TECHSTEP

Interim report
Q3 2017

Highlights

Q3 2017

- Techstep has continued to execute its growth strategy in the second half of 2017, acquiring companies, consolidating its "Mobile as a Service" offering and growing its end user base and solutions sales
- Q3 2017 revenues of NOK 180.8 million (NOK 132.7 million); increase reflecting acquisitions made in the period, as well as 40% organic growth in solutions revenue
- Adjusted EBITDA of NOK 9.8 million (NOK 4.1 million) and EBITDA margin of 5.4% (3.1%); reflects positive development in solutions sales, partly offset by growth investments
- Surpassed 600,000 end users across various industries in the private and public sector in Norway and Sweden, up from ~490,000 the previous quarter and ~230,000 at year-end 2016
- Acquired enterprise mobility management specialist Conneqted 365 AB and the hardware company BKE TeleCom AB, complementing Techstep's customer offering and pan-nordic capabilities
- Techstep (via Kjedehuset) certified as "Apple Authorized Enterprise Reseller", Apple's new, tier one partner accreditation within the B2B market

CEO comment

"Moving towards the end of the year, we are encouraged by the feedback from our customers and potential new customers across Norway and Sweden. They appreciate what we are doing to serve their mobility solutions needs in a better, easier and more cost-efficient manner. To us, this strong market feedback confirms that our vision of being the leading enabler of the digital workplace in the Nordics, making work mobile, is the right position to take in the market.

When we continue to push forward and enter the market with a new, one-stop-shop "Mobile as a Service" (MaaS) solution, we build our strategy upon three key assumptions: Firstly, B2B mobility services demand is expected to have a strong growth rate. Entreprises and employees want mobile solutions at work because a major part of the workforce is mobile in nature but do not have access to mobility solutions today. Ironicly, people with 'stationary' jobs are those who have best access to mobility solutions today. But, a big change is happening when companies go "mobile first", making tools and software available for mobile devices first and desktop second. Secondly, ICT (Information and Communication Technology) executives want one stop shop solutions if possible because it lowers total cost of ownership of mobile work platforms and reduces operating risk. Thirdly, owners want ICT to move from CAPEX to OPEX because of capital efficiency and because it lowers risk related to rapidly changing technologies.

Today, Techstep provides a stack of mobile solutions through subsidiaries and partners and for the first time we are truly a on-stop-shop Nordic enabler of the digital workplace. We have spent a considerable time on M&A, integration and product development. Now focus and energy shifts to product and solutions rollout and increased sales in both Norway and Sweden.

The companies we acquired over the past quarters have expanded our offerings and geographical presence and increased our end-user base and cross-sales potential significantly. We are now bringing the companies together, and utilising our newly established financing company, Techstep Finance, we are combining our products and solutions into our MaaS (Mobile as a Service) offering. MaaS is already attracting strong interest from existing customers wanting to implement this solution. We are seeing an increase in solutions revenue and stable hardware revenue although total revenues are offset by a reduction in commission and bonuses (from operators, suppliers and other partners), due to the transition to new business model and sales priorities.

In addition to the investments we have made with the acquisitions since the fourth quarter 2016, we have also invested in sales and product development, increasing our cost base with added competencies in sales, operations and group functions. Moreover, we are shifting some of our revenue streams from one-off commission and bonuses, to selling on a recurring revenue based model. As such, the underlying profitability is higher than what is currently reflected in the financial statements.

Going forward, focus continue to be on organic growth and profitability. I am confident that we will see a positive effect on the profitability from the turn of the year going forward", said CEO Gaute Engbakk.

About Techstep

Techstep is positioning itself as a leading Nordic enabler of the digital workplace. Techstep's "Mobile as a Service" (MaaS) offering is a one-stop-shop solution, which combines hardware, subscription & connectivity, mobile device management, managed services and related software, in addition to financing. The MaaS solution enables enterprises to let employees do their work across mobile devices and locations, with a high degree of security and operational stability. Techstep has approximately 200+ employees based in Norway and Sweden, serving close to 6,000 customers and 600,000 end users across various industries in the private and public sectors. The company is listed on the Oslo Stock Exchange. For more information, please visit http://techstepasa.no/.

Key Figures

(amounts in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	FY 2016
Revenue	180 811	132 676	508 248	573 498
Adjusted EBITDA [1)]	9 800	4 139	16 669	13 078
Adjusted EBITA [1)]	9 535	3 925	15 748	12 175
Adjusted EBIT [1)]	3 893	202	1 156	(6 808)
EBITDA	6 569	(9 639)	(700)	(4 433)
EBITA	6 304	(9 853)	(1 620)	(5 336)
EBIT	662	(13 576)	(16 212)	(24 319)
Adjusted EBITDA margin (%)	5.4 %	3.1 %	3.3 %	2.3 %
Adjusted EBITA margin (%)	5.3 %	3.0 %	3.1 %	2.1 %
Hardware, commission & bonuses, share of revenue (%)	77 %	88 %	78 %	88 %
Solutions, share of revenue (%)	23 %	12 %	22 %	12 %
Total assets	737 686	398 073	737 686	508 409
Cash	27 086	6 162	27 086	81 692
Equity	477 576	12 496	477 576	260 294
Employees	214	133	214	121

[1)] Adjusted for M&A and one-off costs of NOK 3.2 million in Q3-17, NOK 17.4 million per YTD-17 and NOK 17.5 million per FY16.

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

Operational review

Main developments in the quarter

Over the third quarter 2017, Techstep has continued to pursue its growth strategy, carry out M&A activities to grow its market position as a leading enabler of the digital workplace, expand its customer base, and consolidate its Mobile-as-a-Service (MaaS) offering. Special focus has been placed on product roll-out and sales initiatives, on building a competent organisation, and on continuing the ongoing integration of acquired companies.

Techstep acquired two additional companies in Sweden during the quarter; the hardware provider BKE TeleCom AB, for SEK 81 million (plus SEK 22.5 million in earn-out), and 51% of the enterprise mobility management specialist Conneqted 365 AB, for SEK 3.5 million. The two companies contribute complementary competence and sales channels, securing increased delivery capacity and scalability of Techstep's business model in the Nordic countries. For details about the acquisitions, see Note 4.

By combining the products and solutions from its subsidiaries, Techstep is able to provide a stack of mobile solutions, including its MaaS offering, which, together with Mytos' asset management solution, was successfully introduced to the Norwegian market in the third quarter. With the latest acquisitions in Sweden, Techstep is also able to deliver cross-border solutions to Nordic customers, with related digitalisation and efficiency synergies.

Focusing on strategic partnerships that provide access to premium technology products and solutions, Techstep is able to offer competitive solutions to our customers. In the third quarter, Techstep, via Kjedehuset, 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 only. Techstep is one of very few companies in the Nordic region to obtain this Tier 1 authorisation.

Techstep experiences strong sales activity, and has won the majority of the tenders offered over the quarter. Contracts have been closed with both new and existing customers, such as Rema 1000, DNB, and Gjensidige. Techstep is further increasing public tender activities, and has won the last six tenders delivered, of which four in the third quarter, including Oslo Municipality, Sykehusinnkjøp, Sandefjord Municipality, and the Norwegian Armed Forces. The Norwegian Armed Forces chose Nordialog Oslo, through an agreement with Kjedehuset, to supply its 16,000 users with mobile phones, related equiment, and service agreements. The estimated total contract value is approximately NOK 60 to 70 million over four years.

While price pressure on hardware continues, demand for solutions and MaaS deliveries is increasing. Techstep has therefore focused on training of its sales teams, to build competence about new products and solutions in connection with the product rollout and launch of MaaS. During the quarter, the first MaaS solutions were delivered to some of Techstep's customers, and several customers are waiting to implement the MaaS solution. In addition, there is an increased sales conversion to solutions sales.

Developments in end-user base

Through both organic growth and acquisitions, Techstep has increased the company's pro forma end-user base to ~600,000 at the end of third quarter, up from ~490,000 at the end of second quarter 2017, and 230,000 at year-end 2016.

Subsequent events

No material events have occurred from the balance sheet date until the publication of the financial statements that have had material impact on the Group's financial position and that should have been reflected in the published financial statements.

Financial review

The financial statements represent the continuing business of Teki Solutions AS. The figures are unaudited. For information about which entities are included, see note 4.

Profit and loss third quarter 2017

Techstep generated total revenues of NOK 180.8 million in the third quarter 2017, compared with NOK 132.7 million in the same period last year. The increase is mainly attributed to acquisitions made over the period, as well as organic growth of 40% in solutions revenue. The most recent acquisitions of BKE and Conneqted were included in the reported figures from 1 September. BKE has historically had a hardware revenue share of around 80%.

The increase in revenues is slightly offset by a reduction in commission and bonuses of NOK 2 million, compared to the third quarter 2016. As communicated in the second quarter 2017, this is due to a general decline in one-off bonuses from suppliers, and a shift to a recurring revenue model.

Operating expenses for the quarter amounted to 174.2 million, and EBITDA was NOK 6.6 million, compared with negative NOK 9.6 million in the third quarter 2016. The change is mainly related to acquisitions made during the period, and an increased contribution from solutions revenue. EBITDA adjusted for non-recurring costs related to restructuring and transaction expenses, amounted to NOK 9.8 million, compared with NOK 4.2 million in the third quarter 2016.

The ordinary operating result (EBIT) amounted to NOK 0.7 million, compared with a loss of NOK 13.6 million in the same period last year.

Influenced by a non-recurring remeasurement of equity interests related to Nordialog Asker, and a reduced tax provision, the net loss for the third quarter amounted to NOK 1.6 million. See note 6 for more information.

Cash flow third quarter 2017

The net cash flow generated from operating activities was negative in the amount of NOK 11.6 million, driven by the operating result and changes in working capital and a remeasurement of equity interests related to the acquisition of the first 50% ownership in Nordialog Asker.

The net cash flow used in investment activities was NOK 40.8 million and is primarily related to the acquisitions of the Swedish companies BKE and Conneqted.

The net cash flow from financing activities amounted to NOK 8.8 million and represents cash from the acquisitions of BKE and Conneqted, partly offset by repayment of interest-bearing debt.

Cash and cash equivalents decreased by NOK 43.6 million over the quarter, and at the close of the period, Techstep's total cash and cash equivalents amounted to NOK 27.1 million.

Financial position

As at 30 September 2017, Techstep had total assets of NOK 737.7 million, compared with NOK 676.5 million three months before, and NOK 398.1 million at the close of the third quarter last year. The acquisition of BKE in the third quarter increased the group's goodwill and customer relations by NOK 64.6 million and NOK 28.8 million, respectively. Accounts receivable increased by NOK 6.4 million from the close of the previous quarter, to NOK 122.9 million, mainly due to higher sales volumes and the acquisitions of BKE and Conneqted.

At the close of the quarter, Techstep's total equity was NOK 477.6 million, corresponding to an equity ratio of 64.7 percent. Total liabilities increased by NOK 38.8 million from the close of the previous quarter, to NOK 260.1 million. Other non-current debt was NOK 46.5 million and includes a seller credit of SEK 15 million and an earn-out of SEK 22.5 million related to the acquisition of BKE, as well as a long-term loan of SEK 8.1 million related to BKE's office building. Current interest-bearing liabilities amounted to NOK 71.0 million, and includes factoring debt of NOK 31.8 million, a drawn credit facility of NOK 26.8 million, and a term loan of NOK 11.2 million, due in August 2018.

Financial risk and risk management

As a consequence of the company's operational and financial activities, Techstep is exposed to various types of market, operational and financial risk. The company’s risk management is coordinated from the head office, in cooperation with the Board of Directors.

The short- and intermediate-term focus is on maintaining ongoing, active operations, which secure the company’s cash flow by reducing financial market exposure. Long-term financial investments have been made for the purpose of generating long-term financial returns.

The goal of the Group’s risk management is to support the Group’s value creation, and to ensure a continued, solid financial platform through transparency and strategic management of both financial and operational risk factors. Operational risk is primarily linked to large customer projects, which are under continuous evaluation by corporate management. The Group’s financial risk is primarily linked to credit risk, liquidity risk, foreign exchange risk and interest rate risk.

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

Outlook

During 2017, Techstep has made several acquisitions to expand its offering and geographical presence and increase its customer base and cross-selling potential. Focus has been on integrating the companies acquired and product development. Roll-out of new products, including MaaS, and sales initiatives commenced in the third quarter and will continue in the fourth quarter.

Techstep expects continued improvement from its operating and strategic initiatives in the fourth quarter and moving into 2018. The market for B2B mobility services is growing, and despite price pressure on mobile devices and related hardware, there is increased demand for digital workplace mobile work solutions. According to Gartner, the Norwegian and Swedish market for managed mobile services is expected to grow by 27% per year from 2015 to 2019, while consulting and integration services is expected to grow 12-13% per year.

Techstep has several large contracts in pipeline to be concluded, including MaaS, in addition to planned launch of new vertical solutions, and introduction of Mytos and MaaS in Sweden – all which can be expected to have positive effect on profitability.

Consolidated statement of income

(amounts in NOK 1 000)	Note	Q3 2017	Q3 2016	YTD 2017	2016
Revenue		180 588	131 394	506 734	570 526
Other revenue		223	1 282	1 515	2 972
Total revenue		**180 811**	**132 676**	**508 248**	**573 498**
Cost of goods sold		(124 264)	(92 199)	(353 533)	(405 210)
Salaries and personnel costs		(33 575)	(25 336)	(94 654)	(104 041)
Other operational costs	5	(13 461)	(11 003)	(43 681)	(51 169)
Share of profit (loss) in joint ventures		289	-	289	-
Gross operating profit		**9 800**	**4 139**	**16 669**	**13 078**
Depreciation		(265)	(214)	(920)	(903)
Amortization		(5 642)	(3 723)	(14 593)	(18 984)
Other income and expenses		(3 231)	(13 778)	(17 368)	(17 511)
Operating profit (loss)		**662**	**(13 576)**	**(16 212)**	**(24 319)**
Technical loss					(21 217)
Remeasurement on equity interests	6	(5 356)	-	(5 356)	
Financial income		62	54	4 600	1 008
Financial expense		(773)	(1 804)	(2 502)	(6 126)
Profit before taxes		**(5 404)**	**(15 326)**	**(19 470)**	**(50 654)**
Income taxes	7	3 844	2 929	4 901	5 954
Net income		**(1 561)**	**(12 397)**	**(14 569)**	**(44 700)**
Net income attributable to					
Non-controlling interests		-		-	(4 245)
Shareholders of Techstep ASA		(1 561)	(12 397)	(14 569)	(40 455)
Earnings per share in NOK:					
Basic		(0.01)	(0.47)	(0.11)	(1.29)

Consolidated statement of comprehensive income

(amounts in NOK 1 000)	Note	Q3 2017	Q3 2016	YTD 2017	2016
Net income		**(1 561)**	**(12 397)**	**(14 569)**	**(44 700)**
Exchange differences on translating foreign operations		(573)		(573)	
Items to be reclassified subsequently to profit and loss		**(573)**		**(573)**	
Comprehensive income		**(2 133)**	**(12 397)**	**(15 142)**	**(44 700)**
Comprehensive income attribtable to					
Non-controlling interests			-		(4 245)
Shareholders of Techstep ASA		(2 133)	(12 397)		(40 455)

Consolidated statement of financial position

(amounts in NOK 1 000)	Note	Q3 2017	Q3 2016	2016
ASSETS				
Non-current assets				
Deferred tax asset		-	-	857
Goodwill	4	443 910	253 378	253 378
Customer relations	4	68 604	21 838	18 116
Sum intangible assets		**512 515**	**275 216**	**272 350**
Property, plant and equipment		10 535	3 346	3 159
Associated companies		789	14 197	13 349
Shares and investments		34 524	4 973	27 973
Other non-current assets		683	960	506
Sum financial assets		**35 995**	20 130	41 829
Total non-current assets		**559 045**	**298 693**	**317 338**
Inventories		15 620	10 173	9 526
Accounts receivable		122 855	65 707	83 250
Other receivables		13 080	17 338	16 603
Total inventories and receivables		**151 555**	**93 218**	**109 379**
Cash and cash equivalents		27 086	6 162	81 692
Total current assets		**178 641**	**99 380**	**191 071**
Total assets		**737 686**	**398 073**	**508 409**
EQUITY				
Share capital	3	146 252	244	102 476
Other equity		331 324	12 252	132 631
Total equity attributable to the owners of Techstep ASA		**477 576**	**12 496**	**235 107**
Non-controlling interests			-	25 187
Total equity		**477 576**	**12 496**	**260 294**
LIABILITIES				
Deferred tax		10 575	6 049	-
Non-current interes-bearing debt		-	16 875	12 656
Non-current interest-bearing debt to shareholders		-	24 443	0
Other non-current debt		46 484	-	-
Total non-current debt		**57 059**	**47 366**	**12 656**
Current interest-bearing debt to shareholders		-	149 900	-
Current interest-bearing liabilities		71 028	47 568	113 721
Accounts payable		76 310	47 423	62 050
Tax payable	7	6 114	12 968	9 338
Public taxes, provisions		17 312	26 455	14 007
Other current liabilities		32 288	53 896	36 342
Total current debt		**203 052**	**338 210**	**235 458**
Total liabilities		**260 111**	**385 576**	**248 114**
Total equity and liabilities		**737 686**	**398 073**	**508 409**

Specification of changes in equity

(amounts in NOK 1 000)	Share capital	Treasury shares	Other paid-in capital	Other equity capital	Sum	Minority interest	Total equity capital
Equity as of 01.01.2016	**244**	**-**	**197 607**	**(155 526)**	**42 326**	**-**	**42 326**
Ordinary result per Q3 2016				(17 550)	(17 550)		(17 550)
Comprehensive result 2016							
Other, merger diff. 1)				(3 016)	(3 016)		(3 016)
Other, errors prev. years 2)				(9 264)	(9 264)		(9 264)
Equity as of 30.09.2016	**244**	**-**	**197 607**	**(185 356)**	**12 496**	**-**	**12 496**
Equity as of 31.12.2016	**102 475**	**(1 914)**	**283 702**	**(149 157)**	**235 107**	**25 188**	**260 294**
Ordinary result per Q3 2017	-	-	-	(14 569)	(14 569)		(14 569)
Comprehensive result per Q3 2017	-	-	-	(573)	(573)		(573)
New issued share capital	43 776	-	196 040	17 557	257 374	(25 188)	232 186
Other, converting diff	-	-	-	237	237		237
Equity as of 30.09.2017	**146 251**	**(1 914)**	**479 742**	**(146 505)**	**477 576**	**-**	**477 576**

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

2) 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 flow

	(amounts in NOK 1 000)	Note	Q3 2017	Q3 2016	YTD 2017	2016
	Profit before tax		(5 404)	(15 326)	(19 470)	(50 654)
	Other comprehensive income		(573)		(573)	
	Profit from associated company		(289)	-	(396)	(157)
	Depreciation and amortization		5 907	3 937	15 513	19 887
	Remeasurement on equity interests	6	5 356		5 356	21 217
	Taxes paid				(5 835)	(4 224)
	Changes in net operation working capital		(16 580)	25 759	(37 766)	(16 940)
A	**Net cash flow from operational activities**		**(11 584)**	**14 370**	**(43 170)**	**(30 871)**
	Investment in subsidiaries, associated companies	4	(40 161)		(112 040)	-
	Investment in financial assets		41	8	(89)	424
	Investment in machinery, inventories		(647)	(320)	(764)	(410)
B	**Net cash used on investment activities**		**(40 767)**	**(312)**	**(112 893)**	**14**
	Change in shareholder loans			3 192		(24 848)
	Change in interest bearing debt		(5 625)	(16 593)	(20 000)	53 109
	New issued equity capital				95 000	
	Cash from acquisition of subsidiaries		14 417		26 458	65 306
C	**Net cash flow from financing activities**		**8 792**	**(13 401)**	**101 458**	**93 567**
	Net change in cash and cash equivalents		**(43 559)**	**657**	**(54 606)**	**62 710**
					-	
	Cash and cash equivalents at beginning of period		70 645	5 506	81 692	18 982
					-	
	Cash and cash equivalents as of 30.09 / 31.12		**27 086**	**6 162**	**27 086**	**81 692**

Notes to the consolidated financial statements

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

1. Accounting principles

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

1.1 Basis for preparation

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

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

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

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

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

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

Note 2. Business segments (for accounting purposes)

For financial reporting purposes, Techstep has two main business segments, which per 30 September 2017 are represented by the following legal entities, controlled and owned by Techstep Group:

1) Nordialog Oslo AS, Apro Tele & Data AS and BKE Telecom AB

2) Techstep Nordic AS (former SmartWorks AS), Techstep Nordic AB (former SWN Group Sweden AB), Mytos AS, InfraAdvice Sweden AB, and Conneqted 365 AB.

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

Nordialog, Apro Tele & Data and BKE (legal entities)

Nordialog is the mobile operator Telenor's key distribution channel for devices and subscriptions to the Norwegian business segment. Techstep operates eight of Nordialog's business centres in Eastern Norway, and accounts for ~60% of Nordialog's total distribution volume in Norway. Nordialog revenue streams include both hardware and solutions sales. Apro Tele & Data is a hardware supplier, which provides fixed network IP and mobile solutions, with special expertise in the Norwegian public sector. BKE offers an industry-leading cloud-based (UCaaS) PBX solution, where users may choose to communicate via mobile, fixed, wireless phones, web, or computer applications. BKE is one of few market players in Sweden that offer cloud-based PBXs integrated with all the largest Swedish operators, i.e. Tele2, Telenor, Telia, and 3, as well as Telavox.

(amounts in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	2016
Revenue	161 848	124 678	451 950	554 467
EBITDA	10 677	1 991	23 171	27 527
EBITA	10 482	1 791	22 421	26 742
Employees	139	107	139	79
Total assets	531 853	458 568	537 209	489 268

Total revenues from operations in the Nordialog entities, Apro, and BKE, amounted to NOK 161.8 million in the third quarter 2017, compared to NOK 124.7 million in the third quarter 2016. The increase of NOK 37.2 million is related to the acquisitions of Apro and BKE, as well as underlying revenue growth in these companies. The increase is partly offset by a reduction in revenue in Nordialog Oslo.

EBITDA amounted to NOK 10.6 million for the third quarter 2017, up from NOK 2 million in the third quarter 2016. The increase in EBITDA is mainly explained by an increase in solutions revenue, improved margins in Nordialog Oslo, and contributions from the acquisitions made in 2017.

Following the acquisition of BKE in the third quarter, the number of employees increased to 139 by the end of the third quarter.

Nordialog, BKE and Apro expect a small improvement in hardware sales in the fourth quarter 2017, which includes the sale of iPhone 8 and iPhone X, and increased MaaS contracts.

Techstep Nordic (formerly SmartWorks), Mytos, InfraAdvice and Conneqted (legal entities)

Techstep Nordic (formerly SmartWorks), located in Oslo, delivers Enterprise Mobility Management (EMM) services and solutions, and offers mobility digitalisation solutions through third-party software, such as Cisco, Citrix, and Microsoft. Techstep Nordic generates revenue directly from external customers, and as a Nordialog supplier. Mytos is a software-as-a-service company, with mainly recurring revenue. Mytos offers a full range of telecom expense management (TEM) modules, all of which offer proprietary software, and highly user-friendly implementation and operation. InfraAdvice is a Swedish EMM specialist, based mainly in Stockholm, with offices in Luleå and Strängnäs. Conneqted, situated in Karlstad, was established in January 2016 and offers a complete EMM service, including mobile security, system design, implementation, mobile device management, maintenance and support.

(amounts in NOK 1 000)	**Q3 2017**	**Q3 2016**	**YTD 2017**	**2016**
Revenue	27 661	10 860	50 678	52 800
EBITDA	2 930	(2 782)	7 174	(4 997)
EBITA	2 882	(2 782)	7 126	(5 052)
Employees	65	50	65	33
Total assets	185 199	30 003	185 199	35 504

Total revenues from Techstep Nordic, Mytos, InfraAdvice, and Conneqted amounted to NOK 27.7 million in the third quarter, compared with NOK 10.9 million in the same quarter of last year. The solid increase in turnover is driven by NOK 12.4 million from acquisitions made in 2017, and NOK 4.3 million from organic growth and increased demand for mobility projects, including new sales of licensing fees and support services.

Third quarter EBITDA was NOK 2.9 million, up from negative NOK 2.8 million in the third quarter last year. The improved EBITDA reflects an increase in sales of licensing fees, and contribution from Mytos of NOK 3.3 million, InfraAdvice of NOK 0.6 million and Conneqted of 0.1 million, partly offset by a reduction in sales from Techstep Nordic.

With the acquisition of Conneqted in the third quarter, the number of employees increased by five, to 65.

The demand for enterprise solutions continues to increase, and Techstep is now offering a wide range of solutions and competence, to support its customers' needs.

Note 3: Share capital and shareholders

The company's share capital as of 30 September 2017 was NOK 146,251,789 divided on 146,251,789 ordinary shares with a par value of NOK 1.00. Subject to the below, the shares are issued and fully paid. Techstep has only one class of shares and all shareholders have equal rights according to Norwegian law.

As of the date of this report, Techstep holds 1,914 treasury shares.

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

Shareholder	# of shares	Ownership %
DATUM AS	31 829 142	21.80%
MIDDELBORG INVEST AS [1)]	29 066 931	19.90%
PALOS NORGE AS	11 666 667	8.00%
Skandinaviska Enskilda A/C CLIENTS ACC.	4 991 128	3.40%
CIPRIANO AS [2)]	4 651 375	3.20%
JYST INVEST AS	3 763 372	2.60%
DOVRAN INVEST AS	3 763 372	2.60%
Tinde industrier as	3 763 372	2.60%
SKARESTRAND INVEST A	3 763 372	2.60%
TIGERSTADEN AS	3 300 000	2.30%
ZONO HOLDING AS [3)]	3 000 007	2.10%
SÅ&HØSTE AS	2 925 936	2.00%
TVENGE TORSTEIN INGVALD	2 700 000	1.80%
NORDIALOG ENSJØ AS	1 946 253	1.30%
NOMO HOLDING AS C/O TEKI SOLUTIONS	1 946 253	1.30%
UNIFIED AS	1 849 457	1.30%
VERDIPAPIRFONDET DNB V/DNB ASSET MNGMT	1 838 929	1.30%
RAKNES HOLDING AS	1 649 348	1.10%
SONGA TRADING INC	1 438 596	1.00%
ARCTIC FUNDS PLC BNY MELLON SA/NV	1 371 431	0.90%
Total number owned by top 20	**121 224 941**	**82.90%**
Total number of shares	**146 251 789**	**100%**

[1)] Middelborg invest controlled by board member Kristian Lundkvist
[2)] Cipriano AS, owned by chairman of the Board of Directors Einar J. Greve
[3)] Zono Holding AS owned by Middelborg Invest AS 50.44%, Cipriano AS 4.65%, Duo Jag AS 0.93%, Antares Group 0.93%

Antares Group AS, owned by CEO Gaute Engbakk, ownes 554,838 shares in Techstep ASA
Duo Jag AS, partly owned by member of the Board of Directors Ingrid Leisner, ownes 554,834 shares in Techstep ASA

Share option grant

On 1 February 2017, the Board of Directors resolved to grant 3 million share options to CEO Gaute Engbakk and 1.5 million share options to each of CFO Marius Drefvelin and CIO Mads Vårdal. The option grant was approved of the annual general meeting of Techstep. Neither Marius Drefvelin nor Mads Vårdal owned shares or rights to shares in Techstep prior to the option grant. On 16 August 2017, the Board of Directors resolved to grant 1 million share options to CCO Erik Haugen and COO Inge Paulsen respectively. Neither Erik Haugen, Inge Paulsen nor their related persons own currently any shares or rights to shares in Techstep prior to the option grant. Once the options have been duly issued, the Company will have issued in total 8 million share options.

Note 4: Changes in Group structure and subsequent events

Q1 2017

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

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

Q2 2017

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

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

Q3 2017

On 3 July 2017, Techstep ASA entered into a binding agreement to acquire BKE Telecom AB ("BKE") for an aggregated purchase price of SEK 81 million plus an earn-out of SEK 22.5 million (net present value SEK 20.4 million). BKE, headquartered in Karlstad, Sweden, was founded in 1983 and is one of the leading providers of business telecommunication equipment and services, employing 43 full time equivalents. The product and services offering comprises hardware communication equipment, cloud PBXs, operator services and other services for the public sector and corporates in Sweden. The purchase was made through the new 100% owned Swedish holding company Techstep Holding AB. The purchase price payable at closing 31 August was SEK 81 million, while the earn-out fall due medio 2019.

On 15 August 2017, Techstep ASA entered into a binding agreement to acquire 51% of the shares in Conneqted 365 AB for an aggregated purchase price of SEK 3.5 million, in addition to an option agreement of acquiring the remaining 49%. Conneqted, headquartered in Karlstad, Sweden, was established in 2015 as an Enterprise Mobility Management (EMM) provider. The company has five employees and is experiencing strong growth. Conneqted has a full EMM service offering with system design, implementation, mobile device management, maintenance and support, serving large and medium-sized companies. The purchase price payable at closing 31 August, was settled with SEK 2.3 million in cash, and SEK 1.2 million in Techstep shares at a price defined by the 30 day VWAP prior to closing. The option agreement gives Techstep the right to acquire the remaining 49% of the shares at an enterprise valuation that will be determined by financial results achieved in 2018 and 2019, according to an agreed mechanism.

Subsequent events

None

	Q1 2017				Q2 2017			
	Mytos		**Nordialog Asker**		**Infra-Advice**		**Apro Tele og Data**	
Intangibles			100				150	
Tangibles	383		13		179		149	
Shares	-		2 177				804	
Accounts receivable	4 471		3 819		2 773		8 346	
Inventory	-		529				3 920	
Other	60		-		48		234	
Cash	3 748		4 600		3 081		1 284	
Long term debt								
Accounts payable, short term debt	(5 957)		(6 413)		(3 932)		(8 548)	
Net value	2 705		4 825		2 148		6 340	
Share	2 705	100%	2 413	50%	2 148	100%	6 340	100%
Sellers credit	-		2 025		-		500	
Earn-out							2 500	
Cash consideration	50 000		-		13 379		8 000	
Consideration shares	70 000		6 075		4 328		7 000	
Excess value *	117 295		5 688		15 559		11 660	
IPR	10 500							
Goodwill	93 571				9 612		7 318	
Customer relations	17 400		2 787		7 624		5 713	
Building								
Deferred tax	(4 176)		(668)		(1 677)		(1 371)	
Other (shares)			3 569					
Excess value *	117 295		5 688		15 559		11 660	

	Q3 2017			
	BKE Telecom AB (SEK)		**Conneqted 365 AB (SEK)**	
Intangibles				
Tangibles	12 087		98	
Shares	-			
Accounts receivable	5 940		2 197	
Inventory	17 304			
Other	1 203		17	
Cash	11 270		3 388	
Long term debt	(8 111)		(496)	
Accounts payable, short term debt	(21 445)		(4 532)	
Net value	18 249		672	
Share	18 249	100%	343	51%
Sellers credit	15 000			
Earn-out	20 399			
Cash consideration	38 460		1 186	
Consideration shares	27 500		2 231	
Excess value *	83 110		3 074	
IPR				
Goodwill	64 636		3 074	
Customer relations	28 800			
Building	(5 116)			
Deferred tax	(5 211)			
Other (shares)				
Excess value *	83 110		3 074	

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

Effect on the Q3 profit and loss from the acquisition:	Mytos	Nordialog Asker	Infra Advice	Apro Tele og Data	BKE Telecom	Conne qted 365	Total
Revenue	5 979	8 500	5 897	18 384	18 851	541	58 152
EBITDA	3 276	203	559	530	1 127	81	5 776
EBITA	3 229	203	559	530	1 065	78	5 664

YTD 2017 Pro-forma figures, full year effect (as if the transaction had taken place 01.01.2017)	Mytos	Nordialog Asker	Infra Advice	Apro Tele og Data	BKE Telecom	Conne qted 365	Total
Revenue	18 385	29 891	17 367	54 889	124 339	7 086	251 956
EBITDA	9 788	801	2 835	3 218	8 512	800	25 955
EBITA	9 665	801	2 835	3 218	7 936	600	25 055

Q3 2016 Pro-forma figures	Mytos	Nordialog Asker	Infra Advice	Apro Tele og Data	BKE Telecom	Conne qted 365	Total
Revenue	5 246	8 353	2 264	16 349	36 200	3 700	72 112
EBITDA	1 068	916	(426)	733	2 950	300	5 541
EBITA	1 297	916	(444)	692	2 950	300	5 711

2016 Pro-forma figures, full year effect (as if the transaction had taken place 01.01.2016)	Mytos	Nordialog Asker	Infra Advice	Apro Tele og Data	BKE Telecom	Conne qted 365	Total
Revenue	21 386	38 852	14 436	71 450	228 200	6 400	380 724
EBITDA	5 375	4 163	2 508	4 317	15 040	300	31 703
EBITA	5 296	4 163	2 409	4 153	15 040	300	31 361

[1)] Preliminary PPA regarding InfraAdvice and Apro Tele & Data performed

Note 5: Related parties transactions

Through an agreement with Middelborg AS, a company controlled by board member Kristian Lundkvist, Techstep is charged a consultancy fee for services provided by Middelborg. Total cost amounted to NOK 255,000 in Q3 2017, and NOK 1.25 million YTD 2017.

Techstep ASA has entered into an agreement with Gture AS, a company controlled by Stein Erik Moe, who is also a board member of Techstep. Gture will render certain consultancy services to Techstep and Nordialog Oslo AS in connection with the development of a new ecommerce solution for Techstep. The estimated value of the contract is NOK 5 million.

Note 6: Remeasurement of equity interests from business combination

Techstep Group has remeasured its previously held 50% equity interest in Nordialog Asker AS (merged into Nordialog Oslo AS effective from 1 January 2017). The previously held ownership interest was accounted for as a joint venture, and the business combination is accounted for as a step acquisition. In step acquisitions, previously held ownership interests are remeasured at its acquisition-date fair value. A total loss from remeasurement of NOK 5.356 million is recognised in profit and loss in the line item “Remeasurement on equity interests”.

Note 7: Tax provision

A provision of NOK 9.3 million for an unsolved tax dispute was established in 2016 as a best estimate, based on the allegation made by the IRS (see also note 23 in the 2016 financial statements). As a result of a reduced tax claim by IRS, the provision is reduced by NOK 3.3 million, reported as a positive part of the period’s tax expense. The case has not yet been decided.

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