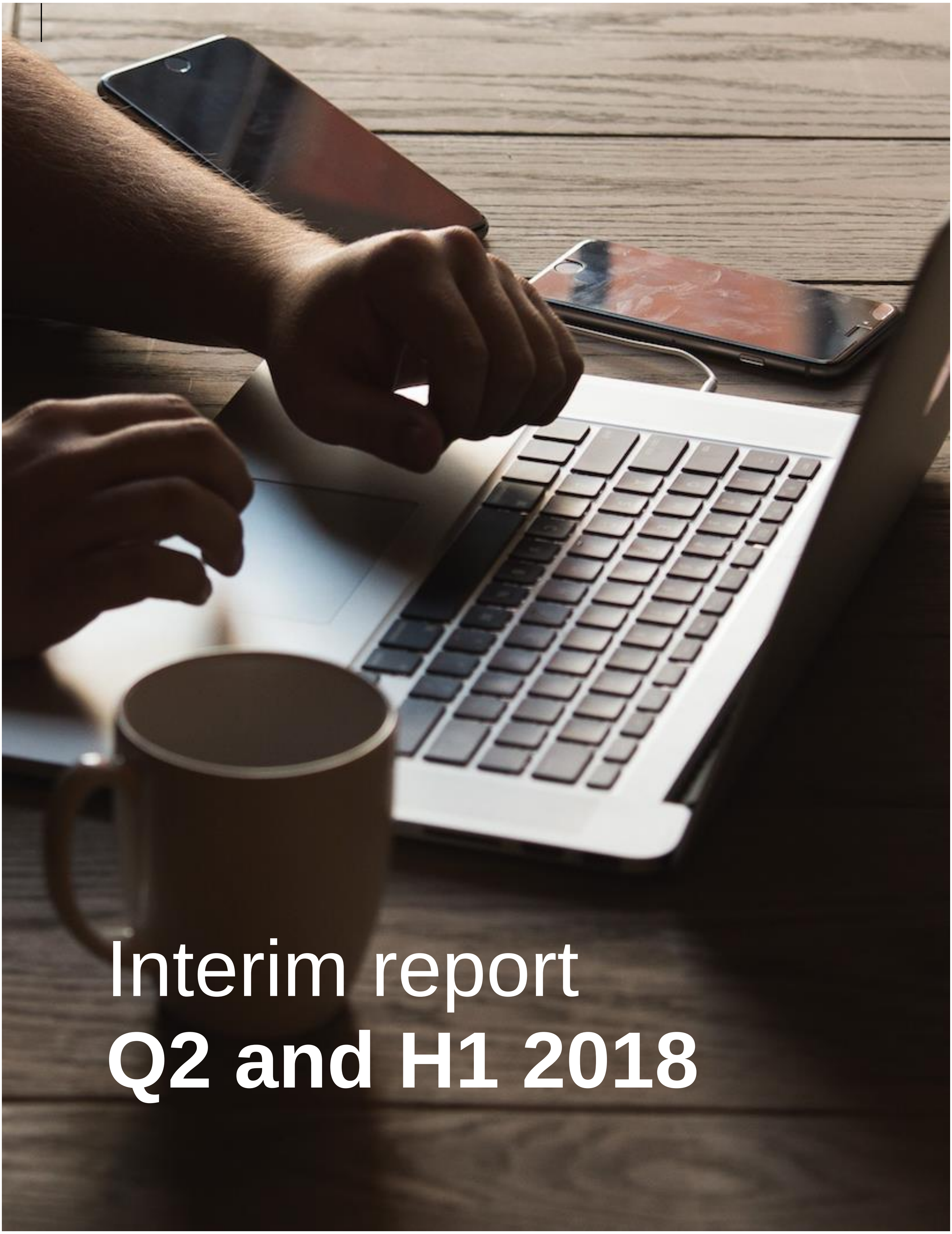
TECHSTEP



Interim report
Q2 and H1 2018

Highlights Q2 2018

- Q2 2018 revenues NOK 253 million; year-over-year growth 39%
- Q2 2018 EBITDA NOK 11.7 million compared with negative NOK 2.5 million in Q2 2017. This includes a positive effect of NOK 10 million from a reversal of an earn-out liability related to the acquisition of BKE TeleCom AB in Sweden
- Awarded new contracts with a potential total value of NOK 191 million in Q2 and NOK 523 million in H1 2018
- Techstep's end-user base increased with 38% year-over-year to ~635,000 at the end of Q2 2018, providing a large platform for upselling
- Acquired Wizor AS, enabling Techstep to deliver high security solutions for mobile units
- Raised NOK 25 million in new equity to finance the Wizor acquisition and other growth investments

CEO comments

"In line with our strategy and driven by acquisitions, Techstep delivered solid revenue growth in the second quarter of 2018. Adding the new contracts we closed in the quarter, the potential value of contracts closed so far in 2018 have surpassed half a billion Norwegian kroner. To continue this growth journey and strengthen our profitability, we need to fully integrate the companies Techstep has acquired over the last two years. Enterprises in the private and public sectors increasingly want mobile solutions for their employees, but they need simple and secure solutions to be able to adopt at scale. That is why we are consolidating our customer offerings, aligning everyone behind one Techstep brand and building a shared, strong company culture in Norway and Sweden that consistently deliver on customer needs. This will create a more efficient Techstep better equipped to make sure customers harvest the benefits mobile technology offers and better equipped to create profits", says Jens Haviken, CEO of Techstep.

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 220 employees based in Norway and Sweden, serving close to 6,000 customers and 635,000 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)	Q2 2018	Restated* Q2 2017	H1 2018	Restated* H1 2017	2017
Revenues	252 888	182 219	485 166	327 437	789 473
EBITDA**	11 740	(2 503)	17 789	(7 836)	(735)
EBITA**	11 324	(2 714)	16 946	(8 491)	(2 125)
EBIT**	6 668	(7 968)	7 566	(17 454)	(23 147)
EBITDA margin (%)**	4.6%	-1.4%	3.7%	-2.4%	-0.1%
EBITA margin (%)**	4.5%	-1.5%	3.5%	-2.6%	-0.3%
Total Assets	704 168	676 478	704 168	676 478	765 477
Cash	23 782	70 645	23 782	70 645	35 278
Equity	450 290	459 058	450 290	459 058	450 110

M&A costs and other one-offs of NOK 3.6 million in Q2 2017 and NOK 26.3 million in 2017.
*Refer to note 6
**Refer to note 7

Operational review

Main developments

Techstep's strategy is to become a leading enabler of the digital workplace in the Nordic region.

Acquisitions have been an important part of the growth strategy, and in the second quarter 2018, Techstep continued the integration of companies acquired during 2017 in Norway and Sweden. Techstep also executed its option to acquire the remaining shares in the Enterprise Mobility Management (EMM) specialist Conneqted 365 AB. Techstep acquired 51% of the company in August 2017 to strengthen the group's EMM offering and presence in Sweden, as well as a pan-Nordic delivery model. Closing of the remaining shares in Conneqted 365 transaction is expected in the third quarter.

Furthermore, Techstep strengthened its IT security offering in the second quarter through the acquisition of Wizor AS, a Nordic supplier of encrypted and secure solutions for mobile phones, tablets and other mobile devices. Wizor provides Techstep with a market-leading, secure solution for mobile units, tailored to serve customers with high security requirements. This acquisition is expected to be completed in the third quarter 2018.

In June Techstep signed a cooperation agreement with Telenor to deliver solutions in three targeted sectors; Education, healthcare and retail. Techstep has high expectations to the cooperation going forward.

As part of Techstep's ongoing efforts to increase its marketing and sales capacity, the group has initiated a customer engagement programme and has continued to invest in product development. Also ongoing is a project to develop a new corporate profile and implement Techstep branding of all group units.

Techstep was awarded 176 new contracts with a potential total value of NOK 191 million in the quarter. 43% of the contracts were signed with existing customers, and 57% with new customers. Moreover, the pipeline has increased in both Norway and Sweden. For the first half of 2018, Techstep has been awarded 385 new contracts with a potential total value of NOK 523 million.

Techstep is offering customers a "Mobile as a Service" (MaaS) solution that enables them to let employees do their work across mobile devices and locations, with a high degree of security and operational stability. Techstep's strategy is to create value for customers and deliver margins for Techstep through the MaaS solution, thereby improving the group's profitability over time, and compensating for the continued price pressure on hardware. During the quarter, the company won three MaaS contracts at a total value of NOK 34 million.In total, Techstep has signed 14 MaaS contracts in the first half of 2018, with a potential total value NOK 121 million.

Major contract awarded in the quarter

- A three-year framework agreement, together with Telenor, for delivery of mobility solutions to Agrikjøp AS, a joint purchasing organisation for Norwegian agricultural cooperatives and their subsidiaries. For Techstep, the contract has an estimated total value of up to NOK 75 million over three years and includes two options for one-year extensions with annual renewal.

End-user base developments

From the second quarter 2018, the development in end-users is based on reported figures, not pro forma. Consequently, the effect of acquisitions is included in accordance with the completion of the transaction.

Techstep's end-user base increased to ~635,000 at the end of second quarter 2018, up from ~460,000 at the end of second quarter 2017. This corresponds to a year-over-year growth of 38%, of which 12% is organic growth. The growth was driven by increased solutions sales and a combination of hardware and solutions users, partly offset by a decrease in hardware-users only, in line with Techstep's strategy.

Financial review

The interim financial information has not been subject to audit or review.

Profit and loss second quarter 2018

Techstep generated total revenues of NOK 252.9 million in the second quarter 2018, up by 39% from NOK 182.2 million in the same quarter last year.

Hardware sales increased by 33% year-over-year, primarily from the Norwegian operations, while solutions revenue grew by 42% related to increased sales to new and existing customers in Norway and Sweden. Consequently, revenue generated from commissions and bonuses has increased year-over-year.

Operating expenses increased from NOK 181.1 million to NOK 251.2 million year-over-year, as a result of acquisitions made in 2017. The gross margin remained stable around 28%, while personnel costs continued to increase due to new hirings in accordance with Techstep's growth strategy. Options cost was NOK 1.4 million in the second quarter 2018 (NOK 0.7 million in the second quarter 2017). Other operational costs amounted to NOK 17.9 million, compared with NOK 16.4 million in the second quarter 2017 and included integration, marketing and branding costs, in line with the company's growth strategy.

EBITDA was NOK 11.7 million, compared to negative NOK 2.5 million in the second quarter 2017. This corresponds to an EBITDA margin of 4.6%, compared to a negative 1.4% in Q2 2017. EBITDA for the second quarter 2018 includes a reduction of the contingent liability related to BKE of NOK 10.0 million (note 7). The underlying low EBITDA level continues to reflect growth investments and integration costs. EBITDA for the second quarter 2017 includes non-recurring restructuring and transaction costs of NOK 3.6 million.

The operating profit (EBIT) was NOK 6.7 million compared to an operating loss (EBIT) for the second quarter 2017 of NOK 8.0 million.

Net financial items amounted to negative NOK 1.1 million in the quarter and were related to foreign exchange rates and interests on borrowings. Net financial items for the second quarter 2017 were NOK 3.0 million and included a dividend payment from Kjedehuset AS.

The net profit in the second quarter 2018 was NOK 7.0 million, compared to a net loss of NOK 4.4 million in the second quarter 2017.

Profit and loss first half 2018

Techstep had total revenues of NOK 485.2 million in the first half of 2018, while EBITDA was NOK 17.8 million. Total revenues for the first half of 2017 were NOK 327.5 million, while EBITDA was negative NOK 7.8 million.

Total operating expenses were 477.4 million for the first half of 2018, compared with NOK 321.1 million in the same period of the preceding year. The ordinary operating result (EBIT) amounted to NOK 7.6 million, compared to a loss of NOK 17.5 million for the same period of the preceding year. The improved EBIT is mainly related to a reduction of the contingent liability related to BKE (note 7) as well as transaction costs.

The net profit for the first half of 2018 was NOK 6.8 million, an improvement over a loss of NOK 19.0 million in the first half of the previous year.

Cash flow second quarter 2018

The net cash flow from operating activities was negative in the amount of NOK 3.4 million for the second quarter of 2018. This is mainly due to changes in the net operating working capital, mainly driven by an increase in accounts receivable as a result of increased revenues.

The net cash flow used for investment activities was NOK 1.5 million, mainly related to the development of a self-service portal.

The net cash flow from financing activities was negative in the amount of NOK 0.3 million, related to repayment of borrowings.

Cash and cash equivalents decreased by NOK 5.2 million over the second quarter 2018. Adjusted for changes in currency exchange rates, cash and cash equivalents totaled NOK 23.8 million at the end of the period.

Cash flow first half 2018

The net cash flow from operating activities was negative in the amount of NOK 0.4 million for the first half of 2018.

The net cash flow used for investment activities was NOK 4.5 million, mainly related to the development of a self-service portal.

The net cash flow from financing activities was NOK 5.5 million, related to repayment of borrowings.

Cash and cash equivalents decreased by NOK 10.4 million over the first half of 2018. Adjusted for changes in currency exchange rates, cash and cash equivalents totaled NOK 23.8 million at the end of the second quarter 2018.

Financial position

As at 30 June 2018, Techstep had total assets of NOK 704.2 million, compared with NOK 765.5 million at 31 December 2017. The group's intangible assets represent a significant portion of these assets. The reduction of the contingent liability related to BKE (note 7) is considered to be an impairment indicator. Group values are tested for impairment, with no impairment charge necessary. The reduction in goodwill from year-end 2017 to Q2 2018 is due to foreign exchange rate movements. Accounts receivable decreased by NOK 29.1 million from year-end 2017 to NOK 127.6 million at 30 June, mainly due to seasonality.

At the end of June 2018, NOK 25 million in new equity was successfully raised through a private placement to finance the acquisition of Wizor AS as well as for general corporate purposes. The private placement was fully underwritten and will be accounted for in Q3. (Note 9.)

At the close of second quarter 2018, Techstep's total equity amounted to NOK 450.3 million, corresponding to an equity ratio of 64%. Total non-current debt decreased by NOK 17.5 million, mainly due to the reduction of the contingent liability related to BKE (note 7) and repayment of borrowings. Current interest-bearing liabilities amounted to NOK 62.6 million and includes factoring debt of NOK 36.1 million, a drawn credit facility of NOK 20.3 million, and a term loan of NOK 5.6 million, due in December 2018.

Risk and uncertainties

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 sustainably 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 focuses 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 the group's 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, anticipate and respond to technological changes, and develop effective and competitive relationships with customers.

With the ongoing consolidation of acquired companies, and the conversion of customers to solutions sales and MaaS, Techstep believes that the company is well positioned to retain and strengthen its market position going forward. The operational risk mainly relates to major projects, which are continuously monitored by the corporate management team.

Techstep's financial risk is primarily related to credit risk, liquidity risk and market risk (currency risk and interest rate risk). The capital structure is primarily focused on maintaining sufficient free liquidity, to ensure that the group can service its obligations on an ongoing basis.

For a more detailed description of financial risk and risk management, please refer to Note 18 in the annual financial statements for 2017 and the information memorandum published in August 2017.

Related party transactions

No material transactions with related parties were undertaken during the period, apart from those noted in note 5.

Corporate governance

At the annual general meeting in April 2018, the Board of Directors of Techstep ASA was strengthened with new board members with operational and industry relevant background. At the close of second quarter 2018, the Board of Directors consists of Einar J. Greve (Chairman), Kristian Lundkvist, Stein Erik Moe, Ingrid E. Leisner, Anders Brandt and Toril Nag.

Outlook

Techstep expects the market for B2B mobility services in Norway and Sweden to continue to grow in the years ahead.

Increased demand for the digital workplace and mobile solutions is expected to be an important market driver because enterprises want to capture the value creation mobile technology gives.

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 offering. Investments made last year and year to date are expected to generate revenue growth and improved profitability in 2018.

Consolidated income statement

(amounts in NOK 1 000)	Note	Q2 2018	Restated* Q2 2017	H1 2018	Restated* H1 2017	2017
Revenue	2, 3	250 862	181 183	482 690	326 146	786 242
Other income		2 026	1 036	2 477	1 292	3 231
Total revenues		**252 888**	**182 219**	**485 166**	**327 437**	**789 473**
Cost of goods sold		(181 465)	(130 994)	(345 572)	(229 269)	(559 656)
Salaries and personnel costs		(51 621)	(33 759)	(99 047)	(61 754)	(144 943)
Other operational costs		(17 924)	(16 383)	(32 582)	(30 220)	(59 451)
Share of profit (loss) in joint ventures		(173)	-	(211)	107	223
Depreciation		(415)	(211)	(844)	(655)	(1 390)
Amortisation		(4 656)	(5 254)	(9 379)	(8 963)	(21 022)
Other income and expenses	7	10 035	(3 586)	10 035	(14 137)	(26 381)
Operating profit (loss)		**6 668**	**(7 968)**	**7 566**	**(17 454)**	**(23 147)**
Remeasurement on equity interests		-	-	-	(5 356)	(5 356)
Financial income		161	3 854	323	4 432	6 211
Financial expense		(1 229)	(849)	(2 804)	(1 730)	(29 230)
Profit before taxes		**5 599**	**(4 963)**	**5 086**	**(20 108)**	**(51 523)**
Income taxes		1 328	531	1 631	1 060	3 846
Net profit (loss) for the period		**6 927**	**(4 430)**	**6 717**	**(19 048)**	**(47 677)**
Net income attributable to						
Non-controlling interests		254	-	580	-	95
Shareholders of Techstep ASA		6 673	(4 430)	6 138	(19 048)	(47 773)
Earnings per share in NOK:						
Basic		0.05	(0.03)	0.04	(0.15)	(0.35)
Diluted		0.05	(0.03)	0.04	(0.15)	(0.35)

The interim financial information has not been subject to audit or review.

Consolidated statement of comprehensive income

(amounts in NOK 1 000)	Note	Q2 2018	Q2 2017	H1 2018	H1 2017	2017
Net profit (loss) for the period		**6 927**	**(4 430)**	**6 717**	**(19 048)**	**(47 677)**
Items that may be reclassified to profit and loss						
Exchange differences on translating foreign operations		(2 646)	-	(10 648)	-	487
Income tax related to these items		434	-	1 351	-	
Total comprehensive income		**4 715**	**(4 430)**	**(2 579)**	**(19 048)**	**(47 189)**
Total comprehensive income attributable to						
Non-controlling interests		254		580		95
Shareholders of Techstep ASA		4 460	(4 430)	(3 159)	(19 048)	(47 285)

The interim financial information has not been subject to audit or review.

Consolidated statement of financial position

ASSETS	Note	Q2 2018	2017
Non-current assets			
Goodwill	8	429 440	436 515
Customer relations and technology		68 914	77 385
Total intangible assets		**498 353**	**513 900**
Property, plant and equipment		9 077	9 115
Total tangible assets		**9 077**	**9 115**
Joint ventures		405	616
Shares and investments		8 117	8 877
Other non-current assets		1 708	1 547
Total financial assets		10 230	20 155
Total non-current assets		**517 661**	**534 056**
Inventories		14 312	20 715
Accounts receivable		127 578	156 663
Other receivables		20 835	18 766
Total inventories and receivables		**162 725**	**196 143**
Cash and cash equivalents		23 782	35 278
Total current assets		**186 507**	**231 421**
Total assets		**704 168**	**765 477**

EQUITY AND LIABILITIES	Note	Q2 2018	2017
Share capital		146 252	146 252
Other equity		303 089	303 488
Total equity attributable to the owners of Techstep ASA	4, 6, 9	**449 341**	**449 740**
Non-controlling interests		949	370
Total equity		**450 290**	**450 110**
Deferred tax		8 243	10 428
Non-current interest-bearing debt		20 842	23 551
Other non-current debt	7	9 696	22 277
Total non-current debt		**38 781**	**56 256**
Current interest-bearing liabilities		62 552	67 604
Accounts payable		95 291	116 765
Tax payable		(144)	4 586
Public taxes, provisions		19 454	19 657
Other current liabilities		37 943	50 498
Total current debt		**215 096**	**259 110**
Total liabilities		**253 878**	**315 367**
Total equity and liabilities		**704 168**	**765 477**

The interim financial information has not been subject to audit or review.

Consolidated statement of changes in equity

(amounts in NOK 1 000)	Share capital	Other paid-in capital	Other equity	Sum	Minority interest	Total equity capital
Equity as of 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	**-**	**-**	**(47 286)**	**(47 286)**	**95**	**(47 190)**
Transactions with owners in their capacity 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 as of 31 December 2017	**146 252**	**473 292**	**(169 806)**	**449 740**	**370**	**450 110**
Equity as of 1 January 2018	**146 252**	**473 292**	**(169 806)**	**449 740**	**370**	**450 110**
Profit for the period			6 138	6 138	580	6 717
Other comprehensive income			(8 914)	(8 914)		(8 914)
Total comprehensive income for the period	**-**	**-**	**(2 776)**	**(2 776)**	**580**	**(2 196)**
Transactions with owners in their capacity as owners:						
Share-based payments			2 378	2 378		2 378
Equity as of 30 June 2018	**146 252**	**473 292**	**(170 203)**	**449 341**	**949**	**450 290**

The interim financial information has not been subject to audit or review.

Consolidated statement of cash flow

(amounts in NOK 1 000)	Q2 2018	Restated* Q2 2017	H1 2018	Restated* H1 2017	2017
Profit before tax	5 599	(4 963)	5 086	(20 108)	(51 523)
Profit from joint venture	174	-	211	(107)	(223)
Depreciation and amortisation	5 071	5 465	10 223	9 618	22 413
Share-based payments	1 433	674	2 378	674	3 365
Unrealised changes in fair value of shares and investments	-	-	-	-	25 647
Remeasurement of contingent liability	(10 035)	-	(10 035)	-	-
Remeasurement of equity interest	-	-	-	5 356	5 356
Taxes paid	(1 893)	(3 879)	(5 392)	(5 835)	(5 835)
Changes in net operating working capital	(3 759)	(12 311)	(2 824)	(21 185)	(33 871)
Net cash flow from operational activities	**(3 409)**	**(15 014)**	**(353)**	**(31 587)**	**(34 671)**
Payment for acquisition of subsidiaries net of cash acquired	-	(17 514)	-	(59 838)	(83 581)
Payment for acquisition of equity in joint ventures	-	-	-	-	(500)
Payment for other financial assets	-	(30)	-	(130)	(89)
Payment for property, plant and equipment	(2 269)	(80)	(5 283)	(117)	(2 896)
Proceeds from sale of equity instruments	760	-	760	-	-
Net cash used on investment activities	**(1 509)**	**(17 624)**	**(4 523)**	**(60 085)**	**(87 066)**
Proceeds from issuance of shares	-	29 100	-	95 000	95 000
Repayment of borrowings	(303)	-	(5 507)	(14 375)	(20 000)
Net cash flow from financing activities	**(303)**	**29 100**	**(5 507)**	**80 625**	**75 000**
Net change in cash and cash equivalents	**(5 221)**	**(3 538)**	**(10 383)**	**(11 047)**	**(46 738)**
Cash and cash equivalents at beginning of period	29 477	74 184	- 35 278	81 692	81 692
Effects of exchange rate changes on cash and cash equivalents	(474)	-	(1 113)	-	324
Cash and cash equivalents at end of period	**23 782**	**70 645**	**23 782**	**70 645**	**35 278**

** Refer to note 6*
The interim financial information has not been subject to audit or review.

Notes to the consolidated financial statements

1. Accounting principles

Techstep (the group) consists of Techstep ASA (the Company) and its subsidiaries. Techstep ASA is a limited liability company, incorporated in Norway. The consolidated interim financial statements consist of the group and the group's interests in a joint arrangement. As a result of rounding differences, numbers or percentages may not add up to the total.

1. ACCOUNTING PRINCIPLES
The interim consolidated financial statements are prepared under International Financial Reporting Standards (IFRS), for the period 1 January 2018 to 31 March 2018. The interim financial report is presented in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the group's Annual Financial Statements 2017. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the group's Annual Financial Statements for the year ended 31 December 2017, with the exceptions stated below. The report has not been audited.

IFRS 9 Financial Instruments

The group has adopted IFRS 9 in its entirety as of 1 January 2018. The new rules have been applied retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 has not be restated. Management has performed an IFRS 9 implementation assessment related to the effect of IFRS 9 on the first quarter 2018 financial position and the other financial statements.

Classification and measurement of financial assets

Financial assets comprise the following current assets: accounts receivable, other receivables and cash and cash equivalents. All of these current assets are in the IAS 39 category of loans and receivables and are measured at amortized cost. Upon adoption of IFRS 9, these financial assets have been determined to be within a business model of hold to collect and meet the solely payments of principal and interest (SPPI) criteria. Classification and measurement will continue to be at amortised cost under IFRS 9. There is no implementation impact on the financial statements related to the classification and measurement of the group's financial assets.

Impairment

Upon implementation of IFRS 9 the group has adopted the new impairment requirements for financial assets and made the accounting policy choice of measuring the loss allowance at the lifetime expected credit loss for accounts receivables. Management has not recognised any initial adjustment to the opening 1 January 2018 equity as financial assets taken, as a whole, are in stage 1 and have a low estimated probability of default.

Hedge accounting

The group does not apply hedge accounting and is thus not affected by the changes related to the new rules under IFRS 9.

Overall implementation effect

No implementation effects related to the IFRS 9 classification, impairment and hedge accounting rule changes have affected the 1 January 2018 opening balance.

IFRS 15 Revenue from Contracts with Customers

The group has adopted IFRS 15 in its entirety as of 1 January 2018. The new rules have been applied retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 has not be restated.

IFRS 15 establishes a new set of principles that shall be applied to reported information related to the nature, amount, timing and uncertainty of revenue arising from contracts with customers. In order to operationalise these principles, the standard introduces a five-step model;

1. Identify customer contracts
2. Identify performance obligations in the contracts
3. Determine the transaction price
4. Allocate the transaction price
5. Recognise revenue when (or as) a performance obligation is satisfied

Under IFRS 15 an entity recognises revenue when (or as) the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Techstep has performed an impact assessment of the aspects of IFRS 15 and has not identified any significant impact to the group’s consolidated financial statements. Techstep has applied the modified retrospective approach, which allows for any adjustments to the opening balance of equity at the date of initial application 1 January 2018. No prior year comparatives are restated when using the modified retrospective approach.

Areas of specific importance for Techstep when assessing the impact of applying IFRS 15 are as follows:
Revenue from sale of hardware
A major part of the group’s revenue arises from the sale of hardware to its customers. Each sale is defined as a customer contract, where the delivery of the hardware in question is identified as the performance obligation. The customers obtain control of the hardware when the item is shipped to the customers. Recognition of revenue is done at the time of shipment as the performance obligations then is satisfied.
Revenue from sale of licences
The group provides various software licenses to its customers. Management has assessed the customer contracts related to software license and have found the sale of software licenses to be distinct performance obligations as software licenses customer can benefit from the license on its own and can be a stand-alone delivery with no other goods or services.

The performance obligation is satisfied when the customer gets access to the software license, and revenue from sale of licenses is thus recognised at the point in time when the software is transferred to the customer.

Revenue from sale of services

Techstep offers support and maintenance services to its customers. These services are organised as subscription program where the customers have access to support and maintenance for a monthly fee. The performance obligations related to support and maintenance is satisfied on an ongoing basis, and revenue related to sales of services are thus recognised on a linear basis over time.

Commissions and bonus
Sale of certain items of hardware and licenses triggers a right to a commission or bonus from suppliers and partners. Commission or bonus is recognised as revenue when the performance obligations for the sale of hardware or license is satisfied.

Overall implementation effect

No implementation effects related to IFRS 15 have been recognized to the 1 January 2018 opening balance.

For all other accounting principles, please refer to note 1 in the group's Annual financial statements 2017.

New standards and interpretations not yet adopted:
The group has elected not to early adopt IFRS 16 Leases which have an adoption date after the balance sheet date.

Note 2. Business segments (for accounting purposes)

For the purpose of the financial statements, Techstep operates with two main business segments, “Hardware suppliers” and “Solutions suppliers”, which per 30 June 2018 were represented by the legal entities controlled and owned by the Techstep group. Other companies are included in the segment “Headquarters and other”.

Some of the solutions sales is channelled through the primary sales channels, the hardware distribution companies Nordialog Oslo, Apro and BKE, which are presented as Hardware suppliers. Consequently, the income statement categrories “Hardware suppliers” and “Solutions suppliers” do not represent the group’s hardware and solutions income statements.

Internal sales are eliminated in the group accounts. Eliminations of transactions between segments are presented in the column Eliminations.

1) Hardware suppliers

- Nordialog Oslo AS: The mobile operator Telenor’s key distribution channel for devices and subscriptions to the Norwegian business segment. Techstep operates seven of Nordialog’ s business centres in Eastern Norway, and accounts for ~60% of the total Nordialog distribution volume in Norway.
- Apro Tele & Data AS: A Norwegian hardware supplier which provides fixed network IP and mobile solutions, with special expertise in the Norwegian public sector.
- BKE Telecom AB: A Swedish hardware supplier, which offers an industry-leading cloud-based (UCaaS) PBX solution that permits users to communicate via mobile, fixed, or wireless phones, and web or computer applications. One of few market players in Sweden that provides cloud-based PBXs integrated with all the largest Swedish operators, i.e. Tele2, Telenor and Telia.

***2*) Solutions suppliers:**

- Techstep Nordic AS: Provides services and solutions in the “Enterprise Mobility Management”-segment, as well as mobility digitalisation solutions through third party software such as Cisco, Citrix and Microsoft. The company generates revenue both directly from external customers and as supplier to Nordialog.
- Mytos AS: A Norwegian-based 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.
- Techstep InfraAdvice AB: A Swedish Enterprise Mobility Management specialist, mainly based in Stockholm but which also has presence in Luleå and Strängnäs.
- Conneqted 365 AB: A Swedish company that provides complete Enterprise Mobility Management (EMM) services, including Mobile Security, systems design, implementation, mobile device management, maintenance and support. Located in Karlstad.

3) Headquarters and other:

Techstep ASA, Teki Solutions AS, Netconnect AS, Mytos IPR AS, and Techstep Holding AB

Q2 2018	Hardware	Solutions	Head-quarters and other	Elimina-tions	Total
Operating revenues from external customers	**229 305**	**23 583**	**-**	**-**	**252 888**
Operating revenues from other segments	2 160	10 331	5 538	(18 029)	-
Total revenues	**231 465**	**33 914**	**5 538**	**(18 029)**	**252 888**
Cost of goods sold	(181 610)	(11 808)	(51)	12 004	(181 465)
Salaries and personnel costs	(28 435)	(16 367)	(7 168)	349	(51 621)
Other operational costs	(12 836)	(5 225)	(6 076)	6 213	(17 924)
Share of profit (loss) of joint venture	-	-	(173)	-	(173)
Depreciation	(313)	(81)	(21)	-	(415)
Amortisation	(2 749)	(1 382)	(525)	-	(4 656)
Other income and expenses	-	-	10 035	-	10 035
Operating profit (loss)	**5 521**	**(949)**	**1 558**	**538**	**6 668**
Employees 30 June 2018	**136**	**74**	**8**		**218**

Q2 2017	Hardware	Solutions	Head-quarters and other	Elimina-tions	Total
Operating revenues from external customers	**147 629**	**34 042**	**548**	**-**	**182 219**
Operating revenues from other segments	508	6 072	2 742	(9 322)	-
Total revenues	**148 137**	**40 114**	**3 290**	**(9 322)**	**182 219**
Cost of goods sold	(127 302)	(10 281)	-	6 588	(130 994)
Salaries and personnel costs	(17 653)	(11 551)	(4 554)	-	(33 759)
Other operational costs	(10 520)	(3 586)	(5 019)	2 742	(16 383)
Share of profit (loss) of joint venture	-	-	-	-	-
Depreciation	(149)	(41)	(21)	-	(211)
Amortisation	(4 861)	(393)	-	-	(5 254)
Other income and expenses	-	-	3 586)	-	(3 586)
Operating profit (loss)	**(12 347)**	**14 261**	**(9 890)**	**8**	**(7 968)**
Employees 30 June 2017	**96**	**60**	**10**		**166**

H1 2018	Hardware	Solutions	Head-quarters and other	Elimina-tions	Total
Operating revenues from external customers	**437 348**	**47 603**	**215**	**-**	**485 166**
Operating revenues from other segments	2 922	23 582	10 986	(37 489)	-
Total revenues	**440 269**	**71 186**	**11 201**	**(37 489)**	**485 166**
Cost of goods sold	(342 160)	(26 354)	(51)	22 993	(345 572)
Salaries and personnel costs	(54 820)	(32 054)	(13 044)	870	(99 047)
Other operational costs	(26 404)	(9 945)	(9 691)	13 458	(32 582)
Share of profit (loss) of joint venture	-	-	(211)	-	(211)
Depreciation	(637)	(163)	(43)	-	(844)
Amortisation	(5 554)	(2 776)	(1 050)	-	(9 379)
Other income and expenses	-	-	10 035	-	10 035
Operating profit (loss)	**10 695**	**(107)**	**(2 853)**	**(169)**	**7 566**

H1 2017	Hardware	Solutions	Head-quarters and other	Elimina-tions	Total
Operating revenues from external customers	**276 497**	**50 136**	**804**	**-**	**327 437**
Operating revenues from other segments	958	2 995	5 484	(19 437)	-
Total revenues	**277 455**	**63 131**	**6 288**	**(19 437)**	**327 438**
Cost of goods sold	(225 357)	(17 873)	-	13 960	(229 269)
Salaries and personnel costs	32 727)	(19 934)	(9 092)	-	(61 754)
Other operational costs	19 879)	(6 384)	(9 441)	5 484	(30 220)
Share of profit (loss) of joint venture	107	-	-	-	107
Depreciation	(556)	(56)	(43)	-	(655)
Amortisation	(8 570)	(393)	-	-	(8 963)
Other income and expenses	-	-	(14 137)	-	(14 137)
Operating profit (loss)	**(9 526)**	**18 490**	**(26 425)**	**8**	**(17 454)**

2017	Hardware	Solutions	Head-quarters and other	Elimina-tions	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)	-
Total 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 income and expenses	-	-	(26 381)	-	(26 381)
Operating profit (loss)	**19 002**	**6 452**	**(48 596)**	**-**	**(23 147)**
Employees 31 December 2017	**141**	**69**	**9**	**-**	**219**

Note 3: Disagregation of revenues

In the following tables, Total revenue is disaggregated by major revenue streams divided into the reportable segments as shown in note 2:

Q2 2018	Norway	Sweden	Eliminations	Group
Total revenue	**205 899**	**72 909**	**(25 920)**	**252 888**
Hardware				
Hardware revenues	131 904	52 581	(7 542)	176 943
Bonus	10 786	114	-	10 900
Provisions	7 164	2 637	-	9 801
Total	**149 854**	**55 332**	**(7 542)**	**197 644**
Solutions				
Solutions revenues	47 787	16 397	(8 939)	55 245
Total	**47 787**	**16 397**	**(8 939)**	**55 245**
Other revenues				
Other	8 259	1 181	(9 439)	0
Total	**8 259**	**1 181**	**(9 439)**	**0**

YTD 2018	Norway	Sweden	Eliminations	Group
Total revenue	**400 004**	**137 782**	**(52 620)**	**485 166**
Hardware				
Hardware revenues	257 384	101 380	(14 963)	343 801
Bonus	18 432	114	-	18 546
Provisions	15 301	4 452	-	19 753
Total	**291 117**	**105 946**	**(14 963)**	**382 100**
Solutions				
Solutions revenues	93 496	30 317	(20 909)	102 903
Total	**93 496**	**30 317**	**(20 909)**	**102 903**
Other revenues				
Other	15 391	1 520	(16 695)	215
Total	**15 391**	**1 520**	**(16 695)**	**215**

Note 4: Share capital and shareholders

The company's share capital as at 30 June 2018 was NOK 146,251,789 divided on 146,251,789 ordinary shares with a par value of NOK 1.00.

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

Techstep's 20 largest shareholders as at 29 June 2018, are as follows:

Shareholder	# of shares	Ownership %
MIDDELBORG INVEST AS 1)	30 517 764	20.87%
DATUM AS	23 881 467	16.33%
PALOS NORGE AS	11 666 667	7.98%
Skandinaviska Enskilda Banken AB	4 991 100	3.41%
CIPRIANO AS 2)	4 968 835	3.40%
SKARESTRAND INVEST AS	4 563 097	3.12%
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	3 578 360	2.45%
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	1 771 969	1.21%
RAKNES HOLDING AS	1 649 348	1.13%
DATUM VEKST AS	1 600 000	1.09%
Euroclear Bank S.A./N.V.	1 587 303	1.09%
Total number owned by top 20	**116 433 932**	**79.61%**
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%. Cipriano AS has the right to acquire 3,000,000 Techstep shares from Zono Holding AS.

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

Share option grant

On 26 April 2018 the General assembly approved of the Board of Directors proposal to grant CEO Jens Haviken 5 million share options in three tranches, vesting annually. the strike price is set to NOK 4.50, NOK 5.00 and NOK 5.50 to the respective tranches. Existing outstanding share options already granted are aligned to the same strike prices.

As per 3 June 2018, the total number of outstanding share options was 13.2 million, equivalent to 7.9 % of the number of shares fully diluted (including 1,914 treasury shares) in Techstep ASA.

Note 5: Related party transactions

Techstep ASA has entered into an agreement with Gture AS, a company controlled by Stein Erik Moe, who is a member of the Board of Directors 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: Restatement 2017

Techstep acquisitions

Techstep group accounted for the remeasurement of its previously held 50% equity interest in Nordialog Asker AS (merged into Nordialog Oslo AS effective from 2017) in Q3 2017, while the transaction occurred in February 2017. The consolidated income statement and the consolidated statement of financial position for Q1 2017 have been restated. The amount NOK 5.4 million has been recognised as a cost in the financial statement line item Remeasurement on equity interests. The same amount has been accounted for as a reduction of Goodwill and other equity.

Share options

On 27 April 2017 the Board of Directors granted share options to the executive management. The related cost was not accounted for in Q2 2017. The restatement applies to the consolidated income statements for YTD 2017 and Q2 2017. The amount restated to the line item Salaries and personnel costs is NOK 674 thousand for both statements.

Note 7: Contingent liability

In relation to the purchase of BKE Telecom AB, a contingent liability was recognised. The contingent liability was dependent on the company reaching an accumulated EBITDA target by June 2019. Based on the current forecast, it is the management's assessment that it is unlikely that the entire EBITDA target will be reached. The contingent liability is reduced to the best estimate currently available. The amount presented in "Other income and expenses" is in its entirety related to the reversal of the provision. Comparative figures on the same line are mainly transactions costs.

Note 8: Impairment testing

Management has assessed that the derecognition of the contingent liability is an impairment indicator, and a full impairment test of group values related to the Swedish operations has been performed. The test shows that there is no need to book an impairment charge related to the Swedish operations as per Q2 2018.

Note 9: Subsequent events

The group issued NOK 25 million in share capital on 26 June 2018. Subsequent to the balance sheet date, the share capital increase has been paid in and registered.

No other 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.

Responsibility statement

Oslo, 20 August 2018

From the Board of Directors and CEO of Techstep ASA

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the (Company's and) group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Einar J. Greve
Chairman

Kristian Lundkvist
Board member

Ingrid Leisner
Board member

Stein Erik Moe
Board member

Anders Brandt
Board member

Toril Nag
Board member

Jens Haviken
CEO

TECHSTEP ASA

Brynsveien 3
0667 Oslo, Norway
+47 915 233 37

www.techstepasa.no