Annual report 2019

TECHSTEP

Contents

This is Techstep

TECHSTEP is positioning itself as a leading Nordic enabler of the DIGITAL WORKPLACE

Private and public enterprises are addressing the challenge of making operational tools and data available to employees on all devices and in all locations. All enterprises are experiencing a digital transformation to enable more efficient operations. Techstep enables the transformation by combining robust, safe and smart tools to make work mobile. We believe that whatever your business, there`s a better way to do it.

WORK IS GOING MOBILE

- Tasks can be done across mobile devices and locations
- Work gets easily and efficiently done when needed
- Mobile-first solutions enable new levels of employee productivity
- The employee-focused enterprise can personalise mobility solutions
- Enterprises can realise the benefits mobile technology offers via the cloud

TECHSTEP'S JOURNEY

Built on a decade of telecom, communications and security experience, our teams are at the forefront of the digital workplace. We supply the devices you love, the software you need and the security you expect, whilst giving you control, support and a full overview, wherever and whenever you need it.

Techstep is on a journey fundamentally transforming itself into a software and solution-driven mobility provider. Techstep's growth and acquisitions strategy has enabled the company to acquire the building blocks necessary to become a leading enabler of the digital workplace through the company's own software and IP.

2016

Techstep established, acquisitions and consolidation of the Norwegian market

Acquired eight companies

Further expansion with new partners and Swedish operations

Integration as 'one Techstep'

Focus on integration and transition towards a software-led company

From wholesaler/distributor...

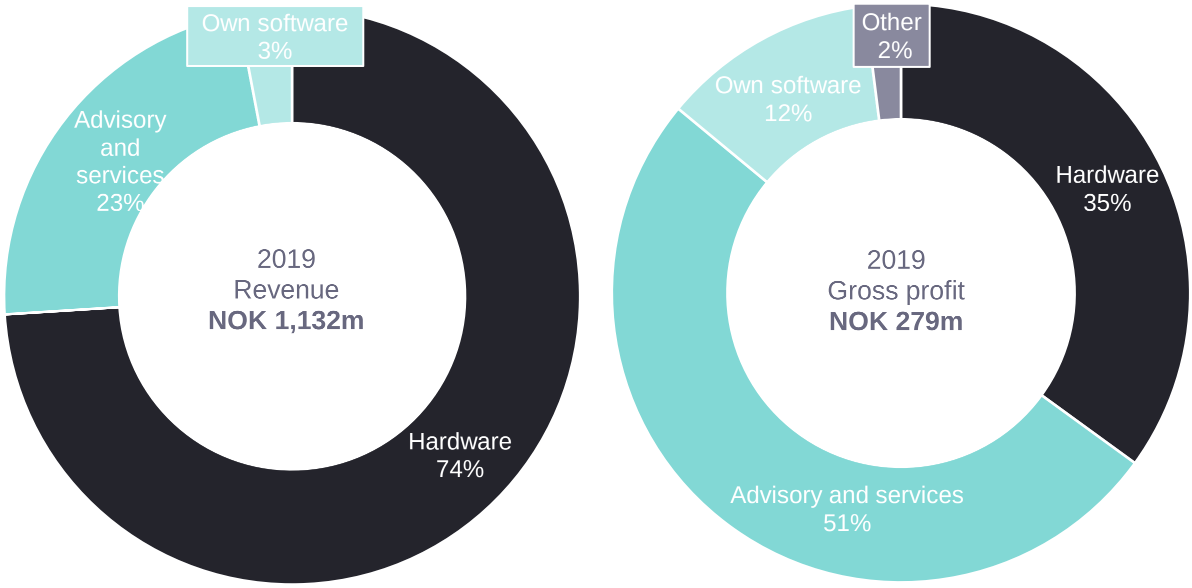
Flow, own software and recurring revenue business model

2020 -

...to mobility solutions provider

TECHSTEP AT A GLANCE

Techstep currently has 211 employees based in Norway and Sweden, serving some 4,000 customers and 201,000 recurring revenue end users across numerous industries in the private and public sector. The company recorded revenue of NOK 1,132 million in 2019 and generated a gross profit of NOK 279 million. The shares are listed on the Oslo Stock Exchange under the ticker “TECH”.



HELPING YOUR PEOPLE DO A BETTER JOB

Although hardware sales remain the largest revenue contributor, the company is growing its high-margin software and services sales and gaining traction with its evolved “mobile-as-a-service” offering “Flow” (formally MaaS).

Flow was redeveloped during 2019 and launched to existing and new customers in the fourth quarter. Flow allows Techstep to bundle value-adding services together with software and hardware into one complete solution offered to enterprises for a fixed monthly fee per user. The basic Flow offering consists of a smartphone, Techstep’s software solutions (Origo Business Cloud), device life-cycle management and financing. The financing through Techstep Finance adds the benefit of a residual value at the end of the leasing period. In addition to the basic offering, you can choose among several add-on services tailored to your needs.

This year, Techstep will have full focus on growing the sales of the company’s value creating, higher margin software and services solutions to enterprise customers in Norway and Sweden. In addition, the company will continue to invest in software and IP and pursue M&A opportunities to strengthen the mobility solution offering.

Key Figures

(amounts in NOK 1,000)	**2019**	**2018**
Revenues	1 132 059	1 064 114
Gross profit	279 338	294 419
EBITDA adj.	29 007	30 023
EBITDA rep.	27 040	43 023
EBITA	(58 174)	41 280
EBIT	(80 192)	22 362
Net profit (loss) for the period	(64 329)	21 329
EBITDA adj. margin (%)	2.6%	2.8%
EBITDA rep. margin (%)	2.4%	4.0%
EBITA margin (%)	(5.1%)	3.9%
EBIT margin (%)	(7.1%)	2.1%
Net profit (loss) for the period (%)	(5.7%)	2.0%
Cash and cash equivalents*	44 588	39 741
Net interest-bearing debt	1 996	19 354
Capex	33 610	11 689
Employees	211	221

Note: Hardware share of revenue includes other revenue (comprising 0.4% for 2019). Solutions revenue comprises own software, advisory and services, and third-party software.

The 2018 EBITDA adjusted excludes two one-off items with positive net effect of NOK 13 million, comprising a reversal of an earn-out obligation of NOK 20 million for an acquisition in Sweden, offset by a restructuring provision of NOK 7 million for remaining rent obligations on vacated premises in Norway.

The 2019 EBITDA adjusted excludes one-off costs related to M&A activities.

The effect of IFRS 16 Leases is a reduction of operational costs of NOK 11.6 million in 2019. See note 4 and 6 for further details.

*The 2018 cash and cash equivalents have been restated, see note 30.

Letter from the CEO

We make work mobile

Increasingly powered by own software and IP, our mobility solutions unlock new levels of productivity for employees and enterprises across Norway and Sweden.

Exciting opportunities ahead for Techstep

In 2019, Techstep started a fundamental transformation to become a software- and IP-driven mobility provider. This is the outcome of consolidation and integration efforts over the last years, as well as development and experiences harvested together with our customers. We have recognised that it is our software and IP based solutions that differentiate us, and truly enable our customers to harvest the benefits mobile technology offers.

2019 results reflect strategic choices

Revenue was NOK 1,132 million for the full year 2019, while gross profit was NOK 279 million and adjusted EBITDA ended at NOK 29 million. The financial development from 2018 does not give justice to the development in the organisation. We have invested our time and resources to create an organisation that can deliver on the strategy, along with our capabilities within software and IP. This transition is reflected in the financials as we believe these investments will support long-term financial growth.

Evolving our customer offering

We started this journey by acknowledging an opportunity in the global trend of ‘work going mobile’. We combined eight companies and successfully integrated and consolidated people and operations into one Techstep. In the latest phase, the company has transitioned from a wholesaler and distributor to a mobility solution provider.

At the end of 2019, this materialised in the launch of an evolved version of our mobile-as-a-service solution under a new name: “Flow”. In the last few months, we signed our first Flow contracts with seven existing and one new customer. To further strengthen our Flow offering, we Increased ownership to 80% in subsidiary Techstep Finance AS to consolidate complementary financing services.

We have now completed most of our technological transformation and Techstep are ready to roll out our mobility solutions to new and existing customers.

Investing in customer-centric software and IP

Moving further into 2020, all activities are aligned to bring our software and IP to the market. We expect the market for B2B mobility services to continue to grow in the years ahead and believe Techstep is well positioned to take a growing share. We have a clear ambition of increasing our customers’ investment in mobility solutions by converting them to Flow and believe this will prove to be rewarding for them. We will continue to invest in organic development of our software and capabilities and pursue M&A opportunities to maintain a leading offering that makes us the preferred mobility enabler in the Nordics.

People and culture fundamental to success

At the end of the year, we were 211 employees at Techstep, and I would like to thank everyone for their great efforts during a transitional and eventful 2019. The joint efforts of the organisation and the software and IP oriented culture we are building now are indispensable to reach our strategic ambitions.”

Jens Haviken, CEO Techstep ASA

Environmental, Social and Governance (ESG) at Techstep

As a Nordic provider of software and IP-driven mobility solutions, Techstep has an opportunity and a responsibility to help modern enterprises achieve safe and efficient digitalisation of their business operations, and contribute towards sustainable economic, social and environmental development.

Highlights of ESG activities in 2019

- Improved gender equality and strengthened company culture
- Joined the SHE index and became a sponsor of the SHE community
- Launched Flow, Techstep's evolved "mobile-as-a-service" concept, contributing to a more eco-friendly and secure end-of-life handling of mobile devices
- Invested in electric cars for emission-free deliveries of mobile devices in the Oslo region
- Conducted "Security awareness month" to enhance employees' competence on data security
- Conducted a quality management project to identify internal and external drivers and risks that may have a material impact on long-term value creation for Techstep's business

Priorities going forward

To further develop its approach and accountability, Techstep will establish a targeted ESG strategy and develop an ESG programme with selected projects to enhance internal awareness about Techstep's responsibility and contributions to society. Pursuing global best practice, the company will evaluate established frameworks such as working towards the UN's Sustainable Development Goals.

Summary ESG KPIs

	Ambition	2019	2018
Employees and working environment			
Number of employees		211	221
Gender distribution			
Percentage of women/ men – Group total	40%/ 60%	24% / 76%	18% / 82%
Percentage of women/ men – Group senior management	40%/ 60%	0% / 100%	0% / 100%
Percentage of women/ men – Middle management	40%/ 60%	44% / 56%	36% / 64%
Percentage of women/ men – Board of Directors	40%/ 60%	40% / 60%	40% / 60%
Equality SHE Index score	80	51	N/A
Health and safety			
Sick leave	< 2%	3.6%	3.5%
Occupational injuries	0	0	0
Environmental impact			
Total recycled mobile units		7 811	5 316
Units under management for future recycling*	50 000	11 496	2 552
Ethical business conduct			
Reported incidents (whistleblowing)	0	0	0

**Devices under Techstep's control as a part of the group's leasing offering.*

Employees and working environment

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

Equal opportunities

Techstep promotes a productive and inclusive working environment free from harassment, discrimination, and disrespectful behaviour. All employees are entitled to equal opportunities, regardless of gender, age, religion, sexual orientation, ethnicity, nationality, or social background.

Techstep has set a female representation target across the Group of 50%. As at 31 December, Techstep had 211 employees (221) of which 50 (40) were women. Middle management comprises 18 employees (14) whereof 8 are women (5). There were no women in top management.

Techstep has established initiatives to attract more women to pursue a career within technology and improve gender equality in the company. In recruitment processes, emphasis is placed on attracting highly qualified employees of both genders. As a minimum, one female candidate shall be represented in the last round.

In 2019, Techstep joined the SHE Index as another initiative to improve the company's gender equality over time. The SHE Index is a biannually compiled indicator that measures gender balance and progress on initiatives among Norway's largest companies. 80% of the index score is made up of the current state of gender balance in the company, while 20% measures the initiatives that the company has put in place to improve gender equality. At the beginning of 2019, Techstep had an index score of 32, which improved to 51 in the fall 2019. The average score for telecom companies is 58. Subsequent measurement in 2020 yields results above the industry average.

Employee compensation and benefits

Techstep seeks to offer competitive remuneration to all employees, reflecting their education, experience and professional qualifications. The company is further committed to equal pay for the same work and performance regardless of gender. Since inception in 2016, Techstep has acquired eight companies which all had different remuneration principles and routines. In 2019, Techstep implemented a global GDPR compliant human capital management (HCM) system for a unified follow-up of all employees, and to identify and close potential wage gaps that may be due to gender or other diversity aspects. Techstep also offers full pay during parental leave.

Training and career development

All employees are provided opportunities for professional development and skill building. Techstep has undertaken initiatives for the individual employee's development, including personal development meetings and training. With the implementation of the global HCM system in 2019, Techstep is better equipped to ensure unified evaluation and follow-up of individual development goals. In addition, the company can more easily identify and follow-up on talents helping them prosper and thrive in the organisation.

Encouraging health and wellness

Working with IT typically includes many hours in front of a computer. Techstep employees have the right to a healthy and safe workplace, including a good workplace environment and ergonomics.

In 2019, Techstep merged several of its offices in and around Oslo to new headquarters with improved office facilities to promote a better and common work environment. At the new headquarters, all employees have access to a defibrillator course, gym and physical therapy services, while at the customer centre, where work is largely sedentary, Active Stand has been installed to prevent back problems among employees. An office move for the Swedish operations is currently under preparations with the same purpose in mind. In addition, social gathering groups have been established to improve work relationships and employee well-being.

Techstep targets a sickness absence rate of 2% or less. In 2019, the sickness absence rate was 3.6% of the total work hours in the Group (3.5%), which is considered a normal level. There were no work-related illnesses. No occupational injuries or fatal incidents were reported during the year (0).

Reducing its environmental footprint

Techstep has made a commitment to responsible use of resources and to minimise its environmental impact. The company aims to offer its customers more environmentally friendly alternatives, while demanding sustainable solutions from its suppliers.

Recycling is taken seriously by Techstep, i.e. by recovering or recycling used IT products and by seeking more efficient and environmentally friendly alternatives for sourcing, packaging and transportation of goods. Activities are carried out in accordance with applicable laws, regulations, standards and other environmental requirements.

Creating sustainable solutions

Growing use of electronic devices leads to growing problems associated with managing waste and non-renewable resources in the manufacturing process of such devices and equipment.

Techstep's business model is built to reduce this footprint. As a provider of mobile solutions, Techstep also provides mobile devices (hardware) manufactured by international technology companies. All customers are offered a buyback solution of their used and outdated mobile devices when upgrading to newer models.

At the end of 2019, Techstep launched its evolved "mobile-as-a-service" concept Flow. The basic Flow offering consists of a smartphone, Techstep's software solutions, device life-cycle management and financing. The financing through Techstep Finance adds the benefit of a residual value at the end of the two-year leasing period, contributing to a more eco-friendly and secure end-of-life handling. At the end of the leasing period, the customer is given the option whether to extend the leasing period, buy the device or return it to Techstep. Techstep extends the life span of the device by giving it second life through resale or recycling. Through close cooperation with certified partners, each unit is securely wiped for personal data and then assessed with regards to how salvageable the device is. If possible, the unit is repaired and sold in a secondary market. The remaining equipment is recycled in a secure and environmentally friendly way.

In 2019, Techstep recycled 7,811 mobile units. At year end, Techstep had a total of 11,496 units under management for future resale or recycling. All Techstep partners engaged in resale or recycling are certified in accordance with ISO 9001, 14001 and comply with the Waste Electrical and Electronic Equipment (WEEE) Directive.

Reducing Techstep's carbon footprint

Make work mobile is Techstep's mission statement. By delivering technological communication solutions that promote remote work over business travels, Techstep contributes to lowering the environmental cost of communication.

Internally, Techstep encourages all employees to prioritise alternative forms of distance meetings, to use co-travelling and choose public transport when possible. Physical deliveries of hardware and mobile devices are offered emission-free in the Oslo-region. Techstep is also working on digitising all payments and eliminating paper invoices.

Eco-lighthouse certified

Techstep is certified as Eco-lighthouse, Norway's most widely used environmental management certification which is recognised by the EU. Eco-lighthouse evaluates enterprises through easily implemented, concrete, relevant and profitable measures, so that they can improve their environmental performance, control their environmental impact, and prove their dedication to corporate responsibility.

The Eco-lighthouse certification ensures that Techstep is in full compliance with the Internal Control Regulations and relevant environmental regulations. The certification is approved by the Norwegian government as documentation for public tenders.

Responsible business

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

Business ethics and anti-corruption

Techstep's code of conduct was developed to specify the main business principles that apply when people work together within the Group or with external parties. The code of conduct is intended to guide daily business activities and to be integrated into critical processes, practices, activities, and decision-making across the Group. Non-compliance with the principles may have consequences for the employment relationship.

The code of conduct also includes guidance on how to report any concerns related to illegal or unethical conduct, including a third party-operated whistleblowing channel for discrete and confidential handling of any potential reports. There were no reported concerns during 2019.

The code of conduct has been communicated to all employees and each employee is expected to make a personal commitment to abide by the code of conduct. New employees are required to read through and makes themselves familiar with the content. In addition, anti-fraud messaging has been communicated and repeated to all employees, customers, partners and suppliers. Techstep is working on establishing routines for conducting refresher training on an annual basis.

Techstep has further prepared an insider manual and supporting documents, to ensure that for example trading in the company's shares by Board members, executives and/or employees, including close associates, is conducted in accordance with applicable laws and regulations.

Responsible sourcing

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

ICT security and data privacy

At Techstep, customer's privacy is highly valued. Strict guidelines, procedures and solutions have been established to safeguard data from unauthorised access and theft. All employees are responsible for actively ensuring, or helping ensure, that all critical information and personal data are handled with care and in compliance with applicable laws and regulations. ICT Security controls are conducted on a regular basis. Techstep is GDPR compliant and has the necessary governance and internal control systems in place.

Techstep's privacy and security philosophy is reflected in its mobility solution offering to customers. Techstep offers market-leading security solutions MobileIron and SecuSUITE for Government. SecuSUITE for Government is an encrypted secure speech and data solution for mobile devices used, among others, by NATO.

In 2019 Techstep conducted a security awareness month, to educate and improve awareness among employees. Techstep did not identify any leaks of customer data or privacy data in 2019, nor receive any complaints from outside partners or regulatory bodies concerning breaches of customer data.

Promoting sound corporate governance

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

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

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

Implementation and reporting on corporate governance

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

The company observes the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, which was most recently revised on 17 October 2018, and referred to in this document as "the Code of Practice". The Code of Practice is available on the website www.nues.no. Application of the Code of Practice is based on the "comply or explain" principle, which stipulates that any deviations from the code, should be explained.

By the company's own assessment, Techstep did not have any deviations from the Code of Practice in 2019.

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

Business

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

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

The Board of Directors has defined clear goals, strategies and risk profile for the company's business activities, to create value for its shareholders and ensure that its resources are utilised in an efficient and responsible manner to the benefit of all its stakeholders. The Board has further adopted various policies providing business practice guidance, including a policy on corporate social responsibility, code of conduct and ethical trade. The policies set the standards for responsible and ethical behaviour expected from employees or persons associated with the company, to build trust and loyalty internally and prevent violations and negative impact externally. The company's objectives, strategy and risk profile, which are reviewed on an annual basis, are described in the annual report for 2019, together with a report on the company's corporate social responsibility measures.

Equity and dividends

As at 31 December 2019, Techstep's total equity was NOK 456.0 million and total liabilities amounted to NOK 361.2 million, which corresponds to an equity ratio of 56%, and a debt-to-equity ratio of 0.8. The Board of Directors considers the capital structure to be satisfactory and in accordance with Techstep's risk profile, enabling the company to deliver on its strategy and pursue its ambitions.

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

Board mandates

At the annual general meeting on 25 April 2019, three authorisations were granted to the Board of Directors:

- Authorisation to increase the share capital by up to NOK 35 million, by issuing up to 35 million shares with a par value of NOK 1 per share. The authorisation covers both cash and non-cash considerations, including mergers. The par value and number of shares have been adjusted in connection with acquisitions made during the year. As at 31 December 2019, the remaining number of unused shares were 31,261,683.
- Authorisation to acquire treasury shares, limited to 10% of the share capital as at 31 December 2018. As per 31 December 2018, the authorisation has not been used.
- Authorisation to increase the company's share capital by up to NOK 15.0 million, by issuing up to 15.0 million shares in Techstep, with a par value of NOK 1 per share, in connection with the company's incentive plan for its employees and directors. As at 31 December 2019, a total of 12 million share options have been granted to key employees under the existing authorisation.

All three authorisations are valid until Techstep's annual general meeting in 2020, and no later than 30 June 2020. There was a separate vote on each of the three authorisations. For supplementary information about the authorisations, reference is made to the minutes of the annual general meeting held on 25 April 2019. These are available from www.techstepasa.no and www.newsweb.no.

Equal treatment of shareholders and transactions with related parties

Treasury shares will be traded on the stock exchange or in accordance with guidelines from the Oslo Stock Exchange.

According to the Norwegian Public Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may be set aside, either by the general meeting or by the Board based on an authorisation to the Board. In the event of a capital increase based on authorisation from the general meeting, where the pre-emptive rights of shareholders are set aside, the company will provide the reasons for the practise in the stock exchange notice in which the capital increase is announced.

In 2019, Techstep issued consideration shares as settlement for the acquisition of additional 30% of the shares in Techstep Finance, where the pre-emptive rights of the shareholders were set aside. For details, see stock exchange release from 13 December 2019.

Any transactions in treasury shares, i.e. a share buy-back programme, will be carried out either through Oslo stock exchange or at otherwise at stock exchange prevailing prices. If there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of all shareholders. There were no transactions in treasure shares during 2019.

For significant transactions with closely related parties, the company will use valuations and statements from an independent third party, if the transaction is not to be considered by the general meeting. There were no such transactions in 2019. For further information, refer to Note 24 "Related partiy~~es~~ transactions" in the annual report for 2019.

Freely negotiable shares

Techstep ASA has one class of shares. The company's shares are freely negotiable on the Oslo stock exchange. There are no restrictions on owning, trading or voting for shares in the articles of association.

General meetings

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

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

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

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

In 2019, Techstep held its annual general meeting on 25 April with 51.1% of the shares represented. In addition, an extraordinary general meeting was held on 11 February to elect a new board member, with 42.7% of the shares represented.

Nomination committee

Techstep’s nomination committee consists of two members, elected pursuant to section 6 of the company’s Articles of Association.

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

The objectives, responsibilities and functions of the committee are further described in the “Instructions for the nomination committee”, which was adopted by the general assembly at the annual general meeting in 2018.

The current nomination committee was elected at the annual general meeting on 4 April 2018, and consists of two members, Harald Arnet (Chair) and Jonatan Raknes, who were both elected for a period of two years. Both members represent the Company’s two largest shareholders and are considered independent of the Board of Directors and the executive management. Remuneration of the members of the nomination committee is determined by the general meeting, based on the Board of Director’s proposal.

Board of Directors, composition and independence

In accordance with section 5 of the Articles of Association, the company’s Board of Directors shall consist of three to seven members, elected by the general meeting. The Chairperson of the Board is elected by the general meeting. As at 31 December 2019, the company’s Board of Directors consists of five members, two of whom are women: Jens Rugseth (Chairman), Einar J. Greve (Vice Chairman), Ingrid Leisner, Anders Brandt and Toril Nag. All board members were re-elected at the annual general meeting on 2 April 2019 for a period of two years. The members may be re-elected.

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

All board members are regarded as independent in relation to the company's day-to-day management, and in relation to important business associates. Three of the board members are regarded as independent of the company's main shareholders: Ingrid Leisner, Anders Brandt and Toril Nag. A summary of the shares of stock held in the company by each board member is available in Note 26 to the annual report for 2019.

The work of the Board of Directors

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

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

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

The Board of Directors meets as often as necessary to fulfil its duties, and at least seven times each financial year. The Board of Directors held 8 board meetings in 2019.

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

Board committees

The Board of Directors has appointed an audit committee, the main duties of which is to assess the company’s financial reporting and systems for internal control, monitor and evaluate the auditor, ensure that the auditor is independent, and assist the nomination committee with a proposal for the election and remuneration of the auditor. As at 31 December 2019, the audit committee consisted of two board members, Ingrid Leisner and Toril Nag, both of whom are regarded as independent of the company.

The Board of Directors has also appointed a compensation committee, which assists the Board of Directors with tasks related to the evaluation and determination of remuneration for the CEO, as well as the formulation of a policy for the remuneration of executive personnel. As at 31 December 2019, the compensation committee consisted of the two board members Einar J. Greve and Ingrid Leisner.

Risk management and internal control

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

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

In 2019, in connection with the establishment of a quality management system, Techstep conducted a project to identify drivers and risks that may have a material impact on long-term value creation for its business.

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

The board has adopted an insider manual with ancillary documents, including policies and procedures on retrieving and disclosing information related to Group operations. The insider manual is intended to ensure that, e.g. trading in the company's shares by Board members, executives and/or employees, including close relations is conducted in accordance with applicable laws and regulations. Furthermore, the company has prepared a code of conduct, which sets the standard for the behaviour expected internally and externally by anyone employed by or associated with Techstep. The code of conduct has been communicated to all employees and each employee is expected to make a personal commitment by abiding by the code of conduct. The code of conduct includes guidance on how to report any concerns related to illegal or unethical conduct, including a third party-operated whistleblowing channel. There were no reported concerns during 2019.

For information related to the company's identified risk and risk management, reference is made to the Board of Directors' Report and Note 21 to the accounts in the annual report for 2019.

Remuneration of the Board of Directors

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

The remuneration of the Board of Directors is not performance based and the company does not grant share options to any Board members. Members of the audit committee are remunerated separately. The company does not provide loans to Board members. Detailed information about the remuneration of the Board of Directors can be found in Note 29 to the accounts in the annual report for 2019.

Remuneration of executive personnel

The main principle of Techstep's executive remuneration policy is that the remuneration should be competitive and provide the motivation to attract and retain individuals with the required competence. The executive remuneration consists of a fixed salary and a variable part linked to the company's and the individual's achievement, and pension schemes. Performance-related remuneration is tied to business results and other KPIs, and subject to an absolute limit of 50% of the fixed salary. In 2019, the share option programme for executive management and certain other employees was extended. The program is linked to value creation to the benefit of shareholders over time.

The executive remuneration guidelines have been presented to, and were adopted by, the general meeting (see note 29).

Information and communications

Techstep seeks to adhere to the Oslo Stock Exchange's IR recommendation, last revised 1 July 2019. The company prioritises communication with shareholders, investors and analysts to build trust and credibility, and support access to capital and a fair valuation of the company's shares. The Board of Directors seeks to provide accurate, clear, relevant and up-to-date information to the market, while ensuring equal treatment.

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

Techstep provides interim reports within 45 days after the end of the quarter, in accordance with the Oslo Stock Exchange's recommendation. The complete annual financial statements, including the Board of Directors' Report, are made available no later than three weeks prior to the annual general meeting, and no later than the end of April every year.

Techstep provides presentations in connection with the company's interim reports. The presentations are open to the public and provide an overview of the operational and financial developments, market outlook and the company's prospects. The presentations are also made available by webcast on the company's website.

All information is primarily provided in English, and is distributed to the company's shareholders through the Oslo Stock Exchange www.newsweb.no, and the company's website www.techstepasa.no.

Takeovers

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

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

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

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

Auditor

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

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

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

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

Executive Management

Jens Haviken - CEO

Mr. Haviken is an experienced executive within consultation and managed services, and software and hardware distribution. He has a proven track record of developing, restructuring and streamlining the operations of companies in the ICT sector. Prior positions held by Haviken include VP Services and Solutions and Country Manager with Dustin Group AB (publ). and various Director roles for Microsoft and Accenture. He has worked in the industry since 1991, and has experience ranging from start-ups to large international corporations, such as Microsoft and Accenture.

Marius Drefvelin – CFO

Mr. Drefvelin has both operational and transactional experience from his current and previous work, including driving operational improvements, restructuring and integration. Mr. Drefvelin came from the position as Group CFO of Creuna, a leading Nordic technology and communications consultancy firm with 350 employees. Prior to this, he has experience with transactions and investments both as an advisor and investor at Deloitte, Jebsen Asset Management and KPMG.

Mr. Drefvelin has a B.Sc. in Finance and a B.Sc. in Economics from the University of Utah, USA. Moreover, he is a Certified European Financial Analyst from the Norwegian School of Economics.

Inge Paulsen – Managing Director Norway

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

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

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

Bartek Regerqvist – Managing Director Sweden

Mr. Regerqvist joined Techstep in 2018, bringing with him experience from the telecom and integrator industry with focus on managed services in a Nordic offering. He has a proven track record in performance management and efficient cost management, creating structure and driving a performance culture within the teams he leads.

Prior to Techstep, Regerqvist held a position as Regional Manager at Tele2 and several management roles at TDC since 2006.

Erik Haugen – Chief Commercial Officer

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

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

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

Mads Vårdal – Chief Innovation Officer

Mr. Vårdal is an experienced business developer and executive with a proven track record from previous positions as Nordialog, Smartworks and Teki Solutions. His long experience from the industry covers sales, strategy, business development, M&A processes, product development and executive manager roles. Mr. Vårdal has since 2007 been operating in several central executive roles within sales, business development and daily management with a build- and turnaround focus.

Board of Directors

Jens Rugseth – Chairman of the board

Jens Rugseth has served on the Board of Techstep since February 2019. Mr. Rugseth is a co-founder and Chairman of the Board of Crayon Group ASA and Link Mobility Group ASA. He has been a serial founder of a number of companies within the IT sector over the past 30 years. Mr. Rugseth has also held the position of chief executive officer with some of the largest IT-companies in Norway, including ARK ASA, Cinet AS and Skrivervik Data AS. Mr. Rugseth studied business economics at the Norwegian School of Management. Jens Rugseth is a Norwegian citizen, currently residing in Oslo, Norway.

Einar J. Greve – Vice chairman

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

Ingrid E. Leisner - Board member

Ms. Leisner has served on the Board of Techstep since January 2016. Ms. Leisner's directorships include current Board positions for, Self Storage Group ASA, Norwegian ASA, Maritime and Merchant ASA. Ms. Leisner has a background as a trader of various oil and gas products in her 15 years with Statoil ASA. Her years of experience of, and expertise in, business strategy, M&A, management consultation and change management has been very valuable when serving on the Boards of several companies listed on Oslo Stock Exchange. She holds a Bachelor of Business degree with honours from the University of Texas in Austin.

Anders Brandt - Board member

Mr. Brandt has served on the Board of Techstep since April 2018. Mr. Brandt has more than 20 years of experience in international entrepreneurship, technology, venture capital and digital services. He is managing partner in the venture capital fund Idekapital, and has co-founded and exited numerous companies, including DinSide, OMG, Viken Fibernett, Mytos, Meshtech and Bubbly Group. Brandt has 14 years of Board experience for listed companies on Oslo Stock Exchange and Nasdaq Stockholm, including several tech companies.

Toril Nag - Board member

Ms. Nag has served on the Board of Techstep since April 2018. Ms. Nag is Group Executive Vice President, responsible for customer service and the telecommunications business area of the Lyse Group. She has extensive experience in telecom and digital services, as well as banking and finance. She has held a number of Board appointments in technology, energy and R&D-related companies, and her directorships include Dolphin Group ASA, IKT-Norge, Kolumbus AS and Altibox AS. Ms. Nag is a qualified civil engineer in Computer Science from the University of Strathclyde and has further education in management from the Norwegian Business School BI.

Board of Directors' Report

Techstep is on a journey transforming itself into a software and solutions-driven mobility provider. Techstep's growth and acquisition strategy has enabled the company to acquire the building blocks necessary to become a leading enabler of the digital workplace through the company's own software and IP. Together with customers, Techstep has developed a one-stop shop with complete products and services offerings for the mobile workplace.

Business activities and strategy

New technology is transforming the way we live and work. Today, about 50% of all internet traffic is through mobile devices. People expect easy access to tools and services across devices, both at home and at work. At Techstep, we say 'work is going mobile'. Techstep targets this emerging mobile workspace which represents a tremendous market opportunity. The company was founded to not only be a part of this transformation but to be a consolidator in the B2B market for mobility and digital communications, and to become a leading enabler of the digital workplace in the Nordic Region.

Since late 2016, Techstep has acquired eight companies which have been integrated into one Techstep. The company's strategy is to help enterprises handle the complexity that comes with providing hundreds or thousands of employees with mobility solutions. In 2019 Techstep continued the transition from being a hardware wholesaler and distributor towards becoming an IP- and software-led provider offering highly scalable mobility solutions. A milestone was the launch of Techstep's evolved "mobile-as-a-service" concept "Flow" (the successor to the "MaaS" offering), which bundles all of Techstep's IP and software into packed solutions.

This year, Techstep will have full focus on growing the sales of the company's value creating, higher margin software and services solutions to enterprise customers in Norway and Sweden. In addition, the company will continue to invest in software and IP and pursue M&A opportunities to strengthen the mobility solutions offering and geographic footprint.

Creating the best solution for customers and end users

Techstep continuously develops its offerings. The "mobile-as-a-service" concept was redeveloped throughout 2019. In the fourth quarter an evolved offering named "Flow" was launched to existing and new customers. Flow allows Techstep to bundle value-adding services together with software and hardware into one complete solution offered to enterprises for a fixed monthly fee per user.

The Flow offering consists of a smartphone, Techstep's software solutions (Origo Business Cloud), device life-cycle management and financing. The financing through Techstep Finance adds the benefit of a residual value at the end of the leasing period, contributing to a lower total cost of ownership for the customer. In addition, the customer can choose among several add-on services tailored to its needs.

Flow has the potential to become a major value driver for both Techstep and its customers. With Techstep's solution, customers can empower their employees to increase efficiency and ultimately do a better job. This is achieved by equipping employees with mobile tools. which facilitate reporting, interaction, invoicing, calculations and other work-specific tasks while on the move, in the field or in the store. In addition, the customer can access Techstep's software and IP solutions.

The company has built a base of approximately 4,000 customers and 201,000 recurring revenue end users across the private and public sectors in the Nordic Region. A number of these companies are major Norwegian and Swedish companies which have started to digitalise their work processes.

Main developments in 2019

During 2019, Techstep saw continued digitalisation of workplaces, and enterprises looking for mobility solutions for employees. Techstep is purpose-built to capitalise on these trends. Since the onset of 2017, the company's ambition has been to become the leading Nordic enabler of the digital workplace.

Strategic reorganisation in Norway to optimise towards large enterprises

During the second quarter of 2019, Techstep partnered with Mobit to allocate its resources and capabilities towards larger customers. Techstep terminated 2,000 customer contracts in Norway, representing 16,000 end users. In parallel, Techstep signed an agreement with Mobit Norge AS to offer Techstep software solutions towards the SMB market. This decision has allowed Techstep to streamline its operation and focus on core customers.

Turnaround in Sweden completed

In the fourth quarter of 2018, a turnaround process of Techstep Sweden was initiated. All the Swedish operations were merged into one company, and focus was directed towards profitable customers and to grow presence within the enterprise market. These efforts have yielded results in 2019, and Techstep Sweden is well positioned for further growth, including a planned expansion in the Stockholm area.

One Techstep

Aligning everyone in the organisation behind the "One Techstep" brand has been an important step in the organisational development and integration of operations throughout the company's consolidation phase. In June 2019, Techstep co-located all of its offices in the Oslo region into new headquarters.

Launched "Flow", an evolved version of Techstep's "mobile-as-a-service" solution and own software "Origo"

In line with its strategy and software-as-a-service business model, Techstep continued to develop its "mobile-as-a-service" concept throughout 2019. In the fourth quarter an evolved offering named "Flow" was launched to existing and new customers.

As Flow was launched into the wider market, Origo Business Cloud, a key component of the Flow offering, was also introduced independently to selected customers. Being a software solution, Origo will also be sold independently through partners.

Increased ownership in Techstep Finance

In December, Techstep increased its ownership to 80% in Techstep Finance AS to consolidate its complimentary financing services. 30% of the shares in Techstep Finance AS were acquired for a consideration of NOK 12 million, settled in Techstep shares.

Sales activity

Techstep was awarded frame agreements and contracts with a combined potential value of NOK 954 million in 2019.

After the launch of Flow during the fourth quarter, seven Flow agreements were signed with a potential value of NOK 17 million covering 5,000 end users.

While Flow consists of both software, hardware, device lifecycle management and financing, the other new contracts were a mix of both hardware-only and combinations of hardware and solutions.

The largest contracts signed in 2019 were with Oslo Kommune, Norwegian Air Shuttle, Coor Service Management, Länsstyrelsen and DNV-GL. Many of the new contracts represent upselling and repeat wins on existing agreements.

Recurring revenue base

Techstep's annual recurring revenue base (ARR[1]) was NOK 37 million in 2019 from a total end-user base of ~201,000. Techstep's recurring revenue relates to the sale of its own software with 100% gross margin; Mobile

[1] Refer to alternative performance measures

Expense Management and Origo Business Cloud, sold either as a white-label service through partners or directly by Techstep.

Financial review

Profit and loss

Full-year revenue amounted to NOK 1,132.1 for 2019, an increase of 5% from NOK 1,064.1 million in 2018.

Total Solutions (software, advisory and services) revenue amounted to NOK 290.7 million for the full year (NOK 279.4 million). From this, own software accounted for NOK 34.3 million for the year (NOK 32.9 million). Hardware sales amounted to NOK 837.0 million during the year (NOK 780.2 million).

This translates to own software accounting for 3%, and advisory, services and third-party software for 23%. Hardware accounted for the remaining 74% of revenue.

Gross profit was NOK 279.3 million for the full year 2019 (NOK 294.4 million), a 5% decline. The decline relates to a decrease in operator commissions and the effect of terminating SME customers during 2019.

The gross margin thus decreased to 25% for the year 2019, from 28% in 2018. In 2019, own software accounted for 12% of gross profit, and advisory, services and third-party software for 51%. The remaining relates to Hardware at 35% and Other 2%.

Total net operating expenses in 2019 were NOK 1,212.3 million, compared with NOK 1,041.7 million in 2018. EBITDA for 2019 came to NOK 27.0 million, compared to NOK 43.0 million in 2018.

The EBITDA for 2018 includes reversal of contingent consideration for BKE Telecom of NOK 20.0 million, reported in the line item “Other income and expenses”. This was partly offset by a provision of NOK 7.0 million for the remaining rent on premises which was vacated during 2019, reported in the line item “Other operational expenses”. For the year, EBITDA also continues to include costs related to growth initiatives and integration.

The ordinary operating loss (EBIT) amounted to NOK 80.2 million for 2019, compared to an operating profit of NOK 22.4 million in 2018. The EBIT was heavily affected by an impairment of goodwill of NOK 70 million during the third quarter. The impairment related to transactions in Techstep Norway AS made in 2012 and part of the hardware business. The impairment did not have any cash effect and did not reflect Management’s belief in the business model going forward.

Net financial result amounted to NOK 17.8 million in 2019, compared to negative NOK 3.4 million in 2018. The higher result in 2019 is a consequence of the increased in ownership of Techstep Finance AS from 50% to 80%, resulting in a remeasurement on previously equity interests in the acquired company of NOK 18.2 million (see note 23 for further details).

The net loss for 2019 was hence NOK 64.3 million, compared to a net profit of NOK 21.3 million in 2018.

Cashflow

The net cashflow generated from operating activities was NOK 51.1 million in 2019, compared with NOK 27.3 million in 2018. The increase is mainly driven by working capital improvements of NOK 19.6 million, due to reduced inventory, increased accounts payable and deferred revenue on leased out hardware.

The net cash flow used for investment activities in 2019 was NOK 18.3 million, mainly related to software and IP development investments and payment for hardware leased out through Techstep Finance. Net cashflow used for investment activities in 2018 was NOK 16.3 million, mainly related to IT investments and acquisition of subsidiaries. The acquisitions made in 2018 were partly paid for through the issuance of new shares.

The net cash flow from financing activities in 2019 was negative at NOK 27.5 million, relating to repayment of borrowings and lease obligations. In 2018, net cash flow from financing activities was positive and amounted to NOK 11.7 million, with proceeds from a share issue, partly offset by repayment of debt.

Cash and cash equivalents increased by NOK 5.3 million during 2019, to NOK 44.6 million at the end of the year.

Financial position

In 2019, Techstep issued 3,738,317 new shares in connection with the acquisition of an additional 30% of the shares in Techstep Finance.

As at 31 December 2019, Techstep ASA had total assets of NOK 817.2 million, compared with NOK 773.7 million at year end 2018.

Intangible assets account for NOK 480.3 million, related to goodwill and customer relationships. An impairment was made in Q3 2019. See note 11 and 20 for details.

Total tangible assets were NOK 111.8 million as at 31 December 2019, including hardware leased out to customers of NOK 72.0 million and premises and IT licenses of NOK 36.6 million.

Total inventories and receivables were NOK 175.3 million as at 31 December 2019. The reduction of NOK 10.3 million year-on-year relates to reduced inventories and other receivables.

Assets classified as held for sale were NOK 5.0 million and relate to the premises in Karlstad, Sweden. In December, an agreement was signed to sell the premises for SEK 12.8 million. There is a property loan of NOK 7.1 million classified as current interest-bearing liabilities which will be settled when the building has been handed over to the new buyer, scheduled for summer 2020.

At the end of 2019, total equity was NOK 456.0 million, corresponding to an equity ratio of 56%.

Other non-current debt of NOK 47.7 million includes an earn-out obligation related to the acquisition of Wizor AS of NOK 4.9 million, leasing commitments of NOK 26.2 million, and buyback obligations for leased hardware of NOK 14.1 million.

Current interest-bearing liabilities amount to NOK 46.4 million and include factoring debt NOK 39.2 million and the property loan for the Swedish office building of NOK 7.1 million.

Other current liabilities of NOK 116.8 million per 31 December 2019 mainly include vacation pay and bonus provisions of NOK 30.4 million, deferred revenue of NOK 63.8 million and leasing commitments of NOK 12.0 million.

Net interest-bearing debt was NOK 2.0 million at the end of 2019, down from NOK 19.4 million per year end 2018.

Going concern

Based on the aforementioned comments about Techstep ASA’s accounts, the Board of Directors confirms that the annual financial statements for 2019 have been prepared on the basis of a going concern assumption, and that this assumption has been made in accordance with Section 3-3a of the Norwegian Accounting Act.

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

Loss for the year 2019 attributable to owners of the parent was NOK 64.3 million, compared to a profit of NOK 20.7 million for 2018. The Board has proposed that the loss be covered by other reserves.

Financial risk and risk management

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

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

Techstep's operations, revenues and profits are dependent on the group's ability to generate sales through existing and new customers. Techstep operates in a highly competitive market segment, and the group's success depends on its ability to meet changing customer preferences, to anticipate and respond to technological changes, and develop effective and competitive relationships with its customers. With the ongoing transformation of customers to Solutions sales and Flow, Techstep believes it is well positioned to retain and strengthen its market position going forward. The operational risk mainly relates to major projects, which are continuously reviewed by the corporate management.

Techstep's activities involve various types of financial risk: credit risk, liquidity risk and market risk (currency risk and interest rate risk). The primary focus of the group's capital structure is to ensure sufficient free liquidity, to ensure that the group can service its obligations on an ongoing basis, and at the same time be able to make strategic acquisitions.

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

Techstep's liquidity risk is related to a mismatch between cash flows from operations and financial commitments. Historically, the group's liquidity has been satisfactory. The consolidated cash flows from operations were positive in 2019 due to an improvement in working capital and deemed sufficient to cover financial commitments. The group's liquidity is satisfactory and management's liquidity budget models show sufficient liquidity throughout the budget period.

Techstep's market risk is related to fluctuations in currencies and interest rates. As the group's operations are conducted in Norway and Sweden, Techstep is only to a limited extent affected by currency fluctuations other than between NOK and SEK. There is limited trade between Norway and Sweden, and the currency risk is generally considered to be low. Group values related to foreign operations are subject to currency fluctuations. As such, there may be variations in the "exchange differences on translating foreign operations" in the consolidated statement of comprehensive income. Interest rate changes have only a marginal direct effect on consolidated operating income and cash flows from operating activities. Techstep's interest rate risk is related to floating interest rates on bank accounts and deposits, in addition to floating rate debt in borrowings at credit institutions. Techstep does not use any hedging instruments for currency or interest rate fluctuations.

Techstep monitors and evaluates risks related to the current macroeconomic development including the effects from the COVID-19 virus (Corona virus). Demand for Techstep's offerings may be negatively affected by reductions in investment budgets and tendering, however specific demand for solutions related to workplace mobility may be a mitigating factor. Further, if disruptions in the supply chain should develop, Techstep and its suppliers may be inhibited from receiving hardware, which again may disrupt Techstep's sale of products. Furthermore, the company has operational, cost and capital expenditures flexibility and will adapt to the market conditions as they evolve. Operationally, Techstep is able to operate via decentralized locations and mobile home office solutions with focus on maintaining its client services in a best possible and efficient manner.

See Note 21 of this report for a more detailed review of financial risk factors.

Transactions with related parties

Since 2018, Techstep has had an agreement with Gture AS, a company controlled by former Board member Stein Erik Moe: the agreement regards certain consultancy services provided to Techstep in connection with the development of a new e-commerce solution. The estimated value of the contract is NOK 5 million.

In February 2019, Jens Rugseth was elected member of the Board of Techstep ASA. Mr. Rugseth also holds a position as chairman of the Board in Crayon Group Holding ASA. Trade between Techstep and all Crayon Group companies is disclosed in Note 24.

There were no other transactions with related parties during the period.

Corporate governance

Techstep observes the Norwegian Code of Practice for Corporate Governance (NUES) of 17 October 2018. A statement on Techstep's corporate governance principles and practices is provided in the separate environmental, social and governance (ESG) section of this annual report. In the company's own assessment, Techstep did not deviate from any sections of the Code of Practice as at year end 2019.

In 2019, Techstep reduced the number of board members from six to five, to increase efficiency as a collective decision body. Jens Rugseth took the position as the new Chairman of the Board, while Kristian Lundquist and Stein Erik Moe resigned from the board.

Corporate social responsibility

Techstep aims to be a responsible company which respects people, society, and the environment. The company plays a central role in workplace digitalisation, and its primary corporate responsibility is to help ensure that modern enterprises can digitalise their operations in a safe and efficient manner.

Techstep has developed a CSR policy, committing the company to responsible business practices in the areas of human rights, labour, anti-corruption and the environment. Further details on Techstep's CSR activities are included in the separate ESG section of this annual report.

Shareholder information

As at 31 December 2019, Techstep had 162,795,337 shares outstanding, an increase from 159,055,106 shares one year earlier. The company had 2,514 shareholders. The number of treasury shares amounted to 1,914. The shares have par value of NOK 1.0.

The company's largest shareholder, Datum AS, held 19.54% of the shares at year end, with the 20 largest shareholders holding 80.37% of the shares outstanding.

During 2019, Techstep's share price fluctuated between NOK 2.80 and NOK 4.24 per share. The final price at the close of the year was NOK 3.39 per share, slightly up from 3.30 per share in the previous year.

8.4 million shares were traded over the course of the year, corresponding to 5% of the total number of shares outstanding at end of year.

For detailed shareholder information, see Note 26 in the consolidated financial statements for 2019.

Outlook

Techstep is positioning itself as the leading Nordic enabler of the digital workplace and the company's strategy is to help enterprises handle the complexity that comes with providing hundreds or thousands of employees with mobility solutions. In 2019 Techstep continued to transition from a hardware wholesaler and distributor towards becoming an IP- and software-led provider to offer highly scalable mobility solutions.

In line with this strategy and its software-as-service business model, Techstep continued to develop its "mobile-as-a-service" concept throughout 2019. In the fourth quarter, an evolved offering named "Flow" was launched to existing and new customers.

The Flow offering has been developed together with customers as a response to market developments, reflecting the simplicity and security level which enterprises increasingly are looking for.

While the transition from a hardware supplier to a software and solutions provider is materialising gradually, Techstep has experienced lower gross profit due to reduced operator commissions and volumes from the Norwegian SME segment that the company discontinued in the second quarter 2019. Short term, the company does not expect that software and solutions will be able to compensate for reduced revenue and profit contribution from commissions and hardware margins.

Going forward, Techstep will have full focus on growing the sales of the company's value creating, higher margin software and services solutions to enterprise customers in Norway and Sweden. In addition to investments in the software platform and organisational development and capabilities, Techstep will continue to pursue potential M&A opportunities.

At the same time, Techstep monitors the current macroeconomic development including the effects from the COVID-19 virus (Corona virus) and evaluates potential outcomes if the current situation develops into more challenging economic and financial conditions. Techstep puts the health of its employees first and is able to run its core operations via decentralized locations and mobile home office solutions. Financially, business-to-business (B2B) demand may be negatively affected by reduced IT investment budgets, while mitigated by potentially increased demand for mobility solutions. In addition, risk related to supply of hardware could increase. The company furthermore has operational, cost and capital expenditures flexibility and will adapt to the market conditions as they evolve.

Responsibility statement

Oslo, 19 March 2020

From the Board of Directors and CEO of Techstep ASA

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019, the comparative figures presented for the period 1 January to 31 December 2018 and the opening balance 1 January 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Jens Rugseth
Chairman

Einar J. Greve
Board member

Ingrid Leisner
Board member

Anders Brandt
Board member

Toril Nag
Board member

Jens Haviken
CEO

Consolidated income statement

(amounts in NOK 1 000)	Note	2019	2018
Revenue		1 127 763	1 059 596
Other revenue		4 296	4 518
Total revenue	2, 3	**1 132 059**	**1 064 114**
Cost of goods sold		(852 722)	(769 695)
Salaries and personnel costs	5, 29	(187 994)	(195 376)
Other operational costs	6, 28	(65 363)	(76 101)
Share of profit (loss) in joint ventures		1 059	119
Depreciation	4, 10	(15 214)	(1 743)
Amortisation	11	(22 018)	(18 918)
Impairment	20	(70 000)	-
Other income	7	-	19 962
Operating profit (loss)		**(80 192)**	**22 362**
Remeasurement on equity interests	23	18 206	-
Financial income	8	5 546	1 108
Financial expense	8	(5 948)	(4 462)
Profit before tax		**(62 388)**	**19 009**
Income tax	9	(1 941)	2 320
Net income		**(64 329)**	**21 329**
Net income attributable to			
Non-controlling interests	23	(1)	644
Shareholders of Techstep ASA		(64 328)	20 685
Earnings per share in NOK:			
Basic	25	(0.40)	0.13
Diluted	25	(0.40)	0.13

Consolidated statement of comprehensive income

(amounts in NOK 1 000)	2019	2018
Net income	**(64 329)**	**21 329**
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	(7 613)	414
Income tax related to these items	923	396
Total comprehensive income for the period	**(71 019)**	**22 138**
Total comprehensive income for the period attributable to		
Non-controlling interests	-	644
Shareholders of Techstep ASA	(71 019)	21 495

Consolidated statement of financial position

ASSETS	Note	31.12.2019	Restated* 31.12.2018
Non-current assets			
Deferred tax asset	9	-	2 439
Goodwill	11, 19, 20, 23	418 385	457 388
Customer relations and technology	11, 19, 20, 23	61 901	67 733
Sum intangible assets		**480 285**	**527 560**
Right of use assets	4, 10	36 590	-
Property, plant and equipment	10	75 197	9 377
Sum tangible assets		**111 787**	**9 377**
Joint ventures	24	-	735
Shares and investments	12	44	8 117
Other non-current assets		181	2 568
Sum financial assets		**225**	**11 420**
Total non-current assets		**592 298**	**548 357**
Inventories	13	11 828	16 155
Trade receivables	14	147 411	146 565
Other receivables	14	16 104	22 881
Total inventories and receivables		**175 343**	**185 601**
Cash and cash equivalents	15	44 588	39 741
Assets classified as held for sale	10	4 962	-
Total current assets		**224 893**	**225 342**
Total assets		**817 191**	**773 699**

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
Share capital	26	162 795	159 057
Other equity		293 478	354 722
Total equity attributable to the owners of Techstep ASA		**456 273**	**513 780**
Non-controlling interests	23	(304)	-
Total equity		**455 970**	**513 780**
Deferred tax	9	4 483	3 608
Non-current interest-bearing borrowings	16	162	7 341
Other non-current debt	4, 17, 23	47 688	8 081
Total non-current liabilities		**52 333**	**19 030**
Current interest-bearing borrowings	16, 30	46 423	51 754
Trade payables	16	122 328	116 694
Tax payable	16, 9	936	3 470
Public duties	16	22 381	21 842
Other current liabilities	4, 16	116 820	47 131
Total current liabilities		**308 888**	**240 890**
Total liabilities		**361 221**	**259 920**
Total equity and liabilities		**817 191**	**773 699**

*Refer to note 30

Oslo, 19 March 2020, from the Board of Directors and the CEO of Techstep ASA, signatures on the previous page:

Jens Rugseth Chairman	**Einar J. Greve** Board member
Ingrid Leisner Board member	**Anders Brandt** Board member
Toril Nag Board member	**Jens Haviken** CEO

Statement of changes in equity

(in NOK 1 000)	Share capital	Other paid-in capital	Retained earnings	Re-valuation reserve	Sum	Non-controlling interest	Total equity
Equity as at 1 January 2018	**146 252**	**473 292**	**(170 292)**	**487**	**449 739**	**369**	**450 110**
Profit for the period			20 685		20 685	644	21 329
Other comprehensive income				809	809		809
Total comprehensive income for the period	**-**	**-**	**20 685**	**809**	**21 494**	**644**	**22 138**
Transactions with owners in their capacity as owners:							
Contributions of equity net of transaction costs	7 937	16 062			23 999		23 999
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	4 869	7 741			12 610		12 610
Purchase of minority interest in subsidiary			1 013		1 013	(1 013)	-
Share-based payments			4 924		4 924		4 924
Equity as at 31 December 2018	**159 057**	**497 096**	**(143 670)**	**1 296**	**513 780**	**-**	**513 780**
Equity as at 1 January 2019	**159 057**	**497 096**	**(143 670)**	**1 296**	**513 780**	**-**	**513 780**
Profit for the period			(64 328)		(64 328)	(1)	(64 329)
Other comprehensive income				(6 690)	(6 690)		(6 690)
Total comprehensive income for the period	**-**	**-**	**(64 328)**	**(6 690)**	**(71 018)**	**(1)**	**(71 019)**
Transactions with owners in their capacity as owners:							
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	3 738	7 178			10 916	(305)	10 611
Share-based payments			2 597		2 597		2 597
Equity as at end December 2019	**162 796**	**504 273**	**(205 402)**	**(5 394)**	**456 273**	**(304)**	**455 970**

Consolidated statement of cash flows

(amounts in NOK 1 000)	Note	2019	Restated* 2018
Profit before tax		(62 388)	19 009
Profit from joint venture		(1 059)	(119)
Depreciation and amortisation	10, 11	37 232	20 657
Share-based payments	26, 29	2 597	4 924
Dividend reclassified to investment activities	12	(2 103)	-
Impairment	20	70 000	-
Remeasurement of contingent liability	7	-	(19 962)
Remeasurement of equity interest	23	(18 206)	-
Net exchange differences		1 451	(2 133)
Taxes paid		(2 508)	(1 518)
Changes in net operation working capital	30	26 063	6 489
Net cash flow from operational activities		**51 079**	**27 347**
Payment for acquisition of subsidiaries net of cash acquired	23	5 184	(5 335)
Payment for property plant and equipment and other intangible assets	10, 11	(33 610)	(11 689)
Repayment of invested capital	12	8 073	-
Proceeds from dividends received	12	2 094	-
Proceeds from sale of equity instruments		-	760
Net cash used on investment activities		**(18 259)**	**(16 264)**
Proceeds from issuance of shares	26	-	23 700
Repayment of borrowings	16	(15 350)	(12 008)
Lease repayments	4	(12 145)	
Net cash flow from financing activities		**(27 494)**	**11 692**
Net change in cash and cash equivalents		**5 325**	**22 774**
Cash and cash equivalents as at 1 January	15	39 716	17 336
Effects of exchange rate changes on cash and cash equivalents		(453)	(370)
Cash and cash equivalents as at 31 December	**15**	**44 588**	**39 716**

*Refer to note 30

Notes to the Group accounts

Notes to the consolidated financial statements

1. General information and summary of significant accounting policies

Techstep ASA (the Company or Company) is a public limited liability company domiciled in Norway. The address of its registered office is Brynsalléen 4, NO-0667 Oslo. The shares are listed on the Oslo Stock Exchange under the TECH ticker. The Techstep Group (Group) consists of Techstep ASA and its subsidiaries.

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

The consolidated financial statements for Techstep Group for the year 2019 were approved by the Board of Directors on 19 March 2020 and will be presented for approval by the Annual General Meeting on 22 April 2020.

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

1.1 Basis for preparation

The consolidated financial statements have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements have been prepared on a historical cost basis.

1.2 Change in accounting principles

From 2019, Techstep has adopted the new accounting standard IFRS 16 Leases. Under IFRS 16 leases are accounted for by recognising a right-of-use asset and a lease liability with exemption for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The Group has applied the modified retrospective approach where right-to-use assets are measured at an amount equal to the lease liability at 1 January 2019 without restatement of comparative figures. The lease liability is calculated as the present value of future lease payments. The future lease payments are discounted by the incremental borrowing rate at the time of transition.

The group recognised a lease liability of NOK 21.4 million and a corresponding right-of-use asset as of 1 January 2019. The modified retrospective approach does not have any effect on equity upon implementation.

The Group has elected to apply the recognition exemption to leases for which underlying assets are of low value.

Lease of intangible assets that are within the scope of the standard are accounted for in accordance with IFRS 16.

The right-to-use assets are depreciated over the lifespan of the lease using a linear approach. The assets are presented on the line item property plant and equipment. The corresponding lease liability is reduced when lease payments are made. The interest element of the lease is calculated using the incremental borrowing rate.

1.3 Functional and presentation currency

The Group presents its accounts in Norwegian Kroner (NOK), which is also Techstep ASA's functional currency. The figures presented in the annual accounts are in NOK thousand unless otherwise stated.

1.4 Consolidation principles and subsidiaries

i) subsidiaries

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

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

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

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

ii) joint arrangements

Under IFRS 11 - Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Techstep's holding in Techstep Finance AS was accounted for as a joint venture until the step acquisition 13 December 2019. Refer to note 23 for details.

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

1.5 Transactions in foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

iii) Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate on the date of that balance sheet;
- income and expenses for the consolidated income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the

cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income.

When consolidated, translation differences arising from the translation of net investment in foreign entities are recognised in other comprehensive income.

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

1.6 Revenue recognition

Revenue from contracts with customers is recognised when a performance obligation in the contract is satisfied. The amount recognised reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. For contracts with several performance obligations, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis.

Revenue from hardware sales

A major part of the Group's revenue arises from the sale of hardware to its customers. 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. Revenue is recognised at the time of shipment as the performance obligations are then satisfied.

The sale of certain items of hardware triggers a right to a bonus from partners and suppliers. Bonuses accounted for as revenue are driven by volumes sold of the underlying item. Bonuses are recognised as revenue when the performance obligations for the sale of hardware is satisfied.

Revenue from licences sales

The Group provides various software licenses to its customers. Management has assessed the customer contracts related to software licenses and has found the sale of software licenses to be distinct performance obligations as software licenses. Customers can benefit from the license on its own and it can be a stand-alone delivery with no other goods or services.

The Group provides both right-to-use licenses and right-to-access licenses.

For right-to-use licenses, the performance obligation is satisfied when the customer gains access to the software license, and revenue from the sale of licenses is thus recognised at the point in time when the software is transferred to the customer.

For right-to-access licences the performance obligation is satisfied over time.

The sale of certain of licenses triggers a right to a commission from partners and suppliers. The commissions accounted for as revenue are driven by volumes sold of the underlying item. Commissions are recognised as revenue when the performance obligations for the sale of the license is satisfied.

Revenue from the sale of services

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

The sale of support and maintenance that exceed the subscription programme is recognised as revenue based on time and material.

Flow

As a part of the Flow-offering and as a stand-alone product, the Group offers a leasing alternative to customers. The Group uses external funding to finance the transactions. The Group sells the devices to an external funder and receives payment in full. The devices are delivered to the end users, and the end users are invoiced over the contract period from the funder. The Group has no credit risk related to the end user. The funder is in the following description the customer.

The Group has contracts with customers where upon the customer can, at the end of the contract period, require that the Group repurchases the devices at a predetermined price. This price is always lower than the original selling price.

When contracts containing repurchase options are entered into, management assesses whether or not the customer has a significant economic incentive to utilise the option. Where it is determined that the customer has a significant economic incentive to utilise the option, the contract is determined to be a lease and the transaction is accounted for as a lease in accordance with IFRS 16.

Leasing - Lessor accounting

For each leasing contract the Group enters into with customers, management assesses whether the contract shall be classified as an operational or financial lease based on the substance of the transaction.
As at the balance sheet date, the Group only has operational lease contracts with customers.

The devices sold with repurchase agreements are accounted for as leased to the customer under operating leases with rentals payable up front at the inception of the lease. There are no other variable lease payments. The Group is exposed to changes in the residual value at the end of the lease period. At the end of the lease period the Group expects to repurchase the devices from the customer.

Payment received from the customer is accounted for as deferred revenue and recognised as revenue on a straight-line basis over the lease term, less the agreed-upon residual value (repurchase amount).

Expectations about the future second hand-values are reflected in the fair value of the devices.
The respective leased assets are included in the balance sheet based on their nature and depreciated over the lease term to the expected second-hand market value.

1.7 Other income and expenses

Other income and expenses of a special nature are presented in the separate line item Other income and expenses within operating profit (loss). Such items will be characterised by being of a non-recurring nature and not being reliable indicators of underlying operations. Other income and expenses will include items such as restructuring costs related to executive management, acquisition-related costs, and gains or losses on the sale or material remeasurement of assets or liabilities. Acquisition-related costs may include both costs related to acquisitions closed and transactions that were not completed.

1.8 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred by the Group in relation to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

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

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

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

Goodwill is measured as the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

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

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments, are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (the measurement period cannot exceed one year from the acquisition date), about facts and circumstances that existed on the acquisition date.

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at fair value on the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in other comprehensive income, are reclassified to the consolidated income statement where such treatment would be appropriate.

1.9 Intangible assets

Intangible assets with finite useful lives that are acquired separately, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each reporting period, with the effect of any changes on estimates being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately, are carried at cost less accumulated impairment losses.

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

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

1.10 Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss that arises on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

1.11 Impairment of intangible assets and property, plant and equipment

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

1.12 Shares and investments

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

1.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the FIFO or weighted average method, depending on the nature of the inventories.

1.14 Trade receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For trade receivables the loss allowance is measured at the lifetime expected credit loss.

1.15 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position, and for the purpose of presentation in the statement of cash flows, comprise cash, bank deposits, and revolving credit facilities.

1.16 Financial instruments

Financial assets and liabilities include investment in shares, trade receivables, other receivables, borrowings, trade payables and other current and non-current liabilities.

Financial assets and financial liabilities) are recognised initially on the date when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies, at initial recognition, its financial instruments in one of the following categories:

- Financial assets or financial liabilities at fair value through profit or loss,
- Financial asset at amortised cost,
- Financial liabilities at amortised cost

The classification depends on the Group's business model for managing them and the contractual cash flow characteristics of the instrument. Financial assets or financial liabilities at fair value through profit or loss are financial assets held for trading and acquired primarily with a view of selling in the near term. This category is included in the Consolidated statement of financial position line item Shares and investments.

Financial assets at amortised cost are financial assets held to collect the contractual cash flow and where the cash flows are solely payment of principal and interest on the outstanding principal. The category is included in the consolidated statement of financial position financial line items Other non-current assets, Trade receivables, Other receivables and Cash and cash equivalents. Financial assets at amortised cost are recognised initially at fair value plus directly attributable transaction costs. Subsequently, if the asset is non-current it is measured at amortised cost using the effective interest method, reduced by any impairment loss. The carrying amounts of line items classified as current are assumed to be the same as their fair values, due to their short-term nature. Short-term loans and receivables are for practical reasons not amortised, unless the effect is material.

The category financial liabilities at amortised cost is included in the consolidated statement of financial position line items Non-current interest-bearing borrowings, Other non-current debt, Current interest-bearing borrowings, Trade payables, Tax payables, Public duties and Other current liabilities. Items in the Other financial liabilities category are recognised initially at fair value. Subsequently, if they are non-current, other financial liabilities are measured at amortised cost using the effective interest method. Effective interest is recognised in the income statement as financial expenses. Current items in the category are for practical reasons not amortised, unless the effect is material.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Any rights and obligations created or retained in such a transfer are recognised separately as assets or liabilities. The Group assesses quarterly whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

1.17 Accounts payables

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

1.18 Dividend and interest income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established (provided it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

1.19 Income tax

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

i) Tax payable

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

ii) Deferred tax

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

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

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

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

1.20 Equity

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

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

Treasury shares are presented as a reduction of equity.

1.21 Share-based payments

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

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

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

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

1.22 Retirement benefit plan

The Group has defined contribution plans. A defined contribution plan is a retirement plan in which the Group pays fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay additional contributions if the entity does not have sufficient assets to pay all employee benefits associated with earnings in present and previous periods. Pre-paid contributions are recorded in the accounts as an asset, to the extent the contribution may be refunded or may reduce future contributions.

1.23 Borrowings

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

1.24 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, and considers the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation it carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

1.25 Cash flow statement

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

1.26 Segment information

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

1.27 Leasing

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

The Group has chosen to apply the standard to leases of intangible assets.

Lease liabilities:
Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease. If the inherent interest rate is not readily determinable the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will be regulated throughout the lease term. The estimate is based upon management judgement. On initial recognition, the carrying value of the lease liability will include the following if applicable:

- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets
Right-of-use assets are initially measured at the amount of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease. The remaining term of the lease is for all leases held by the group assessed to be equal to the economic life of the asset.

Leases of low value assets and short-term leases
Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss on the financial statement line item other operational costs. Short-term leases are leases with a lease term of 12 months or less.

1.28 Use of estimates in the preparation of financial statements

Management has used estimates and assumptions that affect the assets, liabilities, revenues, expenses and information regarding potential liabilities. Future events may lead to the estimates changing. Estimates and underlying assumptions are assessed continuously. Changes in accounting estimates are recognised in the period when the change occurs.

See note 19 for a description of assets and liabilities subject to significant estimation uncertainty.

1.29 Earnings per share

i) Basic earnings per share

Basic earnings per share are calculated by dividing:

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

ii) diluted earnings per share

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

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

As at year-end 2019 the Group has options outstanding that are out of the money. Basic earnings per share and diluted earnings per share are therefore equal.

1.30 New standards and interpretations not yet effective

The Group has elected not to early-adopt any standards or interpretations that have an effective date after the balance sheet date. Standards and amendments that are issued, but not yet effective, are not expected to have a material effect on the group’s financial statements.

Note 2. Business segments

Techstep has two business segments, which are represented by the geographic locations where the Group's entities are incorporated. The entities are controlled and owned by the Techstep Group. Other companies are included in the segment, Headquarters and other.

Eliminations comprise intersegment sales. Transactions between operating segments are conducted on normal commercial terms.

1) Norway

- Techstep Norway AS: The offerings of the company are mobile hardware, service, support and mobility consultancy services. The company is located in Oslo and Sandefjord.
- Mytos AS: A Norwegian based software-as-a-service 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. The company is located in Oslo.
- Techstep Denmark ApS: Established to invoice Danish customers. The company is fully supported from Norway and does not have any employees.
- Techstep Finance AS: Provides financing and remarketing services.

2) Sweden:

- Techstep Sweden AB: The company offers mobile hardware, industry-leading cloud-based (UCaaS) PBX solutions, Mobility consultancy services and Enterprise Mobility Management (EMM) services, including Mobile Security, system design, implementation, mobile device management. The company is located in Karlstad and Stockholm.
- Mowizor AB: A Swedish based security software company, located in Stockholm.
- Techstep Finance AB: Provides financing and remarketing services.

3) Headquarters and other:

- Techstep ASA, Techstep Nordic AS, Netconnect AS and Techstep Holding AB.

2019	Norway	Sweden	Head-quarter and other	Elim-inations	Total
Operating revenues from external customers	**824 119**	**307 940**	**-**	**-**	**1 132 059**
Operating revenues from other segments	6 057	3 172	22 567	(31 796)	-
Operating revenues	**830 176**	**311 112**	**22 567**	**(31 796)**	**1 132 059**
Cost of goods sold	(622 397)	(238 273)	(35)	7 984	(852 722)
Salaries and personnel costs	(114 929)	(42 444)	(31 587)	965	(187 994)
Other operational costs	(55 118)	(12 888)	(20 544)	23 187	(65 363)
Share of profit (loss) of joint venture	-	-	1 059	-	1 059
Depreciation	(7 094)	(2 600)	(5 519)	-	(15 214)
Amortisation	(13 298)	(7 068)	(1 653)	-	(22 018)
Impairment	(70 000)	-	-	-	(70 000)
Other income and expenses	-	-	-	-	-
Operating profit (loss)	**(52 660)**	**7 839**	**(35 712)**	**340**	**(80 192)**
Remeasurement on equity interests	-	-	18 206	-	18 206
Financial income	3 821	497	3 331	(2 134)	5 546
Financial expenses	(3 963)	(1 930)	(1 849)	1 794	(5 948)
Profit (loss) before tax	**(52 802)**	**6 406**	**(16 024)**	**-**	**(62 388)**

2018	Norway	Sweden	Head-quarter and other	Elim-inations	Total
Operating revenues from external customers	**805 318**	**258 606**	**190**	**-**	**1 064 114**
Operating revenues from other segments	19 455	432	16 010	(35 898)	-
Operating revenues	**824 773**	**259 038**	**16 201**	**(35 898)**	**1 064 114**
Cost of goods sold	(592 098)	(198 991)	(51)	21 445	(769 695)
Salaries and personnel costs	(127 909)	(42 172)	(28 004)	2 710	(195 376)
Other operational costs	(51 106)	(15 640)	(21 098)	11 744	(76 101)
Share of profit (loss) of joint venture	-	-	119	-	119
Depreciation	(772)	(893)	(78)	-	(1 743)
Amortisation	(10 001)	(6 786)	(2 131)	-	(18 918)
Impairment	-	-	-	-	-
Other income and expenses	-	-	19 962	-	19 962
Operating profit (loss)	**42 887**	**(5 444)**	**(15 080)**	**-**	**22 362**
Remeasurement on equity interests	-	-	-	-	-
Financial income	729	191	2 432	(2 244)	1 108
Financial expenses	(3 027)	(895)	(2 196)	1 656	(4 462)
Profit (loss) before tax	**40 779**	**(6 148)**	**(15 034)**	**(588)**	**19 009**

Operating revenues and non-current assets by geographical area

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

Non-current assets	2019	2018
Norway	475 527	432 272
Sweden	115 841	116 085
Total	**591 368**	**548 357**

Note 3: Disaggregation of revenues

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

Hardware revenue comprises hardware and related bonuses and commissions.

Solutions comprises own software, third party licenses, consulting services and related bonuses and commissions.

2019	Norway	Sweden	Headquarters and other	Eliminations	Group
Total revenues	**830 176**	**311 112**	**22 567**	**(31 796)**	**1 132 059**
Hardware					
Hardware revenues	607 136	203 986	-	(5 266)	805 857
Bonus	28 380	2 807	-	-	31 187
Total	**635 517**	**206 793**	**-**	**(5 266)**	**837 044**
Solutions					
Solutions revenues	155 751	95 765	-	(3 963)	247 552
Commission	34 388	8 780	-	-	43 167
Total	**190 139**	**104 544**	**-**	**(3 963)**	**290 720**
Other revenues					
Other	4 521	(225)	22 567	(22 567)	4 296
Total	**4 521**	**(225)**	**22 567**	**(22 567)**	**4 296**

2018	Norway	Sweden	Headquarters and other	Eliminations	Group
Total revenues	824 773	259 038	16 201	(35 898)	1 064 114
Hardware					
Hardware revenues	581 825	193 956	-	(19 412)	756 369
Bonus	23 463	323	-	-	23 786
Total	605 289	194 279	-	(19 412)	780 155
Solutions					
Solutions revenues	161 651	55 027	-	(475)	216 203
Commission	53 596	9 623	-	-	63 219
Total	215 247	64 650	-	(475)	279 422
Other revenues					
Other	4 237	109	16 201	(16 010)	4 536
Total	4 237	109	16 201	(16 010)	4 536

Contract assets and contract liabilities

The majority of the Group's solution revenues are annual. The majority of the contracts run in the calendar year. The contract assets and liabilities related to Solutions as per the balance sheet date are therefore immaterial. This also applies to the unfulfilled performance obligations.

The Group's revenue from sale of hardware is divided into two streams: The customer purchases the hardware and the performance obligation is settled when the hardware is delivered, or the customer enters into a leasing agreement, where the hardware will be returned at the end of the lease.

The contracts where the Group acts as a lessor last from 18 - 36 months. Revenue is recognised linearly over the contract period as the performance obligation is settled.

The Group receives cash settlement in full at the start of the lease period from its financing partner. When settlement is received from the financing partner a deferred revenue is recognised in the consolidated statement of financial position.

Changes in deferred revenue during the year

	2019	2018
Opening balance deferred revenue at 1 January	3 204	4 969
Additions from business combinations	49 974	-
Net movement	10 653	(1 765)
Translation differences	5	-
Closing balance deferred revenue at 31 December	**63 836**	**3 204**

Of the total deferred revenue at 31 December 2019, NOK 24.8 million will be recognised in 2021 or later.

Contracts assets and liabilities vary to a certain extent throughout the reporting period.

Sale of hardware and licences does not lead to material contract assets or liabilities.

Contract assets and liabilities originate from sale of support. Customers are invoiced in advance for monthly or quarterly support subscriptions. The Group also has customers who are invoiced after the services are rendered, monthly or annually.

Contract liabilities are recognised in relation to the sale of the product telecom expense management (Mytos), which is invoiced in advance each quarter.

Other arrangements with customers do exist, but are deemed immaterial.

Customers have payment terms varying from 15-45 days.

Of the Group's total customer base as at 31 December 2019, the five largest customers represent approximately 11 % (11 %) of total revenue in 2019, and the ten largest customers represent approximately 16 % (16 %) of total revenue.

Management assessments

Recognition of revenue from combined customer contracts

Consolidated operating revenues include both of sales of hardware and IT-related services, often derived from recognition of multiple elements in the same customer contract. Revenue is recognised when control over the goods and services have been transferred to the customer.

Determining the transaction price for combined contracts

The Group determines the transaction price in respect of each performance obligation within its contracts with customers when the stand-alone selling price for each performance obligation is not readily available by assessing the stand-alone selling prices based on the Group's customer contracts for comparable products and services. This relates to contracts with customers where third party licenses are bundled with support and maintenance services. The income related to the third-party license is determined based on the above-mentioned stand-alone selling prices. The residual income is allocated to support and maintenance. The revenue recognition is either at a point in time or over time depending on the services rendered.

Variable considerations arise from commissions and contractual bonus elements. Variable considerations requiring management assessment are related to achieving certain thresholds in the agreement. In determining the impact of variable considerations, the Group uses the most likely amount prescribed in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Note 4. Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Buildings	Equipment	Vehicles	Licences	Total
As at 1 January 2019	11 740	76	2 808	5 888	20 511
Additions	22 866	2 416	907	698	26 887
Depreciation	(6 462)	(191)	(1 587)	(2 722)	(10 962)
Variable lease payment adjustment	289	-	-	-	289
Translation differences	(57)	-	(78)	-	(135)
As at 31 December 2019	**28 376**	**2 301**	**2 050**	**3 863**	**36 590**

Leasing liability

	Buildings	Equipment	Vehicles	Licences	Total
As at 1 January 2019	12 398	76	2 856	5 748	21 077
Additions	22 866	2 416	907	698	26 887
Interest expense	783	23	125	172	1 102
Lease payments	(5 352)	(203)	(1 446)	(3 450)	(10 452)
Variable lease payment adjustment	289	-	-	-	289
Translation differences	(276)	-	(380)	-	(656)
As at 31 December 2019	**30 707**	**2 312**	**2 061**	**3 168**	**38 248**

Lease liabilities	2019	01.01.19
Non-current	26 249	8 329
Current	11 998	13 037
Total	**38 248**	**21 366**

Maturity analysis nominal payments of lease liabilities

	Up to 3 months	Between 3 and 12 months	between 1 and 2 years	between 2 and 5 years	over 5 years
Lease liabilities	2 872	9 805	8 684	17 823	-

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019
Depreciation charge	
Buildings	6 462
Equipment	191
Vehicles	1 587
Licences	2 722
Total	**10 962**
Interest charge	**1 102**

Description of the Group’s leasing activities

The Group leases offices, equipment, vehicles and licenses. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options.

Incremental borrowing rate

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Extension and termination options

Currently the Group has not included any extension or termination options in the liabilities. The options are most widely used in rental of office buildings. All the Group's contracts have 4-5 years left of the rental period, and the Group assesses that all premises will be utilised in the foreseeable future. It is therefore assessed that it is uncertain whether the extension or termination options will be utilised.

The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year such an event has not occurred.

Other information

Leased assets may not be used as security for borrowing purposes.

Note 5. Payroll

	2019	**2018**
Salaries and holiday pay	146 866	152 259
Social security tax	26 897	26 258
Pension costs including social security tax	10 003	8 366
Other personnel costs	4 228	8 493
Total personnel costs	187 994	195 376
Number of employees at year end	211	221

All companies in the Group have defined contribution pension plans covering all employees.
Regarding remuneration to executive management, please refer to Note 27 Remuneration to management.

Note 6. Other operational costs

	2019	2018
Office rental and operations	9 079	12 618
Sales and marketing	7 379	10 700
Computers and software	16 395	10 060
Fees for external services	13 956	14 367
Factoring expenses	1 971	1 747
Communication	2 310	3 363
Travel expenses	6 539	5 220
Leasing	-	2 272
Provision for onerous lease contract for offices*	-	6 962
Other costs	7 734	8 792
Total operating costs	65 363	76 101

Leasing of premises in 2018 are included in office rental and operations.
*Restructuring costs are related to colocation of all offices in Oslo.

Note 7. Other income

	2019	2018
Derecognition of contingent consideration	-	19 962
Total	**-**	**19 962**

Derecognition of contingent consideration

In relation with the acquisition of BKE Telecom AB (now Techstep Sweden AB), a contingent consideration was recognised. The payment of the contingent consideration was dependent on the company reaching an accumulated EBITDA target ending June 2019. The contingent consideration was reversed in full in 2018.

Note 8. Financial income and expenses

	2019	2018
Interest income	549	513
Dividends from equity investments	-	9
Reversal of impairment of equity investment	2 103	-
Other financial income	2 893	587
Total financial income	**5 546**	**1 108**
Interest expenses	(4 015)	(3 387)
Other financial expenses	(1 933)	(1 074)
Total financial expenses	**(5 948)**	**(4 462)**

Other financial income and expenses mainly comprise agio and disagio, respectively.

Reversal of impairment of equity investment is related to the liquidation of Kjedehuset AS in 2019. The amount recognised as financial income is the excess amount received from Kjedehuset AS after the reduction of share value to NOK 0.

Note 9. Tax

Income tax expense	**2019**	**2018**
Current tax	(6 716)	(11 137)
Change in deferred tax	4 775	13 457
Tax expense	(1 941)	2 320
Reconciliation of relationship between accounting profit and tax expense		
Profit before tax	(62 388)	19 009
Tax at the Norwegian tax rate of 22% (2018 – 23%)	13 549	(4 385)
Tax effect permanent differences	(15 749)	7 491
Difference in tax rates	-	(141)
Tax related to change in tax rates	-	142
Previously unrecognised tax losses not recouped	246	-
Other	13	(787)
Income tax expense	(1 941)	2 320
Effective tax rate	3%	12%
Amounts recognised directly in equity		
Deferred tax arising in the reporting period directly debited to equity:		
Deferred tax: Share issue cost	-	(299)
Total	-	(299)
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	(446 955)	(448 841)
Potential tax asset at 22% tax rate, see Note 19	(98 330)	(98 745)
Deferred tax		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	44 132	49 288
Inventories	(202)	(964)
Trade receivables and other receivables	(375)	(5 202)
Leasing	(1 532)	
Other current liabilities	(10 801)	(13 508)
Tax loss carried forward	(13 186)	(9 533)
Carry forward interest	(3 779)	(4 153)
Total basis for deferred tax	**14 257**	**15 928**
Tax rate deferred tax	22%	22%
Net deferred tax with applicable year's tax rate	3 137	4 180
Change in deferred tax due to change in tax rate	-	14
Difference in tax rates	366	(72)
Adjustment, prior years	980	(1 520)
Other	-	(1 433)
Net deferred tax (+)/ deferred tax asset (-)	4 483	**1 169**
Net deferred tax related to Norway	(1 867)	(2 439)
Net deferred tax related to Sweden	(2 616)	3 608
Total deferred tax (+)/ deferred tax asset (-)	**(4 483)**	**1 169**

Tax on each component of other comprehensive income is as follows:

	2019			2018		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Exchange gains on the translation of foreign operations	4 066	(923)	3 144	414	396	810

Note 10. Tangible assets

	Land and buildings	Right of use assets	Equip-ment*	Other fixed assets	Total
Accumulated cost as at 1 January 2019	8 166	-	-	17 950	26 115
Additions	-	47 686	14 858	2 049	64 593
Additions arising from business combinations	-	-	91 007	-	91 007
Disposals	-	-	-	-	-
Translation differences	(133)	(135)	-	(32)	(300)
Reclassified to asset classified as held for sale	(8 032)	-	-	-	(8 032)
Accumulated cost as at 31 December 2019	**-**	**47 552**	**105 865**	**19 966**	**173 383**
Accumulated cost as at 1 January 2018	8 414	-	-	17 025	25 439
Additions	-	-	-	1 031	1 031
Additions arising from business combinations	-	-	-	-	-
Disposals	-	-	-	-	-
Translation differences	(248)	-	-	(106)	(354)
Accumulated cost as at 31 December 2018	**8 166**	**-**	**-**	**17 950**	**26 115**
Accumulated depreciation as at 1 Jan. 2019	(3 056)	-	-	(13 682)	(16 739)
Additions arising from business combinations	-	-	(32 034)	-	(32 034)
Current year depreciation	(82)	(10 933)	(1 834)	(2 365)	(15 214)
Reclassified to held for sale	-	-	-	-	-
Disposals	-	-	-	-	-
Translation differences	68	(28)	(3)	(110)	(75)
Reclassified to asset classified as held for sale	3 070	-	-	(605)	2 465
Accumulated depreciation as at 31 December 2019	**-**	**(10 962)**	**(33 871)**	**(16 763)**	**(61 596)**
Accumulated depreciation as at 1 Jan. 2018	(3 055)	-	-	(11 917)	(14 972)
Additions arising from business combinations	-	-	-	(675)	(675)
Depreciation	(91)	-	-	(1 652)	(1 743)
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Translation differences	90	-	-	562	652
Accumulated depreciation as at 31 December 2018	**(3 056)**	**-**	**-**	**(13 682)**	**(16 739)**
Book value of assets 31 December 2018	5 109	-	-	4 268	9 377
Book value of assets 31 December 2019	-	36 590	71 994	3 203	111 787
Estimated economic life	Not applicable	2-10 years	2 years	3-5 years	
Depreciation method		linear	linear	linear	

Techstep Sweden AB will relocate in Karlstad and have sold the office building in Ramsgatan 2. The building will be handed over in June 2020.

*Equipment comprise mobile phones, tablets and other equipment where the Group is the lessor.

Note 11. Intangible assets

	Goodwill	Customer relationships	Other intangible assets	Total
Accumulated cost as at 1 January 2019	531 228	288 984	25 008	**845 220**
Additions	-	-	17 390	**17 390**
Additions arising from business combinations	32 640	-	-	**32 640**
Translation differences	(1 801)	(950)	(315)	**(3 066)**
Accumulated cost as at 31 December 2019	**562 067**	**288 034**	**42 084**	**892 185**
Accumulated cost as at 1 January 2018	510 355	290 067	14 180	**814 601**
Additions	-	-	12 797	**12 797**
Additions arising from business combinations	22 878	-	-	**22 878**
Translation differences	(2 006)	(1 083)	(26)	**(3 115)**
Accumulated cost as at 31 December 2018	**531 228**	**288 984**	**25 008**	**845 220**
Accumulated amortisation and impairment as at 1 January 2019	73 840	242 958	3 301	**320 098**
Additions arising from business combinations	-	-	-	**-**
Current year amortisation	-	15 104	6 914	**22 018**
Current year impairment	70 000	-	-	**70 000**
Translation differences	-	(12)	(204)	**(216)**
Accumulated amortisation and impairment as at 31 December 2019	**143 840**	**258 050**	**10 010**	**411 900**
Accumulated amortisation and impairment as at 1 January 2018	73 840	226 534	328	**300 701**
Additions arising from business combinations	-	-	-	**-**
Current year amortisation	-	16 265	2 653	**18 918**
Current year impairment	-	-	-	**-**
Translation differences	-	159	320	**479**
Accumulated amortisation and impairment as at 31 December 2018	**73 840**	**242 958**	**3 301**	**320 098**
Book value as at 31 December 2018	**457 388**	**46 027**	**21 708**	**525 122**
Book value as at 31 December 2019	**418 228**	**29 984**	**32 074**	**480 285**
Estimated economic lifetime in years	Indefinite	5 years	3-5 years	
Depreciation method		linear	linear	

For a description of movement in the categories, Goodwill and Customer relationships, refer to Note 20, Impairment of intangible assets and Note 23, Changes in Group structure and Business combinations.

The material items in the category, Other intangible assets are the source code for the Mytos product and capitalised expenses related to the development of a self-service online shop. Also refer to Note 24, Related party transactions for details in 2018.

Note 12. Equity instruments

Book value of shares and investments	2019	2018
Shares in Kjedehuset AS	-	8 072
Other shares and investments	44	44
Total	**44**	**8 117**

Shares held in Kjedehuset represent 8.25% ownership of the company.

Kjedehuset AS was liquidated in 2019. Techstep received total proceeds amounting to NOK 10.2 million from the liquidation, of which NOK 8.1 reduced book value of the shares and NOK 2.1 has been accounted for as a financial gain, refer to note 8.

Note 13. Inventories

Book value of inventories	2019	2018
Inventories	12 245	16 585
Less write-down of inventories	(417)	(430)
Total inventories	**11 828**	**16 155**

Note 14. Trade receivables and other receivables

Trade receivables and other receivables shown at maturity per 31 December 2019:

		Days outstanding				
	Book value	**not over due**	**0-30 days over due**	**30-60 days over due**	**60-90 days over due**	**> 90 days over due**
Trade receivables	48 458	33 619	8 428	1 752	1 421	3 238
Other current receivables	16 104	16 104	-	-	-	-
Less provision for bad debt	(1 046)	-	-	-	(180)	(866)
Total trade receivables and other short-term receivables	163 515	149 723	8 428	1 752	1 241	2 371

Trade receivables and other receivables shown at maturity per 31 December 2018:

		Days outstanding				
	Book value	**not over due**	**0-30 days over due**	**30-60 days over due**	**60-90 days over due**	**> 90 days over due**
Trade receivables	147 595	125 823	9 494	3 240	2 347	6 691
Other current receivables	22 881	22 881	-	-	-	-
Less provision for bad debt	(1 030)	-	-	-	-	(1 030)
Total trade receivables and other short-term receivables	169 446	148 704	9 494	3 240	2 347	5 661

Changes in the provision for bad debt during the year	**2019**	**2018**
Opening balance provision for bad debt as at 1 January	(1 030)	(1 087)
Net change in the provision during the year	(16)	57
Closing balance provision for bad debt as at 31 December	**(1 046)**	**(1 030)**

Other short-term receivables	**2019**	**2018**
Retailer bonus	1 707	10 821
Commissions	3 750	5 286
Prepayments	2 944	5 830
Other receivables	7 703	944
Total	16 104	22 881

Note 15. Cash and cash equivalents

The Group's cash and cash equivalents consists of	**2019**	**2018**
Cash and bank deposits	58 754	53 996
Credit facility	(14 166)	(14 255)
Total	**44 588**	**39 741**
Of which is restricted	6 102	6 189

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

The carrying amounts of the Group's cash and cash equivalents by currency	**2019**	**2018**
NOK	9 819	36 700
SEK	28 150	15 527
Other	6 620	1 768
Total	**44 588**	**53 996**

Note 16. Borrowings

The Group's interest-bearing liabilities consist of:

	2019		2018	
	current	non-current	current	non-current
Seller credits related to business combinations	-	-	15 347	-
Factoring facilities	39 200	-	35 819	-
Bank loan	7 222	162	588	7 341
Total interest-bearing debt	**46 423**	**162**	**51 754**	**7 341**

The table below sets out expected nominal payments on borrowings:

		Due within			
	Total	1 year	1-5 years	over 5 years	Annual interest rate
Bank overdraft facilities*	55 718	55 718			1-month NIBOR + 2.25%
Bank loan	7 453	7 289	164		1.99% - 4.48%
Trade payables	122 328	122 328			
Tax payable	936	936			
Public duties	22 381	22 381			
Other current liabilities	52 983	52 983			
Total	**261 800**	**261 635**	**164**		

*Bank overdraft facilities comprise factoring facility and credit facility. Refer to note 15 for details on credit facility.

The Group has two overdraft facilities - one in Norway, and one in Sweden.

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

The Swedish overdraft facility has a credit limit of SEK 4 million. The annual interest rate is 4.5 %. The facility was not utilised as per year end 2019.

The overdraft facilities are classified as cash and cash equivalents.

The factoring facility has a credit limit of NOK 40 million. The commission and interest charged for the factoring service in 2019 was NOK 1.9 million (NOK 2.2 million). The cost is presented as other operating expenses in the consolidated income statement.

The factoring facility is classified as current liabilities.

All facilities are subject to annual renewal.

The terms and conditions are unchanged from 2018.

Covenants

As at 31 December 2019, Techstep's subsidiary Techstep Norway AS is in violation of the following financial covenant:

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

The company has obtained a waiver from its lending bank DNB, under the condition that the covenant is met by 31 December 2020.

The covenant is related to the company's factoring facility and credit facility.

Pledges in relation to the loans to financial institutions

The Group's bank loans, overdraft facilities and factoring facility are secured borrowings.

Book value of assets pledged as collateral are as follows*:	2019	2018
Trade receivables	102 699	101 545
Inventories	2 062	8 831
Property, plant and equipment	1 055	2 261
Total book value of assets pledged as collateral:	112 637	105 815

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

Note 17. Other non-current debt

Other non-current debt consists of the following:	2019	2018
Provision for restructuring	1 162	3 040
Contingent consideration	4 859	4 859
Lease liabilities	26 249	-
Residual obligations	14 111	-
Deferred revenue	1 308	182
Total non-current debt	**47 688**	**8 081**

Non-current contingent liability is related to the acquisition of Wizor AS, refer to Note 23 Changes in Group structure and Business combinations.

Residual obligations are related to contracts with customers where the contract contains a buyback obligation. The buyback price is fixed at contract inception. The residual obligation is managements best estimate.

Note 18. Other current liabilities

Current liabilities	2019	2018
Accrued personnel expenses (bonus, holiday pay etc.)	30 478	31 847
Accrued cost	1 169	2 217
Provision for onerous lease contracts	-	3 671
Deferred revenue	63 836	3 204
Lease liabilities	11 998	-
Other current liabilities	9 338	6 191
Total current liabilities	**116 820**	**47 131**

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

Note 19. Critical estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions are changed. Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. Management believes the underlying assumptions are appropriate.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

Impairment of intangible assets

Goodwill and customer relationships are recognised based on the acquisition method used to account for business combinations. Customer relationships acquired in previous periods were recognised at fair value at the acquisition date, have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The recognised values of goodwill and customer relationships are material to the 2019 financial statements as a whole, and it is important that the user of the Group's financial statements understand the existence of an inherent uncertainty pertaining to the recognised values.

Valuation related to goodwill and customer relationships is further described in Note 20.

Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 17. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

Customer relationships

The group estimates the useful life of the customer relationship to be at least 5 years based on the expected future revenue generated from the customer base. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations, technical obsolescence of existing products and competitor actions.

Recognition of income tax

The Group is subject to income taxes in mainly two jurisdictions, and significant estimates are required in determining the provision for income taxes and related tax balances. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

The deferred tax assets recognised as at 31 December 2019 have been based on future profitability assumptions, and the deferred tax assets are recognised to the extent that it is probable that the tax assets will be realised.

The Group have per the balance sheet date tax losses carried forward which are not included in the basis for the recognised deferred tax asset, as a significant uncertainty pertaining to the possible utilisation of these losses has been identified.

Note 20. Impairment of intangible assets

For impairment testing goodwill and customer relationships acquired through business combinations are allocated to the CGUs as shown in the table below.

	Goodwill		Customer relationships	
	2019	**2018**	**2019**	**2018**
Techstep Norway AS	210 826	280 833	3 918	8 412
Techstep Sweden AB	81 348	82 982	17 858	25 467
Mytos AS	93 570	93 570	8 208	12 147
Techstep Finance AS	32 640	-	-	-
Total	**418 385**	**457 385**	**29 984**	**46 026**

Goodwill (and Customer relationships) are monitored by management at the level defined in the table above. These CGU represent the lowest level within the Group at which the goodwill and other intangible assets are monitored for internal management purposes.

Goodwill is initially recognised at the date of an acquisition of a business combination and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value as at the acquisition date of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Other intangible assets are recognised at the fair value as at the acquisition date.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Impairment reviews are undertaken by calculating the recoverable amount of the CGU containing goodwill and other intangible assets. The carrying amount of the CGU is then compared to the recoverable amount of the CGU, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The estimate of the recoverable amount of the CGU is largely based on management's assumption pertaining to the Group's future cash flow projections.
For the 2019 and 2018 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of several key assumptions. The calculations use cash flow projections based on financial budgets and prognoses in the strategic plan approved by the Board of Directors covering a five-year period. Cash flows beyond the five-year period are calculated using the estimated growth rates stated below.

Please refer to the table "Key assumptions for estimating future performance" for further details.

Key assumptions for estimating future performance

	Techstep Norway	Techstep Sweden	Mytos	Wizor
Factors that affect the cash flow from operations	The company is in a transition, moving from being a hardware reseller to a more diversified portfolio. Identified growth areas are professional services, third party software and reselling of Mytos products. Hardware will be included in the product offering in the future. The cash flows are based upon expected future performance using the 2020 budget as the baseline. Free cash flows are expected to decline in 2020 and are expected to increase after that as the organisation settles and becomes more effective.	The company has multiple ongoing projects to secure a steady and increasing free cash flow in the years to come. 2020 is expected to be a year of investment, where the benefits will materialise in the following years as free cash flow from operations.	The company's main product "fakturakontroll" renders a stable recurring cash flow from operations. In 2019 the company launched Origo and in 2020 the company launched the service Swipp. The release of more services makes the company more resilient for technological disruption. The free cash flow is expected to fall somewhat in 2020 due to investments in the organisation and increase in the following years.	The company's financial performance is tightly linked to sales in Techstep Norway and Techstep Sweden. The company's offering is a supplemental value enhancing offering to the existing hardware business in the two other CGUs.
Economic conditions and market outlook	The company operates in a stable economy with a high penetration of use of advanced mobile devices. The market related to other service offerings from the company is expected to grow in the future.	The company operates in a stable economy with a high penetration of use of advanced mobile devices. The market related to other service offerings from the company is expected to grow in the future.	The company operates in a stable economy with a high penetration of use of advanced mobile devices where the service offerings for both private and business purposes increase at a high rate. As users utilise their devices both for private and business purposes, the offering's from Mytos are highly relevant.	The company operate in a stable economy with a high penetration of use of advanced mobile devices. The value proposition of the company, together with the other group companies, is believed to be valued in the market as it helps with financial flexibility for the customer, end-of-lease return options and recycling.
Investments	Capital expenditure is assumed to be equal to depreciation in the terminal year.	Capital expenditure is assumed to be equal to depreciation in the terminal year.	Capital expenditure is assumed to be equal to depreciation in the terminal year.	Capital expenditure is assumed to be equal to depreciation in the terminal year.

Budget assumptions	The budget is based on a stabilisation and transition from old to new revenue streams. The budget for 2020 is at the same level as results delivered in 2019, however there is an underlying shift from old to new revenue streams. There is a risk that there is a lag in the transition and that the result delivered will be lower. The budget is a building block in the long-term strategy plan, which has ambitions of an increase in free cash flow. Refer to sensitivity analysis below regarding reductions in free cash flows and impact on impairment.	The budget in Techstep Sweden AB is based upon setting the company up for future growth. There are considerable investments in the budget, and the company is therefore not expected to deliver a free cash flow at the same level as in 2019. The planned scaling up of the company will have a positive impact on long term financial performance.	The budget in Mytos AS is based upon a steady inflow of users on the Origo business cloud solution, as well as an increase in users on other offerings. The company is setting up a new organisation which will impact the financial results for 2020, however will give the company the possibility to grow.	The budget is based upon the penetration of the groups Flow offering. The budget is tightly linked to new hardware sales in Techstep Norway AS and Techstep Sweden AS.

The calculations of the CGU carrying amount use cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. From year six and beyond, a terminal value is calculated.

Discount rates

The pre-tax discount rate applied for the impairment testing is set at 11.9%. This rate of return is calculated based on the weighted average of required rates of return on the Group's equity and debt (WACC) using the capital asset pricing model (CAPM).

The required rate of return on debt is estimated based on a long-term risk-free interest rate, to which a premium is added to reflect the creditors' risk when lending funds to the Group. The discount rate includes a small business premium (operational risk) and the expected future levels of inflation. For impairment reviews performed at yearend 2019, these assumptions have been applied consistently across the Group.

	2019	**2018**
Equity ratio	56 %	66 %
Growth in terminal value	0.5 %	0.5 %
WACC	11.9 %	11.9 %

Sensitivity

A sensitivity analysis would result in the following impairment indications. The sensitivities are applied in all years throughout the forecasting period.

	Impact on impairment			
	Techstep Norway AS	Techstep Sweden AB	Mytos AS	Techstep Finance AS
10 % decline in free cash flow	-34	No impairment	No impairment	No impairment
1 % increase in WACC	- 25	No impairment	No impairment	No impairment

Recognition of Impairment

Based on the testing performed the Group recognises an impairment charge in 2019 amounting to NOK 70 million. The impairment is wholly related to the CGU Techstep Norway AS and is booked as an reduction in

Goodwill. The underlying reasons are related to the reduction in hardware margins and operator commissions. Moreover, it is a consequence of the Group's strategic direction and the ongoing transformation of the business. Management's assessment is that the impairment is an effect of replacing legacy cash flows with the inherent uncertainties in future cash flows from new products.

Note. 21 Financial risk management

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

The Group's capital consists of net interest-bearing debt (NIBD) and equity:	**2019**	**2018**
Non-current interest-bearing borrowings	162	7 341
Current interest-bearing borrowings	46 423	51 754
Cash and cash equivalents	58 754	39 741
NIBD	**(12 170)**	**19 354**
Group equity	456 175	513 780
Net gearing (NIBD/equity)	-3 %	4 %
Undrawn credit facilities	29 611	33 807

A) Capital management

The primary focus of the Group's capital structure is to ensure sufficient free liquidity in the form of cash and cash equivalents along with bank overdraft facilities to ensure that the Group can continually service its obligations and at the same time be able to make strategic acquisitions.

B) Credit risk

Credit risk is the risk that customers are unable to settle their obligations as they mature. Credit risk is considered part of the business risk and is included in ongoing operations. The Group have established procedures for credit rating of major private customers, and the risk that customers do not have the financial means to meet their obligations is considered low. Historically, only minor losses have been realised as a result of customers experiencing financial difficulties.

The customer base comprises many medium-sized customers, along with a few larger customers. The customer portfolio is considered to be well diversified across industries, as well as private and public customers. The risk level is considered satisfactory. The bulk of the Group's customers are Norwegian and Swedish, which constitutes a geographic concentration of risk.

No single customer represents 10% or more of trade receivables as at 31 December 2019 or as at 31 December 2018. No single customer represents 10% or more of the Group's revenues in 2019 or 2018.

The maximum credit exposure consists of the carrying value of receivables and cash and cash equivalents. All receivables are due within one year. Normally, payment is 14 days after invoicing. Long-term receivables consist of smaller holdings, with no fixed maturity.

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

Historically, actual losses on trade receivables have been immaterial, as was also the case in 2019. It is management's assessment that the Group's overall credit risk is satisfactory. Please also refer to Note 14, Trade receivables and other receivables.

C) Liquidity risk

Liquidity risk is the risk of not being able to pay the Group's financial obligations upon maturity. Liquidity risk arises from a mismatch between cash flows from operations and financial commitments. Liquidity budgets are prepared based on the Group's financial budgets. The budgets are prepared annually and are updated with new forecasts throughout the year. The Group's liquidity is satisfactory and management's liquidity budget models show satisfactory liquidity throughout the budget period.

The consolidated cash flows from operations in 2019 is positive due to an improvement in working capital.

For details regarding the Group's interest-bearing borrowings refer to Note 16, Interest-bearing borrowings.

D) Currency risk

The Group's operations are conducted in Norway and Sweden. The Group is thus not materially affected by operational currency fluctuations other than fluctuations between NOK and SEK. The bulk of the Group's goods and services is billed in NOK or SEK as appropriate. To a minor extent, some solutions revenue and expenses are invoiced in EUR and USD. The Group does not hedge cash flows in foreign currencies. The Group has low cash holdings, trade receivables and trade payables in currencies other than NOK and SEK.

Therefore, consequences on the Group's profit and equity from changes in exchange rates between NOK and foreign currencies, and SEK and foreign currencies is limited and deemed acceptable. There is limited trade between Norway and Sweden and currency risk is considered to be low overall. Group values related to foreign operations are subject to currency fluctuations. As such, there may be variations in the financial statement line item exchange differences on translating foreign operations in the consolidated statement of comprehensive income.

E) Interest rate risk

Interest rate changes have only a marginal direct effect on consolidated operating income and cash flows from operating activities. The Group's interest rate risk is related to floating interest rates on bank accounts and deposits, in addition to floating rate debt in credit institutions. The Group has no fixed-rate deposits or debt, and is therefore not exposed to fair value interest rate risk. The Group assesses its capital structure on an ongoing basis.

F) Categories of financial instruments

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

The fair value of all financial assets and financial liabilities are assessed, for all material purposes, to be equal to book value. To assess the fair value of shares and investments held by the Group, management assesses the underlying values in the companies where the Group holds shares. The change in fair value is accounted for over profit and loss.

The Group has the following categories of financial instruments as at 31 December 2019:	**Financial assets at fair value through profit or loss**	**Financial assets at amortised cost**	**Other financial assets**	**Total**	**Level in fair value hierarchy**
ASSETS					
Shares and investments	44	-	-	44	3
Other non-current assets	-	181	-	181	3
Trade receivables	-	147 411	-	147 411	3
Other receivables	-	16 104	-	16 104	3
Cash and cash equivalents	-	58 754	-	58 754	1
Total assets	**44**	**222 450**	**-**	**222 495**	

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Other financial liabilities	Total	Level in rating hierarchy
LIABILITIES					
Non-current interest-bearing debt	-	-	162	162	3
Non-current lease liabilities	-	-	26 249	26 249	3
Non-current repurchase obligation	-	-	14 111	14 111	3
Other non-current debt	-	-	7 328	7 328	3
Current interest-bearing debt	-	-	46 423	46 423	3
Trade payables	-	-	122 328	122 328	3
Public duties	-	-	22 381	22 381	3
Current lease liabilities	-	-	11 998	11 998	3
Other current liabilities	-	-	40 985	40 985	3
Total liabilities	**-**	**-**	**291 965**	**291 965**	

The Group has the following categories of financial instruments as at 31 December 2018:	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Other financial assets	Total	Level in fair value hierarchy
ASSETS					
Shares and investments	8 117	-	-	8 117	3
Other non-current assets	-	2 568	-	2 568	3
Trade receivables	-	146 565	-	146 565	3
Other receivables	-	22 881	-	22 881	3
Cash and cash equivalents	-	53 996	-	53 996	1
Total assets	**8 117**	**226 010**	**-**	**234 127**	

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Other financial liabilities	Total	Level in rating hierarchy
LIABILITIES					
Non-current interest-bearing debt	-	-	7 341	7 341	3
Other non-current debt	-	-	8 081	8 081	3
Current interest-bearing debt	-	-	66 009	66 009	3
Trade payables	-	-	116 694	116 694	3
Tax payable	-	-	3 470	3 470	3
Public duties	-	-	21 842	21 842	3
Other current liabilities	-	-	47 131	47 131	3
Total liabilities	**-**	**-**	**270 566**	**270 566**	

Note 22. Legal disputes and contingencies

The Group has no ongoing legal disputes.

Note 23. Changes in Group structure and business combinations

2019:

In 2019, Techstep acquired 30% of the shares in Techstep Finance AS, increasing the total ownership to 80%. The transaction was settled in 3,738,317 consideration shares in Techstep ASA. At the time of completion, this corresponded to NOK 10.9 million.

As a consequence of the acquisition, Techstep Finance AS and its subsidiary Techstep Finance AB are consolidated as subsidiaries in the Techstep Group accounts. Up until 13 December 2019, Techstep Finance AS was accounted for as a joint venture.

Acquisition-related costs amounting to NOK 0.3 million are recognized in the consolidated income statement in the line item Other operational costs.

The tables below summarise the consideration transferred and the amounts recognised for assets acquired and liabilities assumed after the business combinations:

Calculation of remeasurement of previously held equity interest	
Techstep Finance valuation	40 000
Techstep's share	50 %
Value of previously held equity interest	20 000
Book value of previously held equity interest	1 794
Remeasurement gain	**18 206**

Consideration and amount recognised	
Consideration shares	10 916
Book value of previously held equity interest	1 794
Remeasurement of prev. held equity interest	18 206
Total	**30 916**

Net assets	
Property plant and equipment	58 973
Trade and other receivables	3 535
Cash and cash equivalents	5 169
Other non-current liabilities	(2 360)
Current liabilities	(67 042)
Net assets	(1 724)
Excess value	**32 640**

Purchase price allocation	
Goodwill	32 640
Total	**32 640**

As at 13 December 2019 the amount of the non-controlling interest in the acquiree recognised at 13 December 2019 was NOK 0.4 million based on a total equity of NOK 1.9 million.

The goodwill of NOK 32.6 million recognised is the systems, back to back contracts, work practices and know-how in the company for efficient execution of transactions as well as proven synergies with other companies in the Group. None of the goodwill recognised is expected to be deductible for income tax purposes. The business combination is carried out as part of the Group's growth strategy.

The companies acquired in business combinations completed through purchase of shares have since the acquisition dates contributed NOK 1.8 million to operating revenues and NOK 0.0 million to consolidated net profit. If the acquisition date of all business combinations completed through purchase of shares had been as at 1 January 2019, the operating revenues of the Group would have increased by NOK 36,2 million and the effect on the consolidated net profit would have been positive NOK 0.6 million.

2018:

Techstep in 2018 invested NOK 4,3 million in cash (net of cash acquired NOK 5.3 million) related to acquisitions of subsidiaries and businesses (Business combinations).

Further the Group issued consideration shares amounting to NOK 12.,6 million in 2018 related to business combinations and share purchases. In addition contingent consideration amounting to NOK 4.9 million wasrecognised.

The Minority in Conneqted 365 AB was aqcuired with 2,500,302 consideration shares in Techstep ASA.

Business combinations

Techstep invested NOK 4.7 million in cash (net of cash acquired NOK 5.3 million) related to acquisitions (Business combinations) in 2018.

Further the Group issued 2,368,421 shares as payment for business combination in 2018 related to business combinations. In addition a contingent consideration amounting to NOK 4.9 million was recognised.

In June 2018, Techstep entered into a binding agreement to acquire 100% of Wizor AS. With the acquisition of Wizor, Techstep added a Nordic supplier of encrypted and secure solutions for mobile phones, tablets and other mobile devices to its portfolio. The transaction was closed 3 September 2018.

Other changes in the group structure

In June 2018 the Group entered into a binding agreement to acquire 49% of the shares in Conneqted 365 AB, making Conneqted a wholly owned subsidiary. The transaction was closed 3 September 2018.

Acquisition related costs amounting to NOK 1,3 million were recognized in the consolidated income statement in the line item Other income and expenses.

The tables below summarise the consideration transferred, and the amounts recognised for assets acquired and liabilities assumed after the business combinations:

Consideration	
Cash	4 643
Consideration shares	6 134
Contingent consideration	4 859
Total	**15 636**

Net assets	
Intangible assets	64
Property plant and equipment	598
Trade and other receivables	630
Cash and cash equivalents	(692)
Other non-current liabilities	(387)
Current liabilities	(1 902)
Net assets	(1 689)
Excess value	**17 325**

Purchase price allocation	
Goodwill	17 325
Total	**17 325**

The goodwill of NOK 17.3 million recognised is attributable to inseparable noncontractual customer relationships, the assembled workforce of the companies and synergies with other companies in the Group. None of the goodwill recognised is expected to be deductible for income tax purposes. The business combination is carried out as part of the Group's growth strategy, and the businesses acquired are good strategic fit with existing operations within the Techstep Group, in terms of supplementary product offerings.

The companies acquired in business combinations completed through purchase of shares have since the acquisition dates contributed NOK 3.7 million to operating revenues and negative NOK 1.3 million to consolidated profit. If the acquisition date of all business combinations completed through purchase of shares was as at 1 January 2018, the operating revenues of the Group would have increased by NOK 6 million and the effect on the consolidated profit would have been negative NOK 1.3 million.

Note 24. Related parties transactions

The following are considered related parties to the Group:

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

The following companies are considered as related parties to the Group during 2019:

Company	Relationship	Role
Crayon Holding ASA and subsidiaries	Jens Rugseth	Chairman of the Board
Cipriano AS	Einar Greve	Deputy chairman of the Board
Gture AS*	Stein Erik Moe	Member of the Board, resigned 29 April 2019
Techstep Finance AS*	Techstep ASA	Control was obtained through acquisition of shares 13 December 2019.

Consolidated income statement	Revenue from		Expenses to		Lease down payments	
	2019	2018	2019	2018	2019	2018
Techstep Finance	49 592	12 842	474	-	45	-
Crayon	342	295	9 428	4 350	-	-
Cipriano AS	-	-	-	-	-	-
Other	-	-	-	-	-	-

Balance as at 31 December	Receivables		Payables	
	2019	2018	2019	2018
Techstep Finance	-	2 375	-	-
Crayon	32	-	174	

Consolidated statement of financial position	Capitalised expenses in the year	
	2019	2018
Gture	135	2 917

Consolidated statement of financial position	Charged to equity	
	2019	2018
Cipriano AS and Middelborg AS	-	212

In June 2018, Techstep completed a share issue in which the underwriters received a commision of 2% of the total capital increase, whereof Middelborg AS and Cipriano AS received their respective share. The expenses are presented net of the capital increase and tax in the statement of changes in equity and in the consolidated statement of cash flows.

Capitalised expenses relates to the development of Origo. The portal is developed partly by Gture AS.

All transactions with related parties are carried out using the arm's length principle.

Note 25. Earnings per share

	2019	2018
Weighted average number of shares outstanding	159 209 128	153 519 956
Profit attributable to owners of the parent company	(64 328)	20 685
Earnings per share	(0.40)	0.13

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

For details regarding the issuance of shares in 2018 and 2019, refer to note 24 Shares, capital structure and shareholders.

Note 26. Shares, capital structure and shareholders

Share capital

The company's share capital as at 31 December 2019 was NOK 162,795,337 divided by 162,795,337 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.

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

Development in the number of issued and outstanding shares:

	Shares outstanding	Treasury shares*	Issued
Number of shares 1 January 2019	159 055 106	1 914	159 057 020
Consideration shares	3 738 317		3 738 317
Number of shares 31 December 2019	**162 793 423**	**1 914**	**162 795 337**

	Shares outstanding	Treasury shares*	Issued
Number of shares 1 January 2018	146 249 875	1 914	146 251 789
Capital increase	7 936 508		7 936 508
Consideration shares	4 868 723		4 868 723
Number of shares 31 December 2018	**159 055 106**	**1 914**	**159 057 020**

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

2019:

Techstep issued considerations shares in relation to the following acquisitions:

- 30 % share of Techstep Finance AS

Techstep completed a capital increase of 3,738,317 shares. The capital increase was completed at an offer price of NOK 3.21 per share.

2018:

Techstep issued considerations shares in relation to the following acquisitions:

- Minority interest in Conneqted 365 AB.
- Shares in Wizor AS

Techstep completed a capital increase of 7,936,508 shares. The capital increase was completed at an offer price of NOK 3.15 per share. Expenses related to the capital increase amount to NOK 1.3 million. The capital increase is presented net of the expenses and tax in the statement of changes in equity and net of expenses in the consolidated statement of cash flows.

At 30 December 2019, Techstep's 20 largest shareholders were as follows:

Shareholder	Number of shares	Ownership
Datum AS[1]	31 817 975	19.54 %
Middelborg Invest AS	30 517 764	18.75 %
Karbon Invest AS[2]	17 236 689	10.59 %
Cipriano AS[3]	4 968 835	3.05 %
Verdipapirfondet DNB SMB	4 582 321	2.81 %
Zono Holding AS[4]	4 000 007	2.46 %
Tigerstaden AS	4 000 000	2.46 %
Palos Norge AS	3 966 667	2.44 %
Bridge Capital AS	3 813 317	2.34 %
Skandinaviska Enskilda Banken AB	3 731 967	2.29 %
Tinde Industrier AS	3 063 372	1.88 %
Torstein Ingvald Tvenge	3 000 000	1.84 %
Så&Høste AS	2 925 936	1.80 %
Adrian AS	2 038 851	1.25 %
Nomo Holding AS	1 946 253	1.20 %
Nordialog Ensjø AS	1 946 253	1.20 %
Skarestrand Invest AS	1 922 315	1.18 %
Dovran Invest AS	1 863 372	1.14 %
Unified AS	1 849 457	1.14 %
Modiola AS	1 649 348	1.01 %
Total number owned by top 20	**130 840 699**	**80.37%**
Total number of shares	**162 795 337**	**100%**

1) Datum AS is controlled by deputy board member Jan Haudemann-Andersen
2) Karbon Invest AS is owned by chairman of the board Jens Rugseth
3) Cipriano AS, is owned by vice chairman of the Board of Directors Einar J. Greve
4) Zono Holding AS is owned by Middelborg Invest AS 50.44%, Cipriano AS 4.65%, Duo Jag AS 0.93%
Idekapital AS, which is controlled by board member Anders Brandt, owns 1,287,245 shares in Techstep ASA.
Duo Jag AS, which is partly owned by board member Ingrid Leisner, owns 554,834 shares in Techstep ASA.

Share option grant

As of 31 December, the total number of outstanding share options was 12 million, which is equivalent to 7% of the number of shares (including 1,914 treasury shares) in Techstep ASA.

Note 27. Group structure

As per 31 December 2019 the Group consisted of the following companies:

Company	Location	Segment	Ownership
Techstep ASA	Oslo	Headquarters and others	100 %
Techstep Nordic AS	Oslo	Headquarters and others	100 %
Techstep Norway AS	Oslo	Norway	100 %
Mytos AS	Oslo	Norway	100 %
Techstep Finance AS	Oslo	Norway	80 %
Netconnect AS	Oslo	Headquarters and others	100 %
Techstep Holding AB	Karlstad	Headquarters and others	100 %
Techstep Sweden AB	Karlstad	Sweden	100 %
Mowizor AB	Stockholm	Sweden	100 %
Techstep Finance AB	Karlstad	Sweden	80 %
Mytos AB	Stockholm	Sweden	100 %
Techstep APS	Denmark	Norway	100 %

Note 28. Remuneration to auditor

Auditor remuneration

(amounts in NOK 1 000)	2019				
	Audit Services	**Other attestation services**	**Tax advisory services**	**Other non-audit services**	**Total**
BDO	1 802	172	-	-	1 975
Other auditing firms	29	-	-	-	29
Total	**1 831**	**172**	**-**	**-**	**2 004**

	2018				
	Audit Services	**Other attestation services**	**Tax advisory services**	**Other non-audit services**	**Total**
BDO	1 489	94	64	189	1 837
Other auditing firms	55	-	-	-	55
Total	**1 544**	**94**	**64**	**189**	**1 891**

Note 29. Remuneration to the board and executive management

Total remuneration to the Board of Directors

	Position	Period	2019	2018
Jens Rugseth	Chairman	From 3 March 2019	365	-
Einar J. Greve*	Deputy chairman	Whole year	433	500
Ingrid Leisner	Member, Chairman of audit comittee	Whole year	300	300
Anders Brandt	Member	From 19 June 2018	250	167
Toril Nag	Member, Member of audit comittee	From 19 June 2018	285	202
Stein Erik Moe	Member	Until 29 April 2019	83	250
Kristian Lundkvist	Member	Until 3 March 2019	63	250
Camilla Magnus	Member, Member of audit comittee	Until 19 June 2018	-	86
Total remuneration			**1 779**	**1 755**

*Chairman until 3 March 2019.

Total remuneration to management in 2019

Name	Position	Period	Salary	Bonus	Pension and other remun.	Options programme*
Jens Haviken	CEO	Whole year	2 463	551	129	806
Marius Drefvelin	CFO	Whole year	2 260	579	153	419
Mads Vårdal	CIO	Whole year	1 659	386	129	419
Inge Paulsen	Managing director Norway	Whole year	1 527	437	96	269
Erik Haugen	CCO	Whole year	1 218	262	129	269
Bartek Regerqvist	Managing director Sweden	Whole year	1 189	322	355	38
Total remuneration			**10 317**	**2 537**	**990**	**2 219**

*accounted for as cost in the consolidated income statement, not gain on options for the beneficiary.

The CEO is entitled to severance payment equivalent to 6 months' salary in addition to pay during the six-month notice period. The same is applicable for the former CEO. Severance payment to Gaute Engbakk amounted to NOK 0.8 million in 2019. Criteria for bonuses to management are based on Group and individual performance.

Total remuneration to management in 2018

Name	Position	Period	Salary	Bonus	Pension and other remun.	Options programme*
Jens Haviken	CEO	From 1 April 2018	1 667	1 000	98	1 025
Gaute Engbakk**	CEO	Until 31 March 2018	625	-	91	196
Marius Drefvelin	CFO	Whole year	1 990	150	153	978
Mads Vårdal	CIO	Whole year	1 358	300	129	978
Inge Paulsen	COO	Whole year	1 200	260	129	669
Erik Haugen	CCO	Whole year	1 100	240	129	669
Bartek Regerqvist	CEO Sweden	From 1 April 2018	753	150	200	48
Total remuneration			8 693	2 100	929	4 562

*accounted for as cost in the consolidated income statement, not gain on options for the beneficiary.

**Severance payment to Gaute Engbakk amounted to NOK 1.9 million in 2018.

The Criteria for bonuses to management are based on Group performance and individual performance.

Shares and Share options

Name	Grant date	Opening balance	Granted during the year	Forfeited during the year	Closing balance	Expiry date	Shares held 31 Dec 2018
Jens Haviken	26 Apr 2018	5 000 000			5 000 000	15 Apr 2021	100 000
Gaute Engbakk	27 Apr 2017	1 000 000		(1 000 000)	-	31 Dec 2018	-
Marius Drefvelin	27 Apr 2017	1 500 000			1 500 000	15 Apr 2020	40 000
Mads Vårdal	27 Apr 2017	1 500 000			1 500 000	15 Apr 2020	5 019
Inge Paulsen	16 Aug 2017	1 000 000			1 000 000	15 Apr 2020	150 000
Erik Haugen	16 Aug 2017	1 000 000			1 000 000	15 Apr 2020	-
Bartek Regerqvist	26 Apr 2018	200 000			200 000	15 Apr 2021	-
Total options granted to executive management		**11 200 000**		**(1 000 000)**	**10 200 000**		**295 019**
Average weighted exercise price per option		**5.00**			**5.00**		

There are 1.8 million share options granted to key personnel who are not a part of executive management. The Vesting dates and exercise prices are equal to the executive management's options.

Name	Vesting date first tranche	Vesting date second tranche	Vesting date third tranche	Exercise price first tranche	Exercise price second tranche	Exercise price third tranche
Jens Haviken	01 Mar 2019	01 Mar 2020	01 Mar 2021	4.5	5	5.5
Marius Drefvelin	01 Mar 2018	01 Mar 2019	01 Mar 2020	4.5	5	5.5
Mads Vårdal	01 Mar 2018	01 Mar 2019	01 Mar 2020	4.5	5	5.5
Inge Paulsen	01 Mar 2018	01 Mar 2019	01 Mar 2020	4.5	5	5.5
Erik Haugen	01 Mar 2018	01 Mar 2019	01 Mar 2020	4.5	5	5.5
Bartek Regerqvist	01 Mar 2019	01 Mar 2020	01 Mar 2021	4.5	5	5.5

All options are granted for no consideration. The share option amount granted is divided equally over 3 tranches.

Fair value of options granted
The assessed fair value as at the grant date of options granted range from NOK 0.42 to NOK 1.67 per option.

The fair value at grant date is independently determined per tranche using the Black Scholes Model. An estimated 50% of options are assumed to be exercised at vesting date and 50% to be exercised at expiry date.

The expected volatility of the company's share price is 45%. The volatility is based on historical volatility, a peer group review and management judgement. The risk-free interest rate used is a 3-year government bond interest rate of 0.78% per year.

Note 30. Reclassifications

Restatement impact on statement of financial position

	Cash and cash equivalents	Current interest-bearing debt
2018 Restated	39 741	51 754
2018 Reported	53 996	66 009
Change	**(14 255)**	**(14 255)**

Reclassification impact in consolidated statement of cash flows

	Changes in net operation working capital	Cash and cash equivalents at beginning of period	Cash and cash equivalents at end of period
2018 Restated	6 489	17 336	39 741
2018 Reported	2 556	35 524	53 996
Change	**3 933**	**(18 188)**	**(14 255)**

Note 31. Events after the reporting period

Techstep monitors and evaluates risks related to the current macroeconomic development including the effects from the COVID-19 virus (Coronavirus). Demand for Techstep's offerings may be negatively affected by reductions in investment budgets and tendering, however specific demand for solutions related to workplace mobility may be a mitigating factor. Further, if disruptions in the supply chain should develop, Techstep and its suppliers may be inhibited from receiving hardware, which again may disrupt Techstep's sale of products. Furthermore, the company has operational, cost and capital expenditures flexibility and will adapt to the market conditions as they evolve. Operationally, Techstep is able to operate via decentralized locations and mobile home office solutions with focus on maintaining its client services in a best possible and efficient manner.

There are no other subsequent events to report after the reporting period.

Techstep ASA - income statement

(amounts in NOK 1 000)	Note	2019	2018
Other revenue		4 636	10 497
Total revenue		**4 636**	**10 497**
Salaries and personnel costs	2	(16 711)	(21 040)
Other operational costs	2, 3	(7 240)	(14 148)
Share of profit (loss) in joint ventures	6	1 059	119
Depreciation		(41)	(31)
Impairment	6	(145 354)	(262 860)
Operating profit (loss)		**(163 652)**	**(287 464)**
Remeasurement on equity interests	4, 6	18 206	-
Financial income	4	18 601	316 937
Financial expense	4	(4 758)	(3 739)
Profit before taxes		**(131 603)**	**25 734**
Income taxes	5	(18)	(6 711)
Net income		**(131 621)**	**19 023**
Other comprehensive income		**(131 621)**	**19 023**

Techstep ASA - statement of financial position

ASSETS	Note	31.12.2019	31.12.2018
Non-current assets			
Deferred tax asset	5	1 283	1 302
Customer relations and technology		-	-
Sum intangible assets		**1 283**	**1 302**
Property, plant and equipment		36	77
Sum tangible assets		**36**	**1 379**
Joint ventures		-	735
Shares and investments	6	392 339	506 778
Other non-current assets	7	114 231	103
Sum financial assets		**506 570**	**507 615**
Total non-current assets		**507 889**	**508 994**
Receivables from Group companies	7	18 721	132 393
Trade receivables		644	6 703
Other receivables		202	-
Total inventories and receivables		**19 567**	**139 095**
Cash and cash equivalents		1 674	7 978
Total current assets		**21 241**	**147 073**
Total assets		**529 130**	**656 068**

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
Share capital		162 795	159 057
Other equity		291 071	412 917
Total equity		**453 866**	**571 974**
Other non-current debt		4 859	4 859
Total non-current liabilities		**4 859**	**4 859**
Trade payables		1 982	3 167
Current liabilities to Group companies	7	63 537	67 026
Public duties		636	1 291
Other current liabilities		4 252	7 752
Total current liabilities		**70 406**	**79 236**
Total liabilities		**75 264**	**84 094**
Total equity and liabilities		**529 130**	**656 068**

Oslo, 19 March 2020, from the Board of Directors and the CEO of Techstep ASA, signatures on the following page:

Jens Rugseth Chairman	**Einar J. Greve** Board member
Ingrid Leisner Board member	**Anders Brandt** Board member
Toril Nag Board member	**Jens Haviken** CEO

Techstep ASA - statement of changes in equity

(amounts in NOK 1 000)	Share capital	Other paid-in capital	Other equity	Total equity
Equity as of 1 January 2018	**146 252**	**500 180**	**(135 014)**	**511 418**
Profit for the period			19 023	19 023
Total comprehensive income for the period	**-**	**-**	**19 023**	**19 023**
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	7 937	16 062		23 999
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	4 869	7 741		12 610
Share-based payments			4 924	4 924
Equity as of 31 December 2018	**159 057**	**523 984**	**(111 067)**	**571 974**
Equity as of 1 January 2019	**159 057**	**523 984**	**(111 067)**	**571 974**
Profit for the period			(131 621)	(131 621)
Total comprehensive income for the period	**-**	**-**	**(131 621)**	**(131 621)**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	3 738	7 178		10 916
Share-based payments			2 597	2 597
Equity as of 31 December 2019	**162 795**	**531 161**	**(240 091)**	**453 866**

Techstep ASA - statement of cash flows

(amounts in NOK 1 000)	Note	2019	2018
Profit before tax		(131 603)	25 734
Share-based payments		2 597	4 924
Profit from joint venture	6	(1 059)	(119)
Depreciation and amortisation		41	31
Impairment	6	145 354	262 860
Remeasurement on equity interests	4, 6	(18 206)	-
Dividends from subsidiaries		-	(269 899)
Changes in net operating working capital		(3 430)	(65 202)
Net cash flow from operational activities		**(6 305)**	**(41 671)**
Payment for acquisition of subsidiaries		-	(4 707)
Payment for acquisition of equity in joint ventures		-	-
Payment for non-current intangible and tangible assets		-	(3 914)
Proceeds from sale of non-current intangible and tangible assets		-	5 856
Proceeds from sale of subsidiaries		-	27 600
Net cash used on investment activities		**-**	**24 834**
Proceeds from issuance of shares		-	23 700
Net cash flow from financing activities		**-**	**23 700**
Net change in cash and cash equivalents		**(6 305)**	**6 864**
Cash and cash equivalents at 1 January		7 978	1 115
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents as of 31 December		**1 674**	**7 978**
of which is restricted		429	627

Techstep ASA - Notes to the annual accounts

Note 1 General information, basis for preparation

Techstep ASA is a public limited company incorporated and domiciled in Norway. The address of its registered office is Brynsalléen 4, 0667 Oslo, Norway. The shares of Techstep ASA are listed on the Oslo Stock Exchange under ticker TECH.

Techstep ASA is the parent company of the Techstep Group, with business in Norway and Sweden. For more information, see the consolidated financial statements.
The financial statements were approved by the Board of Directors on 19 March 2020 and will be proposed to the General Meeting 22 April 2020.
The financial statements for the company Techstep ASA have been prepared and presented in accordance with simplified IFRS pursuant to § 3-9 in the Norwegian Accounting Act.
For the accounting principles used to prepare and present the financial statements refer to note 1 General information and summary of significant accounting policies in the Group financial statement.

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

Shares in subsidiaries and joint ventures

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

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

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

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

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

Dividends from subsidiaries and associates are included in financial income.

Note 2 Salaries and personnel cost

	2019	2018
Salary and holiday pay	14 185	18 104
Social security tax	1 911	2 208
Pension costs including social security tax	548	640
Other personnel costs	68	87
Total salaries and personnel cost	**16 711**	**21 040**
Number of employees at year end	4	5

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

Please refer to note 27 Remuneration to management in the consolidated group financial statements for details regarding executive management remuneration and note 24 Share, capital structure and shareholders in the consolidated group financial statements for information about share option grants.

Auditor remuneration

(amounts in NOK 1 000)

2019

	Audit Services	Other attestation services	Tax advisory services	Other non-audit services	Total
BDO	725	132	-	-	857
Total	**725**	**132**	**-**	**-**	**857**

2018

	Audit Services	Other attestation services	Tax advisory services	Other non-audit services	Total
BDO	664	-	36	170	870
Total	**664**	**-**	**36**	**170**	**870**

Note 3 Other operational costs

	2019	2018
Office rental and operations	290	492
Sales and marketing	8	3 395
Computers and software	282	93
Fees for external services	3 257	5 521
Communication	48	480
Travel expense	238	224
Other costs	3 118	3 943
Total operating costs	**7 240**	**14 148**

Note 4 Finance income and expenses

	2019	2018
Remeasurement on equity interests	18 206	-
Interest income	3 466	3 298
Dividends from equity investments	-	-
Dividend from Group companies	-	269 899
Group contributions received	13 296	41 435
Other financial income	1 839	2 305
Total financial income	**36 807**	**316 937**
Interest expenses	2 020	2 854
Other financial expenses	2 738	885
Total financial expenses	**4 758**	**3 739**

The company acquired a 30% share of Techstep Finance AS in 2019, bringing the total ownership up to 80%. The remeasurement on the previously held equity interest is recognised on the line item with the same name. Refer to note 23 in the group financial statement for details.

Note 5 Income tax

Income tax expense	**2019**	**2018**
Change in deferred tax	(18)	(6 711)
Tax expense	**(18)**	**(6 711)**
Reconciliation of relationship between accounting profit and tax expense		
Profit before tax	(131 603)	25 734
Tax at the Norwegian tax rate of 22 % (2018 - 23%)	(28 953)	(5 919)
Tax effect permanent differences	28 802	471
Tax related to change in tax rates	-	(46)
Other	133	(1 219)
Income tax expense	**(18)**	**(6 711)**
Amounts recognised directly in equity		
Deferred tax arising in the reporting period directly debited to equity:		
Deferred tax: Share issue cost	-	(299)
Total	**-**	**(299)**
Tax losses	22%	22%
Unused tax losses for which no deferred tax asset has been recognised	(441 901)	(443 788)
Potential tax asset at 22 % tax rate (2018 - 22 %)	**(97 218)**	**(97 633)**
Deferred tax		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	(975)	(1 198)
Accounting accruals	(4 859)	(4 130)
Tax loss carried forward	-	-
Total basis for deferred tax	**(5 833)**	**(5 328)**
Tax rate deferred tax	22%	22%
Net deferred tax with applicable year's tax rate	(1 283)	(1 225)
Change in deferred tax due to change in tax rate	-	53
Adjustment prior years	-	(130)
Net deferred tax (+)/ deferred tax asset (-)	**(1 283)**	**(1 302)**

Note 6 Shares in subsidiaries and Joint ventures

Shares in subsidiaries 2019	Location	Ownership/ voting rights	Book value	Equity 31.12.2019	Net income 2019
Techstep Nordic AS	Oslo	100%	35 000	37 596	(13 089)
Techstep Holding AB	Karlstad	100%	49	20 544	(921)
Techstep Norway AS	Oslo	100%	204 780	76 797	12 164
Mytos AS	Oslo	100%	121 530	15 422	8 547
Techstep Finance AS	Oslo	80%	30 916	(1 319)	38
Techstep APS	Denmark	100%	65	47	(71)
Total			**392 339**	**149 088**	**6 668**

To simplify the Group structure the following changes occurred in 2019:

Wizor AS was merged into Techstep Norway AS
Mytos IPR AS was merged into Mytos AS

The company acquired a 30 % share of Techstep Finance AS in 2019, bringing the total ownership up to 80 %. Refer to note 23 in the Group Financial statement for details.

Impairment
An impairment charge is booked towards the company's shares in Techstep Norway AS.
Refer to note 20 in the Group financial statement for details.

Shares in subsidiaries 2018	Location	Ownership/ voting rights	Book value	Equity 31.12. 2018	Net income 2018
Techstep Nordic AS	Oslo	100%	35 000	40 395	(14 527)
Techstep Holding AB	Karlstad	100%	49	17 613	16 591
Techstep Norway AS	Oslo	100%	334 498	73 285	27 903
Mytos AS	Oslo	100%	111 000	5 002	9 515
Mytos IPR AS	Oslo	100%	10 530	9 735	(790)
Wizor AS	Oslo	100%	15 636	(341)	(4 687)
Techstep APS	Denmark	100%	65	22	(43)
Total			**506 778**	**145 711**	**33 962**

To simplify the Group structure the following changes occurred in 2018:

- Nordialog Oslo AS was transferred from Teki Solutions AS to Techstep ASA as settlement for dividend given.
- Nordialog Oslo AS was renamed to Techstep Norway AS
- Apro Tele og Data AS and Techstep Nordic AS were merged into Techstep Norway AS.
- Teki Solutions AS was renamed to Techstep Nordic AS.
- Techstep InfraAdvice AB and Conneqted 365 AB were sold to Techstep Sweden AB, and subsequently merged into Techstep Sweden AB.

Impairment
An impairment charge is booked towards the company's shares in Techstep Nordic AS. When Techstep Norway AS was transferred from Techstep Nordic AS (formerly Teki Solutions AS) to Techstep ASA, management assessed that the carrying amount of the shares in Techstep Nordic AS exceeded the recoverable amount of the shares. Following this assessment, the shares in Techstep Nordic AS have been impaired with NOK 262.860 million in 2018.

Shares in joint ventures 2018	Location	Ownership/ voting rights	Book value	Equity 31.12.2018	Net income 2018
Techstep Finance AS	Oslo	50%	-	1 392	237
Total			**-**	**1 392**	**237**

Note 7 Receivables and liabilities to Group companies

	2019	2018
Non-current receivables	114 231	-
Total non-current receivables	**114 231**	**-**

	2019	2018
Group contribution received	14 590	21 434
Other current receivables	4 775	110 958
Total current receivables	**19 365**	**132 393**

	2019	2018
Other current liabilities	63 537	67 026
Total current liabilities	**63 537**	**67 026**

2019:
Non-current receivables are related to investments in the Swedish operations. The receivable is interest bearing and considered a part of the Group's net investment in Sweden. The non-current receivables were reported as current in the 2018 financial statements.

2018:
The Group contribution received from Techstep Norway AS (with tax effect) is partly offset by the Group contribution given to Techstep Norway AS (without tax effect) amounting to NOK 20 million.

Note 8 Events after the reporting period

Please refer to note 30 Events after the reporting period in the consolidated Group financial statements.

Alternative performance measures

Techstep Group’s financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, it is management’s intention to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Techstep’s performance, but not instead of the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. The principles for measuring the alternative performance measures are in accordance with the principles used both for segment reporting in Note 2 and internal reporting to Group Executive Management (chief operating decision makers) and are consistent with financial information used for assessing performance and allocating resources.

Gross profit

Gross profit is defined as Total revenue less Cost of goods sold.

Gross margin

Gross margin is defined as Total revenue less Cost of goods sold divided by Total revenue.

EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) is a key financial parameter for Techstep. This measure is useful to users of Techstep's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciation and amortisation expense related primarily to leases, capital expenditures and acquisitions that occurred in the past. The EBITDA margin presented is defined as EBITDA divided by total revenues.

Adjusted EBITDA

Adjusted Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) is based on EBITDA but adjusted for transactions of a non-recurring nature. Such non-recurring transactions include, but are not limited to: restructuring costs, gains or losses related to sale of subsidiaries, acquisition related costs and other non-recurring income and expenses.

EBITA

Earnings before interest, tax and amortisation (EBITA) is a key financial parameter for Techstep. This measure is useful to users of Techstep's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciation related primarily to leases and capital expenditures and acquisitions that occurred in the past. The EBITA margin presented is defined as EBITA divided by total revenue.

EBIT

Earnings before interest and tax (EBIT) is useful to users with regard to Techstep's financial information in evaluating operating profitability on the cost basis as well as the historic cost related to past business combinations and capex. The EBIT margin presented is defined as EBIT divided by total revenue.

Total net operating expenses

Total net operating expenses includes the line items Cost of goods sold, Salaries and personnel costs, Other operating costs, Share of profit (loss) in joint venture, Depreciation, Amortisation, Impairment and Other income.

Hardware revenue

Hardware revenue is defined as revenue from sales of tangible goods and related discounts from suppliers and partners.

Hardware share of revenue is the hardware revenue divided by total revenues.

Solutions revenue

Solutions revenue is defined as revenue from sales of licenses, support and other non-tangible items to customers. Also included are discounts from suppliers and partners. Solutions share of revenue is the solutions revenue divided by total revenue."

Net interest-bearing debt (NIBD)

Net interest-bearing debt is non-current interest-bearing debt plus current interest-bearing liabilities less cash and cash equivalents.

Equity ratio

Equity ratio is defined as Total equity divided by total equity and liabilities.

Capital Expenditure (Capex)

Capital expenditure is the same as payment for property, plant and equipment and intangible assets.

Annual Recurring Revenue (ARR)

ARR is calculated as the revenue the following 12 months from own software as at the balance sheet date. The ARR is calculated by multiplying the number of users of own software with the price per product and in turn annualized.

APM's in the income statement	**2019**	**2018**
Total revenue	1 132 059	1 064 114
Cost of goods sold	(852 722)	(769 695)
Gross profit	**279 338**	**294 418**
gross margin	**25 %**	**28 %**
Salaries and personnel costs	(187 994)	(195 376)
Other operational costs	(65 363)	(76 101)
Share of profit (loss) in joint ventures	1 059	119
Other income	-	19 962
EBITDA	**27 040**	**43 023**
Depreciation	(15 214)	(1 743)
Impairment	(70 000)	-
EBITA	**(58 174)**	**41 280**

Amortisation	(22 018)	(18 918)
EBIT	**(80 192)**	**22 362**
Adjusted EBITDA		
EBITDA	27 040	43 023
non-recurring costs	1 966	-
Adjusted EBITDA	**29 006**	**43 023**
Total net operating expenses		
Cost of goods sold	(852 722)	(769 695)
Salaries and personnel costs	(187 994)	(195 376)
Other operational costs	(65 363)	(76 101)
Share of profit (loss) in joint ventures	1 059	119
Depreciation	(15 214)	(1 743)
Amortisation	(22 018)	(18 918)
Impairment	(70 000)	-
Other income	-	19 962
Total net operating expenses	**(1 212 252)**	**(1 041 752)**
Revenue splits		
Revenue	1 132 059	1 064 114
Hardware revenue	837 044	780 155
Solutions revenue	290 720	279 422
Hardware share of revenue	**74 %**	**73 %**
Solutions share of revenue	**26 %**	**26 %**
NIBD		
Cash and cash equivalents	44 588	39 741
Non-current interest-bearing borrowings	162	7 341
Current interest-bearing borrowings	46 423	51 754
NIBD	**(1 996)**	**(19 354)**
Equity ratio		
Total equity	455 970	513 780
Total equity and liabilities	817 191	773 699
Equity ratio	**56 %**	**66 %**
ARR		
Number of users	201	
Average price own software	184	
ARR	**37 023**	

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Independent Auditor's Report

To the General Meeting in Techstep ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Techstep ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of Techstep ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act. • The accompanying financial statements give a true and fair view of the financial position of the group Techstep ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How the key audit matter was addressed in the audit
Intangible assets Under IFRS, the Group is required to test the carrying value of intangible assets for impairment annually. Impairment testing of intangible assets is a key aspect of our audit due to the complexity of the assessments and the significance of assumptions related to future market and/or economic conditions that underlie the assessment. In 2019, the Group has recognized an impairment loss of NOK 70 million. Recognised goodwill and customer relations allocated through previous acquisitions as at 31.12.2019 of NOK 480,3 million, are allocated to the group's cash-generating units.	Our audit procedures have included a detailed review of management's impairment test for each business unit to which intangible assets are allocated. We have also assessed management's assumptions underlying the valuation and taken into account management's historical accuracy in determining the estimates. Internal specialists have assisted us in this process. We have also considered the assumptions described in note 20 and assessed the adequacy of the information provided in the notes against the requirements of IAS 36.
Investment in subsidiaries The company has significant investments in subsidiaries that are measured at cost. Investments in subsidiaries are tested for impairment if indications of impairment are present. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. In 2019 the company has recognized an impairment loss of NOK 145,4 million. The carrying amount at 31.12.19 was NOK 392,3 million. The significant amounts involved, and the complexity of the valuation of the assets, lead us to classify the valuation of investments in subsidiaries as a key audit matter.	Our audit procedures included a detailed review, testing, and assessment of management's impairment tests, including the calculation of recoverable amounts. We have also assessed management's assumptions underlying the valuation and taken into consideration the historical accuracy in determining the estimates. Internal specialists have assisted us in this process. We have also considered the assumptions described in note 20.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetningerReport on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 Mars 2020
BDO AS

Yngve Gjethammer
State Authorised Public Accountant

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