



**Interim report  
Q4 2017**

## Highlights Q4 and full-year 2017

- Q4 2017 revenue was NOK 281.5 million (NOK 162.3 million); growth was driven by acquisitions and solutions sales, slightly offset by a decrease in hardware sales
- Q4 2017 solutions revenue was NOK 62.8 million, including an organic growth of 52% year-over-year\*
- EBITDA adjusted amounted to NOK 12.8 million (NOK 2.4 million); growth attributed to acquisitions and increased solutions sales. The adjusted EBITDA margin was 4.5% (1.5%)
- Full-year 2017 reported revenue was NOK 789.8 million (NOK 573.5 million). EBITDA adjusted amounted to NOK 29.5 million
- The end-user base comprised ~620,000 at the end of 2017, providing a substantial platform for growth in 2018
- Entered into direct distributor agreement with Telenor Norge AS (replacing agreement with Kjedehuset) regarding sale of Telenor business-to-business products in Norway
- Jens Haviken, with experience from Dustin, Microsoft and Accenture, was appointed new CEO, and will assume the position in Q2 2018

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

### CEO comments

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

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

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

Since the start in 2016, we have acquired eight companies and established one, with a total of more than 220 employees, hired technology and sales people, and established a growth platform in Norway and Sweden comprising more than 6,000 customers and around 620,000 end-users. We have established a clear position in the Nordics as the vendor of the digital workplace, and according to our customers, ahead of the competition. Initially we targeted larger enterprises, but as we scale up, we will also offer our services to medium-sizes and smaller businesses.

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

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

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

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

Moving further into 2018, we expect our investments and efforts over the last six quarters to yield results. We continue to pursue our firm ambitions of revenue growth and profitability improvements on a solid base of customers and end-users in Norway and Sweden. Techstep is well-aligned to meet future demand", 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 220 employees based in Norway and Sweden, serving close to 6,000 customers and 620,000 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)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenue	281 544	162 335	789 792	573 498
Adjusted EBITDA 1)	12 809	2 417	29 477	13 078
Adjusted EBITA 1)	12 386	2 141	28 134	12 175
Adjusted EBIT 1)	5 817	(1 435)	6 973	(6 808)
EBITDA	3 796	(1 316)	3 096	(4 433)
EBITA	3 372	(1 592)	1 753	(5 336)
EBIT	(3 196)	(5 168)	(19 408)	(24 319)
Adjusted EBITDA margin (%)	4.5 %	1.5 %	3.7 %	2.3 %
Adjusted EBITA margin (%)	4.4 %	1.3 %	3.6 %	2.1 %
Hardware, commission & bonus, share of revenue*	78%	84%	78%	88%
Solutions, share of revenue*	22%	16%	22%	12%
Total Assets	764 214	508 409	764 214	508 409
Cash	35 278	81 692	35 278	81 692
Equity	453 441	260 294	453 441	260 294
Employees	219	121	219	121

<sup>1)</sup> Adjusted for M&A costs and other one-offs of NOK 9.0 million in Q4 2017, NOK 26.3 million per FY 2017 and NOK 17.5 million per FY 2016.

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

## Operational review

### Main developments

Through M&A activities, Techstep is taking the market position as a leading Nordic enabler of the digital workplace, and has established a solid platform for growth. During the second half of 2017, the company has focused on integration of the companies acquired, and consolidation of its customer offerings, with particular emphasis on its “Mobile as a Service” (MaaS) offering.

In the fourth quarter, special focus has been placed on product and solutions roll-out, and increased sales activities in both Norway and Sweden. The high sales activity resulted in the closing of several contracts with new and existing customers, i.a. Skagerak Energi, Sandefjord Municipality, Rema 1000, Avinor, and OBOS. Many of these are upsales on existing agreements.

To mitigate the continued price pressure on hardware, Techstep prioritises increase of solution sales and conversion of customers to its new business model and MaaS. During the quarter, the company closed five MaaS contracts, and solutions sales grew organically by 52% from fourth quarter last year and 41% from the previous quarter. Since the launch of the first MaaS pilot during summer 2017, Techstep has closed seven MaaS contracts at a total value of NOK 27 million, whereof NOK 17 million are realised by year-end. Organic growth in solutions sales was 54% in 2017. In addition, several existing customers are in the process of implementing MaaS.

To meet increased demand for solutions and MaaS deliveries, Techstep has made additional investments in sales competence, product development and group functions in Norway and Sweden. Jens Haviken has been appointed new CEO and will assume his position during the second quarter 2018. Haviken’s current position is VP of Services and Solutions at Dustin Group AB.

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

### End-user base developments

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

## Financial review

*For information about entities included in the statements, see note 4. The figures are unaudited.*

### Profit and loss fourth quarter 2017

Techstep generated total revenue of NOK 281.5 million in the fourth quarter 2017, up from NOK 162.3 million in the same period last year. The increase is mainly driven by acquisitions made during 2017 and growth in solutions sales.

Organic solutions revenue in the quarter increased 52% year-over-year, to NOK 62.8 million, while hardware revenue declined organically by 5%. The decline was mainly related to a Swedish contract which was intentionally not extended in 2017 due to low margins, as well as some one-off volumes at the end of 2016. Moreover, Techstep will continue to develop its business model with a sharper focus on solutions sales.

Increased sales and organisational developments related to the growth strategy execution increased the cost of goods sold and costs related to salaries and personnel. Operating expenses for the fourth quarter 2017 amounted to NOK 284.7 million, compared with NOK 167.5 million in the fourth quarter 2016.

EBITDA was NOK 3.8 million, compared with negative NOK 1.3 million in the fourth quarter 2016. The EBITDA improvement is mainly related to acquisitions made in 2017 and increased solutions sales. A gross margin decline from 27.7% for fourth quarter 2016 to 26.8% for fourth quarter 2017, is mainly attributed to price pressure on hardware. EBITDA adjusted for non-recurring costs related to restructuring and transaction expenses, amounted to NOK 12.8 million, compared with NOK 2.4 million in the fourth quarter 2016.

The ordinary operating loss (EBIT) was NOK 3.2 million, compared with a loss of NOK 5.2 million in the same period last year.

Influenced by net financial expenses of NOK 25.1 million, mainly related to write down of

financial instruments (note 6), the net loss for the fourth quarter ended at NOK 25.2 million.

### Profit and loss full-year 2017

Full-year revenue amounted to NOK 789.8, up from NOK 573.5 million in 2016. The increase is mainly related to acquisitions made during the period and increased sales. Underlying growth in solutions was 54%. The growth in revenue is partly offset by reduced hardware sales and commissions.

EBITDA for 2017 was NOK 3.1 million, compared with negative NOK 4.4 million for 2016. The improvement in EBITDA is mainly related to acquisitions and organic growth in solutions. EBITDA adjusted for non-recurring costs related to restructuring and transaction expenses amounted to NOK 29.5 million, compared with NOK 13.1 million in 2016.

### Cash flow fourth quarter 2017

The net cash flow generated from operating activities was NOK 10.0 million, driven by the operating result, amortisations, write down of equity instruments and changes in working capital. The net cash flow on investment activities was negative by NOK 2.1 million related to the development of a self-service portal. There were no cash flow from financing activities in the quarter.

Cash and cash equivalents increased by NOK 7.9 million over the fourth quarter, and at the close of the period, Techstep's total cash and cash equivalents amounted to NOK 35.3 million.

### Financial position

As at 31 December 2017, Techstep had total assets of NOK 764.2 million, compared with NOK 737.7 million three months earlier, and NOK 508.4 million at the close of 2016. Shares and investments were reduced by NOK 25.6 million, primarily due to a write down related to

Kjedehuset (see note 6 for details). Accounts receivable increased by NOK 33.8 million from the close of the previous quarter, to NOK 156.7 million, mainly due to increased sales activities.

At the close of 2017, Techstep's total equity was NOK 453.4 million, corresponding to an equity ratio of 59%. Total liabilities increased by NOK 50.6 million from the close of the previous quarter, to NOK 310.8 million. Total non-current debt was NOK 53.5 million and includes a seller credit of NOK 15 million and an earn-out of NOK 22.2 million related to the acquisition of BKE, as well as a long-term loan of NOK 8 million related to BKE's office building. Current interest-bearing liabilities amounted to NOK 67.6 million, and includes factoring debt of NOK 35 million, a drawn credit facility of NOK 21 million, and a term loan of NOK 11 million, due in August 2018.

## 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.

In 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 Techstep'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

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

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

## Consolidated statement of income

(amounts in NOK 1 000)	Note	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenue		279 827	162 071	786 561	570 526
Other revenue		1 716	264	3 231	2 972
<b>Total revenue</b>		<b>281 544</b>	<b>162 335</b>	<b>789 792</b>	<b>573 498</b>
Cost of goods sold		(205 975)	(117 421)	(559 508)	(405 210)
Salaries and personnel costs		(46 924)	(29 282)	(141 579)	(104 041)
Other operational costs	5	(15 770)	(13 214)	(59 451)	(51 169)
Share of profit (loss) in joint ventures		(66)	-	223	-
<b>Gross operating profit</b>		<b>12 809</b>	<b>2 417</b>	<b>29 477</b>	<b>13 078</b>
Depreciation		(423)	(277)	(1 344)	(903)
Amortization		(6 568)	(3 575)	(21 161)	(18 984)
Other income and expenses		(9 013)	(3 733)	(26 381)	(17 511)
<b>Operating profit (loss)</b>		<b>(3 196)</b>	<b>(5 168)</b>	<b>(19 408)</b>	<b>(24 319)</b>
Technical loss		-	(21 217)	-	(21 217)
Remeasurement on equity interests	6	-	-	(5 356)	-
Financial income		1 956	881	6 557	1 008
Financial expense		(27 070)	(1 749)	(29 572)	(6 126)
<b>Profit before taxes</b>		<b>(28 309)</b>	<b>(27 253)</b>	<b>(47 779)</b>	<b>(50 654)</b>
Income taxes	7	3 132	103	8 034	5 954
<b>Net income</b>		<b>(25 177)</b>	<b>(27 150)</b>	<b>(39 746)</b>	<b>(44 700)</b>
<b>Net income attributable to</b>					
Non-controlling interests		95		95	(4 245)
Shareholders of Techstep ASA		(13 272)	(27 150)	(27 841)	(40 455)
<b>Earnings per share in NOK:</b>					
Basic		(0.17)	(0.30)	(0.29)	(0.65)
Diluted		(0.17)	(0.30)	(0.29)	(0.65)



## Consolidated statement of comprehensive income

(amounts in NOK 1 000)	Q4 2017	Q4 2016	FY 2017	FY 2016
<b>Net income</b>	<b>(25 177)</b>	<b>(27 150)</b>	<b>(39 746)</b>	<b>(44 700)</b>
<b>Items that may be reclassified to profit and loss</b>				
Exchange differences on translating foreign operations	1 025	-	452	-
<b>Comprehensive income</b>	<b>(24 152)</b>	<b>(27 150)</b>	<b>(39 294)</b>	<b>(44 700)</b>
<b>Comprehensive income attributable to</b>				
Non-controlling interests	95	-	95	(4 245)
Shareholders of Techstep ASA	(24 247)	(27 150)	(39 390)	(40 455)

## Consolidated statement of financial position

(amounts in NOK 1 000)

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Non-current assets</b>			
Deferred tax asset		-	857
Goodwill	7	434 201	253 378
Customer relations and technology	7	77 385	18 116
<b>Sum intangible assets</b>		<b>511 586</b>	<b>272 350</b>
Property, plant and equipment		9 021	3 159
<b>Sum tangible assets</b>		<b>9 021</b>	<b>3 159</b>
Associated companies		616	13 349
Shares and investments	6	8 877	27 973
Other non-current assets		1 547	506
<b>Sum financial assets</b>		<b>11 040</b>	<b>41 829</b>
<b>Total non-current assets</b>		<b>531 648</b>	<b>317 338</b>
Inventories		21 860	9 526
Accounts receivable		156 663	83 250
Other receivables		18 766	16 603
<b>Total inventories and receivables</b>		<b>197 289</b>	<b>109 379</b>
Cash and cash equivalents		35 278	81 692
<b>Total current assets</b>		<b>232 567</b>	<b>191 071</b>
<b>Total assets</b>		<b>764 214</b>	<b>508 409</b>
<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Share capital	3	146 252	102 476
Other equity		306 915	132 631
<b>Total equity attributable to the owners of Techstep ASA</b>		<b>453 167</b>	<b>235 107</b>
Non-controlling interests		274	25 187
<b>Total equity</b>		<b>453 441</b>	<b>260 294</b>
Deferred tax		7 629	-
Non-current interest-bearing debt		23 551	12 656
Other non-current debt		22 277	-
<b>Total non-current debt</b>		<b>53 457</b>	<b>12 656</b>
Current interest-bearing liabilities		67 604	113 721
Accounts payable		116 431	62 050
Tax payable		4 719	9 338
Public taxes, provisions		19 403	14 007
Other current liabilities		49 160	36 342
<b>Total current debt</b>		<b>257 316</b>	<b>235 458</b>
<b>Total liabilities</b>		<b>310 773</b>	<b>248 114</b>
<b>Total equity and liabilities</b>		<b>764 214</b>	<b>508 409</b>

## Specification of changes in equity

(amounts in NOK 1 000)	Share capital	Treasury shares	Other paid-in capital	Other equity capital	Sum	Minority interest	Total equity capital
<b>Equity as of 01.01.2016</b>	<b>244</b>	<b>-</b>	<b>197 607</b>	<b>(155 526)</b>	<b>42 326</b>	<b>-</b>	<b>42 326</b>
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	273 960
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 30.12.2016</b>	<b>102 476</b>	<b>(1 914)</b>	<b>283 702</b>	<b>(149 157)</b>	<b>235 107</b>	<b>25 188</b>	<b>260 295</b>
<b>Equity as of 01.01.2017</b>	<b>102 476</b>	<b>(1 914)</b>	<b>283 702</b>	<b>(149 157)</b>	<b>235 107</b>	<b>25 188</b>	<b>260 295</b>
Profit for the period				(39 746)	(39 746)		(39 746)
Other comprehensive income				452	452		452
<b>Total comprehensive income for the period</b>				<b>(39 294)</b>	<b>(39 294)</b>	<b>-</b>	<b>(39 294)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity net of transaction costs	17 544		77 456		95 000		95 000
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
<b>Equity as of 31.12.2017</b>	<b>146 252</b>	<b>(1 914)</b>	<b>472 092</b>	<b>(163 265)</b>	<b>453 167</b>	<b>274</b>	<b>453 441</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 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.

<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 carryforward for the company.

## Consolidated statement of cash flow

(amounts in NOK 1 000)	Note	Q4 2017	Q4 2016	FY 2017	FY 2016
Profit before tax		(28 309)	(27 253)	(47 779)	(50 654)
Other comprehensive income		1 025	-	452	-
Profit from joint venture		66	(155)	(223)	(157)
Depreciation and amortization		6 992	3 852	22 504	19 887
Write down of equity instruments		25 937	-	25 937	-
Technical loss		-	21 217	-	21 217
Remeasurement on equity interest		-	-	5 356	-
Taxes paid		-	(4 224)	(5 835)	(4 224)
Changes in net operation working capital		3 316	(36 207)	(36 083)	(16 940)
<b>Net cash flow from operational activities</b>		<b>10 026</b>	<b>(42 770)</b>	<b>(34 671)</b>	<b>(30 871)</b>
Payment for acquisition of subsidiaries net of cash acquired		-	10 306	(83 581)	65 306
Payment for acquisition of equity in joint ventures		-	-	(500)	-
Payment for other financial assets		-	-	(89)	424
Payment for property, plant and equipment		(2 132)	(89)	(2 896)	(410)
<b>Net cash used on investment activities</b>		<b>(2 132)</b>	<b>10 217</b>	<b>(87 066)</b>	<b>65 320</b>
Proceeds from issuance of shares		-	-	95 000	-
Repayment of borrowings		-	(28 662)	(20 000)	(43 750)
Proceeds from borrowings		-	136 745	-	72 011
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>108 083</b>	<b>75 000</b>	<b>28 261</b>
<b>Net change in cash and cash equivalents</b>		<b>7 894</b>	<b>75 530</b>	<b>(46 738)</b>	<b>62 710</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>27 086</b>	<b>6 162</b>	<b>81 692</b>	<b>18 982</b>
Effects of exchange rate changes on cash and cash equivalents		298	-	324	-
<b>Cash and cash equivalents as of 31 December</b>		<b>35 278</b>	<b>81 692</b>	<b>35 278</b>	<b>81 692</b>

# Notes to the consolidated financial statements

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

## 1. Accounting principles

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

### 1.1 Basis for preparation

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

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

Please refer to note 4 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. The Group will implement this standard from 1 January 2019.

At the current state of business IFRS 15 is expected to have an immaterial effect on the Group's financial statements. IFRS 16 is expected to have a material impact on the Group's financial statements as all leases related to premises will be presented in the statement of financial position as assets and debt.

## Note 2. Business segments (for accounting purposes)

For the financial statements, Techstep has two main business segments, which per 31 December 2017 are represented by the following legal entities, controlled and owned by the Techstep Group:

- 1) Hardware suppliers: Nordialog Oslo AS, Apro Tele & Data AS and BKE Telecom AB
- 2) Solutions providers: Techstep Nordic AS, Mytos AS, Techstep InfraAdvice AB and Conneqted 365 AB

The following entities are not included in the analysis below: Techstep ASA, Teki Solutions, Netconnect AS, Mytos IPR AS and Techstep Holding AB.

Part of the solutions sales are routed through the primary sales channels hardware distribution companies Nordialog Oslo, Apro and BKE, thus the figures for these companies do not represent earnings for Hardware only. Internal sales are eliminated in the Group accounts. Eliminations of transactions between segments are not presented below. At the moment, it is not possible to prepare figures for EBITDA on the operational figures as presented as key figures on page 2 in this report.

Figures in parentheses represent the corresponding period in 2016.

### 1) Hardware suppliers

*Nordialog Oslo AS is the mobile operator Telenor's key distribution channel of devices and subscriptions to the Norwegian business segment. Techstep operates eight of Nordialog's business centres located in Eastern Norway, and accounts for ~60% of the total Nordialog distribution volume in Norway. Apro Tele & Data AS is a hardware supplier providing fixed network IP and mobile solutions, with special expertise in the Norwegian public sector. BKE Telecom AB 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 Telecom AB is one of few market players in Sweden offering cloud-based PBXs integrated with all the largest Swedish operators, i.e. Tele2, Telenor and Telia.*

(amounts in NOK 1 000)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenue	262 392	153 182	714 342	554 467
EBITDA	16 565	9 809	39 736	27 527
EBITA	15 142	9 609	37 563	26 742
Employees	141	79	141	79
Total assets	646 422	489 268	646 422	489 268

Note: Segment figures does not contain eliminations

The operational segment represented by the hardware suppliers Nordialog Oslo, Apro and BKE had total revenue of NOK 262.4 million in the fourth quarter 2017 (NOK 153.2 million). The increase of NOK 109.2 million is due to the acquisitions of Apro and BKE which attributes NOK 87.5 to segment revenue, while revenue in Nordialog Oslo increased by NOK 21.6 million.

EBITDA amounted to NOK 16.5 million (NOK 9.8 million). The increase in EBITDA in the fourth quarter 2017 compared to the same period in 2016 is mostly attributable to BKE and Apro. The EBITDA contribution from Nordialog Oslo is approximately equal to the corresponding quarter last year.

The number of employees has increased with 62 in 2017, mainly due to the acquisitions of Apro Tele & Data AS and BKE Telecom AB.

## 2) Solutions providers

*Techstep Nordic AS, located in Oslo, delivers services and solutions within the "Enterprise Mobility Management," and offers mobility digitalization 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 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. Techstep InfraAdvice AB provides Enterprise Mobility Management specialist services to customers mainly based in Stockholm. Techstep InfraAdvice AB also have local presence in Luleå and Strängnäs. Connected 365 AB is located in Karlstad. The company provides complete Enterprise Mobility Management ("EMM") service, including Mobile Security, system design, implementation, mobile device management, maintenance and support.*

(amounts in NOK 1 000)	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenue	39 599	17 719	117 396	52 800
EBITDA	2 079	(154)	9 253	(4 997)
EBITA	1 993	(209)	9 119	(5 052)
Employees	69	33	69	33
Total assets	195 567	35 504	195 567	35 504

Note: Segment figures does not contain eliminations

Revenue in the fourth quarter 2017 amounted to NOK 39.6 million (NOK 17.7 million). The revenue growth in Q4 2017 compared to same quarter last year is NOK 2.9 million. Inorganic growth comprises NOK 18.6 million, whereas NOK 3.2 million is driven through increased demand of mobility projects, including new sales of licencing fees and support services.

Fourth quarter EBITDA was NOK 2.1 million (negative NOK 0.2 million) and reflects increased sale of licencing fees and positive contributions from acquired companies.

The number of employees has increased by 36 from fourth quarter 2016 due to the acquisitions of Mytos, Techstep InfraAdvice and Connected.

### Note 3: Share capital and shareholders

The company's share capital as of 31 December 2017 was NOK 146,251,789 divided on 146,251,789 ordinary shares with a par value of NOK 1.00.

Techstep has only one class of shares and all shareholders have equal rights according to Norwegian law. 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 29 December 2017, are as follows:

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

<sup>1)</sup> Middelborg invest controlled by board member Kristian Lundkvist

<sup>2)</sup> Cipriano AS, owned by chairman of the Board of Directors Einar J. Greve

<sup>3)</sup> Zono Holding AS owned by Middelborg Invest AS 50.44%, Cipriano AS 4.65%, Duo Jag AS 0.93%, Antares Group 0.93%

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

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

#### Share option grant

On 1 February 2017, the Board of Directors resolved to grant 3 million share options to CEO Gaute Engbakk and 1.5 million share options to CFO Marius Drefvelin and 1.5 million share options to CIO Mads Vårdal. Neither Gaute Engbakk, Marius Drefvelin nor Mads Vårdal currently own 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 1 million share options to 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. After the option grant, the total number of granted share options in the Company is 8 million.



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

### Q1 2017

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

On 8 February 2017, Techstep entered into binding agreements to acquire the remaining 21.84% of the Teki Solutions shares and the remaining 50% of the Nordialog Asker shares. The purchase price for the Teki Solutions shares was settled by settlement of the remaining shareholder loans and issuing of 6 580 710 consideration shares at NOK 4.3 per share. The purchase price for the Nordialog Asker shares was settled by a vendor's 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.

### 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 valued to 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 at 31 August was SEK 81 million, while the earn-out is due medio 2019.

At the same time the Techstep ASA acquired 51% of Connected 365 AB for an aggregated purchase price of SEK 3.5 million. The agreement includes an option for Techstep to acquire the remaining 49% of the shares. Connected's five employees offers a complete Enterprise Mobility Management ("EMM") service, including Mobile Security, system design, implementation, mobile device management, maintenance and support.

### 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.



<b>Effect on the Q4 profit and loss from the acquisition:</b>	<b>Mytos AS</b>	<b>Nordialog Asker AS</b>	<b>Tech step Infra Advice AB</b>	<b>Apro Tele og Data AS</b>	<b>BKE Telecom AB</b>	<b>Conne qted 365 AB</b>	<b>Total</b>
Revenue	5 782	11 687	5 351	32 294	62 495	2 098	119 707
EBITDA	3 770	647	1 261	2 963	3 333	(68)	11 906
EBITA	3 772	633	1 249	2 963	3 110	(78)	11 649
<b>YTD 2017 Pro-forma figures, full year effect</b>							
(as if the transaction had taken place 01.01.2017)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Tech step Infra Advice</b>	<b>Apro Tele og Data</b>	<b>BKE Telecom</b>	<b>Conne qted 365</b>	<b>Total</b>
Revenue	25 167	41 532	23 071	87 539	193 190	12 091	382 590
EBITDA	13 559	1 406	4 326	6 169	12 134	700	38 294
EBITA	13 438	1 393	4 326	6 169	11 853	647	37 826
<b>Q4 2016 Pro-forma figures</b>							
	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Tech step Infra Advice</b>	<b>Apro Tele og Data</b>	<b>BKE Telecom</b>	<b>Conne qted 365</b>	<b>Total</b>
Revenue	6 036	12 951	4 449	22 701	57 900	1 300	105 337
EBITDA	2 772	2 196	1 349	2 836	4 460	400	14 013
EBITA	2 764	2 196	1 331	2 795	4 460	400	13 946
<b>2016 Pro-forma figures, full year effect</b>							
(as if the transaction had taken place 01.01.2016)	<b>Mytos</b>	<b>Nordialog Asker</b>	<b>Tech step Infra Advice</b>	<b>Apro Tele og Data</b>	<b>BKE Telecom</b>	<b>Conne qted 365</b>	<b>Total</b>
Revenue	21 328	38 800	14 400	71 300	228 200	6 390	380 418
EBITDA	5 528	4 200	2 400	4 300	15 040	300	31 768
EBITA	5 228	4 200	2 400	4 100	15 040	300	31 268

## 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 Q4 2017 amounts to NOK 85 thousand, YTD 2017 NOK 1,338 thousand.

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

## Note 6: Impairment of financial assets

The Group holds 187,823 shares in Kjedehuset AS. The book value of the shares has been written down based upon an assessment of the underlying value of Kjedehuset AS and its material assets. The assessment was performed after Telenor Norge AS cancelled its distributor agreement with Kjedehuset AS.

The total write-down charged to the financial statements is NOK 25.6 million, included in the line item Financial expense in the consolidated income statement.

## Note 7: Impairment assessment

The Group has tested the book value of goodwill and other intangible assets in accordance with IAS 36 as per year end 2017. To determine the value the discounted cash flow method has been applied. As per year end 2017, it is management's assessment that no impairment charge is necessary, and that the book values are intact.

## Note 8: Credit facilities

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

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

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

**TECHSTEP ASA**

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