TECHSTEP

ANNUAL REPORT 2017

Contents

Techstep in brief

- Techstep is a mobile native solutions provider, which enables the digital workplace for 6,000 customers and 620,000 end-users across the private and public sectors in the Nordics
- Techstep's customer proposition is tailored for the expanding Nordic market for digital workplace and mobile solutions
- The company has built a "Mobile as a Service" (MaaS) solution, consisting of hardware and value adding software and services, financed by subscriptions (OPEX based)
- With the MaaS solution, enterprises enable employees to perform their work across mobile devices and locations, with a high degree of security and operational stability
- Techstep is a market consolidator, which builds its solutions platform through organic innovation, acquisitions, and partnerships. The company has acquired eight and established one company since Q3 2016
- Based in Norway and Sweden, Techstep has appoximately 220 employees
- Backed by long-term and strong investors, who are known for creating value through transformation
- Techstep ASA is listed on the Oslo stock exchange with the ticker "TECH"

Key Figures

(amounts in NOK 1 000)	2017	2016
Revenue	789 473	573 498
Adjusted EBITDA 1)	25 646	13 078
Adjusted EBITA 1)	24 256	12 175
Adjusted EBIT 1)	3 234	(6 808)
EBITDA	(735)	(4 433)
EBITA	(2 125)	(5 336)
EBIT	(23 147)	(24 319)
Adjusted EBITDA margin (%)	3.2 %	2.3 %
Adjusted EBITA margin (%)	3.1 %	2.1 %
Hardware, commission & bonus, share of revenue*	78 %	88%
Solutions, share of revenue*	22 %	12%
Total Assets	765 477	508 409
Cash	35 278	81 692
Equity	450 110	260 294
Employees	219	121

1) Adjusted for M&A costs and other one-offs of NOK 26.3 million per 2017 and NOK 17.5 million per 2016.

** The split of hardware and solutions sales reflects Techstep's operational split of sales and does not reconcile with the figures reported in Note 2 Segments.*

Letter from the CEO

We make work mobile

"New technology is transforming the way we live and work. Habits and behaviours are changing. That's why we founded Techstep six quarters ago. The increasingly digital workspace emerging in the Nordic private and public sectors represents a tremendous market opportunity. People and employees need and want access to tools and services across devices. And they want this access everywhere. Work is becoming truly mobile.

When we started on this journey back in 2016, we wanted to create a one-stop shop solution provider that could let enterprises offer employees the opportunity to work on any device, whether a smartphone, tablet, or laptop - with a high degree of operational stability, simplicity and security. So, to make it easy for our customers to buy and deploy this solution, we embarked on our mission, and started building Techstep's one-stop shop "Mobile as a Service" (MaaS) solution, combining hardware, subscription & connectivity, mobile device management, managed services and related software in a single solution that our customers could subscribe to and deploy.

We also wanted to create a streamlined offering, which we would be able to deliver at scale, creating the business model scalability needed to take a leading market position in a growing market.

Since the start in 2016, we have acquired eight companies and established one, with 219 employees, hired technology and sales people, and established a growth platform in Norway and Sweden comprising more than 6,000 customers and around 620,000 end-users. We have established a clear position in the Nordics as the vendor of the digital workplace, and according to our customers, ahead of the competition. Initially we targeted larger enterprises, but as we scale up, we will also offer our services to medium-sizes and smaller businesses.

We spent a considerable time on M&A, integration, and service product development in 2017, and went from being a hardware re-seller to becoming a provider of business-critical solutions. During the fourth quarter, Techstep established a direct agreement with Telenor, vendors and key partners.

During a year of hard work to transform the organisation, solution sales increased. We managed to deliver 54% organic growth in solutions revenue from 2016 to 2017, up from NOK 132 million to NOK 203 million. At the start of 2017, our growth target was 27%. With solutions sales comprising only 22% of Techstep's total group revenue in 2017, we appreciate the growth opportunity this segment still represents.

EBIT for 2017 is not at the level we want it to be going forward. We have invested for growth during 2017, and the time and cost involved to successfully acquire companies and integrate the entities, people and customer offers. The feedback we get from our customers and partners is encouraging and we have achieved a strong market position, which we will leverage further in 2018.

Solutions sales are increasing above plan, and the underlying profitability trend is positive. Our operational cash flow is positive in the fourth quarter, and we have a strong balance sheet to support further growth.

Moving further into 2018, we expect our investments and efforts over the last six quarters to yield results. We continue to pursue our firm ambitions of revenue growth and profitability improvements on a solid base of customers and end-users in Norway and Sweden. Techstep is well-aligned to meet future demand".

Gaute Engbakk, CEO Techstep ASA

Board of Directors

Einar J. Greve – Chairman of the board

Mr. Greve has served on the Board in Techstep since November 2016. Mr. Greve works as a strategic advisor at Cipriano AS and has previously worked as partner of Wikborg Rein & Co and as Partner of Arctic Securities ASA. Mr. Greve has held and holds various positions as chairman or director in several listed and unlisted companies. He holds a degree in law (cand.jur) from the University of Oslo.

Kristian Lundkvist – Board member

Mr. Lundkvist has served on the Board of Techstep since November 2016. Mr. Lundkvist is the CEO and founder of Middelborg AS, a corporation with roots from the retail business in the telecom industry, which has grown into a diversified holding company including investments in real estate, equities, and shipping. Middelborg AS is a long-term industrial owner who actively participates in the value creation of the companies in the portfolio, especially business development, optimization of capital structures and networking. His directorships are including but not limited to NRC Group ASA (board member), Middelborg AS (chairman) and Folksom (board member).

Ingrid E. Leisner - Board member

Ms. Leisner has served on the Board in Techstep since January 2016. Ms. Leisner's directorships over the last five years include current board positions in Vistin Pharma ASA, Hunter Group ASA, Spectrum ASA, Maritime and Merchant ASA. Ms. Leisner has a background as a trader of different oil and gas products in her 15 years in Statoil ASA. Her years of experience and skills within business strategy, M&A, management consulting and change management has been very valuable when serving on the board of several companies listed on Oslo Børs. She holds a Bachelor of Business degree with honors from the University of Texas in Austin.

Camilla Magnus - Board member

Ms. Magnus has served on the Board of Techstep since November 2016. Ms. Magnus is a partner in Advokatfirma Selmer DA and heads the firm's Corporate and Finance Department. Her area of expertise includes M&A, contract law and corporate law. Ms. Magnus graduated with a law degree from University of Oslo in 1998. She regularly holds lectures and seminars on transaction related legal subjects for Norwegian and foreign lawyers, business community and students.

Stein Erik Moe - Board member

Mr. Moe has served on the Board of Techstep since November 2016. Mr. Moe is the CEO and co-founder of Gture AS, a digital services company. Mr. Moe has over 27 years of experience with Accenture, and was a global lead in the Technology, Media and Communication division. He has led large-scale projects and transformations, cross strategy, technology, organization and business processes. His directorships are including but not limited to Gture AS (Chairman), Gvalueinvest AS (Deputy Chairman), GoDigitalChina AS (board member) and Digitread AS (Board member). He holds a degree in Computer Science from the University of Strathclyde in Glasgow, and courses from BI Norwegian Business School.

Executive Management

Gaute Engbakk – CEO

Mr. Engbakk is an experienced change leader from working many years in Accenture with large international companies. In Accenture, he worked in a variety of markets and industries and built up a division within analytics and information management. Mr. Engbakk led Creuna AS, a significant Nordic player within digital solutions, branding and advertising during 2010-2014, and during 2014-2016 he was the CEO of Gambit Hill & Knowlton Strategies.

Mr. Engbakk has in-depth IT and communications experience from different verticals and disciplines within digital, big data and change management. Mr. Engbakk holds a Master of Science degree from NTNU and has supplementary courses within business and strategy from the London Business School.

Marius Drefvelin – CFO

Mr. Drefvelin was previously the Group CFO of Creuna, a leading Nordic technology and communications consultancy firm with 350 employees. He has been with Creuna since 2012. During 2010-2012, he was a financial advisor at Deloitte, working with mergers, acquisitions and IPOs. Before this, he worked at Jebsen Asset Management from 2007-2009. During 2001-2007, Mr. Drefvelin worked at KPMG, also working with transactions.

In addition to his experience with transactions, he has focused on identifying and executing on operational improvements during his time in Creuna. Mr. Drefvelin has a B.Sc. in Finance and a B.Sc. in Economics from the University of Utah, USA. Moreover, he is a Certified European Financial Analyst from the Norwegian School of Economics.

Inge Paulsen – Chief Operating Officer

Mr. Paulsen is an experienced executive manager with a proven track record from companies such as Clear Channel, Eltel Networks/Sønnico Tele, Infratek/Hafslund, Implement (formerly known as MarkUp Consulting) and Accenture.

Business development and change management combined with handling daily operations are Mr. Paulsen's core competencies. His broad experience comes from heading strategic business development projects in venture businesses or turnaround cases as well as holding various executive positions responsible for profit & loss.

Mr. Paulsen holds a MSc in Business Management (Siviløkonom) from Norwegian School of Economics and Business Administration (NHH). He is also graduated from The Royal Norwegian Air Force Academy.

Mads Vårdal – Chief Innovation Officer

Mr. Vårdal has been with companies within the Techstep sphere for more than eleven years. He came from a central position in Teki Solutions AS and has been a leading figure for the development of Smartworks. He has previously had a leading position in Nordialog Skøyen AS and CEO in Buskerud Tele AS.

Erik Haugen – Chief Commercial Officer

Mr Haugen is an international business professional, bringing with him broad commercial experience within finance, telecommunications, consumer electronics, the entertainment licencing industry, as well as IT.

Following his business administration studies at BI Norwegian Business School, Mr Haugen spent 12 years in London working with focus on sales, marketing and business management for companies like Pioneer and Sony Ericsson, before moving into international movie and music licensing, joining The Licensing Agency Ltd. in 2005.

Since returning to Norway in 2009, Mr Haugen first joined Norwegian Air Shuttle ASA to start up their mobile communications initiative. Subsequently he moved into finance and professional services sales at Lindorff AS (now Intrum) in 2011 where he has been responsible for strategic sales, key account management and business development for a large portfolio of clients within telecoms, utilities, trade, SME and public sector.

Jens Haviken – new CEO from 1 April 2018

Mr. Haviken joins Techstep from the position as VP of Services and Solutions at Dustin Group AB (publ). He has extensive experience within the IT sector and has held management positions in companies like Microsoft and Accenture.

Board of Directors Report

During 2017, Techstep has pursued its growth strategy through acquisitions and is building a solid foundation to take a leading market position in workplace digitalisation.

Business activities and strategy

Work is changing, and mobile devices are playing an increasingly important role in people's daily lives. Today about 60% of all Internet traffic derives from mobile devices, and people expect easy access to tools and services across devices. Techstep's strategy is to build on its background as a mobile-native company, to establish a leading Nordic enabler of the digital workplace.

A vital part of this growth strategy is to bundle hardware and value-adding software and services into one product, "Mobile as a Service" (MaaS), typically billed on a monthly basis (OPEX based). With the MaaS solution, enterprises can let employees do their work across mobile devices and locations, with a high degree of security and operational stability. Customers are also offered various combinations of mobile hardware and solutions, including subscription and connectivity packages, mobile device management, managed services and related software. Through a single point of contact, Techstep can deliver management of all devices at a lower cost, with quality and user experience.

Since the third quarter of 2016, Techstep has acquired eight companies and established one company, and has built a base of approximately 6,000 customers and 620,000 large-scale end-users across the private and public sectors in the Nordics. A number of these companies are major, Norwegian and Swedish companies, which have started to digitalise their work processes. Considerable time has been spent on transforming the company, integrating the acquired companies, and consolidating products and solutions.

Moving into 2018, Techstep is equipped to serve an expanding market for digital workplace and mobile solutions. With a solid customer base, new offerings, and sales and delivery capacity in place, investments made in 2017 are expected to generate revenue growth and improve profitability.

Key events in 2017

Techstep has stated the ambition to be a consolidator in the market for B2B mobility and communications solutions, and to form a leading Nordic enabler of the digital workplace. Growth, both organic and through acquisitions, is an integrated part of the group strategy. The company identified several opportunities for consolidation in 2017.

Acquisition of software company

In February, Techstep acquired the Norwegian software service company Mytos AS for NOK 120 million. Mytos contributed market-leading software and a cloud-based solution to help businesses control mobile expenses.

Acquisition of Norwegian hardware supplier

Techstep acquired the Norwegian hardware supplier Apro Tele og Data AS for NOK 15.5 million. Apro contributed complementary distribution of fixed network IP and mobile solutions with special expertise in the public sector.

Increased ownership share in additional Norwegian hardware suppliers

The remaining 21.84% of the shares in Teki Solutions AS and the remaining 50% ownership interest in Nordialog Asker were acquired, which secured Techstep full ownership of both companies. Included in the ownership of Teki Solutions, is the Norwegian hardware provider Nordialog Oslo and the Enterprise Mobility Management (EMM) company SmartWorks (now: Techstep Nordic).

Strengthening the balance sheet with equity growth capital

In connection with these transactions, and to finance future acquisitions and further growth, a successful, oversubscribed private offering of NOK 100 million was carried out.

Acquisition of Swedish enterprise mobility management specialist

In March, Techstep acquired the Swedish enterprise mobility management specialist InfraAdvice Sweden AB for SEK 18.5 million. InfraAdvice brought a complimentary customer portfolio of about 100,000 end-users from Swedish business customers and strengthened Techstep's delivery capability in Sweden.

Customer financing provider Techstep Finance created through joint venture

In April, Techstep established Techstep Finance, a joint venture with the experienced financing and operations partner Bridge Capital AS. Techstep Finance is a provider of financing products and a key service in Techstep's MaaS delivery.

Acquisition of Swedish hardware provider

In July, Techstep acquired the Swedish hardware provider BKE TeleCom AB for SEK 81 million (excluding contingent consideration). BKE is one of the leading providers of business telecommunication equipment and services in Sweden. BKE brought a solid and broad customer base, and strengthened Techstep's delivery capacity in Sweden, with a Swedish hardware, logistics and distribution platform that has been integrated into the MaaS concept. The BKE acquisition provided Techstep with a scalable setup to act as a cross-border one-stop shop.

Apple recognition

In August, Techstep was certified as "Apple Authorized Enterprise Reseller", which is Apple's new and highest partner accreditation for the B2B market, reserved for top-level collaboration partners. Techstep is one of very few companies in the Nordic region to obtain this Tier 1 authorisation.

Investment in Swedish Enterprise Mobility Management (EMM) service company

Techstep also acquired 51% of the Swedish Enterprise Mobility Management (EMM) service company Conneqted 365 AB for SEK 3.5 million. The agreement includes an option for Techstep to acquire the remaining 49% of the shares. Conneqted contributed Techstep a complementary EMM platform and offering, enabling Techstep to provide a one-stop shop in Sweden, and a pan-Nordic delivery model.

Core "Mobile as a Service" rollout

During the second half of 2017, Techstep's "Mobile as a Service" offering was introduced to the market and the first MaaS solutions were delivered to some of Techstep's customers.

Direct distributor agreement with Telenor

At the end of 2017, Techstep's subsidiary Nordialog Oslo entered into a distributor agreement with Telenor Norge AS, regarding the sale of Telenor business-to-business products in Norway. The agreement replaces a similar agreement, which Nordialog Oslo had previously had through its franchisor, Kjedehuset AS. The agreement enables Techstep to more directly control and optimise commission and bonuses from Telenor, which is likely to improve Techstep's operating margins going forward. The agreement is also the first step in an ongoing process, whereby Techstep is optimising its supply chain to take advantage of its increased size.

For further details about the various events, reference is made to the stock exchange releases published in 2017, which are available from www.techstepasa.no and www.newsweb.no.

Operational review

During 2017, Techstep has pursued its growth strategy to take the market position as a leading Nordic enabler of the digital workplace. The first half of 2017 was marked by comprehensive M&A activities to grow the company's market position and expand its customer base, followed by restructuring and transformation of the organisation and its operations. In the second half of 2017, focus was mainly on integration of the companies acquired and consolidation of customer offerings, with emphasis on the "Mobile as a Services" (MaaS) offering.

Strengthened organisation

In addition to establishing a solid platform for growth, Techstep has built a competent organisation with new team members and stronger sales teams and has established important group functions. During the year, the corporate management team was strengthened by the appointments of Inge Paulsen as Chief Operating Officer (COO) from May 2017 and Erik Haugen as Chief Commercial Officer (CCO) from October 2017. In November, Jens Haviken was appointed new CEO. Haviken, who has held the position as VP of Services and Solutions at Dustin Group AB, will assume his new position on 1 April 2018.

Strong sales activity

During 2017, Techstep has experienced increasing sales activity and contracts have been closed with both new and existing customers, including Skagerak Energi, Rema 1000, Meny, Avinor, DNB and Gjensidige. Many of the new contracts comprise up-sell on existing agreements.

Techstep has also increased its public tender activities, winning double digit of the tenders delivered, including Oslo Municipality, Sykehusinnkjøp, Sandefjord Municipality, Norwegian Nurses Organisation, the Norwegian Tax Administration and the Norwegian Armed Forces. These comprise material framework agreements won by Techstep's subsidiary Nordialog Oslo AS, through agreements with Kjedehuset, for the supply of hardware and related equipment and services.

Increased solutions sales and successful rollout of MaaS

To mitigate the continuing price pressure on hardware, Techstep will offer leasing, buyback and re-selling. The MaaS offering, which includes Mytos' asset management solution, was successfully introduced to the Norwegian and Swedish markets in the second half of 2017. Since the launch of the first MaaS pilot during summer 2017, Techstep has closed seven MaaS contracts at a total value of NOK 27 million, whereof NOK 17 million were realised by year-end. Organic growth in solutions sales was 54% in 2017, and the focus on selling solutions will continue in 2018.

Competitive offerings and optimising the supply chain

By focusing on strategic partnerships that provide access to premium technology products and solutions and combine these with products and solutions from Techstep's subsidiaries, the company can offer competitive mobile solutions. With the latest acquisitions in Sweden, Techstep has further enabled a scalable setup with pan-Nordic delivery opportunities, and related digitalisation and efficiency synergies. In addition, a process has been initiated to optimise the supply chain to take advantage of increased size. The first step in this process was the replacement of the distributor agreement with Kjedehuset with a direct agreement with Telenor.

Competence development

Techstep has made additional investments in sales competence and product developments, as well as in training of its sales teams to build competence about new products and solutions from the group's consolidated offerings.

Strong user-base growth

End-users are employees at Techstep's current customers, whose devices or solutions are delivered by one or more of Techstep's subsidiaries.

Techstep's consolidated end-user base increased to ~620,000 at the end of 2017, up from ~545,000 at the end of 2016, corresponding to year-over-year organic growth of 13.5%. At year-end 2016, the end-user base excluding acquisitions was ~230,000.

Subsequent events

Techstep has been awarded a frame agreement with Nordea, a Nordic region financial services group, for delivery of mobile phones, tablets and related equipment and services to the bank's employees in Norway and Denmark. The agreement has a potential three-year duration with annual renewal, and an estimated total value of NOK 90 million over three years.

Financial review

Profit and loss

Techstep reported total revenues of NOK 789.5 million for 2017, up from NOK 573.5 million. The increase is mainly related to acquisitions made during the period and increased solutions sales. Organic growth in solutions sales was 54%, but the growth in revenue is partly offset by reduced hardware sales and commissions.

Operating expenses for 2017 amounted to NOK 790.2 million, compared with NOK 577.9 million in 2016. EBITDA was negative NOK 0.7 million, compared with negative NOK 4.4 million in 2016. The improvement in EBITDA is mainly related to acquisitions and organic growth in solutions sales, while the gross margin is impacted by price pressure on hardware. EBITDA adjusted for non-recurring costs related to restructuring and transaction expenses amounted to NOK 25.6 million in 2017, compared with NOK 13.1 million in 2016.

The ordinary operating loss (EBIT) was NOK 23.1 million for 2017, compared with a loss of NOK 24.3 million in 2016.

Influenced by net financial expenses of NOK 23.0 million, mainly impacted by an impairment of financial assets related to Kjedehuset, the net loss for 2017 was NOK 47.7 million. For 2016, net financial expenses were NOK 5.1 million, and the net loss was NOK 44.7 million.

Cash flow

The net cash flow generated from operating activities was negative NOK 34.7 million, compared with NOK 30.9 million in 2016.

The net cash flow used for investment activities was NOK 87.1 million and is mainly related to the acquisitions made during the year. Net cash flow from investment activities in 2016 was positive with NOK 65.3 million, and is related to cash contributions from the acquisitions of Zono and Teki Solutions.

The net cash flow from financing activities was NOK 75 million and represents proceeds from the share issue, partly offset by repayment of debt. Net cash flow from financing activities in 2016 was NOK 28.3 million.

Cash and cash equivalents decreased by NOK 46.7 million in 2017, and at year-end 2017, Techstep's total cash and cash equivalents amounted to NOK 35.3 million.

Financial position

In 2017, Techstep issued 26,232,352 new shares in connection with the acquisitions made during the year. In addition, NOK 100 million was injected into the company through a private placement in February 2017, in which 17,543,860 new shares were issued.

As at 31 December 2017, Techstep ASA had total assets of NOK 765.5 million, compared with NOK 508.4 million at year-end 2016. A significant portion of these assets represents the company's goodwill from the subsidiaries' customer relationships. An impairment test was performed at the end of 2017, see Note 17. Shares and investments were reduced by NOK 25.6 million, primarily due to a change in fair value related to Kjedehuset (see Note 9 and 16 for details). Accounts receivable increased by NOK 73.4 million from year-end 2016, to NOK 156.7 million, mainly due to increased sales activities.

At year-end 2017, Techstep's total equity was NOK 450.1 million, corresponding to an equity ratio of 59%, compared with NOK 260.3 million and 51% one year earlier. Total liabilities increased by NOK 67.3 million from 2016, to NOK 315.4 million. Total non-current debt comprised NOK 56.3 million and includes a seller credit of NOK 15 million and an earn-out related to BKE's office building. Current interest-bearing liabilities amounted to NOK 67.6 million, and includes factoring debt of NOK 35 million, a drawn credit facility of NOK 21 million, and a term loan of NOK 11 million, due in August 2018.

Going concern

Based on the aforementioned comments about Techstep ASA's accounts, the Board of Directors confirms that the annual financial statements for 2017 have been prepared on the basis of a going concern assumption, and that this assumption has been made in accordance with Section 3-3a of the Norwegian Accounting Act.

Allocation of the profit/loss for the parent company Techstep ASA

A loss for the year 2017 of NOK 8.5 million was reported (loss of NOK 27.5 million). The Board proposes that the loss be covered by other reserves.

Financial risk and risk management

Techstep is exposed to various types of market-, operational- and financial risks. The Group's risk management aims to support value creation and ensure a continued, solid financial platform through transparent and strategic management of both financial and operational risk factors. The company's risk management is coordinated by the head office in cooperation with the Board of Directors, and is continuously monitored, so that appropriate action can be taken when required, to eliminate or mitigate any potentially negative impact on operational or financial performance.

In the short and intermediate term, Techstep's focus is on developing its business platform and maintaining ongoing, active operations, which secure the company's cash flow by reducing financial market exposure. Long-term financial investments have been made to generate long-term financial returns.

Techstep's revenues and operational activity levels are affected by its ability to retain current and attract new customers. The Group operates in highly competitive market segments, and the company's success depends on its ability to meet changing customer preferences, to anticipate and respond to technological changes, and develop effective and competitive relationships with its customers. With the ongoing consolidation of companies acquired, and the transformation of customers to solutions sales and MaaS, Techstep believes it is well positioned to retain and strengthen its market position going forward. The operational risk mainly relates to major projects, which are continuously reviewed by the corporate management.

Techstep's financial risk is primarily linked to credit risk, liquidity risk and market risk (currency risk and interest rate risk). The primary focus of the Group's capital structure is to ensure sufficient free liquidity, to ensure that the Group can service its obligations on an ongoing basis, and at the same time be able to make strategic acquisitions. The management is satisfied with the current development regarding liquidity and capital management.

The credit risk is related to customers not being able to settle their obligations as they mature. Techstep has a well-diversified customer portfolio, mainly comprising medium-sized and some larger companies in the private and public sectors. The company has established mitigating procedures including credit rating of major private customers, and the credit risk is considered satisfactory.

Techstep's liquidity risk is related to a mismatch between cash flows from operations and financial commitments. Historically, the Group's liquidity has been satisfactory. The consolidated cash flows from operations were negative in 2017 and relate mostly to one-off costs in connection with acquisitions made during the year. The Group's operations are subject to normal fluctuations that affect cash flows during the year.

Techstep's market risk is related to fluctuations in currencies and interest rates. As the Group's operations are conducted primarily in Norway and Sweden, the company is not materially affected by currency fluctuations other than between NOK and SEK. There is limited trade between Norway and Sweden, and the currency risk is generally considered to be low. Interest rate changes have only a marginal direct effect on consolidated operating income and cash flows from operating activities. The Group's interest rate risk is related to floating interest rates on bank accounts and deposits, in addition to floating rate debt in credit institutions. Techstep does not use any hedging instruments for currency or interest rate fluctuations.

For a more detailed description of the financial risk factors, reference is made to Note 18 and the information memorandum published in August 2017.

Transactions with related parties

In accordance with an agreement with Middelborg AS, a company controlled by board member Kristian Lundkvist, Techstep has been charged a consultancy fee for services provided by Middelborg in connection with M&A activities during the year. The total cost in 2017 amounts to NOK 1.3 million.

Techstep made an agreement with Gture AS, a company controlled by board member Stein Erik Moe, regarding certain consultancy services provided to Techstep and Nordialog Oslo AS in connection with development of a new e-commerce solution for Techstep. The estimated value of the contract is NOK 5 million.

There were no other transactions with related parties during the period. See Note 21 for further details.

Corporate governance

Techstep observes the Norwegian Code of Practice for Corporate Governance (NUES) of 30 October 2014. A statement about Techstep's corporate governance principles and practices is provided in a separate section of this annual report. In the company's own assessment, Techstep did not deviate from any sections of the Code of Practice at year-end 2017/2018.

Corporate social responsibility

Techstep aims to be a responsible company with respect for people, society, and the environment. The company plays a central role in workplace digitalisation, and its primary corporate responsibility is to help ensure that modern enterprises can digitalise their operations in a safe and efficient manner. In 2017, Techstep developed a CSR policy, committing the company to responsible business practices in the areas of human rights, labour, anti-corruption and the environment. A separate section of this annual report contains further details about Techstep's corporate social responsibility activities.

Shareholder information

At 31 December 2017, Techstep had 146.25 million shares outstanding, up from 102.47 million one year earlier, divided between 2,530 shareholders. The number of treasury shares amounted to 1,914. The nominal value per share was NOK 1.0.

The company's largest shareholder, Datum AS, held 21.76% of the shares, while the 20 largest shareholders held 83.4% of the shares outstanding.

During 2017, Techstep's share price fluctuated between NOK 3.19 and NOK 6.79 per share. The final price at year-end was NOK 3.35 per share, down from 6.19 per share one year earlier.

In total, 29.2 million shares were traded during the period, corresponding to 20% of the total number of shares outstanding. The average trading volume in 2017 was 130,424 shares per day.

No dividends were paid out for 2017.

For detailed shareholder information, see Note 23 in the consolidated financial statements for 2017.

Outlook

Techstep expects the market for B2B mobility services in Norway and Sweden to continue to grow in the years ahead, despite price pressure on mobile devices and related hardware. Increased demand for the digital workplace and mobile solutions is expected to be an important market driver.

Techstep continues to execute its strategy to become a leading Nordic enabler of the digital workplace, integrating acquired companies and developing its organisation and "Mobile as a Service" customer proposition. Investments made last year are expected to generate revenue growth and improved profitability in 2018.

Corporate Governance report

Techstep ASA's principles for good corporate governance establish the foundation for long-term value creation to the benefit of the owners, employees, other stakeholders and society, at large.

The principles should contribute to instilling trust and confidence in the company, render decision-making more effective, and improve communication between the management, the Board of Directors and the company's shareholders.

The principles cannot replace the ongoing work to promote a healthy corporate culture throughout the company, but should be considered in this context. Trust and confidence in Techstep is based on the existence of respect, responsibility and equality, both internally and externally.

Implementation and reporting on corporate governance

Listed on the Oslo Stock Exchange, Techstep is a Norwegian public limited company, which bases its corporate governance structure on Norwegian legislation and recommended guidelines.

The company observes the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014, and referred to in this document as "the Code of Practice". The Code of Practice is available on the website www.nues.no. Application of the Code of Practice is based on the "comply or explain" principle, which stipulates that any deviations from the code, should be explained.

The principles and implementation of corporate governance is subject to annual reviews and discussions by the company's Board of Directors. This chapter discusses Techstep's main corporate governance policies and practices and how Techstep has complied with the Code of Practice in the preceding year.

In the company's own assessment, Techstep did not deviate from any sections of the Code of Practice at year-end 2017/2018.

Corporate values, Code of Conduct and corporate social responsibility

During 2017, the Board of Directors and management of Techstep revised the company's procedures, guidelines and routines related to corporate governance. This included a clarification of ethical values and preparation of a Code of Conduct and policy for corporate social responsibility. These documents were adopted by the Board in the beginning of 2018, and will be implemented throughout the organisation during first half of 2018.

Business

Techstep is positioning to become a leading Nordic enabler of the digital workplace. The company's operations comply with the business objective set forth in its articles of association, section 3:

"The company's purpose is to engage in business operations within information and communication technology, and to develop and provide solutions and software related to the mobility, digitalisation and consultancy business and everything that belongs thereto, including owning shares and other securities in other companies."

The company has set clear goals and strategies which are further described in the annual report for 2017.

Equity and dividends

Techstep's total equity at 31 December 2017 was NOK 450.1 million, which corresponds to an equity ratio of 58.8 %. The Board of Directors considers the equity ratio to be satisfactory and in accordance with Techstep's risk profile, thus enabling the company to pursue its goals and strategy.

Techstep has not established a dividend policy, beyond a consensus that the company's goals and strategy are to increase shareholder value and contribute to an attractive market for the company's shares. Techstep has not paid dividends to date, and does not expect to pay a dividend in the coming years. Techstep's intention is to retain future earnings, if any, to finance operations and expand the business. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

Board mandates

At an extraordinary general meeting on 28 February 2017 and the annual general meeting on 27 April 2017, three authorisations were granted to the Board of Directors:

- Authorisation to increase the share capital by up to NOK 35 million, by issuing up to 35 million shares with a par value of NOK 1 per share. The authorisation covers both cash and non-cash considerations, including mergers. The par value and number of shares have been adjusted in connection with acquisitions made during the year. As of 31 December 2017, the remaining number of unused shares is 27,949,640.
- Authorisation to acquire treasury shares, limited to 10% of the share capital at the time of the authorisation. As of 31 December 2017, the authorisation has not been used.
- Authorisation to increase the company's share capital by a maximum of NOK 13.5 million, by issuing a maximum of 13.5 million shares in Techstep, with a par value of NOK 1 per share, in connection with the company's incentive plan for its employees and directors. As of 31 December 2017, a total of 8 million share options have been granted to key Techstep ASA employees under the existing authorisation.

All three authorisations are valid until Techstep's annual general meeting in 2018, and no later than 30 June 2018. There was a separate vote on each of the three authorisations. For supplementary information about the authorisations, reference is made to the minutes of the general meetings held on 28 February and 27 April 2017, respectively. These are available from www.techstepasa.no and www.newsweb.no.

Equal treatment of shareholders and transactions with related parties

Techstep ASA has one class of shares. All shares enjoy equal rights in the company, and the company's articles of association contain no restrictions on exercising voting rights. Treasury shares will be traded on the stock exchange or in accordance with guidelines from the Oslo Stock Exchange.

In the event of a capital increase based on authorisation from the general meeting, where the pre-emptive rights of shareholders are set aside, grounds will be provided in the stock exchange notice in which the capital increase is announced.

In 2017, to finance acquisitions and consolidate the company's growth capital, Techstep completed a private placement, where the pre-emptive rights of the shareholders were set aside. In addition, consideration shares were issued as settlement for the acquisitions of shares in Teki Solutions AS, Mytos AS, Apro Tele & Data AS, InfraAdvice Sweden AB, BKE Telecom AB and Conneqted 365 AB. For details, see stock exchange releases from 2017.

Techstep treats transactions with shareholders, board members, employees and other related parties with due care. To ensure that these transactions and situations are handled in the best possible manner, the Board of Directors urges transparency and the application of good judgment in any transaction where both the company and a board member or a party related to a board member may have interests.

For significant transactions with closely related parties, the company will use valuations and statements from an independent third party, if the transaction is not to be considered by the general meeting. In 2017, Techstep entered into two agreements with companies controlled by two of the company's board members. The agreements were entered into on market terms. For further information, refer to Note 21 "Related parties transactions" in the annual report for 2017.

Freely negotiable shares

The company's shares are freely negotiable on the Oslo Stock Exchange, and the company's articles of association do not place any restrictions on the negotiability of shares. Moreover, there are no restrictions on the purchase or sale of shares of stock by board members and persons in the company management, provided that the rules regarding insider trading are observed.

General meetings

The general meeting is the company's highest decision-making body. The general meeting is open to all shareholders, and Techstep encourages shareholders to participate and exercise their rights at the company's general meetings. In order to vote, the shareholder must be registered with the Norwegian Central Securities Depository (VPS) at the time of the general meeting.

Notices of general meetings shall be sent no later than 21 days prior to the date of the general meeting. According to the company's articles of association, there is no requirement to send documents up for consideration by the general meeting directly to the shareholders as long as the documents have been made available on the company's website. The same applies to documents that by law are required to be included in or attached to the notice of the general meeting. A shareholder may nonetheless request that relevant documents concerning business to be transacted at the general meeting be sent to him or her. The registration deadline will be set as close to the meeting as possible, and all the necessary registration information will be provided in the notice.

Shareholders who are unable to attend may vote by proxy. Whenever possible, the company will prepare a proxy form that permits separate votes for each item up for consideration by the general meeting.

The Chairman of the Board normally chairs the general meeting. In the event of disagreements about individual items, where the Chairman belongs to one of the factions or is for other reasons not regarded as impartial, another chairperson will be appointed to ensure impartial treatment of the items up for consideration at the meeting.

Minutes from the general meeting will be published in accordance with the stock exchange's rules and regulations, including the Oslo Stock Exchange's ongoing obligations to stock exchange listed companies.

In 2017, Techstep held its annual general meeting on 27 April, and one extraordinary general meeting was held on 28 February.

Nomination committee

Techstep's nomination committee consists of two members, elected pursuant to section 6 of the company's articles of association.

The duties of the nomination committee include nominating candidates for the Board of Directors and the nomination committee, as well as proposing the Board's remuneration. Grounds for nominations by the nomination committee shall be provided when nominees are presented to the general meeting. All shareholders are entitled to nominate candidates to the Board, and information about whom to contact to propose candidates can be found on the company's website, www.techstepasa.no.

The objectives, responsibilities and functions of the committee are further described in the "Instructions for the nomination committee", which will be presented to the general assembly at the annual general meeting in 2018 and will be submitted with the notice documents.

The current nomination committee was elected at the extraordinary general meeting on 4 November 2016, and consists of two members, Harald Arnet (Chair) and Ketil Skorstad, who were both elected for a period of two years. Both members are considered independent of the Board of Directors and the executive management. Remuneration of the members of the nomination committee is determined by the general meeting, based on the Board of Director's proposal.

Board of Directors, composition and independence

In accordance with article 5 of the articles of association, the company's Board of Directors shall consist of 3 - 7 members, elected by the general meeting. The Chairman of the Board is elected by the general meeting. As of 31 December 2017, the company's Board of Directors consists of five members, two of whom are women: Einar J. Greve (Chairman), Ingrid Leisner, Kristian Lundkvist, Stein Erik Moe and Camilla Magnus. All board members were elected at the annual general meeting on 27 April 2017. The term of office is two years, and the members may be re-elected.

The composition of the Board of Directors is based on broad representation of the company's shareholders, as well as the company's need for competence, capacity and balanced decisions. A summary of the competence and background of each individual board members is available on the company's website, www.techstepasa.no.

All board members are regarded as independent in relation to the company's day-to-day management, and in relation to important business associates. Four of the board members are regarded as independent of the company's principal shareholders: Einar J. Greve, Stein Erik Moe, Ingrid Leisner and Camilla Magnus. A summary of the shares of stock held in the company by each board member is available in Note 26 to the annual report for 2017.

The work of the Board of Directors

The Board of Directors has the ultimate responsibility for overseeing and supervising the company's management and operations. The work of the Board is based on the rules of procedure for the Board of Directors, adopted on 24 November 2016, which describe the responsibilities, duties and administrative procedures of the Board of Directors, and regulate the distribution of duties between the Chairman and CEO. The rules of procedure also regulate work related to the board committees, including the audit committee and the compensation committee.

The Board of Directors is responsible for determining the company’s overall goals and strategic direction, principles, risk management, and financial reporting. The Board of Directors is also responsible for ensuring that the company has competent management with a clear internal distribution of responsibilities, as well as for making an ongoing evaluation of the performance of the CEO. Rules of procedure for the CEO, clarifying duties, authorities and responsibilities, have also been prepared.

The Board of Directors meets as often as necessary to fulfil its duties, and at least seven times each financial year. The Board of Directors held 18 board meetings in 2017, and the meeting attendance was 95%

The Board of Directors undertakes an annual evaluation of its work and competence, which is reported to the nomination committee.

Board committees

The Board of Directors has appointed an audit committee, which main duties are to assess the company’s financial reporting and systems for internal control, follow up and evaluate the auditor, ensure that the auditor is independent, and assist the nomination committee with a proposal for the election and remuneration of the auditor. As of 31 December 2017, the audit committee consisted of two board members, Ingrid Leisner and Camilla Magnus, both of whom are regarded as independent of the company.

The Board of Directors has also appointed a compensation committee, which is to assist the Board of Directors with tasks related to the evaluation and determination of remuneration for the CEO, as well as the formulation of a policy for the remuneration of executive personnel. As of 31 December 2017, the compensation committee consisted of two board members, the Chairman Einar J. Greve and Kristian Lundkvist.

Risk management and internal control

The Board of Directors of Techstep is responsible for ensuring that the company has good risk management and internal control in accordance with the regulations that apply to its business activities.

The company’s systems and procedures connected to risk management and internal control shall ensure efficient operations, timely and correct financial reporting, and compliance with the laws and regulations to which the company is subject. Specific goals for the company’s internal control are prepared, and revised annually by Techstep’s corporate management. In addition, the audit committee has an annual meeting with the auditor, during which the company’s internal control routines are reviewed and evaluated.

Techstep’s accounts are prepared in accordance with the international accounting standard IFRS, which aims to provide a true and fair overview of the company’s assets, financial obligations, financial position and operating profit. The Board of Directors receives monthly reports from the management on developments and results related to strategy, finance, KPIs, risk management, projects, challenges and plans for upcoming periods. In addition, quarterly reports are prepared in accordance with the listing requirements of the Oslo Stock Exchange, and they are reviewed by the audit committee prior to the respective board meetings and subsequent publication.

The board has adopted an insider manual with ancillary documents. The insider manual is intended to ensure that, e.g. trading in the company’s shares by board members, executives and/or employees, including close relations to the aforementioned, is conducted in accordance with applicable laws and regulations.

During 2017, Techstep's Board of Directors and management have revised the guidelines, procedures and routines for corporate governance, in alignment with the new Group structure. As part of this process, the company's insider manual with supplementary documents was updated, including policies and routines for retrieving and disclosing information related to Group operations. Furthermore, the company has prepared a code of conduct and policy for corporate social responsibility, which will be implemented in the organisation during the first half of 2018.

For information related to the company's identified risk and risk management, reference is made to the Board of Directors' Report and Note 18 to the accounts in the annual report for 2017.

Remuneration of the Board of Directors

Remuneration of board members is stipulated annually by the annual general meeting based on the nomination committee's recommendation. The remuneration reflects the Board of Directors' responsibilities, competence, time involved, and the complexity of the business.

The remuneration of the Board of Directors is not performance-based and does not contain option elements. Members of the audit committee is compensated separately. The company does not provide loans to board members. Detailed information about the remuneration of the Board of Directors can be found in Note 26 to the accounts in the annual report for 2017.

Remuneration of executive personnel

The main principle of Techstep's executive remuneration policy is that the remuneration should be competitive and provide motivation in order to attract and retain individuals with the required competence. The executive remuneration consists of a fixed salary and a variable part, linked to the company's and the individual's achievement. Performance-related remuneration is subject to an absolute limit of 50% of the fixed salary. In 2017, the Board of Directors approved an additional share option programme for executive management. The program is linked to value creation to the benefit of shareholders over time.

The executive remuneration guidelines are described in Note 26 to the financial accounts in the 2017 annual report. The guidelines have been presented to, and were adopted by, the general meeting.

Information and communications

Techstep seeks to adhere to the Oslo Stock Exchange's IR recommendation, last revised 1 March 2017. The company prioritises communication with shareholders, investors and analysts in order to build trust and credibility, and support access to capital and a fair valuation of the company's shares. The Board of Directors seeks to provide accurate, clear, relevant and up-to-date information to the market, while ensuring equal treatment. All information is primarily provided in English, and is distributed to the company's shareholders through the Oslo Stock Exchange and www.newsweb.no, and the company's website www.techstepasa.no.

The CEO and the Chairman are responsible for investor and shareholder relations. The CEO shall focus on the day-to-day communication with investors and shareholders, while the Chairman shall focus on the shareholders' expectations related to the company's strategic direction and risk preparedness, as well as issues that require resolution by the general meeting. In 2017, the Board revised and adopted updated instructions pertaining to handling of inside information and disclosure of information, where the company's disclosure obligations and procedures are explained.

Techstep provides interim reports in accordance with the Oslo Stock Exchange's recommendation. The interim results are published within 60 days after the end of the quarter. The complete annual financial statements, including the Board of Directors' Report, are made available no later than three weeks prior to the annual general meeting, and no later than the end of April every year.

Techstep gives presentations in connection with the company's interim reports. The presentations are open to the public and provide an overview of the operational and financial developments for the preceding quarter, in addition to an overview of the market outlook and the company's prospects. The presentations are made available on the company's website, www.techstepasa.no.

Before year end, Techstep publishes a financial calendar for the upcoming year, with the dates for the publication of the company's interim results, as well as the date of the annual general meeting. The calendar is made available on the company's website, www.techstepasa.no, and on the Oslo Stock Exchange's news channel, www.newsweb.no..

Takeovers

The company's articles of association contain no defence mechanisms against take-over bids, nor have other measures been implemented to specifically hinder acquisitions of shares in the company.

In the event of a takeover process, the Board of Directors and the executive management will ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. The Board of Directors has a special responsibility to ensure that the shareholders have sufficient information and time to assess the offer.

In addition to complying with relevant legislation and regulations, the Board of Directors will seek to comply with the recommendations in the Code of Practice if the situation so permits. The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. The main principles include that the Board shall not hinder or obstruct any takeover bid; give shareholders or others unreasonable advantages, or protect their personal interests, at the expense of others; and protect the shareholders' values and interests.

If deemed necessary, the Board will also ensure a valuation from an independent third-party. On this basis, the Board of Directors will make a recommendation as to whether the shareholders should accept the bid.

Auditor

The company's auditor, BDO AS, was appointed by the annual general meeting, and is regarded as independent in relation to Techstep ASA. The Board of Directors receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The auditor prepares an annual plan for the implementation of the audit, which is made known to the audit committee and the Board of Directors. The Board of Directors meets with the auditor annually, in conjunction with the approval of the annual report. This meeting includes an opportunity for a review with the auditor, without the presence of the company's day-to-day management.

In 2017, separate guidelines were prepared for use of the auditor for services other than auditing. As a guiding principle, the company's auditor cannot be contracted if the service rendered can be considered to compromise auditor's independence in the eyes of an outside party.

The Board of Directors discloses the amount of remuneration to be paid to the auditor, distributed between auditing and other services, to the annual general meeting, which makes the final decision to approve the auditor's remuneration. The auditor is present at the annual general meeting.

Corporate social responsibility report

As a Nordic enabler of workplace digitalisation, Techstep has not only an opportunity, but also a responsibility to help modern enterprises achieve safe and efficient digitalisation of their business operations, and contribute towards sustainable economic, social and environmental development.

Principles and guidelines

At the end of 2017, Techstep established a corporate social responsibility (CSR) policy, with the intent to raise awareness and commit the company to responsible business practices in the areas of human rights, labour, anti-corruption, and the environment. In addition, a Code of Conduct was developed, to specify the main business principles that apply when people work together within the Group or with external parties. The Code of Conduct is intended to guide daily business activities and be integrated into critical processes, practices, activities, and decision making across the Group. The CSR policy and Code of Conduct apply to all employees and persons associated with Techstep, and will be deployed throughout the organisation during first half of 2018.

Employees and working environment

Techstep is committed to providing a good, safe and nurturing working environment, promoting employees' health and work-life balance above and beyond the minimum requirements specified by law. By acting responsibly in all aspects of its business, the company supports internationally recognised human rights and labour standards, as defined by the International Labour Organization's (ILO) fundamental conventions and the UN Declaration of Human Rights.

Techstep promotes a productive and inclusive working environment, free from harassment, discrimination, and disrespectful behaviour. All employees are entitled to equal opportunities, regardless of gender, age, religion, sexual orientation, ethnicity, nationality, or social background. The average work hours and remuneration are the same for women and men in the Group. At 31 December 2017, Techstep had 219 employees (121) in Norway and Sweden, of which 40 (19) were women. There are no women in the top management. Two of the company's five board members are women. The total workforce increased by 94 employees in 2017, reflecting the acquisitions made during the year and the strengthening of sales teams and group functions.

All employees are entitled to competitive remuneration, reflecting their education, experience and professional qualifications. Employees are further provided opportunities for professional development and competence building.

The company targets an absence due to illness rate at or below 2%. In 2017, absence due to illness was 2.5% of the total work hours in the Group (2.3%), which is considered a normal level, without any work-related illnesses. No occupational injuries or fatal incidents were reported during the year (0). In 2018, Techstep will continue developing its company culture and will pay more attention to the individual employee's development, including personal development conversations and improved workplace ergonomics. The customer centre, where work is largely sedentary, has installed Active Stand to prevent back problems among employees.

Business ethics and anti-corruption

Techstep is committed to conducting its business in an honest and ethical manner, to build trust and confidence with its stakeholders as well as a strong corporate culture. The company takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly, and with integrity.

During 2017, the company's insider manuals and supporting documents were updated and communicated to all employees. In addition, a Code of Conduct was developed, to specify the main business principles that apply when people work together in the Group, or with external parties. The Code of Conduct is meant to guide daily business activities and be integrated into critical processes, practices, activities and decision making across the Group. Concurrently, a whistleblowing policy and related routines, including an anonymous whistle-blower channel, was established. The Code of Conduct applies to all employees and persons associated with Techstep, and will be deployed throughout the organisation together with the whistleblowing routines during first half of 2018.

Techstep further promotes responsible sourcing and expects all suppliers to comply with the company's ethical trade policy, which is built on central UN and ILO principles and conventions. Most of the suppliers are also members of the Responsible Business Alliance (former EICC), which commits them to support the rights and wellbeing of workers and communities worldwide that are affected by the global electronics supply chain.

The environment

Techstep seeks to minimise its environmental impact by conducting its business operations in a responsible manner, i.e. by recovering or recycling used IT products and waste, and by seeking more efficient and environmentally-friendly alternatives for sourcing, packaging and transportation of goods. Techstep shall also comply with environmental laws and other applicable requirements.

Mobile hardware sold by Techstep is developed and manufactured by international technology companies. Today, the average life span is around two years for mobile phones and three years for tablets and laptops, and the current high electronic consumption has a correspondingly high environmental impact. Techstep therefore focuses on helping increase the life span of mobile units by giving used smartphones, tablets and laptops second life through resale or recycling. Through close cooperation with certified partners, each unit is securely wiped for personal data and then assessed with regards to how salvageable the device is. If possible, the unit is repaired and sold in a secondary market. The remaining equipment is recycled in a secure and environmental friendly way. All Techstep partners related to the resale or recycling are certified in accordance with ISO 9001, 14001 and complies with the Waste Electrical and Electronic Equipment (WEEE) Directive.

In 2017, Techstep and its subsidiary Nordialog were certified as Eco-lighthouse, Norway's most widely used environmental management certification. Through easily-implemented, concrete, relevant and profitable measures, enterprises can improve their environmental performance, control their environmental impact, and prove their dedication to corporate responsibility. Eco-lighthouse certification ensures that Techstep is in full compliance with the Internal Control Regulations and relevant environmental regulations.

Through Eco-lighthouse certification, Techstep has made a commitment to responsible use of resources and to minimising its environmental impact. Key targets for the years to come include 5% reduction of total energy use, and 100% recycling and waste reduction. Travel and non-environmentally friendly modes of transport shall be based on an assessment of necessity, and the use of alternative forms of meetings, such as video conferences, is prioritised.

Responsibility statement

Oslo, 4 April 2018

From the Board of Directors and CEO of Techstep ASA

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017, the comparative figures presented for the period 1 January to 31 December 2016 and the opening balance 1 January 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Einar J. Greve
Chairman

Kristian Lundkvist
Board member

Ingrid Leisner
Board member

Camilla Magnus
Board member

Stein Erik Moe
Board member

Gaute Engbakk
CEO

Consolidated income statement

(amounts in NOK 1 000)	Note	2017	2016
Revenue		786 242	570 526
Other revenue		3 231	2 972
Total revenue	2	**789 473**	**573 498**
Cost of goods sold		(559 656)	(405 210)
Salaries and personnel costs	3, 26	(144 943)	(104 041)
Other operational costs	4, 25	(59 451)	(51 169)
Share of profit (loss) in joint ventures		223	-
Depreciation		(1 390)	(903)
Amortisation	8	(21 022)	(18 984)
Other expenses	5	(26 381)	(17 511)
Operating profit (loss)		**(23 147)**	**(24 319)**
Technical loss		**-**	(21 217)
Remeasurement on equity interests	20	(5 356)	-
Financial income	6	6 211	852
Financial expense	6	(29 230)	(5 967)
Profit before taxes		**(51 523)**	**(50 654)**
Income taxes	7	3 846	5 954
Net income		**(47 677)**	**(44 700)**
Net income attributable to			
Non-controlling interests	24	95	(4 245)
Shareholders of Techstep ASA		(47 773)	(40 455)
Earnings per share in NOK:			
Basic	22	(0.35)	(0.65)
Dilluted	22	(0.35)	(0.65)

Consolidated statement of comprehensive income

(amounts in NOK 1 000)	**2017**	**2016**
Net income	**(47 677)**	**(44 700)**
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations	487	-
Comprehensive income	(47 190)	(44 700)
Comprehensive income attributable to		
Non-controlling interests	95	(4 245)
Shareholders of Techstep ASA	(47 285)	(40 455)

Consolidated statement of financial position

ASSETS	Note	31.12.2017	31.12.2016
Non-current assets			
Deferred tax asset	7	-	857
Goodwill	8, 16, 17, 20	436 515	253 378
Customer relations and technology	8, 16, 17, 20	77 385	18 116
Sum intangible assets		**513 900**	**272 350**
Property, plant and equipment		9 115	3 159
Sum tangible assets		**9 115**	**3 159**
Associated companies	20	616	13 349
Shares and investments	9, 16	8 877	27 973
Other non-current assets		1 547	506
Sum financial assets		**11 040**	**41 829**
Total non-current assets		**534 056**	**317 338**
Inventories	10	20 715	9 526
Trade receivables	11	156 663	83 250
Other receivables	11	18 766	16 603
Total inventories and receivables		**196 143**	**109 379**
Cash and cash equivalents	12	35 278	81 692
Total current assets		**231 421**	**191 071**
Total assets		**765 477**	**508 409**

EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
Share capital	23	146 252	102 476
Other equity		303 488	132 631
Total equity attributable to the owners of Techstep ASA		**449 740**	**235 107**
Non-controlling interests	24	370	25 187
Total equity		**450 110**	**260 294**
Deferred tax	7	10 428	-
Non-current interest-bearing borrowings	13, 20	23 551	12 656
Other non-current debt	14, 20	22 277	-
Total non-current liabilites		**56 256**	**12 656**
Current interest-bearing borrowings	13	67 604	113 721
Trade payables	15	116 765	62 050
Tax payable	7	4 586	9 338
Public duties	15	19 657	14 007
Other current liabilities	15	50 498	36 342
Total current liabilites		**259 110**	**235 458**
Total liabilities		**315 367**	**248 114**
Total equity and liabilities		**765 477**	**508 409**

Oslo, 4 April 2018, from the Board of Directors and the CEO of Techstep ASA, signatures on the following page:

Einar J. Greve Chairman	**Kristian Lundkvist** Board member
Ingrid Leisner Board member	**Camilla Magnus** Board member
Stein Erik Moe Board member	**Gaute Engbakk** CEO

Statement of changes in equity

(amounts in NOK 1 000)	Share capital	Other paid-in capital	Other equity	Sum	Minority interest	Total equity
Equity at 1 January 2016	**244**	**197 607**	**(155 526)**	**42 326**	**-**	**42 326**
Other, errors prev. years*			(9 264)	(9 264)		(9 264)
Restated equity at 1 January 2016	**244**	**197 607**	**(164 790)**	**33 062**	**-**	**33 062**
Ordinary result 2016			(40 455)	(40 455)	(4 245)	(44 700)
Comprehensive result 2016			-	-		-
New issued share capital	102 231	86 095	56 201	244 527	29 433	273 960
Other			(2 027)	(2 027)		(2 027)
Equity at 31 December 2016	**102 476**	**283 702**	**(151 072)**	**235 107**	**25 187**	**260 294**
Equity at 1 January 2017	**102 476**	**283 702**	**(151 072)**	**235 107**	**25 187**	**260 294**
Profit for the period			(47 773)	(47 773)	95	(47 677)
Other comprehensive income			487	487	-	487
Total comprehensive income for the period	**-**	**-**	**(47 285)**	**(47 285)**	**95**	**(47 190)**
Transactions with owners in their capasity as owners:						
Contributions of equity net of transaction costs	17 544	78 656	-	96 200	-	96 200
Share-based payments			3 365	3 365		3 365
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	26 232	110 934	25 187	162 354	(25 187)	137 166
Non-controlling interests on acquisition of subsidiary				-	274	274
Equity at 31 December 2017	**146 252**	**473 292**	**(169 805)**	**449 740**	**369**	**450 110**

* Tax expense for the subsidiary NetConnect regarding 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 flows

(amounts in NOK 1 000)	Note	2017	2016
Profit before tax		(51 523)	(50 654)
Other comprehensive income		487	-
Share-based payments	26	3 365	-
Profit from joint venture		(223)	(157)
Depreciation and amortisation	8	22 413	19 887
Unrealised changes in fair value of shares and investments	9	25 647	-
Technical loss	20	-	21 217
Remeasurement on equity interest	20	5 356	-
Taxes paid		(5 835)	(4 224)
Changes in net operation working capital		(34 358)	(16 940)
Net cash flow from operational activities		**(34 671)**	**(30 871)**
Payment for acquistion of subsidiaries net of cash acquired	20	(83 581)	65 306
Payment for acquistion of equity in joint ventures		(500)	-
Payment for other financial assets		(89)	424
Payment for property plant and equipment and other intangible assets	8	(2 896)	(410)
Net cash used on investment activities		**(87 066)**	**65 320**
Proceeds from issuance of shares	23	95 000	-
Repayment of borrowings	13	(20 000)	(43 750)
Proceeds from borrowings		-	72 011
Net cash flow from financing activities		**75 000**	**28 261**
Net change in cash and cash equivalents		**(46 738)**	**62 710**
Cash and cash equivalents at 1 January	12	81 692	18 982
Effects of exchange rate changes on cash and cash equivalents		324	-
Cash and cash equivalents at 31 December	**12**	**35 278**	**81 692**

Notes to the Group accounts

Note 1. General information and summary of significant accounting policies

Techstep ASA (the Company or Company) is a public limited liability company domiciled in Norway. The address of its registered office is Brynsveien 3, NO-0667 Oslo. The shares are listed on the Oslo Stock Exchange under the ticker TECH. The Techstep Group (Group) consists of Techstep ASA and its subsidiaries.

Techstep Group is a Nordic enabler of the mobile workplace, delivering a full range of hardware and services to facilitate a mobile workplace.

The financial statements were approved by the Board of Directors on 22 March 2018 and will be presented for approval by the Annual General Meeting on 26 April 2018.

Rounding differences may occur in summations and between the notes and the financial statements.

1.1 Basis for preparation

The consolidated accounts cover the period from 1 January 2017 to 31 December 2017 and have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements have been prepared on a historical costs basis.

1.2 Functional and presentation currency

The Group presents its accounts in Norwegian Kroner (NOK), which is also Techstep ASA's functional currency.

The figures presented in the annual accounts are in thousand NOK unless otherwise stated.

1.3 Consolidation principles and subsidiaries

i) Subsidiaries

The consolidated financial statements incorporate the financial statements of Techstep ASA (the Company) and entities controlled by the Company (its subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Income and expenses of Group subsidiaries acquired or disposed of during the year, are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity, and balance sheet, respectively.

ii) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Techstep has invested in one joint venture, Techstep Finance AS.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. Thereafter the balance sheet value is adjusted with the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

1.4 Transactions in foreign currencies

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in NOK, which is Techstep ASA's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in the consolidated income statement

Foreign exchange gains and losses are presented in the consolidated income statement, as financial expenses.

iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for the consolidated income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.5 Revenue recognition and related costs

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for hardware, licences or services supplied, stated net of discounts and value-added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; that is, when it is probable that future economic benefits will flow to the entity.

i) Sale of hardware

Revenue from the sale of hardware is recognised when a group entity sells a product to the customer.

ii) commission and bonus

Sale of certain items of hardware triggers a right to a commission or bonus from suppliers and partners. The commission or bonus is recognised when the group entity sells the product to a customer that triggers the commission or bonus.

iii) Sale of services

Support & Maintenance is recognised as revenue as the service is rendered, and any payment received for future periods is recorded on the balance sheet as a liability (Deferred Revenue/Advance Payment).

iv) Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided 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 joint ventures and other equity investments when it is reasonably certain that it will be received.

1.6 Other expenses

Other expenses of a special nature are presented in the separate line item Other expenses within the income statement. Such items will be characterised by not being reliable indicators of underlying operations. Other expenses will include items such as restructuring costs related to executive management and acquisition-related costs. Acquisition-related costs may include both costs related to acquisitions closed and transactions that were not completed.

1.7 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 expensed as incurred.

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

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes
- Liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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 the consolidated income statement as a bargain purchase gain.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, i.e. the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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.

Changes in fair value of contingent consideration not classified as equity that does not qualify as a measurement period adjustment, is remeasured at subsequent reporting dates. The corresponding gain or loss is recognised in the consolidated income statement.

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 the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in other comprehensive income, are reclassified to the consolidated income statement where such treatment would be appropriate.

1.8 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 is reviewed at the end of each reporting period, with the effect of any changes on estimates 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.

The costs of intangible assets acquired through acquisitions are recorded at fair value as of the date of acquisition.

Software expenses related to the purchase of new computer programmes are recorded as an intangible asset if these expenses are not part of hardware acquisition costs. Expenses incurred due to updates and general maintenance of the software, are expensed, unless the changes in the software increase the future economic benefits from the software.

1.9 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

The cost of the asset less its residual value, is depreciated on a straight-line basis over the estimated useful life of the asset The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

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 that arises 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 the income statement.

1.10 Impairment of intangible assets and property, plant and equipment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.11 Shares and investments

Investments in equity interests with ownership less than 20 % are classified as shares and investments. At initial recognition, the Group measures shares and investments it its fair value. All shares and investments held by the Group are classified as financial assets at fair value through profit and loss. Gains or losses arising from changes in the fair value are recognised either as a financial income or financial expense, as appropriate.

1.12 Inventories

Inventories are valued at the lower of cost or net realisable value for products that will be sold as a separate item. Inventories that will be sold as part of a transaction with several items, and where the transaction as a whole is expected to earn net income, are not considered as an indicator of write-down for single units of goods, even though the allocated sales price in the transaction is lower than the cost. Cost is determined using the FIFO or weighted average method, depending on the nature of the inventories. The Group companies do not combine or alter inventory to a material extent.

1.13 Trade receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provisions for losses are recognised when there are objective indicators that the Group will not receive settlement in accordance with the original terms. Provisions 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.

1.14 Cash and cash equivalents

Cash and cash equivalents in the balance sheet, and for the purpose of presentation in the statement of cash flows, comprise cash, bank deposits, and revolving credit facilities. The revolving credit facilities are presented in the balance sheet under short-term debt.

1.15 Income tax

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

i) Tax payable

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

ii) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period, and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively

1.16 Equity

The nominal value of holdings of own shares is reported in the balance sheet, as a deduction to other equity.

Transaction costs in relation to equity transactions are charged to equity after deducting tax.

Treasury shares are presented as reduction of equity.

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 employee 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 may reduce future contributions.

1.18 Share-based payments

Share-based payments are part of the remuneration to executive management and other key personnel.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which the vesting conditions are to be satisfied. At the end of each period, the estimate of the number of options that are expected to vest based on the non-market vesting and service conditions is revised. The revision, if any, to the original estimates, are recognized in the income statement, with a corresponding adjustment to equity.

Social security tax is provided for at each balance sheet date based on the underlying value of the options.

1.19 Financial instruments

The Group initially recognises loans, receivables and deposits on the date that originate. All other financial assets and financial liabilities (including financial assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

As for 2016 and 2017 the Group has classified, at initial recognition, its financial instruments in one of the following categories:

- Financial assets or financial liabilities at fair value through profit or loss,
- Loans and receivables,
- Other financial liabilities.

The classification depends on the purpose for which the financial instruments were acquired.

- Financial assets or financial liabilities at fair value through profit or loss are financial assets held for trading and acquired primarily with a view of selling in the near term. This category is included in the balance sheet item Shares and investments.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The category is included in the balance sheet items Other non-current assets, Accounts receivable, other receivables and Cash and cash equivalents. Loans and receivables are recognised initially at fair value plus directly attributable transaction costs. Subsequently, if the Loan and receivable is non-current it is measured at amortised cost using the effective interest method, reduced by any impairment loss. The carrying amounts of line items classified as current are assumed to be the same as their fair values, due to their short-term nature. Short-term loans and receivables are for practical reasons not amortised.

- Financial liabilities not included in any of the above categories are classified as other financial liabilities. The category other financial liabilities is included in the balance sheet items Non-current interest-bearing debt, Other non-current debt, Current interest-bearing debt, Public duties, tax payable and Other current liabilities. Items in the category Other financial liabilities are recognised initially at fair value. Subsequently, if non-current, other financial liabilities are measured at amortised cost using the effective interest method. Effective interest is recognised in the income statement as financial expenses. current items in the category are for practical reasons not amortised.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Any rights and obligations created or retained in such a transfer are recognised separately as assets or liabilities. The Group assesses quarterly whether there is objective evidence that a financial asset or group of financial assets is impaired.

For trade and other receivables, default in payments, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or debt settlement negotiations are considered to be indicators that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the trade receivables is reduced through the use of an allowance account, and the loss is recognised as other operating expenses in the income statement, while impairment of other financial assets are recognised as financial expenses.

Fair value of financial instruments is based on quoted prices at the balance sheet date in an active market if such markets exist. If an active market does not exist, fair value is established by using valuation techniques that are expected to provide a reliable estimate of the fair value. The fair value of unlisted securities is based on cash flows discounted using an applicable risk-free market interest rate and a risk premium specific to the unlisted securities.

Financial assets and liabilities measured at fair value are classified according to valuation method:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Valuation based on inputs for the asset or liability that are unobservable market data.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. Changes in fair value recognised in other comprehensive income is recognised in the line item Exchange differences on translating foreign operations. Changes in fair value recognised in profit or loss are presented in the line item Financial expenses and Other income and expenses.

1.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

1.21 Accounts payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts comprise both secured factoring debt and unsecured payables and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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, and considers 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 Cash flow statement

The cash flow statement is presented using the indirect method. The Group's activities are divided into operational, financing and investment activities. Investment in new business is classified as payment for acquisition of subsidiaries, net of cash acquired in the cash flow statement.

1.24 Segment information

The division into operating segments corresponds to the management structure and the internal reporting to the Group's chief operating decision maker (CODM), defined as the CEO. Companies are allocated to a segment based on the main type of operations in the company.

1.25 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.

The Group hasve not classified any leases as financial in 2017.

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.

1.26 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 changing. Estimates and underlying assumptions are assessed continuously. Changes in accounting estimates are recognised in the period when the change occurs.

1.27 Earnings per share

i) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

ii) diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share, to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and;
- the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

As at year-end 2017, the Group has options outstanding that are out of the money. Basic earnings per share and diluted earnings per share are therefore equal.

1.28 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 relevant new standards issued by the IASB:

- IFRS 9 Financial instruments: Classifications and measurement. Effective for annual periods beginning on or after 1 January 2018

Management’s assessment is that IFRS 9 will have no material impact on the financial statements given the Group’s current business operations.

- IFRS 15 Revenue recognition. Mandatory effect from 1 January 2018

Management’s assessment is that IFRS 15 will have some impact on the Group’s accounting. IFRS 15 requires the company to allocate revenue to all performance obligations in a contract. Previously, revenue has not been allocated to the delivery of performance obligations defined as “free of charge” in contracts. This implies a change in the timing of when revenue is recognised. Compared to the principle used in 2017, revenue is assumed to be accounted for at an earlier stage under the new rules, due to allocation of revenue to the delivery of performance obligations which, under the old standard, did not result in recognition of revenue. At the current level of trading, the change is assumed to be immaterial for Group purposes.

- IFRS 16 Leases. Mandatory effect from 1 January 2019

The new IFRS 16 eliminates the divide between operational and financial leasing and introduces a single lessee accounting model. When the new model is applied, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. For the Group, this implies that current operating leases that satisfy the criteria will be recognised with assets and liabilities.

The Group currently assesses that rented premises and leased cars will be the main elements. As per year-end 2017, an implementation of the standard would entail presentation of an asset (right of usage) and corresponding debt amounting to approximately NOK 21,7 million. The change will have a significant positive impact on EBITDA in the Group's consolidated income statement amounting to approximately NOK 8,5 million in 2018 had the Group chosen to be an early adaptor of the standard. The cost would be represented as amortisation on the right to use offices and interest costs related to the debt. Total charges to the income statement are assumed to be equal to previous years.

Note 2. Segments

The Group's operations at 31 December 2017 are divided into two segments; Hardware which includes all sales of terminals and accessories and Solutions which is comprise sales of business solutions, service and support. Other companies are included in the segment Headquarters.

The Hardware segment comprises Nordialog Oslo AS, Apro Tele & Data AS and BKE Telecom AB.
The Solutions segment comprises Techstep Nordic AS, Mytos AS, Techstep InfraAdvice AB and Conneqted 365 AB.
The Headquarter and other segment comprises Techstep ASA, Teki Solutions, Netconnect AS, Mytos IPR AS and Techstep Holding AB.

Some of the solutions sale is routed through the primary sales channels, the hardware distribution companies Nordialog Oslo, Apro and BKE, and these companies therefore do not represent Hardware earnings only. Internal sales are eliminated in the Group accounts. Eliminations of transactions between segments are presented in the column Eliminations.

Operating revenues and profit (loss) by operating segment
(amounts in NOK 1 000)

2017	Hardware	Solutions	Head-quarter and other	Eliminations	Total
Operating revenues from external customers	**707 712**	**80 440**	**1 320**	**-**	**789 473**
Operating revenues from other segments	1 698	32 060	10 926	(44 684)	-
Operating revenues	**709 410**	**112 501**	**12 246**	**(44 684)**	**789 473**
Cost of goods sold	(551 201)	(42 208)	-	33 753	(559 656)
Salaries and personnel costs	(78 333)	(45 987)	(20 623)	-	(144 943)
Other operational costs	(41 491)	(15 052)	(13 833)	10 926	(59 451)
Share of profit (loss) of joint venture	107	-	116	-	223
Depreciation	(1 135)	(134)	(121)	-	(1 390)
Amortisation	(18 355)	(2 668)	-	-	(21 022)
Other expenses	-	-	(26 381)	-	(26 381)
Operating profit (loss)	**19 002**	**6 452**	**(48 596)**	**-**	**(23 147)**
Technical loss	-	-	-	-	-
Remeasurement on equity interests	(5 356)	-	-	-	(5 356)
Financial income	2 588	1 866	7 154	(5 397)	6 211
Financial expenses	(29 580)	(2 383)	(2 665)	5 397	(29 230)
Profit (loss) before tax	**(13 345)**	**5 935**	**(44 107)**	**-**	**(51 523)**

2016	Hardware	Solutions	Head-quarter and other	Eliminations	Total
Operating revenues from external customers	**554 467**	**16 059**	**2 972**	**-**	**573 498**
Operating revenues from other segments	-	36 741	12 136	(48 877)	-
Operating revenues	**554 467**	**52 800**	**15 108**	**(48 877)**	**573 498**
Cost of goods sold	(418 606)	(23 165)	(179)	36 741	(405 210)
Salaries and personnel costs	(59 509)	(26 192)	(18 339)	-	(104 041)
Other operational costs	(48 825)	(8 440)	(6 041)	12 136	(51 169)
Share of profit (loss) of joint venture	-	-	-	-	-
Depreciation	(784)	(55)	(64)	-	(903)
Amortisation	(18 984)	-	-	-	(18 984)
Other expenses	-	-	(17 511)	-	(17 511)
Operating profit (loss)	**7 759**	**(5 052)**	**(27 026)**	**-**	**(24 319)**
Technical loss	-	-	(21 217)	-	(21 217)
Remeasurement on equity interests	-	-	-	-	-
Financial income	3 259	498	1 054	(3 960)	852
Financial expenses	(4 304)	(513)	(5 110)	3 960	(5 967)
Profit (loss) before tax	**6 712**	**(5 067)**	**(52 299)**	**-**	**(50 654)**

Operating revenues and non-current assets by geographical area

In the presentation of geographical information, the operating revenues are attributed according to the location of group companies. There are no significant differences between the attribution of operating revenues based on the locations of the group companies, and an attribution based on the customers' location. Non-current assets are attributed based on the geographical location of the assets.

(amounts in NOK 1 000)

Operating revenues	2017	2016
Norway	691 253	573 498
Sweden	104 535	-
Eliminations between countries	(6 314)	-
Total	**789 473**	**573 498**

Non-current assets	2017	2016
Norway	410 811	317 338
Sweden	123 245	-
Total	**534 056**	**317 338**

Note 3. Payroll

(amounts in NOK 1 000)	2017	2016
Salaries and holiday pay	114 282	84 180
Social security tax	18 978	12 482
Pension costs including social security tax	6 159	2 554
Other personnel costs	5 525	4 825
Total personnel costs	**144 943**	**104 041**

Number of employees at year end	219	118

All companies in the Group have defined contribution pension plans covering all employees.
For remuneration to executive management, please refer to Note 26 Remuneration to the board and executive management.

Note 4. Other operational costs

(amounts in NOK 1 000)	2017	2016
Office rental and operations	10 264	9 371
Sales and marketing	10 265	9 616
Computers and software	7 326	5 570
Fees for external services	12 974	12 758
Factoring expenses	1 597	1 809
Communication	3 384	3 971
Travel expenses	3 296	2 093
Leasing	1 675	1 180
Other costs	8 669	4 801
Total operating costs	**59 451**	**51 169**

Operating lease commitments

	due within		
	1 year	**1-5 years**	**over 5 years**
Cars	1 107	1 185	-
Offices	7 412	11 242	745
Total leasing commitments	**8 519**	**12 427**	**745**

The Group currently rents office premises in 14 locations.

Note 5. Other expenses

	2017	2016
Restructuring costs executive management	3 900	4 022
Restructuring costs offices	200	3 959
Transaction costs	17 274	6 865
Strategic initiatives	1 100	-
Other costs	3 907	2 665
Total	**26 381**	**17 511**

Note 6. Financial income and expenses

(amounts in NOK 1 000)	2017	2016
Interest income	781	762
Dividends from equity investments	3 767	-
Other financial income	1 663	90
Total financial income	**6 211**	**852**
Interest expenses	(2 935)	(5 911)
Unrealised changes in fair value of shares and investments	(25 647)	-
Other financial expenses	(648)	(58)
Total financial expenses	**(29 230)**	**(5 969)**

Dividends from equity investments are received from Kjedehuset AS.

Other financial income and expenses mainly comprises income and costs due to currency fluctuations. Impairment of financial assets is related to the Group's investment in Kjedehuset AS. Refer to Note 9 Equity instruments and Note 16 Critical estimates for further details.

Note 7. Tax

Income tax expense	**2017**	**2016**
Current tax	(6 849)	(4 272)
Change in deferred tax	10 695	10 225
Tax expense	**3 846**	**5 954**

Reconciliation of relationship between accounting profit and tax expense		
Profit before tax	(51 523)	(50 654)
Tax at the Norwegian tax rate of 24 % (2016 - 25 %)	12 259	12 663
Tax effect permanent differences	(13 421)	(6 733)
Difference in tax rates	109	-
Tax related to change in tax rates	257	(63)
Previously unrecognised tax losses no recuped	66	-
Reversal of tax related to netconnect (refer to note 19 Legal disputes and contingencies)	3 290	-
Other	1 287	87
Income tax expense	**3 846**	**5 954**

Amounts recognised directly in equity		
Deferred tax arising in the reporting period directly debited to equity:		
Deferred tax: Share issue cost	(1 200)	-
Total	**(1 200)**	**-**

Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	(446 929)	(446 929)
Potential tax asset at 23 % tax rate (2016 - 24 %)	**(102 794)**	**(107 263)**

Deferred tax		
The balance comprices temporary differences attributable to:		
Property, plant and equipment	81 572	27 233
Inventories	(466)	(561)
Trade receivables and other receivables	(5 475)	(870)
Other current liabilities	(217)	-
Tax loss carried forward	(31 013)	(25 069)
Carry forward interest	(3 779)	(3 779)
Total basis for deferred tax	**40 623**	**(3 046)**
Tax rate deferred tax	-	-
Net deferred tax with applicable year's tax rate	11 262	(731)
Change in deferred tax due to change in tax rate	877	(234)
Difference in tax rates	(162)	-
Adjustment prior years	(1 550)	108
Net deferred tax (+)/ deferred tax asset (-)	**10 428**	**(857)**

Note 8. Intangible assets

(amounts in NOK 1 000)	**Goodwill**	**Customer relationsships**	**Other intangible assets**	**Total**
Accumulated cost as at 1 January 2017	320 769	222 137	-	542 906
Additions	-	-	2 752	2 752
Additions arising from business combinations	187 827	67 064	11 405	266 296
Translation differences	1 759	866	23	2 648
Accumulated cost as at 31 December 2017	510 355	290 067	14 180	814 601
Accumulated cost as at 1 January 2016	320 769	222 137	-	542 906
Additions	-	-	-	-
Additions arising from business combinations	-	-	-	-
Translation differences	-	-	-	-
Accumulated cost as at 31 December 2016	320 769	222 137	-	542 906
Accumulated amortisation and impairment as at 1 January 2017	68 484	205 637	-	274 120
Additions arising from business combinations	-	-	139	139
Current year amortisation	-	20 831	185	21 016
Current year impairment	5 356	-	-	5 356
Translation differences	-	65	4	70
Accumulated amortisation and impairment as at 31 December 2017	73 840	226 534	328	300 701
Accumulated amortisation and impairment as at 1 January 2016	68 484	186 506	-	254 989
Additions arising from business combinations	-	-	-	-
Amortisation	-	19 131	-	19 131
Impairment	-	-	-	-
Translation differences	-	-	-	-
Accumulated amortisation and impairment as at 31 December 2016	68 484	205 637	-	274 120
Book value as at 31 December 2016	**253 378**	**18 116**	**-**	**271 493**
Book value as at 31 December 2017	**436 516**	**63 533**	**13 852**	**513 901**
Estimated economic life time in years	Indefinite	5 years	3-5 years	
Depreciation method		linear	linear	

For a description of movement in the categories Goodwill and Customer relationsships, refer to Note 17 Impairment assessment of group values and Note 20 Changes in Group structure and Business combinations. The material items in the category Other intangible assets are the source code for the Mytos product and capitalized expensed related to the development of a self-service web shop. Also refer to Note 21 Related party transactions.

Note 9. Equity instruments

Book value of shares and investments (amounts in NOK 1 000)	**2017**	**2016**
Shares in Kjedehuset AS	8 036	27 936
Other shares and investments	841	37
Total	**8 877**	**27 973**

Shares held in Kjedehuset represent 8,25 % ownership of the company.

At the end of 2017, Telenor Norge AS cancelled its distributor agreement with Kjedehuset AS. The book value of the Kjedehuset AS shares represent management's best estimate for the underlying value of the shares.

Movement in shares and investments (amounts in NOK 1 000)	
Shares and investments at 1 January 2017	27 973
Additions in business combinations	6 549
Unrealised changes in fair value of shares and investments	(25 647)
Closing balance 31 December 2017	8 877

For further details regarding business combinations, refer to Note 20 Changes in Group structure and Business combinations.

Note 10. Inventories

Book value of inventories (amounts in NOK 1 000)	**2017**	**2016**
Inventories	21 148	10 087
Less write-down of inventories	(433)	(561)
Total inventories	20 715	9 526

Note 11. Trade receivables and other receivables

Trade receivables and other receivable shown at maturity per 31 December 2017:

			Days outstanding			
	Book value	**not over due**	**0-30 days over due**	**30-60 days over due**	**60-90 days over due**	**> 90 days over due**
Trade receivables	157 750	121 059	20 989	6 542	1 110	8 050
Other current receivables	18 766	18 766	-	-	-	-
Less provision for bad debt	(1 087)	-	-	-	-	(1 087)
Total trade receivables and other short-term receivables	**175 429**	**139 825**	**20 989**	**6 542**	**1 110**	**6 963**

Accounts receivable and other receivable shown at maturity per 31 December 2016:

	Days outstanding					
	Book value	**not over due**	**0-30 days over due**	**30-60 days over due**	**60-90 days over due**	**> 90 days over due**
Trade receivables	83 958	75 080	6 019	740	(26)	2 145
Other current receivables	16 603	16 907	-	-	-	-
Less provision for bad debt	(708)	-	-	-	-	(708)
Total trade receivable and other current receivables	**99 853**	**91 683**	**6 019**	**740**	**(26)**	**1 437**

Changes in the provision for bad debt during the year

(amounts in NOK 1 000)	**2017**	**2016**
Opening balance provision for bad debt at 1 January	(1 012)	(1 176)
Additions from business combinations (refer to guide)	(535)	-
Additions to the provision during the year	(250)	-
Reduction of the provision during the year	710	164
Closing balance provision for bad debt at 31 December	**(1 087)**	**(1 012)**

Other short-term receivables

(amounts in NOK 1 000)	**2017**	**2016**
Retailer bonus	8 248	7 619
Commisions	1 217	1 819
Prepayments	4 439	2 894
Other receivables	4 862	4 271
Total	**18 766**	**16 603**

Note 12. Cash and cash equivalents

The carrying amounts of the Group's cash and cash equivalents by currency

(amounts in 1 000)	**2017**	**2018**
NOK	22 621	81 224
SEK	11 345	-
Other	1 312	468
Total	35 278	81 692

The Group's cash and cash equivalents conist in its entirety of short term bank deposits.

Of which is restricted	5 270	4 961

Note 13. Interest-bearing borrowings

The Group's interest-bearing liabilities consist of:

	2017		2016	
(amounts in NOK 1 000)	**current**	**non-current**	**current**	**non-current**
Shareholder loans	-	-	24 443	-
Seller credits related with business combinations	-	15 195	-	-
Bank debt	11 500	8 355	18 594	12 656
Bank overdraft facilities	56 104	-	70 685	-
Total interest-bearing debt	67 604	23 550	113 722	12 656

The table below sets out expected nominal payments on interest-bearing borrowings:

			Due within		
	Total	1 year	1-5 years	over 5 years	Annual interest rate
Seller credits in related with business combinations	16 435	-	16 435	-	4%
Overdraft facility	21 142	21 142	-	-	1-month NIBOR + 2.25%
Factoring facility	34 962	34 962	-	-	1-month NIBOR + 2.25%
Bank loans	24 588	11 578	1 230	11 780	5% - 7.25%
Total	**126 377**	**67 682**	**17 665**	**11 780**	

All other financial liabilities in the Group are non-interest bearing and payable within 1 year.

The Group have two overdraft facilites - one in Norway, and one in Sweden.

The Norwegian overdraft facility has a credit limit of NOK 40 million. In addition to interest, a commission is charged in the amount of 0.4 % of the maximum amount for each year.

The Swedish overdraft facility has a credit limit of SEK 4 million. The annual interest rate is 4.5 %. The facility was not utilised in 2017.

The factoring facility has a credit limit of NOK 40 million. The commission charged for the factoring service in 2017 was NOK 1.6 million. The cost is presented as other operating expenses in the consolidated income statement.

The facilities are classified as current, as the facilities are subject to annual renewal.

The terms and conditions are unchanged from 2016.

Covenants

As at 31 December 2017, Techstep’s subsidiary Nordialog Oslo AS is in violation of the following financial covenant:

* NIBD / EBITDA ratio at maximum 1.5x, based on an annual measurement of the financial statements.

The company has obtained a waiver from its lending bank DNB, under the condition that the covenant is met by 31 December 2018.

Pledges in relation to the loans to financial institutions

The Group's bank loans, overdraft facilities and factoring facility are securred by collateral.
Book value of assets pledged as collateral are as follows*:

(amounts in NOK 1 000)	**2017**	**2016**
Trade receivable	96 879	99 853
Inventories	11 946	9 526
Property, plant and equipment	2 080	3 159
Total book value of assets pledged as collateral	**110 905**	**112 538**

*The table excludes assets pledged as collateral for the overdraft facility in Sweden as this facility is not utilised.

Note 14. Other non-current debt

(amounts in NOK 1 000)

Other non-current debt consists of the following	**2017**	**2016**
Contingent liabilities	21 206	-
Deferred revenue	1 071	-
Total non-current debt	**22 277**	**-**

Non-current contingent liabilities are related to the acquistion of BKE Telecom AB, refer to Note 20 Changes in Group structure and Business combinations.

Movement in contingent liability	
Contingent liability recognised in business combination	19 962
Re-assesment of estimate	815
Translation differences	429
Closing balance 31 December 2017	**21 206**

Note 15. Current liabilities

(amounts in NOK 1 000)

Current liabilities	**2017**	**2016**
Trade payables	116 765	62 050
Public taxes	19 657	14 007
Accrued personnel expenses (bonus, holiday pay etc.)	28 607	17 107
Accrued cost	2 490	6 094
Deferred revenue	5 782	7 951
Other current liabilities	13 619	5 190
Total current liabilities	**186 920**	**112 399**

Trade payables consists of obligations not overdue to the Group's suppliers.
All material trade payables are in NOK or SEK.
Public taxes consists of accruals for employee tax, payroll tax and VAT.

The increase in current liabilities is mostly due to business combinations.

Note 16. Critical estimates

Critical judgements in applying the Group’s accounting policies

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment of the carrying amount of the asset or liability affected in the next financial year.

The following represents a summary of the critical accounting judgements the management has made in the process of applying the Group’s accounting policies:

Key sources of estimation uncertainty - critical accounting estimates

A critical accounting estimate is one which both has potentially material impact on to the presentation of the Group’s financial position and results, and requires management’s most difficult, subjective or complex judgements. Judgements and the resulting estimated are often determined based on facts and assumptions about the outcome of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultations with experts, trends and other methods which management considers reasonable under the circumstances, as well as forecasts related to how these might change in the future.

Revenue recognition
Consolidated operating revenues consist primarily of sales of hardware and services. Revenue is recognised in relation to hardware and services when the risk of the hardware is transferred and services rendered, respectively. Specific commissions, vendor discounts and resellers bonuses are earned in relation to the deliveries. The value of accrued, but not invoiced, commissions and bonuses at the end of the accounting period is assessed by management. Management have to assess the accuracy of the accrual.

Impairment (Note 8 and 17)

The largest potential risk due to estimation uncertainty relates to Goodwill and Customer relationships and technology. The values of the assets are inherently uncertain as they are intangible, and the valuation is based on recognition principles and methods from the purchase price allocations. All purchase price allocations which form the basis for recognised amounts in consolidated financial statement use generally accepted methods of valuation such as discounted cash flows and multiple analysis. However, as the book values of goodwill and customer relationsships are material it is important that the user of the financial statements understand that there is an inherent uncertainty connected to the recognised values. Valuation relating to goodwill and customer relationships is described in Note 17.

Deferred tax assets (Note 7)

Deferred tax assets are recognised to the extent that it is probable that the tax assets will be realised. Significant judgement is required to determine the amount that can be recognised. Further judgement depends foremost on the expected timing and level of taxable profits, as well as tax planning strategies and the existence of taxable temporary differences.

The Group has tax positions (loss carryforward) which are not included in the basis for deferred tax assets as a possible utilisation of these are conditional on future taxable profits.

Note 17. Impairment of intangible assets

The value of non-current capitalised intangible assets is largely based on management's assessment and estimates. As the value of the non-current intangible assets represents a material part of the Group's balance, it is important that the users of the financial statements are familiar with the assumptions that apply to the valuation of these assets, and how the Group assesses future earnings. In the following, focus will be on goodwill and customer relationships, where Goodwill has an indefinite useful life and customer relationships are amortised.

Monitoring the value of non-current intangible assets

The values of goodwill and customer relationships are routinely under assessment. If indications that the book value of an asset is no longer recoverable, an impairment test is carried out to determine whether the asset can still justify its carrying value. If the estimated recoverable amount is lower than the carrying amount, an impairment loss is recognised.

The annual impairment tests are performed as of 31 December 2017. For goodwill and customer relationships recognised by the Group 1 January 2017 or throughout the year, estimates of the value have been prepared using the discounted cash flow method as per 31 Desember 2017. Refer to the table "Key assumptions for estimating future performance" for details regarding the assessments.

No deficit values of goodwill or customer relationships were identified in the Group in 2017.

The table below presents a split of goodwill and customer relationships aggregated to segment and geographic area:

	Goodwill		Customer relationships	
(amounts in NOK 1 000)	**2017**	**2016**	**2017**	**2016**
Hardware				
Norway	256 993	246 278	13 868	18 116
Sweden	64 610	-	26 869	-
Solutions				
Norway	100 670	7 100	16 087	-
Sweden	13 073	-	6 709	-
Total	**436 515**	**253 378**	**63 533**	**18 116**

Cash-generating units

A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. Each reporting unit in the Group represents a CGU.

Key assumptions for estimating future performance

	Hardware		Solutions	
(amounts in NOK 1 000)	**Goodwill**	**Customer relationships**	**Goodwill**	**Customer relationships**
Norway	256 993	13 868	100 670	16 087
Sweden	64 610	26 869	13 073	6 709
Total	**322 772**	**40 737**	**113 743**	**22 796**

Factors that affect the cash flow from operations	The cash flow is based upon past performance adjusted for expected future development. The hardware businesses is stable and growing, however margins are under pressure. The assesment is based upon the innovative Mobile as a Service (MaaS) concept, long term margins will be maintained.	The cash flows from the solutions segment is to a certain extent based upon historical performance, however mostly on expected future development. Through the MaaS concept an expected growth is basis for the future cash flows.
Economic conditions and market outlook	The companies operate in stable economies with a high penetration of use of advanced mobile devices. The market is expected to grow in the future.	The companies operate in stable economies where the utilization and expectations from mobile devices and the services they can render to the user increases. The Group's solutions offering targets this demand.
Investments	Capital expenditure (Capex) is assumed to be equal to depreciation in the terminal year.	Capital expenditure (Capex) is assumed to be equal to depreciation in the terminal year.

Budget assumptions

The demand for the Group's hardware offering is increasing, with increasing prices, but decreasing margin per device sold. The Group's solutions offering is diversified, with an overall increasing demand for the services.

The cash flow estimates from the hardware offerings are sensitive to the Group's ability to maintain the margin assumptions. For the solutions segment, sensitivity is based on changes in demand for the services offered.

Future cash flows are estimated based on the budget for 2018, and a forecast for the following five years. From year six, a terminal value is calculated. The table below lists the primary drivers of assumptions utilised in the impairment testing.

Discount rates

The discount rate applied in the impairment testing is 11.7 % before tax, based on a weighted average of required rates of return on the Group’s equity and debt (WACC). The required rate of return on the Group’s equity is estimated using the capital asset pricing model (CAPM). The required rate of return on debt is estimated based on a long-term risk-free interest rate, to which a premium is added to reflect the creditors' risk in lending money to the Group. The discount rate is adjusted for a small business premium (operational risk) and the level of inflation. For assets tested at year-end 2017, the same assumptions have been applied across the Group.

	2017	**2016**
Equity ratio	64%	77%
Growth in terminal value	1.0 %	1.5 %
WACC	11.7 %	10.5 %

Sensitivity

A reasonable increase in pre-tax discount rate would not lead to impairment, nor would a reasonable decline in sustained growth in the terminal year. For sensitivity regarding to cash flows, refer to section Budget assumptions above.

Note. 18 Financial risk management

The Group's financial risk is related to credit risk, liquidity risk, currency risk and interest rate risk. The Group's risk management aims to support value creation and ensure a solid financial platform, through transparent and strategic management of both financial and operational risk factors. Operational risk relates mainly to major projects, which are continuously reviewed by corporate management.

The Groups capital consists of net interest-bearing debt (NIBD) and equity (amounts in NOK 1 000)	**2017**	**2016**
Non-current interest-bearing borrowings	23 551	12 656
Current interest-bearing borrowings	67 604	113 721
Cash and cash equivalents	35 278	81 692
NIBD	**55 877**	**44 686**
Group equity	448 965	260 294
Net gearing (NIBD/equity)	12%	17%
Undrawn credit facilities	**27 895**	**9 320**

A) Capital management

The primary focus of the Group’s capital structure is to ensure sufficient free liquidity in the form of cash and cash equivalents, along with bank overdraft facilities, to ensure that the Group can service its obligations on an ongoing basis, and at the same time be able to make strategic acquisitions. The managment is satisfied with the current development regarding liquidity and capital management.

B) Credit risk

Credit risk is the risk that customers are not able to settle their obligations as they mature. Credit risk is considered part of business risk, and is included in ongoing operations. The Group has established procedures for credit rating of major private customers, and the risk that customers do not have the financial means to meet their obligations, is considered low. Historically, only minor losses have been realised as a result of customers experiencing financial difficulties. The customer base comprises many medium-sized customers, along with a few larger customers. The customer portfolio is considered to be well diversified across industries, as well as private and public customers. The risk level is considered satisfactory. The bulk of the Group's customers are Norwegian and Swedish, which consitute a geographic concentration of risk.

Of the Group's total customer base as at 31 December 2017, the five largest customers represent approximately 13 % (27.5 %) of total revenue in 2017, and the ten largest customers represent approximately 19 % (34 %) of total revenue.

No single customer represents 10 % or more of the trade receivable as at 31 December 2017. No single customer represents 10 % or more of the Group's revenues in 2017 or 2016.

The maximum credit exposure consists of carrying value of receivables and cash and cash equivalents. All receivables are due within one year. Normally payment is 14 days after invoicing.

Long-term receivables consist of smaller holdings, with no fixed maturity.

Provisions for losses on trade receivables is based on individual assessments of Trade receivable above a certain value, with focus on those more than 90 days overdue.

Earned but not invoiced income

Customers are usually invoiced in instalments according to progress in a project. Any earned but not invoiced revenue at the end of the reporting period is recognised to the extent the company considers that a final payment obligation for the client has been incurred. Not invoiced revenues is inherently less certain than invoiced revenues.

Historically, actual losses on trade receivables have been immaterial, as was also the case in 2017. It is managements assessment that the Group's overall credit risk is satisfactory. Also refer to Note 11 Trade receivables and other receivables.

C) Liquidity risk

Liquidity risk is the risk of not being able to pay the Group's financial obligations at maturity. Liquidity risk arises from a mismatch between cash flows from operations and financial commitments. Liquidity budgets are prepared based on the Group's financial budgets. The budgets are prepared annually, and are updated with new forecasts throughout the year. Historically, the Group's liquidity has been satisfactory.

The consolidated cash flows from operations in 2017 is negative. This relates to a large extent to one-off costs incurred in 2017 related to business combinations, and transaction costs related to issuance of shares. In addition, working capital has decreased from 2016 due to business combinations where trade receivables and inventory increase more than trade payables. Operations in the Group are subject to normal fluctuations that affect cash flows during the year. Most payments are related to employees and suppliers.

For details regarding the Group's interest-bearing borrowings refer to Note 13 interest-bearing borrowings.

D) Currency risk

The Group's operations are conducted in Norway and Sweden. The Group is thus not materially affected by operational currency fluctuations other than fluctuations between NOK and SEK. The bulk of the Group's goods and services is billed in NOK or SEK as appropriate. To a minor extent some solutions revenue and expenses are invoiced in EUR and USD. The Group does not hedge cash flows in foreign currencies. The Group has only a small number of bank accounts, trade receivables and trade payables in currencies other than NOK and SEK. Therefore, consequences of changes in exchange rates between NOK and foreign currencies and SEK and foreign currencies on the Group's profit and equity are limited, and are deemed acceptable. There is limited trade between Norway and Sweden, and the currency risk is generally considered to be low.

E) Interest rate risk

Interest rate changes have only a marginal direct effect on consolidated operating income and cash flows from operating activities. The Group's interest rate risk is related to floating interest rates on bank accounts and deposits, in addition to floating rate debt in credit institutions. The Group has no fixed-rate deposits or debt, and is therefore not exposed to fair value interest rate risk. Going forward the Group will assess its capital structure on an ongoing basis. A policy for managing interest rate risk has yet to be drawn up.

A reasonable change in interest rates would not have a material effect on the Group’s financial statements.

F) Categories of financial instruments

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is included in Note 1 accounting principles.

To assess the fair value of shares and investments held by the Group management assesses the underlying values in the companies where the Group holds shares. The change in fair value is accounted for over profit and loss.

The Group has the following categories of financial instruments as per 31 December 2017	Financial assets or financial liabilities at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level in fair value hierarchy
ASSETS					
Shares and investments	8 877	-	-	8 877	3
Other non-current assets	-	1 547	-	1 547	3
Trade receivables	-	156 663	-	156 663	3
Other receivables	-	18 766	-	18 766	3
Cash and cash equivalents	-	35 278	-	35 278	1
Total assets	**8 877**	**212 254**	**-**	**221 130**	

	Financial assets or financial liabilities at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level in rating hierarchy
LIABILITIES					
Non-current interest-bearing debt	-	-	23 551	23 551	3
Other non-current debt	-	-	22 277	22 277	3
Current interest-bearing debt	-	-	67 604	67 604	3
Trade payables	-	-	116 765	116 765	3
Tax payable	-	-	4 586	4 586	3
Public duties	-	-	19 657	19 657	3
Other current liabilities	-	-	50 498	50 498	3
Total liabilities	**-**	**-**	**304 939**	**304 939**	

The Group has the following categories of financial instruments as per 31 December 2016	**Financial assets or financial liabilities at fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level in fair value hierarchy**
ASSETS					
Shares and investments	27 973	-	-	27 973	3
Other non-current assets	-	506	-	506	3
Trade receivables	-	83 250	-	83 250	3
Other receivables	-	16 603	-	16 603	3
Cash and cash equivalents	-	81 692	-	81 692	1
Total assets	**27 973**	**182 051**	**-**	**182 051**	

	Financial assets or financial liabilities at fair value through profit or loss	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level in rating hierarchy**
LIABILITIES					
Non-current interest-bearing debt	-	-	12 656	12 656	3
Current interest-bearing debt	-	-	113 721	113 721	3
Trade payables	-	-	62 050	62 050	3
Tax payable	-	-	9 338	9 338	3
Public duties	-	-	14 007	14 007	3
Other current liabilities	-	-	36 342	36 342	3
Total liabilities	**-**	**-**	**248 114**	**248 114**	

Note 19. Legal disputes and contingencies

The Group has an ongoing dispute with the Norwegian tax authorities regarding offsetting loss carried forward against taxable income in other group companies through group contributions in 2014.

Because of the tax authorities' claim, and based on best estimates, a provision of NOK 9.3 million was recognised in 2016 as tax payable and directly to equity. In 2017, the tax authorities reduced their claim by NOK 3.3 million. The provision has therefore been partly dissolved, and the reduced claim is accounted for as tax revenue in 2017. As per the signing of these financial statements the case has not been resolved.

Note 20. Changes in Group structure and business combinations

2017:

Changes in Group structure

Techstep has in 2017 invested NOK 111 million in cash (net of cash acquired NOK 83 million) related to acquistions of minority interests in subsidiaries and businesses (Business combinations).

Further the Group has issued consideration shares amounting to NOK 123 million in 2017. Of these NOK 116 million are related to business combinations. In addition, seller credits amounting to NOK 17.5 million (whereof NOK 2 million have been settled in the reporting period) and contingent consideration amounting to NOK 20 million have been recognised, all of which is related to business combinations.

With the exception of the purchase of the minority interest in Teki Solutions AS on 8 February 2017 all the investements have been accounted for as business combinations.

The Teki Solutions AS transaction was settled with 6,580,710 consideration shares in Techstep ASA at NOK 4.3 per share, of which 1,786,042 shares were settlement for the minority shares and 4,794,665 were settlement for shareholder loans.

Business combinations

In February 2017, Techstep entered into a binding agreement to acquire 100 % of Mytos AS. With the acquisition of Mytos AS, Techstep added a unique solution within telecom expense management software to its portfolio in addition to a significant customer base.

In February 2017, Techstep entered into binding agreements to acquire the remaining 50% of the Nordialog Asker shares, thereby gaining control over the company. As a result of the step-by-step acquisition the company has been reclassified from a joint venture accounted for using the equity method to be fully consolidated. A remeasurement of previously held equity interest has been charged to the income statement.

In April 2017, Techstep acquired Apro Tele og Data AS. The acquistion supports Techstep's strategy to increase its core-adjacent customer base and leverage this customer base with a leading solutions and service offering.

Also in April 2017, Techstep acquired InfraAdvice Sweden AB (renamed to Techstep InfraAdvice AB). By doing so the Group obtained a plattform for growth in Sweden, with the possibility for existing products to gain easier access to the Swedish market.

In August 2017, Techstep aqcuired BKE Telecom AB. The acquisition provided the Group with a Swedish hardware, logistics and distribution platform which will be an integrated part of Techstep's unique Mobile as a Service (MaaS) concept. Moreover, BKE offers a wide and solid customer base already asking for the enterprise mobility solutions which is the core of Techstep current offering.

In August 2017, the Group acquired 51% of the shares in Conneqted 365 AB. Conneqted's enterprise mobility management (EMM) offering is mainly based on the MobileIron platform, thereby complementing the Group's existing platform and offering.

Acquistion related costs amounting to NOK 17.2 million are recognized in the consolidated income statement in the line item Other expenses.

The tables below summarise the consideration transferred and the amounts recognised for assets acquired and liabilities assumed after the business combinations:
(amounts in NOK 1 000)

Consideration	**Mytos AS**	**BKE Telecom AB**	**Others**	**Total**
Cash	50 000	37 637	23 594	**111 231**
Consideration shares	70 000	26 912	18 617	**115 529**
Seller credits	-	14 679	2 525	**17 204**
Contingent consideration	-	19 962	2 500	**22 462**
Consideration transferred	120 000	99 190	60 692	**279 882**
Fair value of prevously held equity interests			(5 356)	**(5 356)**
Total	**120 000**	**99 190**	**55 336**	**274 526**
Net assets				
Intangible assets	-	904	-	**904**
Property plant and equipment	383	10 924	728	**12 035**
Other non-current assets	-	-	2 981	**2 981**
Trade and other receivables	4 531	23 925	20 642	**49 097**
Cash and cash equivalents	3 748	11 029	12 196	**26 973**
Other non-current liabilities	-	(7 937)	(488)	**(8 425)**
Current liabilities	(5 957)	(22 130)	(24 944)	**(53 031)**
Total identifiable net assets	2 705	16 714	11 115	**30 534**
Non-controlling interest	-	-	331	**331**
Net assets	2 705	16 714	10 784	**30 203**
Excess value	**117 295**	**82 476**	**44 552**	**244 320**
Purchase price allocation				
Property plant and equipment	-	(5 006)	-	**(5 006)**
Equity investments	-	-	3 569	**3 569**
Technology	10 500	-	-	**10 500**
Customer relations	17 400	28 184	21 480	**67 063**
Deferred tax	(4 176)	(5 099)	(5 002)	**(14 277)**
Goodwill	93 571	64 397	29 859	**187 827**
Fair value of prevously held equity interests	-	-	(5 356)	**(5 356)**
Total	**117 295**	**82 476**	**44 550**	**244 320**

The goodwill of NOK 186.7 million recognised is attributable to inseparable noncontractual customer relationships, the assembled workforce of the companies and synergies with other companies in the Group. None of the goodwill recognised is expected to be deductible for income tax purposes. The business combinations are carried out as part of the Group's growth strategy, and the businesses acquired are good strategic fits with existing operations within the Techstep Group, both in terms of geographic expansion and supplementary product offerings.

Non-controlling interests are measured at the proportionate share of the acquiree’s identifiable net assets.

The companies acquired in business combinations completed through purchase of shares have since the acquisition dates contributed NOK 230 million to operating revenues and NOK 23 million to consolidated profit (loss). If the acquisition date of all business combinations completed through purchase of shares was as at 1 January 2017, the operating revenues of the Group would have increased by NOK 147 million and profit would have increased by NOK 8.7 million.

2016:

Business combinations

Techstep ASA's Group accounts represent the Teki Solutions Group after the reverse takeover 11 July 2016 of Techstep ASA (Formerly Birdstep ASA).

On 1 July 2016 the Techstep ASA entered into an agreement with Zono Holding AS to acquire 100% stake in Zono in exchange for shares in Techstep ASA. The transaction was completed in September 2016 with the issuance of a total of 58,181,818 consideration shares. On 1 July 2016, the same day as the Zono transaction, the Company entered into an agreement in principle with Teki Gruppen AS to acquire 54% stake in Teki Solutions AS.

The Zono transaction was completed in September 2016.

The Teki Solutions transaction was completed in November 2016 and a total of 30,053,488 consideration shares were issued and as payment for the majority share of Teki Solutions Group.

The activities of the Group is based on the business in Teki Solutions AS and its subsidiaries. Based on the nature of the transaction, Teki Solutions AS is, for accounting purposes is considered to be the acquirer, and the Group accountsfor 2016 reflect the reverse takeover from the Teki transaction.

The acquisition of Zono AS
(amounts in NOK 1 000)

Assets	
Shares in Kjedehuset AS	23 000
Shares in Teki Solutions AS	10 140
Receivable from Teki Solutions AS	12 309
Receivable from Nordialog Oslo AS	27 697
Cash and cash equivalents	55 000
Net assets	128 146
Consideration shares 58,181,818 at NOK 2.20 per share	128 000
Bargain purchase gain	146

The Teki Solutions transaction
The transaction is considered a reversed takeover as Teki Solutions AS for accountion purposes is considered as the acquirer.

Equity in Techstep ASA per 30 September 2016
(amounts in NOK 1 000)

Shares in Zono AS	128 000
Short term receivables	1 204
Cash and cash equivalents	28 557
Current liabilities	(5 741)
Equity in Techstep ASA per 30 September 2016	152 020
Consideration shares issued in the Zono AS transaction	(128 000)
Result of operations Techstep ASA 30 September 2016 to 7 Novemeber 2016	991
Equity in Techstep ASA 7 november 2016 prior to the Zono transaction	25 011
Technical loss (refer to below)	21 217
Net value	46 228
Increased equity from reverse takeover	46 228
Surplus value	-

Technical loss consideration shares

The recognised loss is calculated as follows:

(amounts in NOK 1 000)	**Total**	**Majority**	**Minority**
Shares in Techstep ASA	102 475 577	92 743 347	9 732 230
Value of Techstep ASA as per 11 July 2016 (NOK 4.75 per share)	486 759	440 531	46 228
Book equity at 11 July 2016			25 011
Technical losses consideration shares			21 217

Note 21. Related parties transactions

The following are considered as a related party to the Group:

All members of the Board of Directors and Group managment, including close family members, as defined by the Norwegian accounting act and associated regulations.

The following companies are considered as related parties to the Group:

Company	**Controlled by**	**Role**
Techstep Finance AS	Techstep ASA	Joint venture
Cipriano AS	Einar J. Greve	Chairman of the Board
Middelborg Invest AS	Kristian Lundkvist	Member of the Board
Middelborg AS	Kristian Lundkvist	Member of the Board
BREWA AS	Svein Ove Brekke	Member of the Board
Skarestrand Invest AS	Svein Ove Brekke	Member of the Board
Gture AS	Stein Erik Moe	Member of the Board
Engbakk Mci	Gaute Engbakk	CEO
Antares Group AS	Gaute Engbakk	CEO

Consolidated income statement	Revenue from		Expenses to	
	2017	2016	2017	2016
Transactions with related parties	19 827	153	2 124	4 317

Balance as of 31 December	Receivables		Capitalised expenses		Charged to equity	
	2017	2016	2017	2016	2017	2016
Related parties	180	0	1 926	0	400	0

The increase in revenues from related parties is related to the establishment of Techstep Finance AS and transactions with the company.

In relation with the capital increase in February 2017, Middelborg Invest AS and Cipriano acted as underwriters, among others.

The underwriters received a commision of 2% of the total capital increase, whereof Middelborg Invest AS and Cipriano AS received their respective share. The expenses are presented net of the capital increase and tax in the statement of changes in equity and in the consolidated statement of cash flows.

According to an agreement with Middelborg AS, a company controlled by board member Kristian Lundkvist, Techstep is charged a consultancy fee for services provided by Middelborg. Total cost in 2017 was NOK 1.4 million.

Capitalised expenses are related to development of a self-service portal. The portal is developed by Gture AS. All transactions with related parties are carried out at arm-length principle.

Note 22. Earnings per share

	2017	2016
Weighted average number of shares outstanding	137 185 831	62 632 094
Profit attributable to owners of the parent	(47 773)	(40 455)
Earnings per share	(0.35)	(0.65)

The Group has issued stock options to all member of the executive management group. The options are out of the money, and thus basic earnings per share and dilluted earnings per share are equal.

For details regarding the issuance of shares in 2016 and 2017, refer to Note 23 Shares, capital structure and shareholders.

Note 23. Shares, capital structure and shareholders

Share capital

The Company's share capital as at 31 December 2017 was NOK 146,251,789, corresponding to 146,251,789 ordinary shares, with a par value of NOK 1.00. Techstep has one class of shares, and all shareholders have equal rights.

Each share gives the right to one vote at the company's general meetings. As of the date of this report, Techstep holds 1,914 treasury shares.

The development in share capital and other paid-in equity is set out in the consolidated statement of changes in equity.

Development in the number of issued and outstanding shares
(amounts in NOK 1 000)

	Shares outstanding	Treasury shares*	Issued
Number of shares 1 January 2017	102 473 663	1 914	102 475 577
Capital increase	17 543 860		17 543 860
Consideration shares	26 232 352		26 232 352
Number of shares 31 December 2017	146 249 875	1 914	146 251 789

	Shares outstanding	Treasury shares*	Issued
Number of shares 1 January 2016	10 162 163		10 162 163
Capital increase, private placement	4 076 194	1 914	4 078 108
Consideration shares	88 235 306		88 235 306
Number of shares 31 December 2016	102 473 663	1 914	102 475 577

*Treasury shares are included in the column Other equity in the statement of changes in equity

2017

Techstep has issued considerations shares in relation to the following acquisitions:

Minority interest in Teki Solutions AS
Shares in Nordialog Asker AS
Shares in Mytos AS
Shares in Apro Tele & Data AS
Shares in InfraAdvice Sweden AB
Shares in BKE Telecom AB
Shares in Conneqted 365 AB

In total 26,232,352 shares have been issued as consideration shares.

Techstep completed a capital increase of 17,543,860 shares. The capital increase was completed at an offer price of NOK 5.70 per share. Expenses related to the capital increase amount to NOK 5 million. The expenses are presented net of the capital increase and tax in the statement of changes in equity and in the consolidated statement of cash flows.

2016

Techstep issued consideration shares in relation to the acquisition of Zono AS and Teki Solutions AS. Techstep completed two capital increases of 4,076,194 shares in total.

At 29 December 2017, Techstep's 20 largest shareholders were as follows:

Shareholder	Number of shares	Ownership
DATUM AS	31 829 142	21.76%
MIDDELBORG INVEST AS 1)	29 066 931	19.87%
PALOS NORGE AS	11 666 667	7.98%
SKANDINAVISKA ENSKILDA BANKEN AB	4 991 100	3.41%
CIPRIANO AS 2)	4 651 375	3.18%
SKARESTRAND INVEST AS	4 486 547	3.07%
DOVRAN INVEST AS	3 763 372	2.57%
JYST INVEST AS	3 763 372	2.57%
TINDE INDUSTRIER AS	3 763 372	2.57%
TIGERSTADEN AS	3 300 000	2.26%
ZONO HOLDING AS 3)	3 000 007	2.05%
SÅ&HØSTE AS	2 925 936	2.00%
TVENGE	2 700 000	1.85%
NOMO HOLDING AS	1 946 253	1.33%
NORDIALOG ENSJØ AS	1 946 253	1.33%
UNIFIED AS	1 849 457	1.26%
VERDIPAPIRFONDET DNB SMB	1 838 929	1.26%
RAKNES HOLDING AS	1 649 348	1.13%
SONGA TRADING INC	1 438 596	0.98%
KAPPA FINANS AS	1 354 839	0.93%
Total number owned by top 20	**121 931 496**	**83.37%**
Total number of shares	**146 251 789**	**100%**

1) Middelborg Invest AS controlled by Kristian G. Lundkvist, Board Member of Techstep ASA.
2) Cipriano AS is Einar J. Greve, Chairman of the Board of Techstep ASA.
3) Zono Holding AS is partly owned by the following related parties: Middelborg Invest AS (50.44%), Cipriano AS (4.65%), Duo Jag AS (0.93%) and Antares Group (0.93%).

Antares Group AS, owned by the CEO, Gaute Engbakk, holds 554,838 shares in Techstep ASA.

Duo Jag AS, which is partly owned by Ingrid Leisner, Board Member of Techstep ASA, holds 554,834 shares in Techstep ASA.

Share option grant

The total number of share options granted to executive management is 8 million, refer to Note 26 Remuneration to executive management for more information.

Note 24. Group structure

As per 31 December 2017 the Group consisted of the following companies:

Company	Location	Segment	Ownership
Techstep ASA	Oslo	Headquarters	100%
Teki Solutions AS	Oslo	Headquarters	100%
Netconnect AS	Oslo	Headquarters	100%
Techstep Holding AB	Karlstad	Headquarters	100%
Nordialog Oslo AS	Oslo	Hardware	100%
Apro Tele & Data AS	Sandefjord	Hardware	100%
BKE Telecom AB	Karlstad	Hardware	100%
Techstep Nordic AS	Oslo	Solutions	100%
Mytos AS	Oslo	Solutions	100%
Techstep InfraAdvice AB	Stockholm	Solutions	100%
Conneqted 365 AB	Karlstad	Solutions	51%
Mytos IPR AS	Oslo	Solutions	100%

Note 25. Remuneration to auditor

Total remuneration to the auditor in 2017
(amounts in NOK 1 000)

	Audit Services	Other attestation services	Tax advisory services	Other non-audit services	Total
BDO	1 506	205	179	348	2 238
Other auditing firms	103	-	-	-	**103**
Total	**1 609**	**205**	**179**	**348**	**2 341**

Total remuneration to the auditor in 2016
(amounts in NOK 1 000)

	Audit Services	Other attestation services	Tax advisory services	Other non-audit services	Total
BDO	1 146	210	51	623	**2 030**
Total	**1 146**	**210**	**51**	**623**	**2 030**

Note 26. Remuneration to the board and executive management

Total remuneration to the Board of Directors
(amounts in NOK 1 000)

	Position	Period	2017	2016
Einar J. Greve	Chairman	Whole year	500	333
Ingrid Leisner	Board member, Chair of the audit committee	Whole year	300	117
Camilla Magnus	Board member, Member of the audit comittee	Whole year	285	42
Kristian Lundkvist	Board member	Whole year	250	42
Kristin Hellebust	Board member	Until 2 May 2017	83	42
Stein Erik Moe	Board member	Whole year	250	42
Svein Ove Brekke	Board member	Until 2 May 2017	83	42
Ian Jenks	Chairman	Until 24 November 2016	-	146
Tore Traaseth	Board member	Until 24 November 2016	-	80
Total remuneration			**1 751**	**884**

Total remuneration to management in 2017
(amounts in NOK 1 000)

Name	Position	Period	Salary	Bonus	Pension and other remuneration	Options programme
Gaute Engbakk*	CEO	Whole year	2 408	-	124	828
Marius Drefvelin	CFO	Whole year	1 803	-	142	914
Mads Vårdal	CIO	Whole year	1 255	950	112	914
Inge Paulsen	COO	From 22 May 2017	659	-	62	354
Erik Haugen	CCO	From 1 October 2017	296	-	31	354
Total remuneration			6 421	950	472	3 365

*Gaute Engbakk will resign from his position as Chief Executive Officer in Q2 2018. A total of NOK 2.5 million (excluding social costs) has been charged to the line item other income and expenses in 2017 as restructuring costs in relation to the resignation.

Share options

Name	Grant date	Grant	Forfeited during the year	Closing balance	Average excercise price
Gaute Engbakk*	27 April 2017	3 000 000	(2 000 000)	1 000 000	6.4
Marius Drefvelin	27 April 2017	1 500 000		1 500 000	6.4
Mads Vårdal	27 April 2017	1 500 000		1 500 000	6.4
Inge Paulsen	16 August 2017	1 000 000		1 000 000	6.4
Erik Haugen	16 August 2017	1 000 000		1 000 000	6.4
Total remuneration		**8 000 000**	**(2 000 000)**	**6 000 000**	

All options are granted for no consideration. The options vest in three tranches with 1/3 per tranche on 1 March 2018, 1 March 2019 and 1 March 2020. Exercise price is NOK 5.70, NOK 6.50 and NOK 7.00, respectively. Options granted to Gaute Engbakk expires 31 December 2018. All other options expire in 2020.

Fair value of options granted

The assessed fair value at grant date of options granted range from NOK 0.95 to NOK 1.30 per option. The fair value at grant date is independently determined per tranche using the Black Scholes Model. An estimated 50% of options are assumed to be exercised at vesting date and 50% to be exercised at expiry date.

The expected volatility of the companys share price is 45%. The volatility is based on historical volatility, a peer group review and management judgement. Risk free interest rate used is a 3-year state obligation interest of 0.78% per year.

Total remuneration to management in 2016
(amounts in NOK 1 000)

Name	Position	Period	Salary	Variable pay	Pension and other remuneration
Gaute Engbakk	CEO Techstep	From 05.11.2016	417	-	-
Marius Drefvelin	CFO Techstep	From 01.01.2017	-	-	-
Stian Bakke	Sales Director / Acting CEO Nordialog	Whole year	1 276	705	102
Tom Edman	CEO SmartWorks	Whole year	731	-	-
Rune Midthaug	CEO Teki Solutions	Whole year	1 289	650	103
Per Øyvind Rode	Finance director Teki Solutions	Whole year	942	100	83
Mads Vårdal	CIO Techstep	Whole year	1 211	-	99
In addition, the following is expensed regarding the former management:					
Lonnie Shilling	CEO Birdstep		555	98	53
Total remuneration			6 421	1 553	440

Remuneration to the CEO Gaute Engbakk amounted to NOK 416 thousand for the period from employment 5 November 2016 to year end. The CEO is included in the Group's ordinary defined contribution pension scheme. In additionto ordinary remuneration, the CEO billed NOK 1,259 million, - through his company Engbakk MCI AS for services rendered in the period before he took up his position as CEO. Also refer to Note 21 related party transactions.

Through a separate agreement with the former shareholders of Teki Solutions AS, Gaute Engbakk is guaranteed a bonus of NOK 700 thousand in addition to ordinary salary in 2017. The agreement relates to the fiscal year 2017 only.

The total compensation to the former CEO, Lonnie Schilling, for the period from 7 November 2016 to 31 December 2016, was NOK 0. The total compensation for the period from 1 January 2016 to 11 July 2016 was NOK 6,581 milion.

The total compensation to the acting CEO Fredrik Johanson for the period 7 november 2016 to 31 December 2016 was NOK 706 thousand. The total compensation for the period from 1 January 2016 to 7 November 2016 was NOK 1,966 million.

Note 27. Events after the reporting period

Techstep has won a framework agreement with Nordea, a financial services group in the Nordic region. The agreement covers the delivery of mobile phones, tablets and related equipment and services to the bank's employees in Norway and Denmark. The agreement has a potential three-year duration with annual renewal. The total value over three years is estimated to NOK 90 million.

Techstep ASA – income statement

(amounts in NOK 1 000)	Note	2017	2016
Other revenue	8	5 862	300
Total revenue		**5 862**	**300**
Salaries and personnel costs	2	(17 215)	(11 021)
Other operational costs	2, 3	(10 790)	(15 681)
Share of profit (loss) in joint ventures		116	-
Depreciation		(35)	-
Other income and expenses	4	(24 722)	(6 782)
Operating profit (loss)		**(46 784)**	**(33 184)**
Financial income	5	38 507	521
Financial expense	5	(925)	(690)
Profit before taxes		**(9 202)**	**(33 353)**
Income taxes	6	664	5 850
Net income		**(8 538)**	**(27 504)**
Result discontinued operations		-	68
Net income		**(8 538)**	**(27 436)**
Other comprehensive income		**(8 538)**	**(27 436)**

Techstep ASA – Statement of financial position

ASSETS	**Note**	**31.12.2017**	**31.12.2016**
Non-current assets			
Deferred tax asset	6	7 714	5 850
Customer relations and technology		1 942	-
Sum intangible assets		**9 656**	**5 850**
Property, plant and equipment		89	-
Sum tangible assets		**9 745**	**5 850**
Associated companies		616	-
Shares and investments	7	485 162	147 258
Other non-current assets		100	-
Sum financial assets		**485 878**	**147 258**
Total non-current assets		**495 623**	**153 108**
Receivables from Group companies	8	100 473	109 972
Trade receivables		485	-
Other receivables		1 320	834
Total inventories and receivables		**102 278**	**110 806**
Cash and cash equivalents		1 115	16 954
Total current assets		**103 393**	**127 759**
Total assets		**599 016**	**280 867**

EQUITY AND LIABILITIES	**Note**	**31.12.2017**	**31.12.2016**
Share capital		146 252	102 475
Other equity		365 167	173 071
Total equity		**511 418**	**275 546**
Trade payables		3 002	1 977
Current liabilites to Group companies	8	69 982	-
Public duties		957	29
Other current liabilities		13 657	3 315
Total current liabilites		**87 597**	**5 321**
Total liabilities		**87 597**	**5 321**
Total equity and liabilities		**599 016**	**280 867**

Oslo, 4 April 2018, from the Board of Directors and the CEO of Techstep ASA, signatures on the following page:

Einar J. Greve Chairman	**Kristian Lundkvist** Board member
Ingrid Leisner Board member	**Camilla Magnus** Board member
Stein Erik Moe Board member	**Gaute Engbakk** CEO

Techstep ASA: Statement of changes in equity

(amounts in NOK 1 000)	Share capital	Other paid-in capital	Other equity	Total equity
Equity as at 1 January 2016	**10 162**	**129 023**	**(102 405)**	**36 780**
Ordinary result 2016			(27 436)	(27 436)
New issued share capital	92 313	173 888		266 202
Equity as at 31 December 2016	**102 475**	**302 911**	**(129 841)**	**275 546**
Equity as at 1 January 2017	**102 475**	**302 911**	**(129 841)**	**275 546**
Profit for the period			(5 173)	(5 173)
Total comprehensive income for the period	**-**	**-**	**(5 173)**	**(5 173)**
Transactions with owners in their capasity as owners:				
Contributions of equity net of transaction costs	17 544	78 656		96 200
Share-based payment			3 365	3 365
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	26 232	110 934		137 166
Purchase treasury shares		7 679		7 679
Equity as at 31 December 2017	**146 252**	**500 180**	**(135 014)**	**511 418**

Techstep ASA – statement of cash flow

(amounts in NOK 1 000)	Note	2017	2016
Profit before tax		(9 202)	(33 353)
Share-based payments		3 365	-
Profit from joint venture		(116)	-
Depreciation and amortisation		35	-
Result from discontinued operations		-	68
Changes in net operation working capital		(18 772)	3 338
Net cash flow from operational activities		**(24 690)**	**(29 947)**
Payment for acquistion of subsidiaries net of cash acquired		(83 581)	-
Payment for acquistion of equity in joint ventures		(500)	-
Payment for non-current intangible and tangible assets		(2 066)	-
Change in shareholder loan		-	37 491
Net cash used on investment activities		**(86 147)**	**37 491**
Proceeds from issuance of shares		95 000	8 972
Net cash flow from financing activities		**95 000**	**8 972**
Net change in cash and cash equivalents		**(15 837)**	**16 516**
Cash and cash equivalents at 1 January		16 954	438
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents as at 31 December		**1 115**	**16 954**
Of which is restricted		485	304

Techstep ASA – Notes to the annual accounts

Notes to the annual accounts for Techstep ASA

Note 1. General information, basis for preparation

Techstep ASA is a public limited company incorporated and domiciled in Norway. The address of its registered office is Brynsveien 3, 0667 Oslo, Norway. The shares of Techstep ASA are listed on the Oslo Stock Exchange under ticker TECH.

Techstep ASA is the parent company of the Techstep Group, with business in Norway and Sweden. For more information, see the consolidated financial statements. The financial statements were approved by the Board of Directors on 22 March 2018 and will be proposed to the General Meeting 25 April 2018.

The financial statements for the company Techstep ASA have been prepared and presented in accordance with simplified IFRS pursuant to § 3-9 in the Norwegian Accounting Act. For the accounting principles used to prepare and present the financial statements refer to Note 1 General information and summary of significant accounting policies in the Group financial statement.

Accounting principles applicable to the company not presented in the group financial statements.

Shares in subsidiaries and joint ventures
Subsidiaries are all entities controlled, either directly or indirectly, by Techstep ASA. Techstep ASA controls an entity when it is exposed to, or has rights to, variable returns from the involvement with the entity and has the ability to affect those returns through power over the entity. Power over an entity exists when Techstep have power to direct the activities in which significantly affect the entity's returns. Generally, there is a presumption that a majority of voting rights result in control. Techstep considers all relevant facts and circumstances in assessing whether control exist, including contractual arrangements and other potential voting rights to the extent that these are substantive.

Shares are classified as investment in subsidiaries from the date Techstep ASA effectively obtains control of the subsidiary (acquisition date).

A joint venture is an entity over which Techstep ASA directly, or indirectly through subsidiaries, has joint control. Joint control is normally presumed to exist when Techstep controls 50% of the voting power of the investee.

Shares are measured at cost, and impairment loss is recognised if the carrying amount exceeds the recoverable amount. The impairment is reversed if the basis for the write-down is no longer present.

Group contributions received are included in financial income provided that it does not represent a repayment of capital invested. Group contributions that represent a repayment of capital are accounted for as a reduction in the cost of investments. Net group contributions payable (gross group contributions less tax effect) are accounted for as cost of investments in subsidiaries.

Dividends from subsidiaries and associates are included in financial income.

Note 2. Salaries and personnel cost

	2017	2016
Salary and holiday pay	13 255	9 389
Social security tax	1 627	981
Pension costs including social security tax	588	647
Other personnel costs	1 745	4
Total salaries and personnel cost	**17 215**	**11 021**

Number of employees at year end	5	2

The Company's pension plans meet the requirements of the Act on Mandatory occupational pensions (OTP).

Please refer to Note 26 Remuneration to management in the consolidated group financial statements for details regarding executive management remuneration and Note 23 Share, capital structure and shareholders in the consolidated group financial statements for information about share option grant.

Remuneration to auditor

(amounts in NOK 1 000)		2017			
	Audit Services	**Other attestation services**	**Tax advisory services**	**Other non-audit services**	**Total**
BDO	370	128	121	205	824
Total	**370**	**370**	**370**	**370**	**824**

		2016			
	Audit Services	**Other attestation services**	**Tax advisory services**	**Other non-audit services**	**Total**
BDO	187	-	-	542	729
Total	**187**	**-**	**-**	**542**	**729**

Note 3. Other operational costs

	2017	2016
Office rental and operations	481	54
Sales and marketing	271	367
Computers and software	463	23
Fees for external services	6 440	11 152
Communication	66	109
Travel expenes	236	515
Other costs	2 833	3 461
Total operating costs	**10 790**	**15 681**

Note 4. Other expenses

	2017	2016
Restructuring costs executive management	3 200	2 065
Transaction costs	16 874	4 717
Strategic initiatives	1 100	-
Other costs	3 548	-
Total	**24 722**	**6 782**

Note 5. Finance income and expenses

	2017	2016
Interest income	3 519	219
Dividends from equity investments	-	302
Group contributions received	34 946	-
Other financial income	42	-
Total financial income	**38 507**	**521**
Interest expenses	852	690
Other financial expenses	73	-
Total financial expenses	**925**	**690**

Note 6. Income tax

Income tax expense	**2017**	**2016**
Change in deferred tax	664	5 850
Tax expense	**664**	**5 850**

Reconciliation of relationship between accounting profit and tax expense

Profit before tax	(9 202)	(33 285)
Tax at the Norwegian tax rate of 24 % (2016 - 25 %)	2 208	8 321
Tax effect permanent differences	(975)	(2 472)
Tax related to change in tax rates	(335)	-
Other	(234)	-
Income tax expense	**664**	**5 850**
		-

Amounts recognised directly in equity

Deferred tax arising in the reporting period directly debited to equity:

Deferred tax: Share issue cost	(1 200)	-
Total	**(1 200)**	**-**

Tax losses

Unused tax losses for which no deferred tax asset has been recognised	(441 876)	(441 876)
Potential tax asset at 23 % tax rate (2016 - 24 %)	**(101 632)**	**(106 050)**

Deferred tax

The balance comprices temporary differences attributable to:

Property, plant and equipment	(1 503)	(1 886)
Trade receivables and other receivables	(4 691)	-
Tax loss carried forward	(27 344)	(21 512)
Total basis for deferred tax	**(33 538)**	**(23 399)**
Tax rate deferred tax	23 %	24 %
Net deferred tax with applicable year's tax rate	(8 049)	(5 850)
Change in deferred tax due to change in tax rate	335	
Net deferred tax (+)/ deferred tax asset (-)	**(7 714)**	**(5 850)**

Note 7. Shares in subsidiaries and joint ventures

Shares in subsidiaries 2017	Location	Ownership/ voting rights	Book value	Equity 31.12.17	Net income 2017
Teki solutions AS	Oslo	100%	297 860	374 377	5 902
Techstep Holding AB	Karlstad	100%	49	682	620
Apro Tele & Data AS	Sandefjord	100%	18 000	7 677	4 671
Techstep Nordic AS	Oslo	100%	26 600	5 752	(3 709)
Mytos AS	Oslo	100%	111 000	3 544	12 685
Techstep InfraAdvice AB	Stockholm	100%	17 707	3 025	1 370
Conneqted AB	Karlstad	51%	3 417	660	195
Mytos IPR AS	Oslo	100%	10 530	50 523	(1)
Total			**485 162**	**446 240**	**21 733**

Shares in subsidiaries 2016	Location	Ownership/ voting rights	Book value	Equity 31.12.17	Net income 2017
Zono AS	Tønsberg	100%	128 000	127 160	(750)
Teki Solutions AS	Oslo	78.16%	19 258	220 088	(16 915)
Total			**147 258**	**257 230**	**257 230**

Shares in joint ventures 2017	Location	Ownership/ voting rights	Book value	Equity 31.12.17	Net income 2017
Techstep Finance AS	Oslo	50%	616	1 232	232
Total			**616**	**1 232**	**232**

The company did not have any joint ventures in 2016.

Note 8. Receivables and liabilities to Group companies

	2017	2016
Group contribution received	34 946	-
Other current receivables	65 527	109 972
Total current receivables	**100 473**	**109 972**

	2017	2016
Other current liabilites	69 982	-
Total current liabilities	**69 982**	**-**

Note 9. Events after the reporting period

Please refer to Note 27 Events after the reporting period in the consolidated group financial statements.

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Independent Auditor's Report

To the General Meeting of Techstep ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Techstep ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.

- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How the key audit matter was addressed in the audit
Revenue recognition Revenue is recognised when it can be reliably measured, it is probable that the economic benefits will flow to the entity, and the criteria related to the various forms of income are met. Revenues are measured at fair value of the consideration net of VAT and discounts. For all segments, revenue is recognised when goods or services are delivered to the customer, and the risks and rewards of ownership are transferred accordingly. The group is selling a wide range of different goods and services to clients, including telephones and mobile solutions, consulting and implementation of digital workflows. The complexity of the accrued income in the subsidiaries lead us to consider this a key audit matter.	Our audit procedures relating to the sales of handsets and mobile solutions included detailed testing of the company's IT systems that automatically process sales transactions. We have also performed a detailed review and assessment of accrued income at year-end. Furthermore, the groups procedures relating to the sales of services and implementation of digital workflows have been tested in detail, as has accrued income. In addition, we have performed a detailed review of contracts and accrued hours to ensure that revenue is accrued correctly. We have also assessed the adequacy of the description of the Group's accounting policies for revenue recognition detailed in note 1.
Valuation of intangible assets In accordance with IFRS, the Group is required to test the carrying value of intangible assets for impairment annually. Impairment testing of intangible assets is a key aspect of our audit due to the complexity of the assessments and the significance of assumptions related to future market and/or economic conditions that underlie the assessment. Recognised goodwill and customer relations allocated through previous acquisitions as at 31.12.2017 of NOK 500,05 million are allocated to the group's cash-generating units.	Our audit procedures have included a detailed review of management's impairment test for each business unit to which intangible assets is allocated. We have also assessed management's assumptions underlying the valuation and taken into account management's historical accuracy in determining the estimates. We have used internal specialists in this process. We have also considered the assumptions described in note 17. We have also assessed the adequacy of the information provided in the notes against the requirements of IAS 36.

Management has concluded that the recoverable amount exceeds the book value and there is no need for impairment. The complexity and the judgments relating to impairment testing have made us identify this a key focus area for our audit.	
Valuation investments in subsidiaries The company has significant investments in subsidiaries that are valued at cost. Investments amount to MNOK 483,66. In connection with the assessment of the underlying value of the subsidiaries, an estimate of the recoverable amount in accordance with IAS 36 has been established, to determine if there are indications that these assets are impaired. Losses and low equity in subsidiaries are indicators that there may be impairment losses relating to investments. The significant amounts involved and the complexity of the valuation of the assets, lead us to classify the valuation of investments in subsidiaries as a key audit matter.	Our audit procedures included a detailed review, testing, and assessment of management's impairment testing, including the calculation of recoverable amounts. We have also assessed management's assumptions underlying the valuation and taken into consideration the historical accuracy in determining the estimates. We have used internal specialists in this process. We have also considered the assumptions described in note 17.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 the 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 4 April 2018
BDO AS

Yngve Gjethammer
State Authorised Public Accountant

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