

**TECHSTEP**

A photograph of two construction workers, a woman on the left and a man on the right, both wearing blue hard hats and high-visibility yellow safety vests over dark jackets. They are standing on a construction site with a steel framework in the background. The woman is pointing at a tablet held by the man, who is also looking at the tablet. The man is holding a clipboard and a pen. The text 'INTERIM REPORT Q1 2017' is overlaid in white at the bottom of the image.

**INTERIM REPORT  
Q1 2017**

## Highlights

### Q1 2017

- Q1 2017 pro forma revenues amounted to NOK 180.3 million (NOK 165.9 million)
- Pro forma adjusted EBITDA ended at NOK 9.9 million (NOK 0.7 million)
- Secured contract with an international service company for delivery, management and support of approximately 10,000 AirWatch licenses
- Raised NOK 100 million through a fully underwritten private placement to finance acquisitions and further growth
- Acquired the software service company Mytos AS and the remaining shares in Teki Solutions AS and Nordialog Asker
- Agreed to acquire the telecom mobility hardware company Apro Tele og Data AS and the Swedish enterprise mobility management company InfraAdvice Sweden AB
- Agreement in principle to establish Techstep Finance, a joint venture with an experienced financing operating partner to prepare for future delivery of MaaS (Mobile as a Service)
- Marius Drefvelin joined as CFO

### Subsequent events

- Acquisitions of the shares in Apro and InfraAdvice were completed
- Techstep Finance was formally established
- Entered into an agreement with Norsk Sykepleierforbund for delivery of MaaS (Mobile as a Service) of 2,650 Apple iPads

### CEO comment

"During Q1, Techstep has acquired three companies; Mytos and InfraAdvice which represent the solutions side, and Apro which is more a traditional hardware franchise vendor. In addition, Techstep Finance was established to enable leasing of hardware and solutions, charging customers a monthly fee per user, allowing customers OPEX purchases over time rather than larger CAPEX investments.

Through these acquisitions, we have increased our end-user base and cross-sale potential since year end 2016. With these new acquisitions, combined with Techstep Finance and existing Techstep companies Nordialog Oslo and SmartWorks, Techstep delivers Mobile as a Service (MaaS) and is an enabler of the digital workplace in the Nordics. There is substantial potential to up-sell solutions to existing customers and providing MaaS.

Whereas revenue from hardware has decreased, the increase in revenue from Solutions has more than doubled in the first quarter this year, compared to the same period last year. The decline in

hardware sales was in line with our expectation for the first quarter, while the increase in solutions revenues was above expectations.

Supported by a solid market position, a pool of competent professionals and committed cornerstone investors, we are ready to grasp opportunities for growth in a large and expanding Nordic market. Existing and potential new customers appreciate our ambition of making it possible for people to work on any device, anytime and in the context of their daily work situation. According to market analysts and our own experience thus far, 2017 will be a pivotal year where demand for working mobile will drive the digitization in organizations”, says Gaute Engbakk, CEO of Techstep.

### **About Techstep – the digital workplace enabler**

Techstep is positioning itself as a leading enabler of the digital workplace in the Nordics.

A need for digitizing people’s workday and improve their efficiency of work and mobility between different platforms, drive the demand for Techstep’s offering. Techstep provides the devices (hardware), subscription & connectivity, mobile device management, managed services, support and related software. Our solutions enable access to data and business applications, with high degree of security and operational stability across devices and locations.

Through its “one-stop-shop” of integrated solutions, Techstep offers tailored solutions to both the public and private sector. Such combinations are to an increasing extent sold with financing of hardware and solutions, as Mobile as a Service (MaaS).

Techstep has two core business segments: Hardware, represented by Nordialog Oslo and Apro Tele og Data, and Solutions, represented by SmartWorks, Mytos and InfraAdvice Sweden. Techstep, headquartered in Oslo, Norway, has approximately 160 employees based in Norway and Sweden and the company is listed on Oslo Stock Exchange with the ticker code “TECH”.

## Key Figures (pro forma)

(amounts in NOK 1 000)	Q1 2017	Q1 2016	FY 2016
Revenue	180,328	165,977	719,391
Adjusted EBITDA <sup>1)</sup>	9,862	701	29,441
Adjusted EBITA <sup>1)</sup>	9,407	258	28,196
Adjusted EBIT <sup>1)</sup>	5,199	(5,023)	7,266
Adjusted EBITDA margin (%)	5.5 %	0.4 %	4.1 %
Adjusted EBITA margin (%)	5.2 %	0.2 %	3.9 %
Hardware, provision and bonuses, share of revenue (%)	76.4 %	88.0 %	84.7 %
Solutions, share of revenue (%)	23.6 %	12.0 %	15.3 %
Employees	161	165	159

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

1) Includes adjustments for transaction costs and one-offs of NOK 10.5 million per Q1-17 and NOK 17.5 million per FY16.

## Key Figures (as reported)

(amounts in NOK 1 000)	Q1 2017	Q1 2016	FY 2016
Revenue	145,218	135,017	573,498
EBITDA	(5,439)	170	(4,433)
EBITA	(5,883)	(37)	(5,336)
EBIT	(9,592)	(4,820)	(24,319)
Total assets	637,190	469,980	508,409
Cash	74,184	6,885	81,692
Equity	450,400	34,114	260,294
Employees	132	128	121

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

## Operational review

### Main developments in the quarter

During the first quarter of 2017, Techstep has made several strategic acquisitions and continued its development of the existing business units.

Techstep has started to become a preferred provider of integrated enterprise mobility solutions, and with the establishment of its "one-stop-shop" and MaaS (Mobile as a Service), Techstep is able to offer necessary hardware, relevant software and related services such as subscriptions, mobile device management and support, enabling people to work from various devices and applications regardless of time and location.

During the quarter, the software service company Mytos AS was acquired for NOK 120 million. Mytos brings market-leading software and a cloud-based solution for control of mobile expenses for businesses.

Techstep agreed to acquire the hardware supplier Apro Tele og Data AS ("Apro") for NOK 15.5 million. Apro is a supplier of fixed network IP and mobile solutions with special expertise in the public sector.

Moreover, Techstep agreed to acquire the Swedish enterprise mobility management specialist InfraAdvice Sweden AB for SEK 18.5 million. InfraAdvice brings a complimentary customer portfolio of about 100,000 end users from Swedish business customers and strengthens Techstep's delivery capability in Sweden. Through this acquisition, Techstep continues its strategy to become a digital workplace enabler in the Nordic region.

Further, the remaining 21.84% of the shares in Teki Solutions AS and the remaining 50% ownership interest in Nordialog Asker were acquired, which made Techstep 100% owner of the mentioned companies.

During the first quarter, Techstep agreed to establish Techstep Finance, a joint venture with the experienced financing and operations partner Bridge Capital AS. Techstep Finance will be a provider of financing products and a key part of Techstep's future delivery of MaaS (Mobile as a Service).

Finally, Techstep's subsidiary SmartWorks secured a contract with an international service company for delivery, management and support of approximately 10,000 AirWatch licenses. The contract also includes advisory related to mobility and mobile device management. Techstep was chosen as the preferred partner due to its ability to deliver a full range of mobility management and support services.

For further details about the acquisitions, see Note 4.

### Development in end-user base

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

Through both organic growth and acquisitions, Techstep has achieved an increase in end user base from ~230,000 (year end 2016 actual) to ~460,000 (pro forma first quarter 2017).

### Subsequent events

Techstep completed the acquisitions of Apro Tele og Data AS and InfraAdvice Sweden AB.

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

## Financial review

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

### Profit and loss

Techstep had total revenues of NOK 145.2 million in the first quarter 2017 (NOK 135.0 million). The increase in revenues is primarily attributed to organic growth in sale of solutions, as well as the acquisition of Mytos. The growth in solutions is partly offset by a decrease in hardware sales.

EBITDA ended negative at NOK 5.4 million (positive NOK 0.2 million). However, EBITDA adjusted for non-recurring costs (Other costs NOK 10.5 million) and pro forma adjustment (NOK 4.8 million) amounted to NOK 9.9 million for the first quarter 2017 (NOK 0.7 million), driven by the organic growth in Solutions and growth in the acquired companies.

Total operating expenses amounted to NOK 154.8 million (NOK 139.8 million), and the ordinary operating result (EBIT) ended with a loss of NOK 9.6 million (loss of NOK 4.8 million).

Other cost of NOK 10.5 million mainly relates to transaction costs.

Net loss for the first quarter 2017 ended at NOK 9.3 million (loss of NOK 5.2 million).

### Cash flow

Net cash flow generated from operating activities was negative NOK 16.6 million (negative NOK 8.2 million). Net cash flow used in investment activities was NOK 50.1 million (NOK 0 million), and are primarily related to the acquisition of Mytos AS. Net cash flow from financing activities was NOK 59.2 million (NOK 3.9 million) and represents provisions from the private placement, cash from the acquisition of

Mytos and Nordialog Asker as well as change in interest bearing debt.

Cash and cash equivalents decreased by NOK 7.5 million in the first quarter 2017 (decrease of NOK 12.1 million). As of 31 March 2017, the Group's cash and cash equivalents totalled NOK 74.2 million (NOK 6.9 million).

Tranche 2 of the NOK 100 million private placement in February 2017, NOK 29.1 million net, was paid in on 3 April 2017 and is thus not included in the cash flow for the first quarter.

### Financial position

As of 31 March 2017, Techstep ASA had total assets of NOK 637.2 million (NOK 470.0 million). A large portion of this represents the company's goodwill from Nordialog's customer relationships, the acquisition of Mytos (NOK 117 million, preliminary PPA) and Nordialog Asker (NOK 9.3 million, preliminary PPA).

In February 2017, NOK 100 million in new equity was successfully raised through a private placement towards high quality investors to finance acquisitions and further growth. The placement was oversubscribed.

The book equity was NOK 450.4 million (34.1 million), which corresponds to an equity ratio of 70.7 percent (7.3 percent). Total liabilities were NOK 186.8 million (NOK 435.9 million), NOK 12.7 million of which was long-term interest-bearing liabilities (NOK 52.5 million). The reduction in liabilities is primarily related to a conversion of a shareholder loan to equity in 2016.

## Financial risk and risk management

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

The goal of risk management in the Group is to support the creation of value in the Group, and to ensure a continuing solid financial platform through visibility and strategic management of both financial and operational risk factors.

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

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

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

## Outlook

Techstep operates in a structurally attractive enterprise mobility market, where there is strong demand and growth opportunities. Within short time, the company has positioned itself as a Nordic digital workplace enabler and established a fundament for sustainable growth. Through strategic acquisitions, Techstep has significantly increased its offerings, end-user base and cross sale potential. The company has also expanded geographically by establishing presence in Sweden. Together with the ongoing restructuring and transformation of the organisation, Techstep will further strengthen its position and industrialize its operations.

The decline in hardware sales is expected to continue in the first half of 2017, but the initiatives that have been made are expected to have a compensatory effect in the second half of 2017. Going forward, the solutions segment is expected to be a main growth driver. Focus will largely be on increasing average revenue per user (ARPU) by delivering more of the solutions stack to existing customers, including to enhance Techstep's industry offering to specific verticals such as retail, banking & finance, health and education.

## Condensed consolidated statement of income

### Reported figures

(amounts in NOK 1 000)	Q1 2017	Q1 2016	YTD 2017	2016
Revenue	144,963	133,958	144,963	570,526
Other revenue	256	1,059	256	2,972
<b>Total revenue</b>	<b>145,218</b>	<b>135,017</b>	<b>145,218</b>	<b>573,498</b>
Cost of materials	98,275	96,709	98,275	405,210
Salaries and personnel costs	27,995	24,722	27,995	104,041
Depreciation	444	207	444	903
Amortisation intangible assets	3,709	4,783	3,709	18,984
Other operation costs	13,837	13,416	13,837	51,169
Other cost	10,551	-	10,551	17,511
<b>Total operating expenses</b>	<b>154,811</b>	<b>139,836</b>	<b>154,811</b>	<b>597,818</b>
<b>Operating profit</b>	<b>(9,592)</b>	<b>(4,820)</b>	<b>(9,592)</b>	<b>(24,319)</b>
Financial income and expense	(196)	(1,571)	(196)	(5,117)
Technical loss	-	-	-	(21,217)
<b>Net financial expense</b>	<b>(196)</b>	<b>(1,571)</b>	<b>(196)</b>	<b>(26,334)</b>
<b>Profit before taxes</b>	<b>(9,788)</b>	<b>(6,391)</b>	<b>(9,788)</b>	<b>(50,654)</b>
Income taxes	526	1,196	526	5,954
<b>Net income</b>	<b>(9,262)</b>	<b>(5,195)</b>	<b>(9,262)</b>	<b>(44,700)</b>
<b>Net income attributable to</b>				
Non-controlling interests	-	(493)	-	(4,245)
Shareholders of Techstep ASA	(9,262)	(4,702)	(9,262)	(40,455)
<b>Earnings per share in NOK:</b>				
Net income after tax	(0.08)	(0.47)	(0.08)	(1.29)
<b>Other comprehensive income</b>	<b>(9,262)</b>	<b>(5,195)</b>	<b>(9,262)</b>	<b>(44,700)</b>



## Consolidated statement of financial position

(amounts in NOK 1 000)	Note	Q1 2017	Q1 2016	2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax asset		15	-	857
Goodwill	4	379,956	253,378	253,378
Customer relations		23,769	32,464	18,116
Tangibles		3,054	3,445	3,159
Associated companies		-	14,197	13,349
Shares and investments		30,150	4,985	27,973
Other non-current assets		616	933	506
<b>Total non-current assets</b>		<b>437,561</b>	<b>309,402</b>	<b>317,338</b>
<b>Inventories</b>				
Inventories		8,549	23,943	9,526
Accounts receivable		76,958	104,590	83,250
Other receivable		39,939	25,161	16,603
<b>Total inventories and receivables</b>		<b>125,446</b>	<b>153,693</b>	<b>109,379</b>
Cash and cash equivalents		74,184	6,885	81,692
<b>Total current assets</b>		<b>199,630</b>	<b>160,578</b>	<b>191,071</b>
<b>Total assets</b>		<b>637,190</b>	<b>469,980</b>	<b>508,409</b>
<b>EQUITY</b>				
Share capital	3	139,201	244	102,476
Other equity		311,199	30,630	132,631
<b>Total equity attributable to the owners of Techstep ASA</b>		<b>450,400</b>	<b>30,874</b>	<b>235,107</b>
Non-controlling interests			3,240	25,187
<b>Total equity</b>		<b>450,400</b>	<b>34,114</b>	<b>260,294</b>
<b>LIABILITIES</b>				
Deferred tax		-	8,705	-
Non-current interes bearing debt		12,656	31,250	12,656
Non-current interest bearing debt to shareholders		-	21,251	-
Other non-current debt		2,025	-	-
<b>Total non-current debt</b>		<b>14,681</b>	<b>61,206</b>	<b>12,656</b>
Current interest bearing debt to shareholders			149,900	
Current interest bearing liabilities		68,161	91,900	113,721
Accounts payable		48,187	23,352	62,050
Tax payable		10,775	4,023	9,338
Public taxes, provisions		15,333	8,897	14,007
Other current liabilities		29,652	96,587	36,342
<b>Total current debt</b>		<b>172,109</b>	<b>374,660</b>	<b>235,458</b>
<b>Total liabilities</b>		<b>186,790</b>	<b>435,865</b>	<b>248,114</b>
<b>Total equity and liabilities</b>		<b>637,190</b>	<b>469,980</b>	<b>508,409</b>

## Spesification of changes in equity

(amounts in NOK 1 000)	Share capital	Treasury shares	Other paid-in capital	Other equity capital	Sum	Minority interest	Total equity capital
Equity as of 1 January 2016	244	-	197,607	(155,526)	42,326	-	42,326
Ordinary result 2016				(40,455)	(40,455)	(4,245)	(44,700)
Comprehensive result 2016							
New issued share capital	102,231	(1,914)	86,095	58,115	244,527	29,433	273,959
Other, merger diff. <sup>1)</sup>				(2,027)	(2,027)		(2,027)
Other, errors prev. years <sup>2)</sup>				(9,264)	(9,264)		(9,264)
Other							
<b>Equity as of 31 December 2016</b>	<b>102,475</b>	<b>(1,914)</b>	<b>283,702</b>	<b>(149,157)</b>	<b>235,107</b>	<b>25,188</b>	<b>260,294</b>
Ordinary result Q1 2017				(9,262)	(9,262)		(9,262)
Comprehensive result Q1 2017							
New issued share capital <sup>3)</sup>	36,726		162,646	25,188	224,560	(25,188)	199,372
Other, converting diff				(4)	(4)		(4)
<b>Equity as of 31 March 2017</b>	<b>139,201</b>	<b>(1,914)</b>	<b>446,348</b>	<b>(133,235)</b>	<b>450,401</b>	<b>-</b>	<b>450,400</b>

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

<sup>2)</sup> Tax expense for the subsidiary NetConnect 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 carry forward for the company.

<sup>3)</sup> New issued share capital relates to the private placement of NOK 100 million less underwriting commission and fees of NOK 5 million (tranche 2 of NOK 29.1 million net was paid in on 3 April 2017 according to subscription terms), consideration shares issued in the Mytos and Asker transactions (NOK 70 million and NOK 6 million respectively) and conversion of shareholders loan to equity (NOK 28.3 million).

## Consolidated statement of cash flow

(amounts in NOK 1 000)	Q1 2017	Q1 2016	2017	2016
Profit before tax	(9,788)	(6,391)	(9,788)	(50,654)
Profit from associated company	(107)	(2)	(107)	(157)
Amortisation intangible assets	3,709	4,783	3,709	18,984
Depreciation tangible assets	444	207	444	903
Technical loss reversed takeover	-	-	-	21,217
Taxes paid	(1,956)	(276)	(1,956)	(4,224)
Changes in net operation working capital	(8,874)	(6,497)	(8,874)	(16,940)
<b>A Net cash flow from operational activities</b>	<b>(16,572)</b>	<b>(8,177)</b>	<b>(16,572)</b>	<b>(30,871)</b>
Investment in subsidiaries	(50,000)	-	(50,000)	-
Investment in financial assets	(100)	(15)	(100)	424
Investment in machinery, inventories	(37)	-	(37)	(410)
<b>B Net cash used on investment activities</b>	<b>(50,137)</b>	<b>(15)</b>	<b>(50,137)</b>	<b>14</b>
Repayment of shareholder loans	-	-	-	(24,848)
Repayment of other long term debt	-	(308)	-	(18,902)
Change in interest bearing debt	(14,375)	(3,597)	(14,375)	72,011
New issued equity capital	65,900	-	65,900	-
Cash from acquisition of Techstep ASA	-	-	-	10,306
Cash from acquisition of Zono AS	-	-	-	55,000
Cash from acquisition of Mytos	4,399	-	4,399	-
Cash from acquisition of Nordialog Asker	3,277	-	3,277	-
<b>C Net cash flow from financing activity</b>	<b>59,201</b>	<b>(3,905)</b>	<b>59,201</b>	<b>93,567</b>
<b>Net change in cash and cash equivalents</b>	<b>(7,508)</b>	<b>(12,097)</b>	<b>(7,508)</b>	<b>62,710</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>81,692</b>	<b>18,982</b>	<b>81,692</b>	<b>18,982</b>
<b>Cash and cash equivalents as of 31 March/ 31 December</b>	<b>74,184</b>	<b>6,885</b>	<b>74,184</b>	<b>81,692</b>

## Notes to the consolidated financial statements

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

### 1. Accounting principles

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

#### 1.1 Basis for preparation

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

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

In November 2016 Techstep ASA acquired Teki Solutions AS. As the group business going forward will mainly be based on the subsidiaries of Teki Solutions AS, the latter for accounting purposes is considered as the acquiring entity and the accounts for the combined entity are a continuation of the accounts for Teki Solutions Group. Please refer to note 6 to the Techstep ASA 2016 accounts for further details.

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

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

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

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

## 2. Business segments (for accounting purposes)

For financial reporting purposes, Techstep has two main business segments, which per 31 March 2017 are represented by the following legal entities:

- 1) Nordialog Oslo AS including subsidiaries Buskerud Mobil AS and Nordialog Asker AS
- 2) SmartWorks AS, SmartWorks Nordic Group AB (SWNG) and Mytos AS

All companies are owned and controlled by the Techstep Group. The newly acquired company, Mytos AS, is included in the solutions business segment in addition to SmartWorks / SWNG, while Nordialog Asker AS is included in the hardware business unit with Nordialog Oslo AS and Buskerud Mobil AS. Operationally, the figures will differ mainly because some revenues from Nordialog Oslo AS are related to the sale of services. About 30% - 50% of SmartWorks turnover is routed through Nordialog, while internal sales are eliminated in the Group accounts. The figures for Nordialog and SmartWorks do hence not represent either the Techstep Group's turnover or earnings for Hardware and Solutions respectively. Figures in parentheses represent the corresponding period in 2016. All figures are unaudited unless otherwise stated.

### Nordialog (legal entities)

*Nordialog is the mobile operator Telenor's key distribution channel of devices and subscriptions to the Norwegian business segment. Teki Solutions operates eight of Nordialog's business centers located in Eastern Norway (including Asker), and accounts for ~60% of the total Nordialog distribution volume in Norway. Nordialog revenue streams include both Hardware and Solutions sales.*

(amounts in NOK 1 000)	Q1 2017	Q1 2016	2017	2016
Revenue	129,450	143,151	129,450	554,467
EBITDA	6,830	5,155	6,830	27,527
EBITA	6,423	4,949	6,423	26,742
Employees	80	89	80	79
Total assets	484,397	464,137	484,397	489,268

Nordialog had revenues of NOK 129.5 million in the first quarter 2017 (NOK 143.2 million). The company's reduction in hardware sales is mainly due to expensive hardware and increased longevity on the products. In addition, the largest producers, Apple and Samsung, only launch new products every second year with marginal changes to the models, creating less demand for new products.

EBITDA amounted to NOK 6.8 million for the quarter (NOK 5.1 million). The increase is mainly influenced by increased efficiencies from the restructuring in 2016, and an increase in solutions revenue which has higher margins than hardware.

By 31 March 2017, Nordialog had 80 employees (89).

Nordialog expects a small improvement in hardware sales in the second half of 2017, mainly driven by the MaaS concept, which is expected to increase the customer turnover ratio.

### SmartWorks and Mytos (legal entities)

*SmartWorks AS delivers services and solutions within the "Enterprise Mobility Management," and offers mobility digitalization solutions through third party software such as Cisco, Citrix and Microsoft. SmartWorks generates revenue both directly from external customers and as supplier to Nordialog. Mytos AS is a software as a services company with mainly recurring revenue. Mytos offers a full range of telecom expense management ("TEM") modules, all with proprietary software and highly user-friendly implementation and operation.*

(amounts in NOK 1 000)	Q1 2017	Q1 2016	2017	2016
Revenue	23,017	9,065	23,017	52,800
EBITDA	4,244	(1,504)	4,244	(4,997)
EBITA	4,244	(1,504)	4,244	(5,052)
Employees	44	27	44	33
Total assets	192,241	65,558	192,241	35,504

Revenue in the first quarter 2017 amounted to NOK 23.0 million (NOK 9.1 million). The improvement in revenue is driven by organic growth through increased demand of mobility projects, including new sales of licencing fees and support services. Moreover, revenue from Mytos is approximately NOK 2.6 million for the holding period in the first quarter.

EBITDA for the first quarter 2017 was NOK 4.2 million (negative NOK 1.5 million). The improved result is driven by an increase in sale of licensing fees and contribution from Mytos. SmartWorks has also completed organisational changes to better support Techstep's current growth ambitions and planned operational structure.

By the end of the first quarter 2017, after the acquisition of Mytos with 11 employees, the total number of employees was 44.

### Note 3: Share capital and shareholders

The company's share capital as of 31 March 2017 was NOK 139,201,429 divided on 139,201,429 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.

In February 2017, a total of 17,543,860 shares were issued in a private placement of which 12,280,702 were fully paid, while 5,263,158 were paid on 3 April 2017 according to the share subscription terms.

At the balance sheet date a total of 66,779,340 shares were listed on a separate ISIN number awaiting a listing prospectus according to Section 7-3 of the Securities Trading Act. The prospectus was published 28 April 2017, one day after the annual general meeting. Each share gives the right to one vote at the company's general meeting. As of the date of this report, Techstep holds 1,914 treasury shares.

Techstep's 20 largest shareholders as of 31 March 2017, are as follows:

Shareholder name	Shares	Ownership%
ZONO HOLDING AS *	62,706,966	45.00 %
PALOS AS	11,666,667	8.40 %
DATUM AS	10,850,000	7.80 %
SKARESTRAND INVEST AS **	7,513,372	5.40 %
DNB NOR MARKETS	5,263,158	3.80 %
DOVRAN INVEST AS	3,763,372	2.70 %
JYST INVEST AS	3,763,372	2.70 %
TINDE INDUSTRIER AS	3,763,372	2.70 %
TVENGE	2,500,000	1.80 %
NOMO HOLDING AS	1,946,253	1.40 %
NORDIALOG ENSJØ AS	1,946,253	1.40 %
ARCTIC FUNDS PLC	1,871,434	1.30 %
VERDIPAPIRFONDET DNB SMB	1,587,276	1.10 %
SPENCER TRADING INC	1,438,596	1.00 %
VINTERSTUA AS	1,200,000	0.90 %
INTELCO CONCEPT AS	1,101,706	0.80 %
KAPPA FINANS AS	1,051,315	0.80 %
TVENGE	1,000,000	0.70 %
VATNE EQUITY AS	820,000	0.60 %
BELVEDERE HOLDING AS	724,209	0.50 %
Sum Top 20	126,477,321	90.90 %
Other	12,724,108	9.10 %
Total sum	139,201,429	100.00 %

\* Zono Holding AS has in a shareholders meeting on 30 January 2017 resolved to distribute 59,706,969 shares in Techstep to its 16 shareholders through a capital reduction.

The distribution was inter alia pending a 6 weeks mandatory creditor notification period and bank approval, and was completed at the end of April. Following the capital reduction, the shares was distributed and owned inter alia as follows:

Middelborg Invest AS:	25,525,228 shares
Datum AS:	15,720,370 shares
Cipriano AS:	2,774,182 shares
Antares Group AS:	554,838 shares
Duo Jag AS:	554,834 shares

Following the completion of the capital reduction, Zono Holding AS owns 3,000,000 shares in Techstep.

Duo Jag AS - partly owned by board member Ingrid Leisner  
 Antares Group AS - owned by CEO Gaute Engbakk  
 Cipriano AS - owned by chairman of the Board, Einar J. Greve  
 Middelborg Invest AS - owned by board member Kristian Lundkvist

\*\* Owned by board member Svein Ove Brekke

#### Share option grant

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

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

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

On 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 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 4.3 per share. The purchase price for the Nordialog Asker shares was settled by a vendor note in the amount of NOK 2.025 million and 934,615 consideration shares at NOK 6.5 per share. Both transactions were closed on 28 February 2017.

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.

		<b>Mytos</b>		<b>Nordialog Asker</b>
Intangibles		-		100
Tangibles		383		13
Shares		-		2,177
Accounts receivable		4,471		3,819
Inventory		-		529
Other		60		-
Cash		3,748		4,600
Accounts payable, short term debt		(5,957)		(6,413)
<b>Net value</b>		<b>2,705</b>		<b>4,825</b>
Share	100 %	2,705	50 %	2,413
Sellers credit		-		2,025
Cash consideration		50,000		-
Consideration shares		70,000		6,075
<b>Excess value *</b>		<b>117,295</b>		<b>5,688</b>

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



**Effect of acquisitions in the reported figures:**

Mytos AS is included from 21 February 2017

Nordialog Asker AS is included from 1 March 2017

Apro Tele og Data AS and InfraAdvice Sweden AB is not included in Q1-17. Will be included from 3 April 2017.

<b>Effect on the Q1 profit and loss from the acquisition:</b>	<b>Mytos *</b>	<b>Nordialog Asker **</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	2,631	3,447	-	-	6,077
EBITDA	1,539	(19)	-	-	1,520
EBITA	1,539	(19)	-	-	1,520

\*From 21 February 2017

\*\* From 1 March 2017

**Q1 2017 Pro-forma figures, quarterly effect**

(as if the transaction had taken place 01.01.2017)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	6,161	10,618	6,918	17,490	41,187
EBITDA	3,373	726	1,559	612	6,270
EBITA	3,373	726	1,548	612	6,259

**Q1 2016 Pro-forma figures, quarterly effect**

(as if the transaction had taken place 01.01.2016)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	4,946	7,378	2,795	15,841	30,960
EBITDA	256	254	244	(233)	521
EBITA	106	254	199	(264)	295

**2016 Pro-forma figures, full year effect**

(as if the transaction had taken place 01.01.2016)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Infra Advice</b>	<b>Apro Tele &amp; Data</b>	<b>Total</b>
Revenue	22,857	38,852	14,206	71,450	147,365
EBITDA	6,846	3,022	2,466	4,317	16,651
EBITA	6,767	3,022	2,370	4,152	16,311
EBIT <sup>1)</sup>	6,767	1,025	2,370	4,152	14,314

<sup>1)</sup> No PPA regarding InfraAdvice and Apro Tele & Data has yet been performed.

**Note 5: Related parties transactions**

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 Q1 2017 amounts to NOK 647 thousand.

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