOTE 5: **INTANGIBLE ASSETS**

(Amounts in NOK 1 000)

	Group					
2014	**Development costs**	**Software**	**Customer relationship**	**Goodwill**	**Patents and rights**	**Total**
Economic life	**5 yrs**	**5 yrs**	**10 yrs**	**Indefinite**	**Indefinite**	
Amort, schedule	**Linear**	**Linear**	**Linear**			
Cost at 31 Dec 2013	40,703	4,073	3,138	96,618	7,667	152,199
Additions	5,009	-	-	-	-	5,009
Currency translation effect	1,155	-	120	2,067	-	3,342
Cost at 31 Dec 2014	**46,867**	**4,073**	**3,258**	**98,685**	**7,667**	**160,550**
Acc, Depreciation and write-downs by 31 Dec 2013	29,450	4,073	2,450	60,128	7,667	103,768
Depreciation over fiscal year	7,299	-	259	-	-	7,558
Currency translation effect	978	-	-	-	-	978
Acc, Depreciation and write-downs by 31 Dec 2014	**37,727**	**4,073**	**2,709**	**60,128**	**7,667**	**112,304**
Carrying amount at 31 Dec 2014	**9,140**	**-**	**550**	**38,557**	**-**	**48,246**

	Group					
2013	**Development costs**	**Software**	**Customer relationship**	**Goodwill**	**Patents and rights**	**Total**
Economic life	**5 yrs**	**5 yrs**	**10 yrs**	**Indefinite**	**Indefinite**	
Amort, schedule	**Linear**	**Linear**	**Linear**			
Cost at 31 Dec 2012	35,578	4,073	3,070	95,058	7,667	145,445
Additions	5,554	-	-	-	-	5,554
Currency translation effect	(429)	-	69	1,560	-	1,200
Cost at 31 Dec 2013	**40,703**	**4,073**	**3,138**	**96,618**	**7,667**	**152,199**
Acc, Depreciation and write-downs by 31 Dec 2012	21,005	4,073	2,213	60,128	7,667	95,086
Depreciation over fiscal year	8,097	-	237	-	-	8,334
Currency translation effect	348	-	-	-	-	348
Acc, Depreciation and write-downs by 31 Dec 2013	**29,450**	**4,073**	**2,450**	**60,128**	**7,667**	**103,769**
Carrying amount at 31 Dec 2013	**11,253**	**-**	**689**	**36,490**	**-**	**48,431**

Intangible assets with finite useful lifetimes are amortized. Amortizations of intangible assets are classified as ordinary amortization in the income statement.

The company capitalize internal development costs given the following conditions:

- that the internal development costs can be demonstrated to generate probable future economic benefits to the company.
- that the company has the intention and the resources to complete, use and obtain the benefits from the intangible asset.
- that the specific development project is larger than NOK 500 thousands.

The company does not perform any research of material value.

Software

2014

- Previous capitalized software has been amortized for Smart Mobile Data and the value is 0 NOK.

2013

- Previous capitalized software has been amortized for Smart Mobile Data and the value is 0 NOK.

Customer Relations

2014

- Smart Mobile Data: There has been no change in Customer Relations, excluding amortizations.

2013

- Smart Mobile Data: There has been no change in Customer Relations, excluding amortizations.

Development costs

2014

- Smart Mobile Data: There has been no change in development costs, excluding amortizations. During the year NOK 5.0 million has been added in capitalized development.

2013

- Smart Mobile Data: There has been no change in development costs, excluding amortizations. During the year NOK 5.6 million has been added in capitalized development.

Goodwill

The company's Goodwill are related to the segments of Smart Mobile Data.

- There has been no change in goodwill value in 2014 except currency effect of re-evaluating goodwill to NOK. The Goodwill has been tested for impairment in accordance with IFRS and the recoverable amount exceeded the carrying amount.

The carrying value of goodwill at 31 December 2014 represents the following:

(Amounts in NOK 1 000)

	Group	
Goodwill is allocated as follows:	**2014**	**2013**
Smart Mobile Data CGU	38,557	36,490
Total	**38,557**	**36,490**

Impairment of goodwill and other intangible assets

The acquired goodwill represented in the transactions above is deemed not to have a limited useful life. There will not be continuous amortization of goodwill, but book value is tested annually for impairment. If the carrying value of goodwill is higher than the estimated recoverable amount, impairments are being made.

The recoverable amount is deemed to correspond to the present value of future cash flows that can be allocated to goodwill. As a result the estimated recoverable amount exceeds the carrying value of goodwill. The recoverable amount of goodwill arising from acquisitions is estimated by discounting budgeted future cash flows. The future cash flows are estimated taking into account the expectation that the acquisition of the subsidiary and the integration of its technology will expand the existing customer base as well as provide a basis for the development of new products in the group.

Test for impairment of goodwill and other intangible assets

Birdstep has used "value in use" to determine the recoverable amounts of the cash generating units. The key assumptions used in the estimation of cash flows and values are:

- EBITDA and Free Cash Flow
- Growth rates Capital expenditures
- Discount rate

Future estimations of cash flows are based on budgets approved by management in the first five years in addition to a terminal value. An assessment period exceeding 5 years (terminal value) is relevant to use as the assets most likely are going to give a positive cash flow even after 5 years.

Terminal value is calculated with an inflation-adjusted cash flow in year 5, when we assume that the assets will generate at least these cash flows during this period.

Cash flows are determined largely on the basis of budgets and with also taking into account growth of the total market. When estimating the growth in revenues it is management's opinion that there is a significant potential for development of new products and technologies.

Revenue budgeting and the expected EBITDA development

Cash flows are determined largely on the basis of budgets and with the addition of growth of the total market, as well as the Company's market share and prices for the product. The budget was compiled by a bottom up approach. When estimating the growth in revenues, the emphasis is on industry analysis. It is management's opinion that these are reasonable assumptions when there is a significant development of new products and technologies in these areas. The market is also growing and the Company expects its new products will be well received in the market.

Growth rates

The terminal value is estimated using a conservative estimate of 1.5% nominal growth in cash flows. This growth rate is not to exceed the expected growth of the industry and is assumed to be less than expected inflation.

Capital expenditures

Only the capital expenditure necessary to meet the expected growth in revenues is taken into consideration.

Cost of Capital

The pre-tax discount rate used for discounting cash flows is 16.7%. This is based on a risk-free interest rate plus a risk premium estimated using the capital asset pricing model. An appropriate asset beta has been estimated using a peer group of comparable companies. The asset beta is estimated using 104 weekly observations and the Morgan Stanley World Index as the reference index. The pre-tax cost of capital is estimated according to the guidelines in IAS 36 (BCZ85). The post-tax cost of capital for both CGU's was 13.4%.

Sensitivity analysis of Goodwill

Sensitivity in relation to Smart Mobile Data will provide an impairment of goodwill.

The calculations are based on assumptions about future development in both the macro factors and company specific factors. As the basis for the sensitivity evaluation, the company has identified that the following need to occur in order for the impairment to become necessary:

Smart Mobile Data

- The required growth rate in the terminal value needs to be set to less than 1% in order for an impairment to take place, or
- The required revenue growth rate, averaged during 5 years, needs to set to less than 12.2% in average in order for an impairment to take place, or
- The required discount rate needs to be set to greater than 13.7% in order for an impairment to take place.

NOTE 6: **TANGIBLE ASSETS**

(Amounts in NOK 1 000)

	Group			
2014	**Leasehold Improvments**	**Machinery and equipment**	**Inventory**	**Total**
Economic life	**3 to 5 years**	**3 to 5 years**	**3 to 5 years**	
Amortization Schedule	**linear**	**linear**	**linear**	
Cost at 1 January 2014	-	3,540	495	4,036
Additions	800	150	136	1,086
Translation differences	138	204	57	399
Cost at 31 December 2014	**938**	**3,894**	**688**	**4,583**
Accumulated depreciation 1 January 2014	-	3,479	362	3,841
Depreciation	73	26	44	143
Translation differences	5	273	23	301
Accumulated depreciation 31 December 2014	**78**	**3,778**	**429**	**4,207**
Book value 31 December 2014	**860**	**116**	**259**	**1,235**

(Amounts in NOK 1 000)

	Group			
2013	**Leasehold Improvments**	**Machinery and equipment**	**Inventory**	**Total**
Economic life	**3 to 5 years**	**3 to 5 years**	**3 to 5 years**	
Amortization Schedule	**linear**	**linear**	**linear**	
Cost at 1 January 2013	-	3,481	339	3,820
Additions	-	59	129	188
Translation differences	-	-	27	27
Cost at 31 December 2013	**-**	**3,540**	**495**	**4,036**
Accumulated depreciation 1 January 2013	-	3,448	310	3,758
Depreciation	-	36	33	68
Translation differences	-	(5)	19	15
Accumulated depreciation 31 December 2013	**-**	**3,479**	**362**	**3,841**
Book value 31 December 2013	**-**	**61**	**134**	**195**

NOTE 7: **ACCOUNTS RECEIVABLE**

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Accounts receivable	7,876	10,897
Provision for doubtful debts	-	-
Net accounts receivable	7,876	10,897

Accounts receivable are recorded at face value net of estimated impairment losses.

Trade receivables are paid normally within 30-90 days. All accounts receivable are exposed to credit risk.

An aging schedule related to accounts receivable is as follows:

(Amounts in NOK 1 000)

2014	**Carrying amount**	**Not due**	**Number of days past due date**		
			1-29	**30-89**	**>90**
Trade receivables as of 31. Dec 2014					
Smart Mobile Data	7,876	7,233	620	-	22
Total	**7,876**	**7,233**	**620**	**-**	**22**
	100%	**92%**	**8%**	**0%**	**0%**

2013	**Carrying amount**	**Not due**	**Number of days past due date**		
			1-29	**30-89**	**>90**
Trade receivables as of 31. Dec 2013					
Smart Mobile Data	10,897	10,721	135	-	41
Total	**10,897**	**10,721**	**135**	**-**	**41**
	100%	**99%**	**1%**	**0%**	**0%**

NOTE 8: **SHARE CAPITAL AND SHAREHOLDER INFORMATION**

Share capital

The share capital of Birdstep Technology ASA consists only of ordinary shares with a nominal value of NOK 0.10 at 31 December 2014. All shares have equal rights to receive dividends and the repayment of capital, and represent one vote at the Annual General Meeting of Birdstep Technology ASA.

As of December 31, 2014, the Company has 101,621,627 shares issued, with par value of NOK 0.10 per share, including 21,055 of treasury shares.

A completion of private placement of 1,500,000 shares was made on May 20, 2014. The share issue was made pursuant to a forward agreement with the former CEO Anders Harrysson entered into in May 20, 2011 to purchase and/or subscribe 1,500,000 shares in the company. In September 2013, Mr. Harrysson exercised his rights as per the terms of the agreement and transferred the agreement to a third party. The purchase price stipulated as per the terms of the agreement was NOK 1.59 per share amounting to total NOK 2,385,000.00 including interest.

Shareholders of Birdstep Technology ASA at 31 December 2014	Number of shares	Ownership
Skandinaviska Enskilda Banken AB	26,279,771	25,86%
Morgan Stanley & Co, LLC	10,672,956	10,50%
Goldman Sachs & Co Equity Segregat	7,798,958	7,67%
MP Pensjon PK	7,582,850	7,46%
Fres AS	2,573,189	2,53%
Aic Invest AS	1,672,200	1,65%
Hagen Invest AS	1,608,295	1,58%
Stoko AS	1,210,000	1,19%
Alden AS	1,000,000	0,98%
Kristiansen	930,000	0,92%
Christiania Securities ASA	918,500	0,90%
Petroleum Invest	910,000	0,90%
Ronold	900,000	0,89%
Øren	852,601	0,84%
K Vaule Holding AS	824,596	0,81%
Einarsen	800,000	0,79%
Nordnet Bank AB	658,877	0,65%
Nordea Bank Finland PLC	623,104	0,61%
Epsilon AS	600,000	0,59%
Dnb Nor Markets, Aksjehand/Analyse	567,300	0,56%
Total 20 largest shareholders	**68,983,197**	**67,88%**
Other shareholders	32,638,430	32,12%
Total number of shares	**101,621,627**	**100.00%**

	2014	2013
Shares issued fully paid:		
- At the beginging of the year	100,121,627	91,984,627
- Issued during the year	1,500,000	8,137,000
Shares issued fully paid	101,621,627	100,121,627
Treasury shares at 31.12.2014	21,055	21,055

NOTE 9: **EARNINGS PER SHARE**

Basic earnings per share is calculated as the ratio of net profit attributable to shareholders and the weighted average number of ordinary shares during the financial year.

The calculation of diluted earnings per share includes earnings accruing to the shareholders and the number of weighted average shares outstanding, adjusted for the dilutive effect of stock options. In the "denominator" all the dilutive effects of the exercise of stock options that are "in-the-money" are taken into account. The calculations are based on the assumption that employee options are exercised on the first day of the accounting period.

The dilutive effect of stock options is calculated as the difference between the average market value of the shares and the sum of the exercise price and not expensed portion of the options.

(Amounts in NOK 1000, except share and per share data)

	2014	2013
Net profit attributable to parent shareholders	(9,836)	(8,836)
Number of shares outstanding	101,621,627	100,121,627
Number of diluted shares outstanding (including the effect of stock options)	101,621,627	100,121,627
Earnings per share (NOK)	(0.09)	(0.09)
Diluted earnings per share (NOK)	(0.09)	(0.09)
Earnings and diluted earnings per share (NOK):		
Continuing operations	(0.15)	(0.11)
Discontinued operations	0.06	0.02
Total	**(0.09)**	**(0.09)**

Since the result of 2014 and the comparison year both were negative, the calculation of diluted earnings per share will not be taken into account for calculating the effect of stock option as this will provide an unreliable result.

NOTE 10: **PENSIONS AND PROVISIONS FOR PENSIONS**

In the company the pension scheme is defined as a definite contributing plan by the respective subsidiaries while, partly covered by the employees by the deduction from the salary. The contributions to these arrangements are constituted as a certain proportion of the employee's salary.

The contributions recognised as expenses equaled NOK 2.6 million for the Group in 2014. As at 31 December 2014, 1 and 29 employees were covered by the plans in Norway and Sweden, respectively.

The year's pension costs are calculated as follows:

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Pension expenses, defined contribution scheme	2,616	2,173
Total	**2,616**	**2,173**

NOTE 11: **TAXES**

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Income tax expense		
Tax payable	11	526
Changes in deferred tax	175	175
Income tax expense from continuing operations	**186**	**701**
Tax payable for the year	11	526
Correction of previous years current income taxes	-	-
Total tax payable from continuing operations	**11**	**526**

Deferred tax assets/tax assets and liabilities

(Amounts in NOK 1 000)

	Group					
	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Tangible assets	(8,127)	(8,288)	-	-	(8,127)	(8,288)
Receivables	-	-	-	-	-	-
Pensions	-	-	-	-	-	-
Other	(2,212)	(2,428)	-	-	(2,212)	(2,177)
Intangible assets	-	-	11,714	11,739	11,714	11,739
Tax loss carried forward	(156,771)	(156,926)	-	-	(156,771)	(156,926)
Tax loss caried forward from discontinued operations	-	-	-	-	-	-
Deferred tax (tax asset)	(167,110)	(177,214)	-	11,739	(167,110)	(155,652)
Deferred tax asset not recognised	-	-	-	-	167,288	155,827
Net recognised deferred tax	**-**	**-**	**-**	**-**	**178**	**175**

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset.

The tax loss can be carried forward indefinitely.

(Amounts in NOK 1 000)

	Group			
	2014		2013	
A reconciliation of the effective rate of tax				
Profit for the year	-	(15,246)	-	(10,107)
Total income tax expense	1%	(186)	7%	(701)
Profit excluding income tax		**(15,432)**		**(10,808)**
Income tax using the company's domestic tax rate	27%	(4,116)	28%	(2,830)
Effect of tax rate in foreign jurisdictions	-1%	126	-2%	153
Non deductable expenses and tax exempt income	0%	(40)	1%	(92)
Change in unrecognised temporary differences	-1%	101	6%	(647)
Unrecognised loss carried forward	-25%	3,743	19%	(1,911)
Change in tax rate	0%	-	-46%	4,626
Effective tax rate	**1%**	**(186)**	**7%**	**(701)**

NOTE 12: **ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Accrued holiday allowance	3,181	3,258
Social security payment liabilities	1,946	1,120
Accrued wages commissions and bonuses	1,111	2,670
Accrued Accounts Payable	3,158	898
Other Current liabilities	-	471
Other accruals	10	3
Total	**9,406**	**8,420**

NOTE 13: **RELATED PARTIES**

Identification of related parties
Related parties include the Board, the CEO, members of the management team and subsidiaries.

The Group's consolidated financial statements comprise Birdstep Technology ASA, Birdstep Technology San Francisco, Inc. and Birdstep Technology AB. See more information in **note 14.**

Transactions / balances with related parties
There have been no transactions between the Group and companies / individuals with significant ownership interests or other related parties.

Internal trading within the Group is carried out in accordance with special agreements on an arm's length basis.

(Amounts in NOK 1 000)

2014	Birdstep ASA	Birdstep AB	Birdstep OY	Birdstep Inc
	Parent	Subsidiaries	Subsidiaries	Subsidiaries
Cost compensation	53,369	31,103	-	(22,265)
Management fee	(6,709)	-	-	-
Loan	7,624	-	-	(7,624)
Capitalized development	5,186	-	-	-
Salaries and wages capitalized as development	-	(5,509)	-	-
Group Balances	(8,183)	10,169	-	(1,989)

(Amounts in NOK 1 000)

2013	Birdstep ASA	Birdstep AB	Birdstep OY	Birdstep Inc
	Parent	Subsidiaries	Subsidiaries	Subsidiaries
Cost compensation	49,213	(33,696)	-	(15,518)
Management fee	(5,650)	-	5,650	-
Loan	16,302	-	(11,077)	(6,253)
Capitalized development	4,790	-	1,731	-
Salaries and wages capitalized as development	-	(3,992)	(2,386)	(143)
Group Balances	(15,906)	21,380	(3,055)	(2,419)

	Group	
	2014	2013
Receivables which fall due later than one year	7,624	16,302
Long term liabilities which fall due later than 5 years	-	-

NOTE 14: **INVESTMENT IN SUBSIDIARIES**

The Group's subsidiaries include the following:

Company	Number of shares	Nominal rate	Ownership and voting interest
Birdstep Technology AB (Stockholm, Sweden)	50,143,429	SEK 0.01	100%
Birdstep Technology Oy (Espoo, Finland)	1,000	EUR 10	100%
Birdstep Technology San Francisco Inc. (San Francisco, U.S.)	40,000,000	USD 0.003522	100%

(Amounts in NOK 1 000)

	31.12.2014 Cost basis	31.12.2013 Cost basis
Birdstep Technology AB	9,794	9,794
Birdstep Technology Oy	14,863	-
Birdstep Technology San Francisco Inc,	13,956	13,956
Total	**38,613**	**23,750**

NOTE 15: **REMUNERATION TO MANAGEMENT, BOARD OF DIRECTORS AND AUDITORS**

(Amounts in NOK 1 000)

	2014	2013
Salaries, including bonuses and commissions	31,714	28,522
Salaries and wages capitalized as development	(5,010)	(4,135)
Employer taxes	6,347	6,625
Pension and insurance costs	3,312	2,773
Other benefits	983	1,111
Payroll and related costs	**37,346**	**34,896**

Employed full time, by business segment*	2014	2013
Corporate	6	6
Smart Mobile Data	40	37
Secure Mobility	-	-
Total	**46**	**43**

Remuneration to Management:

It follows from the statement that the Board evaluates the total remuneration to the CEO and the policy for remuneration to managers. Remuneration is based on a fixed and variable part.

The fixed component will reflect the individual manager's responsibilities and performance. In addition to the fixed portion there also may be a variable part based on the company's performance and/or the individual's objectives.

A summary of remuneration to key management is provided below.

(Amounts in NOK 1 000)

Remuneration of key management:

		Salary	Consultant fee	Benefit in-kind	Bonus/ sales com	Pension	Total
Lonnie Schilling	CEO and President	2,936	-	-	-	723	3,659
Sophie Rabenius	Chief Financial Officer	825	-	-	165	142	1,132
Hassan Tabrizi*	Acting Chief Financial Officer	-	646	-	-	-	646
Anders Storm	VP Engineering & Operations	1,042	-	-	276	153	1,471
Marie-Louise Nilsson Kanon	VP Market Communications	685	-	-	137	120	942
Maria Johansson	Global HR Manager	408	-	-	49	28	485
Michael Jönsson **	VP Global Sales, Smart Mobile Data US	1,283	-	-	283	-	1,566
Total		**7,179**	**646**	**-**	**909**	**1,166**	**9,900**

Oct - Dec* * Jan-Oct*

Lonnie Schilling will receive severance pay for 6 months at termination. No other member of the management has any agreement providing for special benefits upon termination.

Shares owned by management

The following table presents members of the Birdstep management, their positions and the numbers of shares and options that they hold (if any) in the Company as of 31 December 2014:

Name	Position	No. of shares
Lonnie Schilling	CEO	37,000
Anders Storm	VP Engineering & Operations	224,349

Board of Directors:

The table below sets forth the Company´s board members, their holdings of shares (directly or indirectly) and options (if any) in the Company as of 31 December 2014:

List of directors	Position	Director's fee
Tom Nyman	Chairman	300
Kirsten English	Board Member	135
Arne Aarnes	Board Member	135
Anna Malm Bernsten	Board Member	135
Ian Jenks	Board member	135
Total payments to the Board		**840**

Nomination committee	Director's fee
Urban Gillström	15
Axel Roos	10
Total payments to the Nomination Committee	**25**

Name	Position	No. of shares	No. of options
Tom Nyman *	Chairman of the Board	26,279,771	-
Kirsten English	Board member	18,700	-
Arne Aarnes **	Board member	1,672,200	-
Anna Malm Bernsten	Board member	-	-
Ian Jenks	Board member	-	-

** Represents POD Venture Partners AB*

*** Owns shares via the 100% owned company AIC INVEST AS*

It is not granted share-based remuneration, loans or security for the benefit of board members, the CEO or members of management.

Remuneration of auditor

	2014	2013
Statutory audit	324	561
Tax advice	142	109
Other non-audit services	486	340
Total	952	1010

NOTE 16: **OTHER FINANCIAL ITEMS**

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Income from foreign exchange	-	-
Other financial income	4,622	1,116
Unreal Currency Gain	9,748	12,132
Other financial income	**14,370**	**13,248**
Expenses on foreign exchange	493	14
Other financial expenses	1,078	288
Unreal Currency Lost	9,691	12,786
Other financial expenses	**11,262**	**13,088**
Other financial items, net	**3,108**	**160**

NOTE 17: **FINANCIAL INSTRUMENTS**

The numbers presented below provide a summary of the group's financial instruments and comparison of the fair value and the carrying amount.

(Amounts in NOK 1 000)

	2014		2013	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Cash	16,539	16,539	19,708	19,708
Accounts receivable	7,876	7,876	10,897	10,897
Other current assets	3,678	3,678	2,009	2,009
Total	**28,093**	**28,093**	**32,613**	**32,613**
Financial liabilities				
Accounts payable	3,110	3,110	2,239	2,239
Interest - bearing liabilities	-	-	-	-
Other non-current liabilities	-	-	-	-
Total	**3,110**	**3,110**	**2,239**	**2,239**

The carrying amount of all the Group financial assets and liabilities is approximately equal to fair value since these instruments have a short term to maturity and thus the time value is not material.

NOTE 18: **OPERATING LEASES**

(Amounts in NOK 1 000)

	Group		
	Within 1 year	**1 to 5 years**	**Total**
31/dec/14	2,559	3,901	6,459
31/dec/13	2,912	5,396	8,309

NOTE 19: **OTHER OPERATING COSTS**

Operating costs consist primarily of costs related to the operations excluding labor costs and depreciation.

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Leased premises and related costs	3,333	3,040
Consulting and other external services	11,493	8,109
Insurance	-	130
Office expenses	1,686	1,920
Travel expenses	3,417	2,977
Other expenses	2,447	1,823
Total	**22,376**	**17,999**

NOTE 20: **RESTRICTED BANK DEPOSITS**

(Amounts in NOK 1 000)

	Group	
	2014	**2013**
Restricted bank deposits	-	2
Accounts for restricted funds	-	-
Total	**-**	**2**

NOTE 21: **SUBSEQUENT EVENTS**

In January 2015 the sale of Birdstep Technology Oy was finalized, see more information under note 24.

In January 2015 the parent company entered into an Asset Transfer agreement with Birdstep Technology AB, whereby all customer contracts and intangible assets ("IPR") vested in the company transferred to Birdstep Technology AB.
The consideration for the transfer was NOK 197.9 million, which was executed by way of an issue in kind with the IPR as the capital contribution on the transfer date. By the transaction the company will become a holding company, with Birdstep Technology AB becoming the operating entity and the commercial arm of the Group in the sense that Birdstep Technology AB will become the provider and licensor of the Group's commercial solutions and offerings. From a group perspective the transaction will have minimal revenue, earnings and liability impact.

NOTE 22: **DISCONTINUED OPERATIONS**

2014

In January 2015 the sale of Birdstep Technology Oy, i.e. the Secure Mobility business segment, was finalized. The debt free, net of cash and cash equivalents purchase price for the transaction, which was validated by external bankers, was EUR 2.0 million in cash and before transaction costs. After the audit of Birdstep Technology OY financials and considering changes in net working capital and net debts, the final debt free, net of cash and cash equivalents purchase price was set to EUR 1.9 million. The company has issued an Information Document regarding the transaction available at www.birdstep.com. The 2013 accounts has been reclassified accordingly.

(Amounts in NOK 1 000)

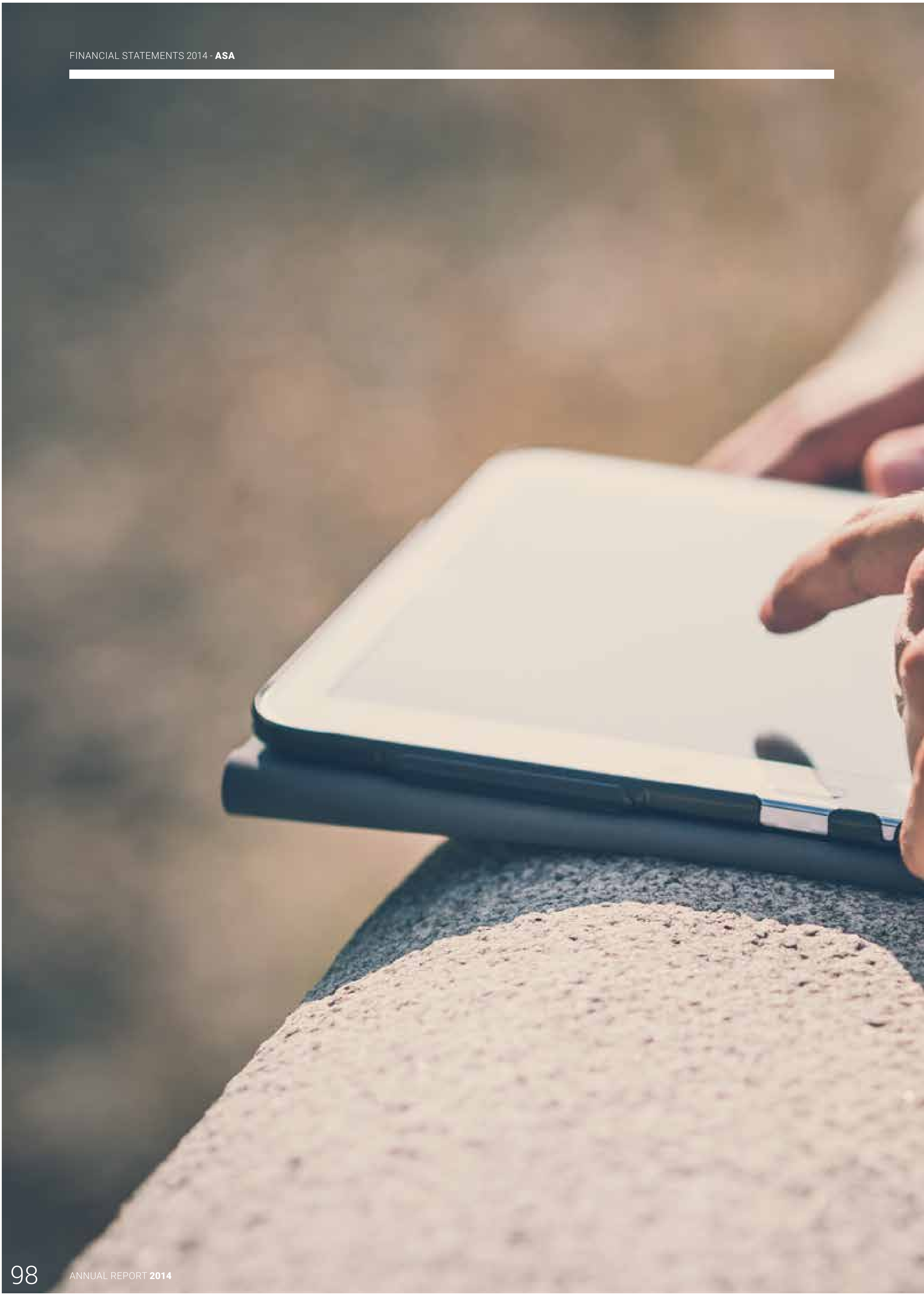
	Group	
	2014	**2013**
Non-current assets:		
Intangible assets	2,484	1,680
Tangible assets	65	61
Total non-current assets	2,548	1,741
Current assets:		
Accounts receivable	3,825	3,591
Other current assets	395	269
Cash & cash equivalents	168	2,623
Total current assets	**4,389**	**6,483**
Assets held for sale	**6,937**	**8,224**
Non-current liabilities		
Other liabilities	935	3,285
Total non-current liabilities	**935**	**3,285**
Current liabilities		
Accounts payable	861	886
Deferred revenue	367	198
Accrued expenses and other liabilities	3,175	2,236
Total current liabilities	**4,403**	**3,320**
Liabilities held for sale	**5,338**	**6,605**

(Amounts in NOK 1 000)

	For the full year	
	2014	**2013**
Operating revenues	23,922	19,372
Cost of Sales	(2,765)	(3,053)
Operating expenses		
Salaries and wages	(12,589)	(9,932)
Other operating expenses	(4,534)	(4,149)
Total operating expenses	**(17,123)**	**(14,081)**
Operating income loss before depreciation and amortization (EBITDA)	**4,034**	**2,238**
Depreciation and amortization	(686)	(174)
Write down and impairment of intangible assets	-	-
Operating income loss after depreciation and amortization (EBIT)	**3,348**	**2,064**
Other income (expense)		
Interest income, net	25	-
Other financial items, net	2,223	(92)
Other income, net	**2,248**	**(92)**
Profit from discontinued operations before taxes		
Income taxes	-	-
Profit from discontinued operations	**5,596**	**1,972**

(Amounts in NOK 1 000)

	For the full year	
Cashflow	**2014**	**2013**
Operating Cash flow	(929)	4,378
Investing cash flow	(1,526)	(1,923)
Financing cash flow	-	-
Total cash Flow	**(2,455)**	**2,454**



BIRDSTEP TECHNOLOGY **ASA.**

STATEMENTS OF **INCOME**

(Amounts in NOK 1 000)

		Birdstep Technology ASA	
	Note	2014	2013
Operating revenues	**2**	**51,482**	**51,812**
Management Fee	6	6,709	5,650
Cost of Sales		6	-
Operating expenses			
Salaries and wages	7	(4,730)	(3,633)
Share-based compensation		-	-
Other operating expenses	8	(60,113)	(53,206)
Total operating expenses		**(64,843)**	**(56,839)**
Operating income loss before depreciation and amortization (EBITDA)		(6,646)	623
Depreciation and amortization	3	(7,299)	(8,113)
Write down and impairment of intangible assets			
Operating income loss after depreciation and amortization (EBIT)		(13,944)	(7,490)
Financial income (expense)			
Share of gains (losses) in subsidiaries/associated company	4	-	-
Interest income, net		352	213
Other financial items, net	13	10,604	1,737
Financial income, net		**10,956**	**1,950**
Income(loss) from continuing Operations before taxes		(2,988)	(5,539)
Income taxes	9	-	-
Income(loss) from continuing operations		**(2,988)**	**(5,539)**
Gain on disposal of discontinued operation		-	-
Net income(loss)		(2,988)	(5,539)
Earnings and diluted earnings per share (NOK):			
Continuing operations		(0.03)	0.06
Discontinued operations		-	-
Total		**(0.03)**	**0.06**

STATEMENTS OF **COMPREHENSIVE INCOME**

(Amounts in NOK 1 000)

		Birdstep Technology ASA	
	Note	**2014**	**2013**
Net income (loss) for the period		(2,988)	(5,539)
Other comprehensive income			
Currency translation effect		-	-
Total comprehensive income		**(2,988)**	**(5,539)**
Attributable to:			
Equity holder of the parent company		(2,988)	(5,539)
Total comprehensive income		**(2,988)**	**(5,539)**

BALANCE SHEETS

(Amounts in NOK 1 000)

		Birdstep Technology ASA	
	Note	2014	2013
Non-current assets:			
Intangible assets	3	9,139	11,252
Property and equipment		-	-
Investment in subsidiaries/associated company		38,613	23,750
Other non-current assets		7,624	16,302
Total non-current assets		**55,376**	**51,304**
Current assets:			
Accounts receivable	5	7,876	10,897
Other current assets		2,054	5,523
Cash & cash equivalents	11	8,333	17,171
Total current assets		**18,262**	**33,590**
Total assets		**73,639**	**84,894**

(Amounts in NOK 1 000)

		Birdstep Technology ASA	
	Note	2014	2013
Shareholders' equity:			
Share capital		10,162	10,012
Share premium fund		38,272	36,037
Retained earnings, including translation reserves		10,328	13,315
Total shareholders' equity	10	**58,762**	**59,365**
Non-current liabilities:			
Deferred incom tax liabilities	9	-	-
Other liabilities	11	10,169	21,380
Total non-current liabilities		**10,169**	**21,380**
Current liabilities:			
Accounts payable		396	196
Deferred revenue		488	1,207
Accrued expenses and other liabilities	12	3,824	2,746
Total current liabilities		**4,708**	**4,150**
Total Liabilities and Shareholders' Equity		**73,639**	**84,894**

Oslo, 24 March 2015
Board and CEO of Birdstep Technology

Tom Nyman
Board member
(Chairman)

Kirsten English
Board member

Anna Malm Bernsten
Board member

Arne Aarnes
Board member

Ian Jenks
Board member

Lonnie Schilling
CEO

STATEMENTS OF **CASH FLOW**

(Amounts in NOK 1 000)

		Birdstep Technology ASA	
	Note	**2014**	**2013**
Operating activities			
Net income(loss)		(2,988)	(5,539)
Depreciation and amortization	3	7,299	8,113
Share-based compensation		-	-
Write dwon of investment in subsidiary		-	-
Change in receivables and payables		(4,163)	(10,798)
Net cash from operating activities		**147**	**(8,224)**
Investing activities			
Capitalized development	3	(5,186)	(4,790)
Sales of subsidiaries - shares	4	-	87
Shares in Birdstep OY	4	(14,863)	-
Change in loan balance with affiliated company	6	8,678	(4,579)
Net Cash from Investing activities		**(11,371)**	**(9,282)**
Finacial activities			
New Issue	10	2,385	19,692
Net cash from finacial activities		**2,385**	**19,692**
Effect of foreign exchange rate changes			
Net increase(decrease) in cash & cash equivalents		(8,838)	2,186
Cash & cash equivalents, beginning of period		17,171	14,985
Cash & cash equivalents, end of period		**8,333**	**17,171**

NOTE 1: **ACCOUNTING PRINCIPLES**

The financial statements for Birdstep Technology ASA, the parent company, have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting act.

1.2 USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Management has used estimates and assumptions that affect the assets, liabilities, revenues, expenses and information regarding potential liabilities. This particularly applies to, depreciation of fixed assets and intangible assets. Future events may lead to the estimates change. Estimates and underlying assumptions are assessed continuously. Changes in accounting estimates are recognized in the period when the change occurs. If the changes also apply to future periods, the effects of current and future periods are recognized.

1.3 REVENUE RECOGNITION AND RELATED COSTS

Revenues

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for licenses or services supplied, stated net of discounts and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of licenses

Licenses are sold to resellers in advance for an anticipated future use and are recorded as revenue at the date of delivery. Any purchased license is non-refundable and there is no unfulfilled obligation that could affect the reseller acceptance of the licenses.

Sales of services

Support & Maintenance, Hosting service fee and other services are recognised by reference to the stage of completion of the contract.

The stage of completion of the contract is determined as follows:

- installation fees are reorganised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period; servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Deferred revenue

Advance payments recorded on the balance sheet as a liability, until the services have been rendered or products have been delivered. Deferred revenue is a liability because it refers to revenue that has not yet been earned, but represents products or services that are owed to the customer. As the product or service is delivered over time, it is recognized as revenue on the income statement.

1.4 CLASSIFICATION OF BALANCE SHEET ITEMS

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

1.5 INTANGIBLE ASSETS

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

1.6 FIXED ASSETS

Fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

1.7 INVESTMENT IN OTHER COMPANIES

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). The parents recognise dividends from subsidiaries and associates when it is reasonably certain that it will be received.

1.8 ASSET IMPAIRMENTS

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

1.9 DEBTORS

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a write down is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

1.10 FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange rate differences on monetary items are recognized in profit or loss in the period in which they arise

1.11 LIABILITIES

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount

1.12 PENSIONS

The pension schemes are financed through payments to insurance companies. The company has defined contribution plans where the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

1.13 TAXES

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

1.14 CASH FLOW STATEMENT

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

NOTE 2: **BUSINESS SEGMENTS**

Birdstep Technology ASA contains the segment Smart Mobile Data. See more information about segments in the Company in the section for Birdstep Technology Group **Note 4.**

Business Segments 31 December 2014

(Amounts in NOK 1 000)

		EMEA					
Smart Mobile Data	USA	UK	Finland	Greece	Other Europe	Middle East / Africa	Total
2014	48,469	575	640	1,016	782	-	51,482
2013	44,542	2,124	2,725	1,213	1,074	133	51,812

NOTE 3: **INTANGIBLE ASSETS**

(Amounts in NOK 1 000)

	Birdstep Technology ASA				
	Development			Patents	
2014	costs	Software	Goodwill	and rights	Total
Economic life	5 yrs	5 yrs	Indefinite	Indefinite	
Amort. schedule	Linear	Linear			
Cost at 31 Dec 2013	**36,667**	**397**	**59,099**	**27,667**	**123,830**
Additions	5,186	-	-	-	5,186
Currency translation effect	-	-	-	-	-
Cost at 31 Dec 2014	**41,852**	**397**	**59,099**	**27,667**	**129,015**
Acc, Depreciation and write-downs by 31 Dec 2013	25,415	397	59,099	27,667	112,578
Depreciation and write-downs over fiscal year	7,299	-	-	-	7,299
Currency translation effect	-	-	-	-	-
Acc, Depreciation and write-downs by 31 Dec 2014	**32,713**	**397**	**59,099**	**27,667**	**119,876**
Carrying amount at 31 Dec 2014	**9,139**	**-**	**-**	**-**	**9,139**
Cost at 31 Dec 2012	**31,877**	**397**	**59,099**	**27,667**	**119,040**
Additions	4,790	-	-	-	4,790
Currency translation effect	-	-	-	-	-
Cost at 31 Dec 2013	**36,667**	**397**	**59,099**	**27,667**	**123,830**
Acc, Depreciation and write-downs by 31 Dec 2012	17,302	397	59,099	27,667	104,465
Depreciation and write-downs over fiscal year	8,113	-	-	-	8,113
Currency translation effect	-	-	-	-	-
Acc, Depreciation and write-downs by 31 Dec 2013	**25,415**	**397**	**59,099**	**27,667**	**112,578**
Carrying amount at 31 Dec 2013	**11,252**	**-**	**-**	**-**	**11,252**

Intangible assets with finite useful lifetimes are amortized. Amortizations of intangible assets are classified as ordinary amortization in the income statement.

NOTE 4: **INVESTMENT IN ASSOCIATES AND SUBSIDIARIES**

The Group's subsidiaries include the following:

(Amounts in NOK 1 000)

Company	Number of shares	Nominal rate	Ownership and voting interest
Birdstep Technology AB (Stockholm, Sweden)	50,143,429	SEK 0,01	100%
Birdstep Technology Oy (Espoo, Finland)	1.000	EUR 10	100%
Birdstep Technology San Francisco Inc. (San Francisco, U.S.)	40,000,000	USD 0,003522	100%

(Amounts in NOK 1 000)

	31.12.2014 Cost basis	31.12.2013 Cost basis
Birdstep Technology AB	9,794	9,794
Birdstep Technology Oy	14,863	0
Birdstep Technology San Francisco Inc,	13,956	13,956
Total	**38,613**	**23,750**

NOTE 5: **ACCOUNTS RECEIVABLE**

(Amounts in NOK 1 000)

	Birdstep Technology ASA 2014	Birdstep Technology ASA 2013
Accounts receivable	7,876	10,897
Provision for doubtful debts	-	-
Net accounts receivable	**7,876**	**10,897**

Accounts receivable are recorded at face value net of estimated impairment losses.

Trade receivables are paid normally within 30-90 days.
All accounts receivable are exposed to credit risk.

NOTE 6: **RELATED PARTIES**

Identification of related parties

Related parties include the Board, the CEO, members of the management team and subsidiaries **(see note 4)**.

Transactions / balances with related parties

There have been no transactions between the Group and companies / individuals with significant ownership interests or other related parties.

Internal trading within the Group is carried out in accordance with special agreements on an arm's length basis.

(Amounts in NOK 1 000)

2014	Birdstep ASA	Birdstep AB	Birdstep OY	Birdstep Inc
	Parent	Subsidiaries	Subsidiaries	Subsidiaries
Cost compensation	53,369	(31,103)	-	(22,266)
Loan	7,624	-	-	(7,624)
Management fee	(6,709)	-	6,709	-
Group Balances	(8,183)	10,169	-	1,986

(Amounts in NOK 1 000)

2013	Birdstep ASA	Birdstep AB	Birdstep OY	Birdstep Inc
	Parent	Subsidiaries	Subsidiaries	Subsidiaries
Cost compensation	49,213	(33,696)	-	(15,518)
Loan	16,302	-	(11,077)	(6,253)
Management fee	(5,650)	-	5,650	-
Group Balances	(15,906)	21,380	(3,055)	(2,419)

	Birdstep Technology ASA	
	2014	2013
Receivables which fall due later than one year	7,624	16,302
Long term liabilities which fall due later than 5 years	-	-

NOTE 7: **REMUNERATION TO MANAGEMENT, BOARD OF DIRECTORS AND AUDITORS**

(Amounts in NOK 1 000)

	2014	2013
Salaries, including bonuses and commissions	3,756	3,336
Employer taxes	178	171
Pension and insurance costs	723	126
Other benefits	73	-
Payroll and related costs	**4,730**	**3,633**

Employed full time, by business segment (annual average)	2014	2013
Corporate	1	1
Smart Mobile Data	-	-
Secure Mobility	-	-
Total	**1**	**1**

Birdstep Technology ASA is not obliged to follow the Act of mandatory occupational pensions ("lov om obligatorisk tjenestepensjon") in Norway.

Remuneration to Management:
A summary of remuneration to key management is provided below.

(Amounts in NOK 1 000)

Remuneration of key management:		Salary	Benefit in-kind	Bonus	Pension	Total
Lonnie Schilling	CEO	2,936	-	-	723	3,659
Total		**2,936**	**-**	**-**	**723**	**3,659**

Remuneration of the Board of Directors:
The table below sets forth the Company´s current board members,

List of directors	Position	Director's fee
Tom Nyman	Chairman	300
Arne Aarnes	Board Member	135
Anna Malm Bernsten	Board Member	135
Kirsten English	Board Member	135
Ian Jenks	Board Member	135
Total payments to the Board		**840**

Nomination committee	
Urban Gillström	15
Axel Roos	10
Total payments to the Nomination Committee	**25**

It is not granted share-based remuneration, loans or security for the benefit of board members, the CEO or members of management.

Remuneration of auditor

	2014	2013
Statutory audit	157	229
Tax advice	20	55
Other non-audit services	251	212
Total	**428**	**495**

NOTE 8: **OTHER OPERATING COSTS**

Operating costs consist primarily of costs related to the operations excluding labour costs and depreciation.

(Amounts in NOK 1 000)

	Birdstep Technology ASA	
	2014	2013
Leased premises and related costs	12	12
Consulting and other external services	1,839	979
Services from other group companies	53,786	49,359
Insurance	202	130
Office expenses	270	156
Travel expenses	1,440	901
Other expenses	2,565	1,669
Total	**60,113**	**53,206**

NOTE 9: **TAXES**

(Amounts in NOK 1 000)

	Birdstep Technology ASA	
	2014	**2013**
Income tax expense		
Tax payable	-	-
Changes in deffered tax	-	-
Income tax expense	**-**	**-**
Tax payable for the year	-	-
Correction of previous years current income taxes	-	-
Total tax payable	**-**	**-**

Deferred tax assets/tax assets and liabilities

(Amounts in NOK 1 000)

	Birdstep Technology ASA					
	Assets		Liabilities		Net	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Tangible assets	(8,127)	(8,289)	-	-	(8,127)	(8,289)
Receivables	37	34	-	-	37	34
Pensions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Tax loss carried forward	(156,771)	(155,803)	-	-	(156,771)	(155,803)
Deferred tax (Tax asset)	(164,861)	(164,058)	-	-	(164,861)	(164,058)
Deferred tax asset not recognised	164,861	164,058	-	-	164,861	164,058
Net recognised deferred tax	**-**	**-**	**-**	**-**	**-**	**-**

The tax loss can be carried forward indefinitely,

(Amounts in NOK 1 000)

			Birdstep Technology ASA	
	2014	**2013**	**2014**	**2013**
A reconciliation of the effective rate of tax				
Profit for the year	-	(2,988)	-	(5,539)
Total income tax expense	0%	-	0%	-
Profit excluding income tax	**-**	**(2,988)**	**-**	**(5,539)**
Income tax using the company's domestic tax rate	27%	(807)	28%	(1,551)
Change in tax rate	-	-	-110%	6,076
Non deductable expenses and tax exempt income	0%	4	1%	(79)
Change in unrecognised temporary differences	6%	(165)	10%	(543)
Unrecognised loss carried forward	-32%	968	70%	(3,903)
Effective tax rate	**0%**	**-**	**0%**	**-**

NOTE 10: **EQUITY AND SHAREHOLDER INFORMATION**

Share capital

The share capital of Birdstep Technology ASA consists only of ordinary shares with a nominal value of NOK 0.1 at 31 December 2014. All shares have equal rights to receive dividends and the repayment of capital, and represent one vote at the Annual General Meeting of Birdstep Technology ASA.

(Amounts in NOK 1 000)

	Birdstep Technology ASA				
	Share capital	Share premium	Other paid equity	Other equity	Total equity
Equity as at 1 January 2014	**10,012**	**36,038**	**90,751**	**(77,436)**	**59,365**
Net income (loss)	-	-	-	(2,988)	(2,988)
Total comprehensive income	**-**	**-**	**-**	**(2,988)**	**(2,988)**
Transactions with shareholders:					
Recognition of share-based payments	150	2,235	-	-	2,385
Total transactions with shareholders	**150**	**2,235**	**-**	**-**	**2,385**
Equity as at 31 Dec 2014	**10,162**	**38,272**	**90,751**	**(80,424)**	**58,762**
Equity as at 1 January 2013	**9,199**	**17,165**	**90,751**	**(71,897)**	**45,219**
Net income (loss)	-	-	-	(5,539)	(5,539)
Total comprehensive income	**-**	**-**	**-**	**(5,539)**	**(5,539)**
Transactions with shareholders:					-
Recognition of share-based payments	814	18,872	-	-	19,686
Total transactions with shareholders	**814**	**18,872**	**-**	**-**	**19,686**
Equity as at 31 Dec 2013	**10,012**	**36,038**	**90,751**	**(77,436)**	**59,365**

As of December 31, 2014, the Company has 101,621,627 shares issued, with par value of NOK 0.10 per share, included 21,055 treasury shares.

In May 2014 a new issue of 1,500,000 shares was completed each with a par value of NOK 0.1 and a subscription price of NOK 1.59.

Shareholders of Birdstep Technology ASA at 31 December 2014	Number of shares	Ownership
Skandinaviska Enskilda Banken AB	26,279,771	25,86%
Morgan Stanley & Co, LLC	10,672,956	10,50%
Goldman Sachs & Co Equity Segregat	7,798,958	7,67%
MP Pensjon PK	7,582,850	7,46%
Fres AS	2,573,189	2,53%
Aic Invest AS	1,672,200	1,65%
Hagen Invest AS	1,608,295	1,58%
Stoko AS	1,210,000	1,19%
Alden AS	1,000,000	0,98%
Kristiansen	930,000	0,92%
Christiania Securities ASA	918,500	0,90%
Petroleum Invest	910,000	0,90%
Ronold	900,000	0,89%
Øren	852,601	0,84%
K Vaule Holding AS	824,596	0,81%
Einarsen	800,000	0,79%
Nordnet Bank AB	658,877	0,65%
Nordea Bank Finland PLC	623,104	0,61%
Epsilon AS	600,000	0,59%
Dnb Nor Markets, Aksjehand/Analyse	567,300	0,56%
Total 20 largest shareholders	**68,983,197**	**67,88%**
Other shareholders	32,638,430	32,12%
Total number of shares	**101,621,627**	**100,00%**

	2014	2013
Shares issued fully paid:		
- At the beginging of the year	100,121,627	91,984,627
- Issued during the year	1,500,000	8,137,000
Shares issued fully paid	101,621,627	100,121,627
Treasury shares at 31.12.2014	21,055	21,055

NOTE 11: **FINANCIAL INSTRUMENTS**

The numbers presented below provide a summary of the group's financial instruments and comparison of the fair value and the carrying amount.

(Amounts in NOK 1 000)

	2014		2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash	8,333	8,333	17,171	17,171
Accounts receivable	7,876	7,876	10,897	10,897
Other current assets	2,054	2,054	5,523	5,523
Total	**18,262**	**18,262**	**33,590**	**33,590**
Financial liabilities				
Accounts payable	396	396	196	196
Interest - bearing liabilities	-	-	-	-
Other non-current liabilities	10,169	10,169	21,380	21,380
Total	**10,565**	**10,565**	**21,576**	**21,576**

The carrying amount of all the group financial assets and liabilities is approximately equal to fair value since these instruments have a short term to maturity and thus the time value is not material.

NOTE 12: **ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

(Amounts in NOK 1 000)

	Birdstep Technology ASA	
	2014	**2013**
Accrued holiday allowance	478	40
Social security payment liabilities	-	-
Accrued wages commissions and bonuses	865	1,681
Accrued Accounts Payable	2,491	1,020
Other Current liabilities	(10)	6
Liabilities to group companies for zero under 2014	-	-
Other accruals	-	-
Total	**3,824**	**2,746**

NOTE 13: **OTHER FINANCIAL ITEMS**

(Amounts in NOK 1 000)

	Birdstep Technology ASA	
	2014	**2013**
Income from foreign exchange	4,618	819
Other financial income	-	297
Unreal Currency Gain	11,761	7,800
Other financial income	**16,379**	**8,916**
Expenses on foreign exchange	458	-
Unreal Currency Lost	4,594	7,179
Ohter financial cost	722	-
Other financial expenses	**5,774**	**7,179**
Other financial items, net	**10,604**	**1,737**

NOTE 14: **RESTRICTED BANK DEPOSITS**

(Amounts in NOK 1 000)

	Birdstep Technology ASA	
	2014	2013
Restricted bank deposits	-	2
Total	**-**	**2**

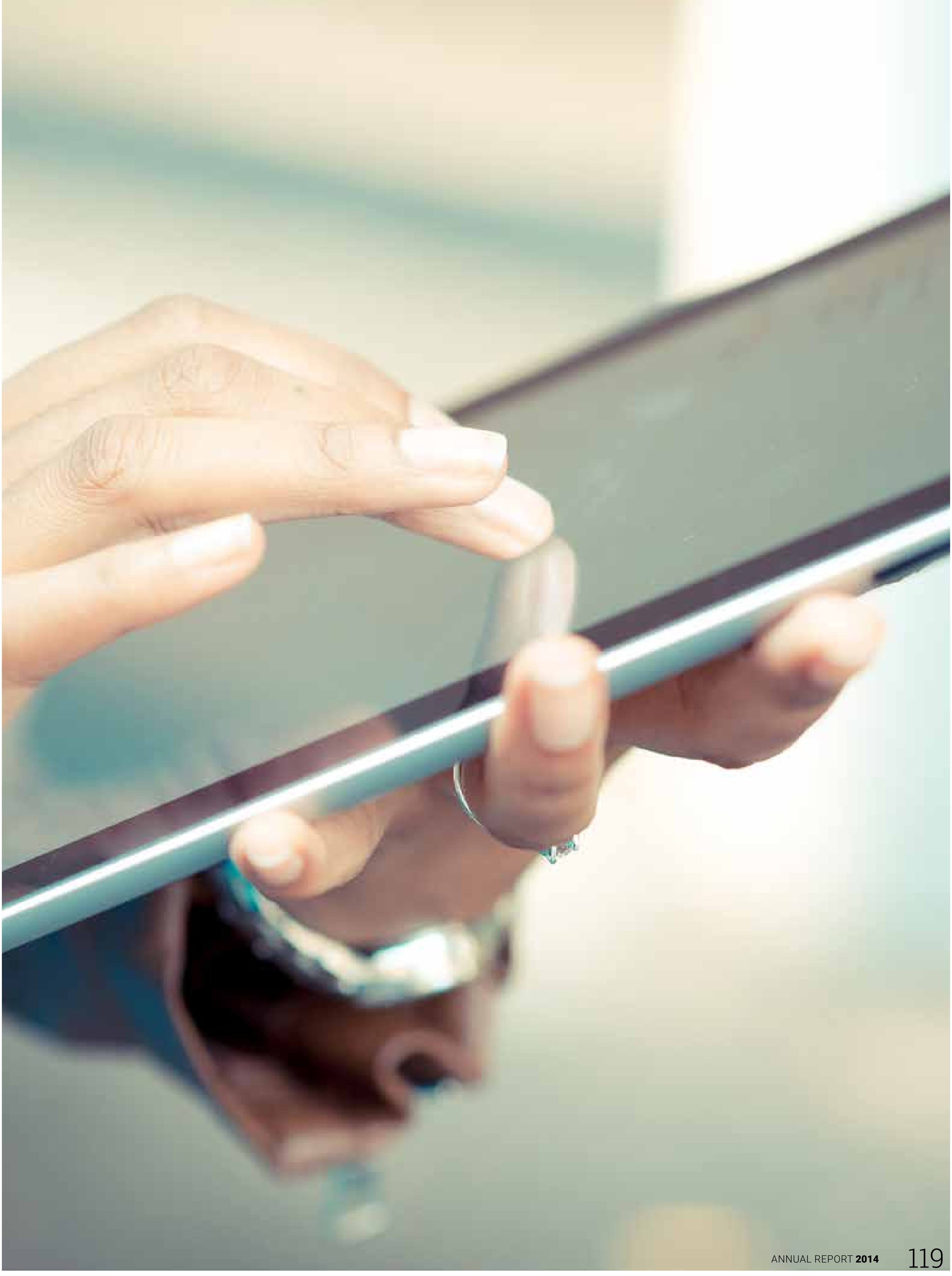
NOTE 15: **SUBSEQUENT EVENTS**

In January 2015 the sale of Birdstep Technology Oy was finalized.

In January 2015 the company entered into an Asset Transfer agreement with Birdstep Technology AB, whereby all customer contracts and immaterial assets ("IPR") vested in the company transferred to Birdstep Technology AB. The consideration for the transfer was NOK 197,9 million , which was executed by way of an issue at kind with the IPR as the capital contribution on the transfer date. By the transaction the company will become a holding company, with Birdstep Technology AB becoming th operating entity and the commercial arm of the Group in the sense that Birdstep Technology AB will become the provider and licensor of the Group's commercial solutions and offerings. From a group perspective the transaction will have minimal revenue, earnings and liability impact.

2014
In January 2015 the sale of Birdstep Technology Oy, i.e. the Secure Mobility business segment, was finalized. The debt free, net of cash and cash equivalents purchase price for the transaction, which was validated by external bankers, was EUR 2.0 million in cash and before transaction costs. After the audit of Birdstep Technology OY finan-cials and considering changes in net working capital and net debts, the final debt free, net of cash and cash equiva-lents purchase price was set to EUR 1.9 million. The company has issued an Information Document regarding the transaction available at www.birdstep.com.

2013
There has been no discontinued operations during 2013.



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To the Annual Shareholders' Meeting of Birdstep Technology ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Birdstep Technology ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, income statement, statement of comprehensive income and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2014, income statement, statement of comprehensive income, changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Birdstep Technology ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Birdstep Technology ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and 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 the proposal for coverage of the loss 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 9 April 2015

BDO AS

Erik Lie

Erik Lie
State Authorised Public Accountant (Norway)

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