

**TECHSTEP**

A woman with short brown hair and blue eyes, wearing a light blue button-down shirt, is smiling and looking towards the camera. She is holding a purple tablet computer. The background is a blurred classroom with other students sitting at desks.

**Interim report  
Q2 and H1 2017**

## Highlights

### Q2 2017

- Stable Q2 2017 pro forma revenues of NOK 182.2 million (NOK 180.3 million); reflecting a y-o-y growth of 28% in solutions revenue and 2.4% in hardware revenue, which is offset by a reduction in commission and bonuses. The reduction relates to the transition to new business model and focus on solution sales
- Pro forma adjusted EBITDA of NOK 1.8 million (NOK 10.7 million); mainly explained by a combination of stable total revenues and increased costs related to growth investments, including consolidation of group entities and customer offering in preparation for further expansion
- Secured contract with Norwegian Nurses Organisation for delivery of MaaS (Mobile as a Service) including hardware, mobile asset management solution, training and support, and financing
- Awarded frame agreements with the Norwegian Tax Administration, Akershus County Council and Asker Municipality for deliveries of hardware and advisory and support services
- Pro forma end-user base increased from ~460,000 in Q1 2017 to ~490,000 in Q2 2017
- Completed acquisitions of the telecom mobility hardware company Apro Tele og Data AS and the Swedish enterprise mobility management company InfraAdvice Sweden AB
- Formally established Techstep Finance, a joint venture with an experienced financing operating partner, and a key component of the MaaS (Mobile as a Service) offering
- Strengthened Techstep's executive management team with Inge Paulsen as Chief Operating Officer (from May 2017) and Erik Haugen as Chief Commercial Officer (from 1 October 2017)

### Subsequent events

- Signed an agreement to acquire the business telecommunication equipment and services provider BKE TeleCom AB, to establish a broader foundation for expansion in Sweden
- Signed an agreement to acquire 51% of the Swedish enterprise mobility management (EMM) company Connected 365 AB, with an option agreement to acquire the remaining 49%, to supplement Techstep's current EMM offering with complementary competencies
- Techstep has, via Kjedehuset, been certified as "Apple Authorized Enterprise Reseller", which is Apple's new and highest partner accreditation for the B2B market

## CEO comment

“During the first half of 2017, we have continued to consolidate Techstep’s position as a leading Nordic enabler of the digital workplace. The companies we acquired over the past quarters have expanded our offerings and geographical presence, and increased our end-user base and cross-sales potential significantly. We are now bringing the companies together, and together with our newly established financing company, Techstep Finance, we are combining our products and solutions into our MaaS (Mobile as a Service) offering.

MaaS is already attracting strong interest from existing customers wanting to implement this solution. We are seeing an increase in solutions revenue and stable hardware revenue, however, total revenues are offset by a reduction in commission and bonuses, due to the transition to new business model and sales priorities.

I am confident that we will see a positive effect on the profitability from the turn of the year going forward. We are experiencing increased interest from current and potential new customers who need help digitizing their business processes, as well as a push from customers wanting pan-Nordic deliveries. Our most recently announced acquisitions of BKE Telecom and Connected in Sweden, further expand our customer base and will secure complete delivery capacity and scalability of our business model in the Nordic countries”, said CEO Gaute Engbakk.

## About Techstep – we make worklife mobile

Techstep is positioning itself as a leading Nordic enabler of the digital workplace. Techstep’s unique “Mobile as a Service” (MaaS) offering is a one-stop-shop solution, which combines hardware, subscription & connectivity, mobile device management, managed services and related software, in addition to financing. The MaaS solution enables enterprises to let employees do their work across mobile devices and locations, with a high degree of security and operational stability. Techstep employs approximately 166 team members based in Norway and Sweden, serving close to 5,000 customers and 490,000 end users across various industries in the private and public sectors. The company had sales of approximately NOK 720 million in 2016, and is listed on the Oslo Stock Exchange. For more information, please visit <http://techstep.no/>.

## Key Figures (pro forma)

(amounts in NOK 1 000)	Q2 2017	Q2 2016	YTD 2017	FY 2016
Revenue	182 219	180 285	362 547	719 391
Adjusted EBITDA <sup>1)</sup>	1 757	10 741	11 618	29 441
Adjusted EBITA <sup>1)</sup>	1 545	10 326	10 953	28 196
Adjusted EBIT <sup>1)</sup>	(3 695)	2 245	811	4 550
Adjusted EBITDA margin (%)	1.0 %	6.0 %	3.2 %	4.1 %
Adjusted EBITA margin (%)	0.8 %	5.7 %	3.0 %	3.9 %
Hardware, provision and bonuses, share of revenue (%)	79.0 %	83.0 %	78.0 %	84.7 %
Solutions, share of revenue (%)	21.0 %	17.0 %	22.0 %	15.4 %
Employees	166	169	166	159

Pro forma numbers prepared as if Mytos, Nordialog Asker, InfraAdvice and Apro were part of the Group during the entire period.

1) Adjusted for M&A costs and other one-offs of NOK 3.6 million in Q2-17, NOK 14.1 million per YTD-17 and NOK 17.5 million per FY16.

## Key Figures (as reported)

(amounts in NOK 1 000)	Q2 2017	Q2 2016	YTD 2017	FY 2016
Revenue	182 219	143 471	327 437	573 498
EBITDA	(1 829)	6 352	(7 269)	(4 433)
EBITA	(2 041)	6 147	(7 923)	(5 336)
EBIT	(7 281)	(756)	(16 887)	(24 319)
Total assets	676 478	469 980	676 478	508 409
Cash	70 645	6 885	70 645	81 692
Equity	459 058	34 114	459 058	260 294
Employees	166	133	166	121

Techstep ASA and the Techstep Group were restructured in 2016 (for details, see note 26 in Techstep ASA's 2016 annual report). At the same time, the accounting principles for the operating unit, Teki Solutions group, were changed from NGAAP to IFRS. The 2016 accounts with comparative figures for previous years are thus the first accounts presented for the new Techstep ASA Group.

## Operational review

### Main developments in the quarter

During the second quarter of 2017, Techstep has taken further steps to establish the company as a leading Nordic enabler of the digital workplace. Key focus has been on initiating integration processes of the acquired companies, while continuing restructuring and transformation of the organisation and its operations.

The corporate management team has been strengthened by the appointments of Inge Paulsen as Chief Operating Officer (COO), and Erik Haugen as Chief Commercial Officer (CCO). Inge Paulsen took office as COO in May 2017, while Erik Haugen will assume the position as CCO on 1 October 2017.

### Acquisitions

During the quarter, Techstep completed the acquisition of the hardware supplier Apro Tele og Data AS for NOK 15 million, and the acquisition of the Swedish enterprise mobility management specialist InfraAdvice Sweden AB for SEK 18.5 million. Apro is a supplier of fixed network IP and mobile solutions, with special expertise in the public sector. InfraAdvice brought a complimentary customer portfolio of about 100,000 end users from Swedish business customers and strengthens Techstep's delivery capability in Sweden.

For further details about the acquisitions, see Note 4.

### Contracts

Techstep's subsidiary Nordialog Oslo signed an agreement with Norwegian Nurses Organisation for MaaS delivery of 2,650 Apple iPads. The agreement includes buy-back of current devices, financing through Techstep Finance, and a newly developed mobile asset management solution provided by Mytos. Training of resources, support, and handling of privacy issues are also part of the contract.

Nordialog Oslo was, through an agreement with Kjedehuset, chosen to supply the Norwegian

Tax Administration with mobile phones and related equipment, as well as advisory services and support. The framework agreement runs for one year with three additional one-year options, and has a total value of NOK 20 million.

Nordialog Oslo further signed a framework agreement with Akershus County Council for delivery of hardware products and optionally solutions services. The agreement runs for two years with two additional one-year options, and has an estimated value of NOK 6 million.

Techstep's subsidiary Apro Tele og Data signed a framework agreement with Asker Municipality for delivery of hardware products and optional solutions services. The agreement runs for two years with two additional one-year options, and has an estimated value of NOK 30 million.

### Developments in end-user base

End-users are employees at Techstep's current customers that have either devices or solutions delivered by one or more Techstep subsidiaries.

Through both organic growth and acquisitions, Techstep has increased the company's end-user base from ~460,000 (pro forma first quarter 2017) to ~490,000 (pro forma second quarter 2017).

### Subsequent events

Techstep has entered into a binding agreement to acquire BKE TeleCom AB, a leading provider of business telecommunication equipment and services in Sweden, for an aggregated preliminary purchase price of NOK 99.5 million. With BKE, Techstep acquires a Swedish hardware, logistics and distribution platform, and expands Techstep's customer base in the Nordic regions.

Techstep has entered into a binding agreement to acquire 51% of the shares in the Swedish enterprise mobility management company Conneqted 365 AB, for an aggregated purchase price of SEK 3.5 million. In addition, Techstep has signed an option agreement to

acquire the remaining 49%. The acquisition of Connected supplements Techstep's current enterprise mobility management offering with complementary competencies, and further expands Techstep's customer base with renowned companies.

For further details about the acquisitions, see Note 4.

Techstep has, via Kjedehuset, been certified as "Apple Authorized Enterprise Reseller". Apple's new and highest partner accreditation for the B2B market is reserved for top-level collaboration partners. Techstep is one of very few companies in the Nordic region that has obtained this Tier 1 authorisation.

## Financial review

*The financial statements represent the continuing business of Teki Solutions AS. The figures for the corresponding period in 2016 are stated in parentheses. The figures are unaudited. For information about which entities are included, see note 4.*

### Profit and loss second quarter 2017

Techstep generated total revenues of NOK 182.2 million in the second quarter 2017 (NOK 143.5 million). The increase in revenues is mainly attributed to contributions from the acquisitions made in the first quarter 2017 and growth in solutions revenues. The growth is partly offset by a reduction in commission and bonuses.

EBITDA was negative in the amount of NOK 1.8 million for the quarter (positive NOK 6.4 million), while EBITDA adjusted for non-recurring costs amounted to NOK 1.8 million (NOK 10.7 million).

Total operating expenses came to NOK 189.5 million (NOK 144.2 million), and the ordinary operating result (EBIT) amounted to a loss of NOK 7.3 million (loss of NOK 0.8 million). The increase in operating expenses is related to recruitment of new employees in accordance with the company's growth strategy, and non-recurring costs ("other costs") of NOK 3.6 million related to restructuring and transaction expenses.

The net loss for the second quarter 2017 amounted to NOK 3.7 million (net profit of NOK 42 thousand).

### Profit and loss first half 2017

Techstep had total revenues of NOK 327.4 million in the first half of 2017 (NOK 278.5 million), and EBITDA ended negative at NOK 7.3 million (positive NOK 6.5 million). Pro forma EBITDA adjusted for non-recurring costs amounted to NOK 11.6 million (NOK 11.4 million).

Total operating expenses came to NOK 344.3 million for the first half of 2017 (NOK 284.1 million), and the ordinary operating result (EBIT) amounted to a loss of NOK 16.9 million (loss of NOK 5.6 million).

The net loss for the first half of 2017 was NOK 13 million (loss of NOK 5.2 million).

### Cash flow second quarter 2017

The net cash flow generated from operating activities was negative at NOK 15 million (negative at NOK 3.6 million), driven by the operating result and changes in working capital. Net cash flow used in investment activities was NOK 22 million (NOK 0 million), and is primarily related to the acquisition of Apro Tele og Data AS and InfraAdvice Sweden AB. Net cash flow from financing activities was NOK 33.5 million (NOK 2.2 million) and represents tranche 2 of the provisions from the private placement, and

cash from the acquisition of Apro and InfraAdvice.

Cash and cash equivalents decreased by NOK 3.5 million in the second quarter 2017 (decrease of NOK 1.4 million). As at 30 June 2017, the Group's total cash and cash equivalents amounted to NOK 70.6 million (NOK 5.5 million).

### Cash flow first half 2017

The net cash flow generated from operating activities was negative at NOK 31.6 million. Net cash flow used in investment activities was NOK 72.1 million, and is primarily related to the acquisition of Mytos, Nordialog Asker, Apro, and InfraAdvice. The net cash flow from financing activities was NOK 92.7 million, reflecting provisions from the private placement, and cash from the companies acquired in the period.

### Financial position

As at 30 June 2017, Techstep had total assets of NOK 676.5 million (NOK 446.9 million), a large portion of which comprises the company's goodwill from Nordialog's customer relationships, the acquisition of Mytos (NOK 117.3 million, preliminary PPA), Nordialog Asker (NOK 5.7 million, preliminary PPA), InfraAdvice (NOK 16.1 million, preliminary PPA), and Apro (NOK 11.7 million, preliminary PPA).

In the first quarter of 2017, NOK 100 million in new equity was successfully raised through a private placement directed at high quality investors to finance acquisitions and further growth. The placement was oversubscribed.

The book equity was NOK 459.1 million (34.2 million), which corresponds to an equity ratio of 67.9 percent (7.6 percent). Total liabilities were NOK 217.4 million (NOK 412.7 million), of which long-term interest-bearing liabilities amounted to NOK 12.7 (NOK 50.9 million). The reduction in liabilities is primarily related to the conversion of a shareholder loan to equity in 2016.

## Financial risk and risk management

Techstep is exposed to various types of market, operational and financial risk, as a consequence of the company's operational and financial activities. The company's risk management is coordinated from the head office, in cooperation with the Board of Directors. The focus in the short and intermediate term is on maintaining ongoing, active operations, which will secure the company's cash flow by reducing financial markets exposure. Long-term financial investments have been made for the purpose of generating long-term financial returns.

The goal of the Group's risk management is to support the Group's value creation, and to ensure a continued, solid financial platform through transparency and strategic management of both financial and operational risk factors.

Operational risk is primarily linked to large customer projects, which are under continuous evaluation by corporate management.

The Group's financial risk is primarily linked to credit risk, liquidity risk, foreign exchange risk and interest rate risk.

For a more detailed description of the risk factors, reference is made to Note 2b in the annual financial statements for 2016 and the prospectus published in April 2017.

## Outlook

Hardware and solutions sales are expected to pick up in the second half of 2017. Techstep is experiencing a push from customers across the Nordics that want mobile phones, tablets and laptops, and there is a pipeline waiting for the MaaS solution. Feedback from customers confirms that Techstep's offerings provide what the customers are looking for. Furthermore, synergies from the restructuring and transformation processes are expected to take effect.

Going forward, Techstep will focus on sales, operations and integration of the recently acquired companies. Moreover, Techstep maintain a focus on increasing average revenue per user (ARPU), by delivering more of the solutions stack to existing customers, and by turning more customers into MaaS customers, i.e. by enhancing Techstep's industry offering to pan-Nordic customers and specific verticals, such as retail, banking & finance, health, and education.

## Condensed consolidated statement of income

### Reported figures

(amounts in NOK 1 000)	Note	Q2 2017	Q2 2016	YTD 2017	2016
Revenue		181 183	143 104	326 146	570 526
Other revenue		1 036	367	1 292	2 972
<b>Total revenue</b>		<b>182 219</b>	<b>143 471</b>	<b>327 437</b>	<b>573 498</b>
Cost of materials		130 995	98 881	229 269	405 210
Salaries and personnel costs		33 085	24 701	61 080	104 041
Depreciation		211	205	655	903
Amortisation intangible assets		5 241	6 903	8 963	18 984
Other operational costs	5	16 383	13 537	30 220	51 169
Other costs		3 586		14 137	17 511
<b>Total operating expenses</b>		<b>189 500</b>	<b>144 227</b>	<b>344 324</b>	<b>597 818</b>
<b>Operating profit</b>		<b>(7 281)</b>	<b>(756)</b>	<b>(16 887)</b>	<b>(24 319)</b>
Financial income		3 853	22	4 539	(5 117)
Financial expense		(849)	(950)	(1 730)	
Technical loss				-	(21 217)
<b>Net financial expense</b>		<b>3 005</b>	<b>(928)</b>	<b>2 809</b>	<b>(26 334)</b>
<b>Profit before taxes</b>		<b>(4 277)</b>	<b>(1 684)</b>	<b>(14 078)</b>	<b>(50 654)</b>
Income taxes		531	1 726	1 060	5 954
<b>Net income</b>		<b>(3 746)</b>	<b>42</b>	<b>(13 018)</b>	<b>(44 700)</b>
<b>Net income attributable to</b>					
Non-controlling interests		-	4	-	(4 245)
Shareholders of Techstep ASA		(3 746)	38	(13 018)	(40 455)
<b>Earnings per share in NOK:</b>					
Net income after tax		(0.03)	(0.47)	(0.10)	(1.29)
<b>Other comprehensive income</b>		<b>(3 746)</b>	<b>42</b>	<b>(3 746)</b>	<b>(44 700)</b>

## Consolidated statement of financial position

(amounts in NOK 1 000)	Note	Q2 2017	Q2 2016	2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax asset		-		857
Goodwill	4	400 338	253 378	253 378
Customer relations	4	28 854	25 561	18 116
<b>Sum intangible assets</b>		<b>429 192</b>	<b>278 939</b>	<b>272 350</b>
Tangible assets		3 239	3 240	3 159
Associated companies		-	14 197	13 349
Shares and investments		30 984	4 985	27 973
Other non-current assets		724	956	506
<b>Sum financial assets</b>		<b>31 709</b>	<b>20 138</b>	<b>41 829</b>
<b>Total non-current assets</b>		<b>464 140</b>	<b>302 317</b>	<b>317 338</b>
Inventories		13 973	25 642	9 526
Accounts receivable		116 509	94 980	83 250
Other receivables		11 211	18 451	16 603
<b>Total inventories and receivables</b>		<b>141 693</b>	<b>139 073</b>	<b>109 379</b>
Cash and cash equivalents		70 645	5 506	81 692
<b>Total current assets</b>		<b>212 338</b>	<b>144 579</b>	<b>191 071</b>
<b>Total assets</b>		<b>676 478</b>	<b>446 895</b>	<b>508 409</b>
<b>LIABILITIES AND EQUITY</b>				
<b>EQUITY</b>				
Share capital	3	141 278	244	102 476
Other equity		317 780	33 912	132 631
<b>Total equity attributable to the owners of Techstep ASA</b>		<b>459 058</b>	<b>34 156</b>	<b>235 107</b>
Non-controlling interests			-	25 187
<b>Total equity</b>		<b>459 058</b>	<b>34 156</b>	<b>260 294</b>
<b>LIABILITIES</b>				
Deferred tax		1 407	6 979	
Non-current interest bearing debt		12 656	29 675	12 656
Non-current interest bearing debt to shareholders		-	21 251	-
Other non-current debt		2 025	3 793	-
<b>Total non-current debt</b>		<b>16 088</b>	<b>61 698</b>	<b>12 656</b>
Current interest bearing debt to shareholders			149 900	
Current interest bearing liabilities		60 365	95 971	113 721
Accounts payable		86 076	18 494	62 050
Tax payable		8 730	3 747	9 338
Public taxes, provisions		14 411	12 895	14 007
Other current liabilities		31 750	70 033	36 342
<b>Total current debt</b>		<b>201 332</b>	<b>351 041</b>	<b>235 458</b>
<b>Total liabilities</b>		<b>217 420</b>	<b>412 739</b>	<b>248 114</b>
<b>Total equity and liabilities</b>		<b>676 478</b>	<b>446 895</b>	<b>508 409</b>

## Specification of changes in equity

(amounts in NOK 1 000)	Share capital	Treasury shares	Other paid-in capital	Other equity capital	Sum	Minority interest	Total equity capital
Equity as of 1 January 2016	244		197 607	(155 526)	42 326	-	42 326
Ordinary result 2016				(40 455)	(40 455)	(4 245)	(44 700)
Comprehensive result 2016							
New issued share capital	102 231	(1 914)	86 095	58 115	244 527	29 433	273 959
Other, merger diff. <sup>1)</sup>				(2 027)	(2 027)		(2 027)
Other, errors prev. years <sup>2)</sup>				(9 264)	(9 264)		(9 264)
Other							
<b>Equity as of 31 December 2016</b>	<b>102 475</b>	<b>(1 914)</b>	<b>283 702</b>	<b>(149 157)</b>	<b>235 107</b>	<b>25 188</b>	<b>260 294</b>
Ordinary result Q1 2017				(9 272)	(9 272)		(9 272)
Comprehensive result Q1 2017							
New issued share capital	36 726		162 646	25 188	224 560	(25 188)	199 372
Other, converting diff				(4)	(4)		(4)
<b>Equity as of 31 March 2017</b>	<b>139 201</b>	<b>(1 914)</b>	<b>446 348</b>	<b>(133 245)</b>	<b>450 391</b>	<b>-</b>	<b>450 390</b>
Ordinary result Q2 2017				(3 746)	(3 746)		(3 746)
Comprehensive result Q2 2017					-		-
New issued share capital	2 076		10 252		12 328		12 328
Other, converting diff				85	85		85
<b>Equity as of 30 June 2017</b>	<b>141 277</b>	<b>(1 914)</b>	<b>456 600</b>	<b>(136 905)</b>	<b>459 059</b>	<b>-</b>	<b>459 058</b>

<sup>1)</sup> The former subsidiaries Nordialog Skøyen AS, Nordialog Ski AS, Nordialog Gardermoen AS, Nordialog VG-Passasjen AS, Telecom Fornebu AS, Nordialog Vestfold AS and Scancom AS were merged with Nordialog Oslo AS as of 1 January 2016. At the same time the subsidiary Selectit AS was transferred and merged with the sister company SmartWorks AS. The merger difference is charged to equity capital.

<sup>2)</sup> Tax expense for the subsidiary NetConnect for 2013 is charged against equity in accordance with IAS 8, correction of errors in previous years, due to the incorrect application and understanding of rules regulating the use of tax loss carryforwards for the company.

## Consolidated statement of cash flow

(amounts in NOK 1 000)	Note	Q2 2017	Q2 2016	YTD 2017	2016
Profit before tax		(4 277)	(1 684)	(14 078)	(50 654)
Profit from associated company			(3)	(107)	(157)
Amortisation intangible assets		5 241	6 903	8 963	18 984
Depreciation tangible assets		211	205	655	903
Technical loss reversed takeover				-	21 217
Taxes paid		(3 879)	(276)	(5 835)	(4 224)
Changes in net operation working capital		(12 311)	(8 720)	(21 185)	(16 940)
<b>A Net cash flow from operational activities</b>		<b>(15 015)</b>	<b>(3 574)</b>	<b>(31 586)</b>	<b>(30 871)</b>
Investment in subsidiaries	4	(21 879)		(71 879)	-
Investment in financial assets		(30)	(23)	(130)	424
Investment in machinery, inventories		(80)		(117)	(410)
<b>B Net cash used on investment activities</b>		<b>(21 989)</b>	<b>(23)</b>	<b>(72 126)</b>	<b>14</b>
Repayment of shareholder loans					(24 848)
Repayment of other long-term debt			2 218		(18 902)
Change in interest-bearing debt				(14 375)	72 011
New issued equity capital		29 100		95 000	
Cash from acquisition of Techstep ASA					10 306
Cash from acquisition of Zono AS					55 000
Cash from acquisition of Mytos				4 399	
Cash from acquisition of Nordialog Asker				3 277	
Cash from acquisition of InfraAdvice		3 081		3 081	
Cash from acquisition of Apro		1 284		1 284	
<b>C Net cash flow from financing activities</b>		<b>33 465</b>	<b>2 218</b>	<b>92 666</b>	<b>93 567</b>
<b>Net change in cash and cash equivalents</b>		<b>(3 539)</b>	<b>(1 379)</b>	<b>(11 046)</b>	<b>62 710</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>74 184</b>	<b>6 885</b>	<b>81 692</b>	<b>18 982</b>
<b>Cash and cash equivalents as of 30 June / 31 December</b>		<b>70 645</b>	<b>5 506</b>	<b>70 645</b>	<b>81 692</b>

# Notes to the consolidated financial statements

*Techstep ASA reports according to new accounting principles from fourth quarter 2016. The complete standards, amendments and interpretations are included in the 2016 annual report.*

## 1. Accounting principles

The consolidated financial statements are prepared under International Financial Reporting Standards (IFRS), and comprise Techstep ASA and its subsidiaries. The interim financial report is presented in accordance with revised IAS 34, Interim Financial Reporting. The accounting principles applied in the interim report are the same as those described in the consolidated accounts for 2016. The company has not implemented new or changed standards in 2017. The interim accounts do not contain all the information that is required in complete annual accounts, and they should be read in connection with the consolidated accounts for 2016. The report has not been audited.

### 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.

In November 2016 Techstep ASA acquired Teki Solutions AS. As the group business going forward will mainly be based on the subsidiaries of Teki Solutions AS, the latter for accounting purposes is considered as the acquiring entity and the accounts for the combined entity are a continuation of the accounts for Teki Solutions Group.

Please refer to note 6 to the Techstep ASA 2016 accounts for further details.

#### **New standards and interpretations not yet adopted:**

The group has elected not to early adopt any standards or interpretations that have an adoption date after the balance sheet date. Below is an overview of the most central new standards issued by the IASB:

- IFRS 9 Financial instruments: Classifications and measurement. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 15 Revenue recognition. Mandatory effect on 1 January 2018.
- IFRS 16 Leases. Mandatory effect from 1 January 2019.

Based on the expected development of the group, we expect that IFRS 15 and 16 will have an effect for the group.

## 2. Business segments (for accounting purposes)

For financial reporting purposes, Techstep has two main business segments, which per 30 June 2017 are represented by the following legal entities:

- 1) Nordialog Oslo AS, including the subsidiaries Buskerud Mobil AS and Nordialog Asker AS, and Apro Tele & Data AS
- 2) SmartWorks AS, SWN Group Sweden AB (SWNG), Mytos AS and InfraAdvice Sweden AB.

All companies are owned and controlled by the Techstep Group. The newly acquired companies, Mytos AS and InfraAdvice Sweden AB, are included in the solutions business segment with SmartWorks / SWNG, while Nordialog Asker AS and Apro Tele & Data AS are included in the hardware business segment with Nordialog Oslo AS and Buskerud Mobil AS.

Internal sales are eliminated in the Group accounts. Figures in parentheses represent the corresponding period in 2016. All figures are unaudited unless otherwise stated.

### Nordialog and Apro Tele & Data (legal entities)

*Nordialog is the mobile operator Telenor's key distribution channel for devices and subscriptions to the Norwegian business segment. Techstep operates eight of Nordialog's business centers located in Eastern Norway (including Asker), and accounts for ~60% of the total Nordialog distribution volume in Norway. Nordialog revenue streams include both Hardware and Solutions sales. Apro Tele & Data AS is a hardware supplier, which provides fixed network IP and mobile solutions, with special expertise in the Norwegian public sector.*

(amounts in NOK 1 000)	Q2 2017	Q2 2016	YTD 2017	2016
Revenue	161 140	133 456	290 590	554 467
EBITDA	5 665	10 571	12 495	27 527
EBITA	5 516	10 187	11 939	26 742
Employees	96	107	96	79
Total assets	411 438	463 728	411 438	489 268

The operational segment represented by the Nordialog entities and Apro had total revenues of NOK 161.1 million in the second quarter 2017 (NOK 133.4 million). The increase of NOK 27.7 million includes a positive contribution of NOK 19.5 million from the acquisition of Apro. Total revenue for the first half of 2017 amounted to 290.6 million.

EBITDA amounted to NOK 5.7 million for Q2 (NOK 10.6 million) and NOK 12.5 million for the first half of 2017. The decrease in EBITDA in the second quarter 2017, compared to the same period in 2016, is mainly explained by a decrease in commission and bonus.

Per 30 June 2017, Nordialog and Apro had 96 employees (107) in total.

Nordialog expects a small increase in hardware sales in the second half of 2017, mainly driven by leasing agreements and MaaS concepts.

### SmartWorks, Mytos and InfraAdvice (legal entities)

SmartWorks AS, located in Oslo, delivers services and solutions within "Enterprise Mobility Management", and offers mobility digitalisation solutions through third-party software, such as Cisco, Citrix and Microsoft. SmartWorks generates revenue both directly from external customers, and as a supplier to Nordialog. Mytos AS is a software as a service company, with mainly recurring revenue. Mytos offers a full range of telecom expense management ("TEM") modules, all with proprietary software, and highly user-friendly implementation and operation. InfraAdvice Sweden AB is a Swedish Enterprise Mobility Management specialist, based mainly in Stockholm, with offices in Luleå and Strängnäs.

(amounts in NOK 1 000)	Q2 2017	Q2 2016	YTD 2017	2016
Revenue	27 119	14 318	50 136	52 800
EBITDA	1 701	(557)	5 945	(4 997)
EBITA	1 645	(557)	5 889	(5 052)
Employees	60	50	60	33
Total assets	197 627	65 745	197 627	35 504

Revenue for the second quarter of 2017 amounted to NOK 27.1 million (NOK 14.3 million), while revenue for the first half of 2017 was NOK 50.1 million. The increase in revenue is driven by organic growth, through increased demand for mobility projects, including new sales of licensing fees and support services, as well as positive contributions of NOK 10.8 million from the acquisitions of Mytos and InfraAdvice.

Q2 EBITDA was NOK 1.7 million (negative NOK 0.5 million), and EBITDA for the first half of 2017 was NOK 5.9 million. The improved EBITDA reflects an increase in the sale of licensing fees and contribution from Mytos of NOK 3 million and InfraAdvice NOK 0.7 million.

Per 30 June 2017, the total number of employees working in SmartWorks, Mytos and InfraAdvice was 60 (50).

### Note 3: Share capital and shareholders

The company's share capital as of 30 June 2017 was NOK 141,277,820 divided on 141,277,820 ordinary shares with a par value of NOK 1.00. Subject to the below, the shares are issued and fully paid. Techstep has only one class of shares and all shareholders have equal rights according to Norwegian law.

Per 31 March 2017, Techstep had 66,779,340 shares listed on a separate ISIN number awaiting a listing prospectus according to Section 7-3 of the Securities Trading Act. In addition, the prospectus included a total of 2,076,391 consideration shares that were issued in connection with the acquisition of InfraAdvice and Apro Tele & Data on 3 April. The prospectus was published on 28 April 2017, one day after the annual general meeting, and covered the listing of 68,855,731 shares. Each share gives the right to one vote at the company's general meeting. As of the date of this report, Techstep holds 1,914 treasury shares.

Techstep's 20 largest shareholders as of 30 June 2017, are as follows:

<b>Shareholder</b>	<b># of shares</b>	<b>Ownership %</b>
DATUM AS	30,079,142	21.29 %
MIDDELBORG INVEST AS <sup>1)</sup>	28,066,931	19.87 %
PALOS AS	11,666,667	8.26 %
SKARESTRAND INVEST AS <sup>2)</sup>	7,513,372	5.32 %
DOVRAN INVEST AS	3,763,372	2.66 %
JYST INVEST AS	3,763,372	2.66 %
TINDE INDUSTRIER AS	3,763,372	2.66 %
CIPRIANO AS <sup>3)</sup>	3,651,375	2.58 %
ZONO HOLDING AS <sup>4)</sup>	3,000,007	2.12 %
SÅ&HØSTE AS	2,925,936	2.07 %
TIGERSTADEN AS	2,779,182	1.97 %
TVENGE TORSTEIN INGVALD	2,664,185	1.89 %
NOMO HOLDING AS	1,946,253	1.38 %
NORDIALOG ENSJØ AS	1,946,253	1.38 %
VERDIPAPIRFONDET DNB SMB	1,872,933	1.33 %
ARCTIC FUNDS PLC	1,871,434	1.32 %
UNIFIED AS	1,849,457	1.31 %
RAKNES HOLDING AS	1,649,348	1.17 %
SONGA TRADING INC	1,438,596	1.02 %
VINTERSTUA AS	1,200,000	0.85 %
<b>Total number owned by top 20</b>	<b>117,411,187</b>	<b>83.11 %</b>
<b>Total number of shares</b>	<b>141,277,820</b>	<b>100 %</b>

<sup>1)</sup> Middelborg invest controlled by board member Kritian G. Lundkvist

<sup>2)</sup> Owned by board member Svein Ove Brekke

<sup>3)</sup> Cipriano AS, owned by chairman of the Board of Directors Einar J. Greve

<sup>4)</sup> Zono Holding AS owned by Middelborg Invest AS 50.44%, Cipriano AS 4.65%, Duo Jag AS 0.93%, Antares Group 0.93%

Antares Group AS, owned by CEO Gaute Engbakk, owns 554,838 shares in Techstep ASA

Duo Jag AS, partly owned by member of the Board of Directors Ingrid Leisner, owns 554,834 shares in Techstep ASA

### Share option grant

On 1 February 2017, the Board of Directors resolved to grant 3 million share options to CEO Gaute Engbakk and 1.5 million share options to each of CFO Marius Drefvelin and CIO Mads Vårdal. The option grant was approved of the annual general meeting of Techstep. Neither Marius Drefvelin nor Mads Vårdal currently own shares or rights to shares in Techstep prior to the option grant. Once the options have been duly issued, the Company will have issued in total 6 million share options.

## Note 4: Changes in Group structure and subsequent events

### Q1 2017

On 1 February 2017, Techstep entered into a binding agreement to acquire Mytos AS for an aggregated purchase price of NOK 120 million. The purchase price payable at closing of NOK 120.0 million was settled with NOK 50 million in cash, financed by the Company's current cash position, and NOK 70 million in Techstep shares, issued at a price of NOK 6.00 per Techstep share, corresponding to 11,666,667 new Techstep shares. The Mytos transaction was completed on 21 February.

On 8 February 2017, Techstep entered into binding agreements to acquire the remaining 21.84% of the Teki Solutions shares and the remaining 50% of the Nordialog Asker shares. The purchase price for the Teki Solutions shares was settled by settlement of the remaining shareholder loans and issuing of 6 580 710 consideration shares at NOK 4.30 per share. The purchase price for the Nordialog Asker shares was settled by a vendors note in the amount of NOK 2.025 million and 934,615 consideration shares at NOK 6.50 per share. Both transactions were closed on 28 February 2017.

### Q2 2017

On 1 February 2017, Techstep entered into an agreement in principle to acquire Apro Tele og Data AS. The transaction was completed on 3 April. The purchase price was settled with NOK 7.0 million in cash, 8.0 million in Techstep shares and NOK 0.5 million with seller's credit.

On 12 March 2017, Techstep entered into a binding agreement with SysTown International AB to acquire InfraAdvice Sweden AB for an aggregated purchase price of SEK 18.5 million. The purchase price was settled with SEK 14.0 million in cash and SEK 4.5 million in Techstep shares, and the closing of the transaction took place on 3 April 2017.

### Subsequent events

On 3 July 2017, Techstep ASA entered into a binding agreement to acquire BKE Telecom AB ("BKE") for an aggregated preliminary purchase price of NOK 99.5 million. BKE, headquartered in Karlstad, Sweden, was founded in 1983 and is a leading provider of business telecommunication equipment and services, employing 43 full-time equivalents. The product and services offering comprises hardware communication equipment, cloud PBXs, operator services, and other services for the public sector and corporates in Sweden. The (preliminary) purchase price payable at closing of NOK 99.5 million will be settled with NOK 38.2 million in cash, NOK 14.9 million in seller credit, and NOK 25.7 million in Techstep shares (to be issued at a price of NOK 5.70 per Techstep share). In addition, there will be an earn-out payment of NOK 20.7 million. Closing is subject to customary conditions, including certain third-party consents, and is expected to take place on 31 August 2017.

On 15 August 2017, Techstep ASA entered into a binding agreement to acquire 51% of the shares in Conneqted 365 AB for an aggregated purchase price of SEK 3.5 million, in addition to an option agreement providing Techstep the option of acquiring the remaining 49% of the shares in Conneqted. Conneqted, headquartered in Karlstad, Sweden, was established in 2015 as an Enterprise Mobility Management (EMM) provider. The company has five employees and is experiencing strong growth. Conneqted has a full EMM service offering with system design, implementation, mobile device management, maintenance and support, serving large and medium-sized companies. The purchase price payable at closing of SEK 3.5 million will be settled with SEK 2.3 million in cash, and SEK 1.2 million in Techstep shares at a price defined by the 30 day VWAP prior to closing. Closing is subject to customary conditions and is expected to take place by the end of August 2017. The option agreement gives Techstep the right to acquire the remaining 49.00% of the shares at an enterprise valuation that will be determined by financial results achieved in 2018 and 2019, according to an agreed mechanism.

	Q1 2017		Q2 2017					
	Mytos	Nordialog Asker	InfraAdvice		Apro Tele & Data			
Intangibles	-	100				150		
Tangibles	383	13	179			149		
Shares	-	2 177				804		
Accounts receivable	4 471	3 819	2 773			8 346		
Inventory	-	529				3 920		
Other	60	-	48			234		
Cash	3 748	4 600	3 081			1 284		
Accounts payable, short term debt	(5 957)	(6 413)	-3 932			-8 548		
Net value	2 705	4 825	2 148			6 340		
Share	100%	2 705	50%	2 413	100%	2 148	100%	6 340
Sellers credit	-	2 025				-		3 000
Cash consideration	50 000	-	13 879					8 000
Consideration shares	70 000	6 075	4 328					7 000
Excess value *	117 295	5 688	16 059					11 660
Goodwill	117 295	2 901	8 190					5 947
Customer relations		2 787	7 869					5 713
Other								
Excess value *	117 295	5 687	16 059					11 660

\* The allocation and classification in the financial statement is based on a preliminary purchase price allocation.

<b>Effect on the Q2 profit and loss from the acquisition:</b>	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	6 245	10 774	4 552	19 502	41 073
EBITDA	3 071	(93)	717	2 090	5 785
EBITA	3 029	(93)	717	2 090	5 743
<b>YTD 2017 pro-forma figures, full-year effect</b> (as if the transaction had taken place 1 Jan 2017)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	12 406	21 391	11 470	36 992	82 259
EBITDA	6 444	633	2 276	2 702	12 055
EBITA	6 402	633	2 265	2 702	12 002
<b>Q2 2016 pro-forma figures, full-year effect</b> (as if the transaction had taken place 1 Jan 2016)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	5 158	10 170	4 927	16 559	36 814
EBITDA	1 279	797	1 341	971	4 388
EBITA	1 129	797	1 323	930	4 179
<b>2016 pro-forma figures, full-year effect</b> (as if the transaction had taken place 1 Jan 2016)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	21 385	38 852	14 206	71 450	145 893
EBITDA	6 846	3 022	2 466	4 317	16 651
EBITA	6 767	3 022	2 370	4 152	16 311
EBIT <sup>1)</sup>	6 767	1 025	796	3 009	11 598

<sup>1)</sup> Preliminary PPA regarding InfraAdvice and Apro Tele & Data performed

## Note 5: Related parties transactions

Through an agreement with Middelborg AS, a company controlled by board member Kristian Lundkvist, Techstep is charged a consultancy fee for services provided by Middelborg. The total cost amounted to NOK 351 thousand in Q2 2017 and NOK 998 thousand YTD 2017.

The February Private Placement of 17,543,860 shares was fully underwritten by inter alia Middelborg AS, a company owned by board member Kristian Lundkvist, Cipriano AS, a company owned by the Chairman of the Board, Einar J. Greve, Datum AS, and other Norwegian institutional and private investors (the "Underwriters"). The Underwriters received an aggregate underwriting commission of NOK 2 million.

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