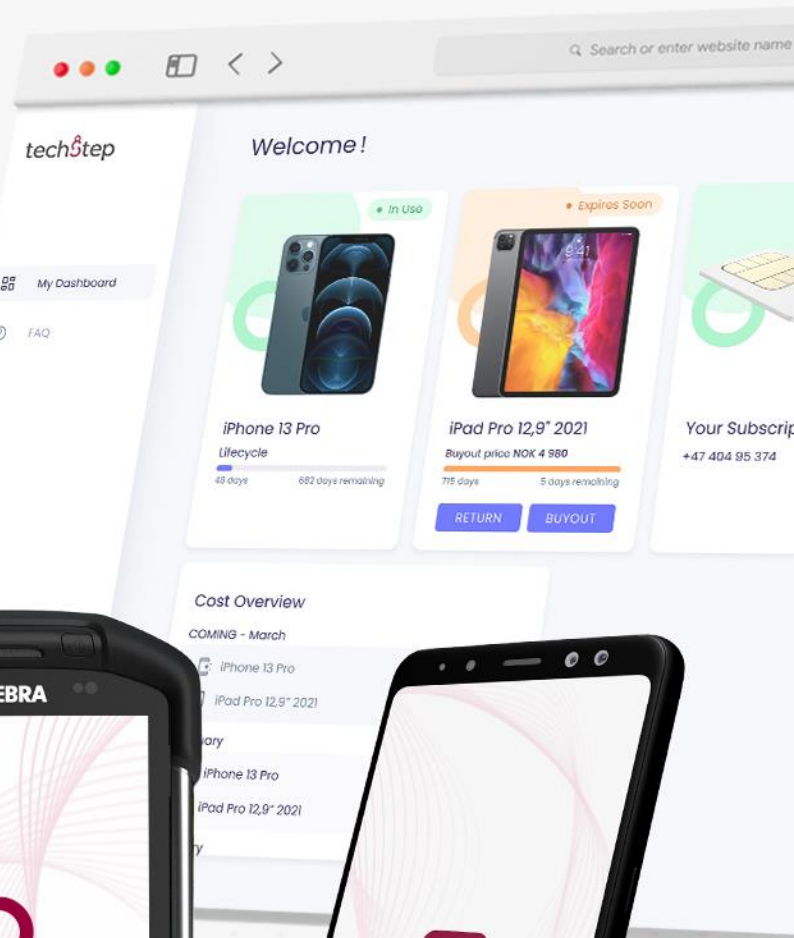


tech&step

Q2 & H1 2023 Report

Making the world
of work smarter
and more
sustainable



Highlights Q2 2023

Profitability improving, third consecutive quarter with positive EBITA adj. of NOK 2.3 million

- 7% net gross profit growth y/y to NOK 95 million in a declining HW market
- Net gross profit margin up from 28% to 33% y/y due to growth in higher margin software business and Advisory & Services business
- 11% y/y decline in operating costs and personnel expenses

Increasing recurring revenue base with 15% growth y/y and 3% growth sequentially

- Recurring revenue annualised continues to grow, reaching NOK 318 million, up from NOK 276 million in Q2 last year
- ARR from Own Software at NOK 110 million, growing by 15% y/y¹

Positive commercial momentum, growing interest for Advisory & Services and Own Software

- Signed a frame agreement with Oslo Municipality worth NOK 480 million, a potential doubling of previous contract value
- Increased sales activity towards the end of the quarter, with financial effect from H2 2023

Subsequent events

Refinancing secures increased financial flexibility

- Signed term sheet with a new bank relation for the refinancing of the company's term loans and credit facilities
- Converted all remaining sellers' credits to shares

"The ongoing transformation is starting to yield results. Profitability is improving, with growth in net gross profit and positive EBITA adj. for the third consecutive quarter. We see a positive commercial development and growth in recurring revenue. We expect the increased sales activity to materialise from the second half this year," says CEO Børge Astrup.

About Techstep

Techstep is a complete mobile technology enabler, making positive changes to the world of work; freeing people to work more effectively, securely and sustainably. We help customers who want to work smarter, while also delivering on their ESG commitments. With around 300 employees based in Norway, Sweden, Denmark and Poland, we serve more than 2 000 enterprise customers in Europe. Techstep had NOK 1.3 billion in full year 2022 revenues, and is listed on the Oslo Stock Exchange under the ticker TECH. To learn more, please visit www.techstep.io/investor.

¹ ARR for Q2 2022–Q1 2023 has been restated, due to a re-classification of revenue contracts and product register

Key Figures

(Amounts in NOK 1 000)	Q2 2023	Q2 2022	HI 2023	HI 2022	2022
Revenues	291 544	317 199	583 323	663 425	1 323 126
Annual Recurring Revenue (ARR) - Own Software ¹⁾	110 150	96 060	110 150	96 060	106 100
Net gross profit ²⁾	95 378	88 953	185 544	181 618	367 279
Net gross profit margin ³⁾	32.7 %	28.0 %	31.8 %	27 %	28 %
EBITDA adjusted ⁴⁾	29 196	12 182	61 861	26 273	85 466
EBITA adjusted ⁴⁾	2 348	(15 567)	6 404	(25 365)	(23 756)
EBIT	(14 185)	(31 106)	(25 077)	(16 087)	(52 205)
Net profit (loss) for the period	(17 605)	(31 467)	(34 914)	(18 983)	(68 614)
EBITDA adj. margin (%)	10.0 %	3.8 %	10.6 %	4.0 %	6.5 %
EBITA adj. margin (%)	0.8 %	(4.9 %)	1.1 %	(3.8 %)	(1.8 %)
EBIT margin (%)	(4.9 %)	(9.8 %)	(4.3 %)	(2.4 %)	(3.9 %)
Net profit (loss) for the period (%)	(6.0 %)	(9.9 %)	(6.0 %)	(2.9 %)	(5.2 %)
Cash flow from operating activities	29 420	7 540	26 709	1 573	123 741
Cash flow from investment activities	(47 671)	(48 491)	(74 528)	(97 828)	(180 376)
Cash flow from financing activities	(4 578)	31 580	(4 089)	75 879	67 594
Cash	11 576	29 922	11 576	29 922	61 119
Net interest-bearing debt	178 963	237 054	178 963	237 054	112 868
Capex ⁵⁾	(8 186)	(16 702)	(18 894)	(35 609)	(52 250)
Employees	275	338	275	338	315

¹⁾ ARR for Q1 2022-Q1 2023 has been restated, due to a re-classification of revenue contracts and product register.

²⁾ Net gross profit is defined as total revenue less cost of goods sold and depreciation from Hardware-as-a-Service.

³⁾ Net gross profit margin is net gross profit of revenues.⁴⁾ EBITDA adj. and EBITA adj. in Q2 2023 exclude non-recurring items related to reversal of restructuring cost of NOK 0.1 million. In Q2 2022 non-recurring items consisted of M&A related cost of NOK 1.1 million and structural gains from sale of business of NOK 40.5 million.

⁵⁾ Capex excludes investment in Hardware-as-a-Service portfolio, shown as a separate line item under investing activities in the consolidated statement of cash flow.

Business overview

Background

Built on a decade of telecoms and mobile technology expertise, Techstep was established in 2016. Through several acquisitions, Techstep has consolidated and expanded into the Nordics and later European markets, adding IP, own software and security expertise to the benefit of our customers. The goal is to be the leading European mobile technology enabler for customers that want to work smarter and more sustainably.

The market opportunity

Mobile technology is one of the fastest growing technologies in the world, as people expect easy access to tools and services across devices, both at home and at work. Techstep is well positioned in the Managed Mobility Services (MMS) market, which is defined by Gartner as a concept in which hardware, software and services are merged together and delivered as a single service². Research shows strong supporting trends with an expected CAGR of +20% in the MMS market over the coming years (Modor Intelligence).

There are many key drivers of the MMS market, which for Techstep can be divided into two main areas: enterprises and mobile technology for frontline workers.

Techstep has identified three main challenges that the majority of organisations have with mobile technology:

1. Cost-efficiency and lifecycle management of devices from procurement to end of life that meets their ESG requirements.
2. Lack of knowledge on how to manage, secure and control the mobile technology fleet in organisations.

3. Increasing the quality, efficiency and security for frontline workers

Techstep is recognised as a global challenger by Gartner in the MMS market³, due to its strategic position and the combined software and hardware offering built over the past seven years via M&A and market consolidation. With more than 2 200 research and advisory experts doing rigorous analysis for clients in nearly 90 countries worldwide, Gartner is an established and highly trusted authority in the IT sector. The recognition reflects Techstep's ongoing progress of changing the world of work and is a continued validation towards the Nordic market.

Business activities and strategy

Techstep's business strategy is to act as a mobile technology company that helps customers utilise software and hardware to strengthen performance – and manage the increasing complexity of their mobile device environment.

Techstep has solutions for office workers and for frontline workers. With some of the very best consultants in the field of mobile technology, Techstep is the only mobile technology player in the Nordics that can deliver managed mobility including software, advisory and hardware.¹

Product offering

Techstep's product offering is designed to solve customers' challenges, and can be categorised into three different portfolios:

«**SmartDevice**» combines Hardware and Own Software to help enterprises integrate and manage their mobile devices fleet from procurement to end of life. The solutions give employees flexibility while enterprises increase

² Gartner's annual report on Managed Mobility Services (MMS)

³ Gartner 2022 and 2023 Magic Quadrant for MMS

cost efficiency, insight and control over their mobile fleet. SmartDevice also supports companies' increasing focus on sustainability by applying circular economy principles to reduce e-waste and extend devices lifetime.

"SmartControl" is a Managed Service, where Techstep's experts combine best practice software, advisory and services for managing and securing enterprises' entire mobile ecosystem. This ensures that the customer's devices and apps are always compliant, secure and up-to-date.

"SmartWorks" combines Hardware, Own Software and Advisory & Services, helping organisations to increase quality and efficiency through industry solutions for their frontline workers.

Revenue segments

Techstep is transforming its business model from transactional revenue to a recurring revenue model. This will enhance financial predictability for Techstep, while at the same time ensuring better value for customers by providing them with continuous service rather than one-off transactions.

Today, Techstep's three main revenue streams are as follows:

"Hardware and Other"

This includes revenue from the sale of mobile devices and accessories, including related discounts from suppliers and partners. Sales generate low profit margins but are often the entry point for selling additional products and solutions. The devices may be sold as transactional sale (one-time sales) or "as-a-service" with recurring revenues committed for 24 months or more.

"Advisory & Services"

This is revenue from specialised advisory and support and maintenance services within Mobile Technology. Sold as one-time projects

based on fixed hourly rates or "as-a-service" with a minimum 12-month recurring revenue commitment. The gross margin contribution is medium to high (~70-85%). Revenue from sale of third-party software licences including related commission is also included here.

"Own Software"

High margin revenue (~90%) from Own-developed software products sold as recurring contracts with a minimum of a 12-month commitment. Current portfolio consists of four software products; *Lifecycle* is closely tied to hardware sales but can also be sold standalone across Europe; *Expense* is related to Telecom operator partnerships; *Essentials MDM* can be sold standalone to enterprises in Europe; *SmartWorks* is a standalone, customised software product.

Sustainability

Techstep's mission is to make positive changes to the world of work; freeing people to work more effectively, securely and sustainably. The company's sustainability agenda is an essential part of the company's mission.

Over the past years, Techstep has strengthened its focus on environmental, social and governance (ESG), risk and compliance, with clearer priorities and a dedicated and stronger team in place. The organisation has implemented management practices based on the ISO standard, leading to ISO 9001 (quality) and 14001 (environment) certifications in Q1 2023. Techstep has further improved its EcoVadis sustainability rating performance to silver, placing Techstep among the top 9% of more than 90 000 companies evaluated globally.

More information can be found in Techstep's latest Sustainability Report, published in April 2023 as part of Techstep's Annual Report, available from www.techstep.io.

Operational review

Main developments

Techstep continued its positive development in the second quarter of 2023, despite challenges due to the macroeconomic environment. The downturn in the global smartphone market⁴ affected Techstep's transactional Hardware sales negatively compared to last year, while at the same time Techstep increased net gross profit year over year. The focus on transferring customers to a recurring revenue business model and high margin products and services is yielding results, and although the revenue development was flat from the previous quarter, net gross profit was up 7%.

In 2023, focus is on streamlining business operations and optimising Techstep's cost base in order to turn the company profitable. At the same time, the company is rolling out its new simplified product portfolio to existing and new customers.

The high tender activity continued into the second quarter. One of the key wins in the quarter was the re-award of a frame agreement with Oslo Municipality for the delivery of mobile technology solutions for another 2+1+1 years. The contract represents a substantial increase from the current sales volumes, with a potential of up to NOK 480 million over a four-year period. NOK 240 million of this relates to mobile phones and accessories, while the remaining potential relates to software and advisory services. The agreement is in effect from Q3 2023.

Techstep further experienced growing interest from customers, especially within Advisory & Services and Own Software. The conversion to sales is taking longer than anticipated, however a positive upturn came through at the end of the quarter. Implementation and financial

effect can be expected from the second half of 2023.

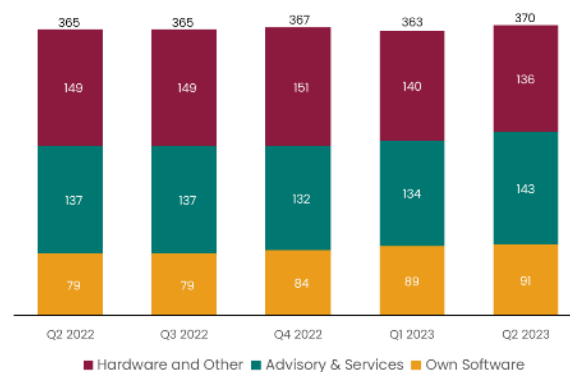
Revenue segments

Techstep continues to focus on upselling and converting existing customers from transactional sales to recurring sales, with the goal of increasing customer value through the software platform in addition to offering managed services to add further efficiency and security to customers.

The share of high margin revenues from Advisory & Services and Own Software increased from 24% in Q2 2022 to 31% of total revenues in Q2 this year.

Net gross profit in the quarter was NOK 95 million, vs. NOK 89 million last year, constituting a margin of 32.7% vs. 28.0% last year.

Net gross profit per revenue segment LTM⁵



Hardware and Other

The global smartphone market faced a continued decline in the first half of 2023, as challenging economic conditions drove lower consumer demand and extended purchasing cycles³. However, the steep decline seen at the end of 2022 and into the first quarter of 2023 slowed down in the second quarter.

⁴ According to Canalys.com

⁵ ARR for Q2 2022-Q1 2023 has been restated, due to a re-classification of revenue contracts and product register

Techstep's total Hardware revenue in Q2 was NOK 202 million, a decline of 16% y/y and 6% from the previous quarter. The net gross profit margin was 16%, an increase of 2 percentage points from the previous quarter and the corresponding quarter last year. The increase relates to improved margins on transactional revenues, as well as an increased share of recurring revenues from Hardware-as-a-Service.

Advisory & Services

Revenue from Advisory & Services continued the positive development from previous quarters, with growth in the quarter driven by the newly implemented contracts with Widerøe Ground Handling and a large energy sector customer.

Total revenue was NOK 62 million in Q2 with a margin of 62%, compared to NOK 52 million with the same margin last year. Included in Advisory & Services are 3rd party software, and q/q revenues and margins will naturally fluctuate, as revenues consists of both transactional and recurring revenue items.

Own Software

Revenue from Own Software continue a positive development with an increase of 17% y/y and 7% sequentially to NOK 28 million in the quarter.

The growth was primarily connected to Own Software within Mobile Device Management (MDM), as more enterprises recognise the need for managing their mobile ecosystem to mitigate current security threats.

Recurring revenue

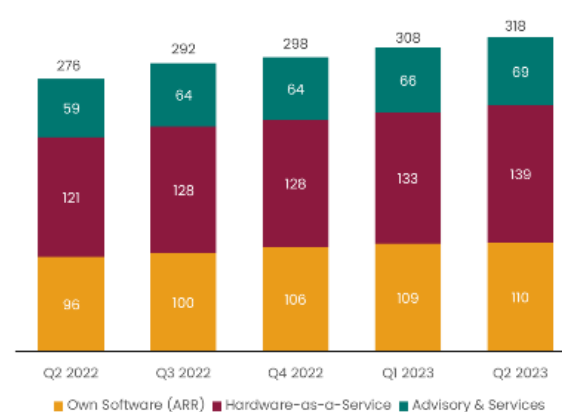
Total recurring revenue consists of contractually recurring revenue within the revenue segments Own Software, Advisory & Services and Hardware-as-a-Service.

Reported recurring revenue represents future contractual annual revenues. Recurring revenue from Hardware-as-a-Service is measured as contracts with a duration of 24 months or more, with monthly incurred revenue annualised. Annual recurring revenue from Advisory & Services is calculated as contractual monthly revenue from contracts with duration of 12 months or more, annualised. Annual recurring revenue from Own Software is calculated as contractual monthly revenue annualised. Techstep includes only contracts where invoicing to customers has commenced.

In Q2 2023, a revision of contracts, product classification and contract reporting from subsidiaries was conducted. Based on new information and classification, Techstep has restated previously quarterly reported ARR from Own Software in order to show comparable amounts to current reporting. ARR has been reduced by approximately NOK 5 million from Q1 2022, with consequential impact in the subsequent quarters.

At the end of Q2, annualised revenues amounted to NOK 318 million, up from NOK 312 million in the previous quarter, and an increase of 15% since Q2 last year.

Recurring revenue - annualised⁶



⁶ ARR for Q2'22-Q1'23 has been restated due to a re-classification of revenue contracts and product register

Financial review

The interim financial information has not been subject to audit. Figures in brackets refer to the corresponding quarter in 2022 for profit and loss items, and year end 2022 figures for balance sheet items.

Profit and loss second quarter

Techstep had total revenue of NOK 291.5 million in the second quarter of 2023, a decrease of 8% from the corresponding quarter last year. The decline relates to the reduced sales volumes of transactional Hardware, partly offset by increase in the other revenue segments.

In Q2, Techstep generated positive results from operations, and adjusted EBITA increased by NOK 17.9 million from the corresponding period last year to NOK 2.3 million. Total expenses excluding depreciation and amortisation decreased by 11% due to the cost optimisation effects. The positive results from the cost savings are partly offset by cost increases and salary adjustments related to the effects from the current high inflation rate. Additionally, the development in technical infrastructure continues, but compared to last year, the capitalisation rate has decreased as investments are increasing in SaaS solutions vs. own developed software, which is not eligible for capitalisation under IFRS. As such, a higher rate of the expenditure in IT development is expensed rather than capitalised in the balance sheet.

Net financial items were negative at NOK 4.8 million (NOK -2.9 million) in Q2. Financial items include interest expenses, and negative effects from the depreciation of NOK versus EUR of NOK 1.3 million for the quarter.

Net loss in the period was NOK 17.6 million (NOK -31.5 million).

Profit and loss first half of 2023

Total revenue for the first half of 2023 came to NOK 583.3 million, a decrease of 12% y/y caused

by the reduced sales volumes in transactional Hardware. Results from operations turned positive compared to the same period last year, and adjusted EBITA increased by NOK 31.8 million to NOK 6.4 million.

Total expenses excluding depreciation and amortisation decreased by 14% for the first half year due to the cost optimisation effects. The cost savings were partly offset by the current high inflation rate, impacting general price levels and salary adjustments.

First half year in 2022 included gains from sale of the Voice and contact centre business of NOK 40 million, which is excluded from the adjusted EBITA for last year. For more details, see the section for "Alternative Performance Measures" section of this report.

Depreciation and amortisation increased by 7% in the first half year due to the increase in depreciation related to the Hardware-as-a-Service business which is accounted for according to IFRS 16.

Net financial items were negative at NOK 13.2 million (NOK -5.3 million) for the first half year. Financial items include interest expenses, which have increased during the year. Negative effects from revaluation of currency in 2023 impacted financial items by NOK 6 million in the first half year compared to last year.

Net loss for the first half year was NOK 34.9 million (NOK -19.0 million).

Financial position

As at 30 June 2023, total assets were NOK 1 232 million, compared to NOK 1 323 million as at 31 December 2022.

Intangible assets include deferred tax assets, goodwill and customer relations and technology, and accounted for NOK 805.6 million (NOK 789.8 million). The increase from last year is due to currency translation effects

on goodwill, which constitute NOK 621.1 million of total intangible assets.

Total tangible assets were NOK 195.7 million (NOK 198.1 million) including NOK 163.2 million (NOK 160.7 million) in Hardware-as-a-Service to customers and NOK 24.7 million (NOK 29.7 million) in right-of-use assets such as premises and other.

Total inventories and receivables were NOK 218.5 million (NOK 271.0 million) at the end of Q2 2023. The decrease was due to accounts receivables declining about NOK 50 million from the end of last year due to a larger third-party software transaction at the end of December 2022.

Total equity at the end of the first half year was NOK 569.1 million (NOK 571.5 million), corresponding to an equity ratio of 46% (43%). The decrease in total equity from the end of last year was due to the net loss for the period, partly offset by a gain from currency translation effects of foreign subsidiaries.

Total non-current liabilities were NOK 52.9 million at the end of the second quarter, vs. NOK 148.8 million at the end of last year. The reduction of NOK 95.8 million relates to a reclassification of non-current borrowings to current borrowings, as the total bank debt will be refinanced in Q3 2023.

At the end of June, Techstep ASA signed a term sheet to refinance all of its long-term loans and credit facilities, with effect from Q3, ensuring an increase in long-term borrowings of NOK 50 million with improved repayment terms, and restructuring the short-term credit facilities. Total loans and available credit facilities will increase by NOK 25 million. In addition, all remaining seller credits of NOK 14.7 million related to the purchase of Optidev in 2020 were converted to equity in July. These two transactions will give Techstep a solid and flexible financial position going forward.

Total interest-bearing borrowings were NOK 190.5 million at 30 June 2023, an increase of NOK 16.5 million since the end of 2022.

Other non-current debt of NOK 32.5 million (NOK 37.6 million) mostly relates to leasing commitments and a buy-back obligation for Hardware-as-a-Service.

Total current liabilities were NOK 610.3 million (NOK 603.0 million). The increase of NOK 105 million in current interest-bearing borrowings relates to the reclassification of non-current borrowings as mentioned above, offset by a decrease in other current liabilities and trade payables. Account payables were NOK 146.4 million at the end of Q2, a decrease of NOK 60 million since year end due to lower sales volumes from transactional Hardware and a larger third-party software transaction at the end of December 2022. Other current liabilities of NOK 256.9 million (NOK 269.5 million) includes deferred revenue and a buy-back obligation related to the Hardware-as-a-Service business of NOK 177.8 million (NOK 168.1 million).

Cash flow second quarter 2023

Net cash flow from operating activities was NOK 29.4 million in the quarter (NOK 7.5 million). Year to date cash flow was NOK 26.7 million (NOK 1.6 million). Change in net working capital was positive NOK 5.4 million in the second quarter of 2023, vs. negative NOK 3.6 million in 2022, and NOK -26.5 million year to date in 2023 vs. NOK -21.6 million in 2022. The improved cash flow from operations is due to improved EBITDA in 2023.

Net cash flow outflow from investment activities in Q2 was NOK 47.7 million (NOK 48.5 million) and consists of capital expenditures for equipment related to Hardware-as-a-Service of NOK 42.9 million (NOK 34.7 million) and Own Software and IT of NOK 8.2 million (NOK 16.7 million). The investment pace in own IT and Software has been reduced since last year, as the Group has been through an extensive investment programme in line with the transformation to One Techstep, and the level

of investments is expected to flatten out during the remainder of the year.

Net cash flow from financing activities was negative NOK 4.6 million (NOK 31.6 million) in the quarter, and consists primarily of interest and lease repayments. Cash flow from financing activities last year relates primarily to high utilisation of bank facilities.

Cash and cash equivalents decreased by NOK 22.8 million in the quarter, from NOK 34.2 million in the previous quarter to NOK 11.6 million at the end of the quarter. The negative cash development relates to seasonal fluctuations and is expected to improve in the second half of 2023 with new contracts being implemented. Techstep also has additional liquidity available through bank facilities, which will be strengthened through the refinancing in Q3.

Cash flow first half year 2023

Net cash flow from operating activities year to date was NOK 26.7 million (NOK 1.6 million). Change in net working capital was negative NOK 26.5 million for the first half of 2023 compared to negative NOK 21.6 million in the same period 2022. The improved cash flow from operations are due to improved adjusted EBITDA in 2023.

Net cash flow outflow from investment activities in the period was NOK 74.5 million (NOK 97.5 million) and consists of capital expenditures for equipment related to Hardware-as-a-Service of NOK 63.4 million (NOK 64.9 million) and Own Software and IT of NOK 18.9 million (NOK 35.6 million). The investment pace in own IT and Software has been reduced since last year, as the Group has been through an extensive investment programme in line with the transformation to One Techstep, and the level

of investments are expected to flatten during the remainder of the year.

Net cash flow from financing activities was NOK -4.1 million (NOK 75.6 million) year to date. Net cash flow in 2023 consists primarily of interest and lease repayments, while higher cash flow from financing activities last year was primarily due to high utilisation of bank facilities. Net cash outflow from financing activities in first half year 2022 also included the acquisition of the last 20% of shares in Techstep Finance AS for NOK 9.0 million.

Cash and cash equivalents decreased by NOK 49.5 million in the period, from NOK 61.2 million at year end 2022 to NOK 11.6 million at the end of the first half year.

Related parties

There were no material transactions with related parties during the first half of 2023.

Corporate actions

At the annual general meeting on 23 May, all five board members were re-elected for a period of two years. The current board consists of Michael Jacobs (Chair), Harald Arnet, Ingrid Elvira Leisner, Melissa Ann Mulholland and Jens Rugseth.

Following a resolution by the annual general meeting, Techstep has completed a reverse share split of 10:1 and reduced the nominal value of the share capital accordingly. The new share capital was registered in the Norwegian Register of Business Enterprises on 12 July 2023.

Risk and uncertainties

Techstep's business activities entail exposure to changes in market conditions, operational and financial development. Techstep strives to take an active approach to risk management through monitoring and mitigation initiatives of identified risks, based on the ISO principles. Below is a summary of the main risks identified for Techstep in the next three to six months.

The global economic situation has faced continually increasing challenges in 2023, with slowing growth and higher inflation in Techstep's key markets. Techstep has a large base of public sector and large corporate customers, which are less vulnerable to volatile market conditions.

The global component shortage, combined with production, logistics and transportation challenges in the supply chain, may result in Techstep experiencing delays in hardware deliveries. At the time of this report, there are no such indications. Techstep continues to maintain close cooperation with key suppliers to ensure timely deliveries.

Techstep's operations, revenues and profits are dependent on its ability to generate sales through existing and new customers. Techstep operates in a competitive market segment, and the Group's success depends on its ability to meet changing customer preferences, to anticipate and respond to market and technological changes, and develop effective and collaborative relationships with its customers and partners. Techstep continues to focus on improving its product offering, reducing customer implementation time, and

becoming a software-led growth business, yielding higher cash flow and profit from operations, and transforming into a recurring revenue business model. The operational risk mainly relates to the ongoing transformation process, including standardisation of the product portfolio and keeping key personnel and necessary competence.

Techstep's liquidity risk is related to a mismatch between cash flows from operations and financial commitments. Techstep is transforming itself from a transactional business model to a software-led recurring revenue model, which leads to postponed cash inflows, negatively affecting the liquidity of the Group. Investments in simplification and standardisation of the company's product portfolio and solutions, new organisational capabilities and acquisitions and integration, have furthermore increased the company's debt over time. The Group's liquidity is closely monitored by management and the Board of Directors. The refinancing of loans and credit facilities will give Techstep a more solid and flexible financial situation going forward. If the need arises, the Group has access to multiple funding sources during the transformation process.

For more information on Techstep's risk factors and risk management, reference is made to the Board of Directors report in the Annual Report for 2022 and the prospectus from 29 December 2022, both available from www.techstep.io/investor.

Outlook

Techstep serves more than 2 000 customers across industries in both the private and public sector in Europe, and is yet again recognised by Gartner as the only challenger in the Magic Quadrant for Managed Mobility Services. The goal is to become the leading European mobile technology enabler for customers that want to work smarter and more sustainably.

Techstep believes that the market for managed mobility services will continue to increase due to growing complexity and the rapidly evolving security threat landscape. At the same time, the smartphone market is expecting its decline to reverse towards the end of 2023. The company considers itself well positioned as enterprises and public sector organisations need help to manage their mobile device portfolio and keep their mobile ecosystem up to date.

Techstep signed two of the largest frame agreements in the company's history in the first half of the year, and several contracts were concluded at the end of the second quarter. These contracts are expected to materialise from the second half of this year, but exact timing remains uncertain, especially as frame agreements might take time.

Over the last years, Techstep has optimised its organisation and cost base to align with a more

simplified portfolio and extract synergies from acquired companies. At the same time, the rising price inflation impacts operating costs, which have increased by 5-10% from when the cost reduction plan was initiated in the fourth quarter last year.

In view of the restatement of ARR on Own Software in Q2 2023 and uncertainties relating to timing and ramp-up of deliveries under the new major contracts awarded this year, Techstep has revised its outlook for 2023. The updated ambition for 2023 are an ARR of NOK 125-135 million, net gross profit to NOK 380-390 million and EBITA adj. of NOK 40-50 million. Techstep's long-term outlook remains unchanged, and by 2025 Techstep aims for an ARR on Own Software above NOK 200 million, net gross profit above NOK 540 million and EBITA adj. of NOK 150 million.

Moving forward, growth will be driven by the new product portfolio, the refocused sales strategy, and converting existing customers to MMS contracts. This is expected to have a positive tailwind on Advisory & Services as well as Hardware revenues.

Responsibility statement

Oslo, 17 August 2023

From the Board of Directors and CEO of Techstep ASA

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2023 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

Michael Jacobs

Chairman

Ingrid Leisner

Board Member

Harald Arnet

Board Member

Melissa Mulholland

Board Member

Jens Rugseth

Board Member

Børge Astrup

CEO

Consolidated Income statement

(Amounts in NOK 1000)	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Revenue	2, 3	291 310	316 318	583 069	663 106	1 323 126
Other revenue		234	881	255	319	0
Total revenues		291 544	317 199	583 323	663 425	1 323 126
Cost of goods sold		(173 543)	(205 262)	(350 934)	(437 923)	(863 007)
Salaries and personnel costs		(58 991)	(71 000)	(118 171)	(143 201)	(265 027)
Other operational costs		(29 814)	(28 756)	(52 358)	(56 028)	(109 626)
Depreciation	5	(26 848)	(27 749)	(55 457)	(51 638)	(109 222)
Amortisation		(16 651)	(15 534)	(31 736)	(30 083)	(58 492)
Other income		119	377	255	40 444	40 058
Other expenses		(0)	(382)	(1)	(1 082)	(10 015)
Operating profit (loss)		(14 185)	(31 106)	(25 077)	(16 087)	(52 205)
Financial income		3 505	318	6 235	1 564	5 601
Financial expense		(8 306)	(3 233)	(19 462)	(6 851)	(17 565)
Profit before taxes		(18 986)	(34 021)	(38 304)	(21 374)	(64 170)
Income taxes		1 380	2 554	3 390	2 390	(4 445)
Net profit (loss) for the period		(17 605)	(31 467)	(34 914)	(18 983)	(68 614)
Net income attributable to						
Non-controlling interests		-	-	-	312	312
Shareholders of Techstep ASA		(17 605)	(31 467)	(34 914)	(19 295)	(68 926)
Earnings per share in NOK:						
Basic		(0.06)	(0.15)	(0.11)	(0.09)	(0.25)
Diluted		(0.06)	(0.15)	(0.11)	(0.09)	(0.25)

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

Consolidated statement of comprehensive income

(Amounts in NOK 1000)	Note	Q2 2023	Q2 2022	HI 2023	HI 2022	FY 2022
Net profit (loss) for the period		(17 605)	(31 467)	(34 914)	(18 983)	(68 614)
Items that may be reclassified to profit and loss						
Exchange differences on translating foreign operations		4 047	304	30 601	(12 990)	(25 598)
Income tax related to these items			(509)		(192)	-
Other comprehensive income		4 047	(205)	30 601	(13 182)	(25 598)
Total comprehensive income		(13 558)	(31 672)	(4 313)	(32 477)	(94 212)
Total comprehensive income attributable to						
Non-controlling interests			-		312	312
Shareholders of Techstep ASA		(13 558)	(31 672)	(4 313)	(32 789)	(94 524)

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

Consolidated statement of financial position

(Amounts in NOK 1000)

ASSETS	Note	Q2 2023	Q2 2022	2022
Non-current assets				
Deferred tax asset		5 581	11 179	6 470
Goodwill		621 123	603 811	601 083
Customer relations and technology		178 874	190 510	182 296
Sum intangible assets		805 578	805 500	789 849
Right of use assets		24 667	24 342	29 738
Property, plant and equipment	5	171 006	163 264	168 325
Sum tangible assets		195 674	187 606	198 064
Shares and investments		706	598	608
Other non-current assets		214	2 035	2 655
Sum financial assets		921	2 633	3 264
Total non-current assets		1 002 173	995 739	991 176
Inventories		17 338	18 680	23 431
Accounts receivable		163 143	192 796	213 773
Other receivables		38 051	40 659	33 801
Total inventories and receivables		218 532	252 135	271 005
Cash and cash equivalents	6	11 576	29 922	61 119
Assets classified as held for sale		-	-	-
Total current assets		230 108	282 057	332 124
Total assets		1 232 281	1 277 796	1 323 300
EQUITY AND LIABILITIES				
	Note	Q2 2023	Q2 2022	2022
Share capital	4	305 131	211 983	305 131
Other equity		263 958	318 501	266 389
Total equity attributable to the owners of Techstep ASA		569 089	530 483	571 520
Non-controlling interests		-	-	-
Total equity		569 089	530 483	571 520
Deferred tax		18 450	21 875	20 536
Non-current interest-bearing borrowings		1 941	97 016	90 665
Other non-current debt		32 508	36 053	37 555
Total non-current liabilities		52 899	154 943	148 756
Current interest-bearing borrowings		188 599	169 961	83 322
Accounts payable		146 339	168 332	205 797
Tax payable		(1 594)	2 247	3 315
Public duties		20 012	28 838	41 100
Other current liabilities		256 937	222 991	269 490
Total current liabilities		610 293	592 370	603 024
Total liabilities		663 192	747 313	751 780
Total equity and liabilities		1 232 281	1 277 796	1 323 300

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

Consolidated statement of changes in equity

(Amounts in NOK 1000)	Share capital	Other paid-in capital	Other equity	Reval. Reserve	Total	Minority interest	Total equity capital
Equity as at start of 2022	209 630	678 767	(327 417)	(6 667)	554 312	1 274	555 586
Profit for the period	-	-	(68 926)	-	(68 926)	312	(68 614)
Other comprehensive income	-	-	-	(25 598)	(25 598)	-	(25 598)
Total comprehensive income for the period	-	-	(68 926)	(25 598)	(94 523)	312	(94 212)
Transactions with owners in their capacity as owners:							
Transactions with non-controlling interests					-	(1 585)	(1 585)
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	2 014	3 442	-	-	5 456	-	5 456
Proceeds from issuance of shares net of transaction costs	93 487	8 698	-	-	102 185	-	102 185
Share-based payments	-	-	4 091	-	4 091	-	4 091
Equity as at end of 2022	305 131	690 906	(392 252)	(32 265)	571 520	-	571 521
Equity as at start of 2023	305 131	690 906	(392 252)	(32 265)	571 520		571 520
Profit for the period	-	-	(34 914)	-	(34 914)	-	(34 914)
Other comprehensive income	-	-	-	30 601	30 601	-	30 601
Total comprehensive income for the period	-	-	(34 914)	30 601	(4 313)	-	(4 313)
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	1 882	-	1 882	-	1 882
Equity as at end of Q2 2023	305 131	690 906	(425 284)	(1 664)	569 089		569 089

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

Consolidated statement of cash flow

(Amounts in NOK 1000)	Note	Q2 2023	Q2 2022	HI 2023	HI 2022	FY 2022
Profit before tax		(18 986)	(34 021)	(38 304)	(21 374)	(64 170)
Depreciation equipment and other fixed assets	5	23 146	23 768	48 024	45 768	95 459
Depreciation right-of-use assets	5	3 701	3 981	7 433	5 870	13 763
Amortisation		16 651	15 534	31 736	30 083	58 492
Share-based payments		984	-	1 884	-	4 091
Dividend and other reclassified to investment activities		(39)	-	(40)	-	-
Gain from sale of business units		-	(113)	-	(40 162)	(40 119)
Gain from sale of PPE reclassified to investment activities	5	(2 588)	-	(5 717)	-	(2 523)
Net exchange differences		(678)	-	5 253	-	-
Taxes paid		(1 810)	(856)	(3 869)	(1 980)	(996)
Interest expense (revenue) reclassified to investing/financing activities		3 587	2 881	6 861	4 950	12 807
Changes in net operating working capital		5 450	(3 633)	(26 552)	(21 582)	46 937
Net cash flow from operational activities		29 420	7 540	26 709	1 573	123 741
Payment for acquisition of subsidiaries net of cash acquired		-	294	-	294	294
Payment for equipment and other fixed assets	5	(42 897)	(34 702)	(63 435)	(64 891)	(132 450)
Payment for intangible assets		(8 186)	(16 702)	(18 894)	(35 609)	(52 250)
Proceeds from sale of property, plant and equipment		3 182	2 585	7 506	2 585	3 499
Proceeds from sale of business		-	-	-	-	-
Interest received		230	33	296	87	531
Net cash used on investment activities		(47 671)	(48 491)	(74 528)	(97 534)	(180 376)
Changes in ownership in Subsidiary		-	-	-	(9 000)	(9 000)
Proceeds from issuance of shares		(0)	2 004	(0)	2 004	76 969
Proceeds from borrowings		9 588	43 015	37 583	106 340	55 768
Repayment of borrowings		(6 785)	(10 830)	(27 412)	(12 337)	(29 019)
Lease repayments		(4 127)	(4 881)	(8 253)	(6 672)	(15 423)
Interest paid		(3 255)	2 273	(6 007)	(4 751)	(11 701)
Net cash flow from financing activities		(4 578)	31 580	(4 089)	75 584	67 594
Net change in cash and cash equivalents		(22 830)	(9 370)	(51 908)	(20 377)	10 959
Cash and cash equivalents at beginning of period		34 210	38 591	61 119	50 350	50 350
Effects of exchange rate changes on cash and cash equivalents		196	703	2 365	(51)	(191)
Cash and cash equivalents at end of period	6	11 576	29 922	11 576	29 922	61 119

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

Notes to the consolidated financial statements

Note 1. Accounting principles

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

1. ACCOUNTING PRINCIPLES

The interim consolidated financial statements are prepared under International Financial Reporting Standards (IFRS) for the periods presented. The interim financial report is presented in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Group's Annual Financial Statements for 2022. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2022. This report has not been audited.

Note 2. Segments

The three Segments of Techstep are represented by the geographic locations where the Group's entities are incorporated. The entities are controlled and owned by the Techstep Group. Eliminations represent intersegment sales. Transactions between operating segments are conducted on normal commercial terms.

1) Norway

The segment provides Techstep's full stack of solutions including Hardware, Advisory & Services, and Own Software.

2) Sweden / Denmark

The segment provides Techstep's full stack of solutions including Hardware, Advisory & Services, and Own Software.

3) Poland

The segment provides a portfolio of Own Software solutions for Mobile Device Management (MDM).

4) Headquarters (HQ)

Relates to the parent company Techstep ASA.

Q2 2023	Sweden/			HQ	Eliminations	Total
	Norway	Denmark	Poland			
Operating revenues from external customers	176 680	108 049	8 715	-	(1 900)	291 544
Operating revenues from other segments	0	2 588	-	16 587	(19 175)	-
Operating revenues	176 680	110 638	8 715	16 587	(21 076)	291 544
Cost of goods sold	(111 808)	(64 883)	(1 591)	-	4 740	(173 543)
Salaries and personnel costs	(24 220)	(25 864)	(1 860)	(7 047)	-	(58 991)
Other operational costs	(16 801)	(13 640)	(3 506)	(12 486)	16 618	(29 814)
Depreciation	(15 625)	(9 816)	(232)	(1 174)	-	(26 848)
Other income	-	-	119	-	-	119
Other expenses	-	-	(0)	-	-	(0)
EBITA	8 226	(3 565)	1 644	(4 121)	283	2 467
Employees 30 June 2023	96	125	48	6	-	275

Q2 2022	Sweden/			HQ	Eliminations	Total
	Norway	Denmark	Poland			
Operating revenues from external customers	188 357	122 448	6 394	-	-	317 199
Operating revenues from other segments	8 171	8 745	2	17 054	(33 972)	-
Operating revenues	196 528	131 193	6 396	17 054	(33 972)	317 199
Cost of goods sold	(130 816)	(79 697)	(1 643)	-	6 894	(205 262)
Salaries and personnel costs	(22 830)	(29 482)	(3 709)	(16 661)	1 682	(71 000)
Other operational costs	(24 806)	(16 321)	(376)	(11 837)	24 585	(28 756)
Depreciation	(17 363)	(10 230)	(156)	-	-	(27 749)
Other income	-	113	18	246	-	377
Other expenses	-	-	(1)	(381)	-	(382)
EBITA	713	(4 423)	529	(11 579)	(812)	(15 571)
Employees 30 June 2022	124	150	43	7	-	324

H1 2023	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Total
Operating revenues from external customers	356 584	212 859	15 780	-	(1 900)	583 323
Operating revenues from other segments	-	4 567	-	33 173	(37 740)	-
Operating revenues	356 584	217 426	15 780	33 173	(39 640)	583 323
Cost of goods sold	(230 735)	(124 026)	(2 896)	-	6 723	(350 934)
Salaries and personnel costs	(51 806)	(51 119)	(4 042)	(11 205)	-	(118 171)
Other operational costs	(31 842)	(26 580)	(6 068)	(20 786)	32 917	(52 358)
Depreciation	(31 647)	(21 020)	(442)	(2 348)	-	(55 457)
Other income	-	-	255	-	-	255
Other expenses	-	-	(1)	-	-	(1)
EBITA	10 555	(5 318)	2 587	(1 166)	-	6 658

H1 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Total
Operating revenues from external customers	408 960	241 752	12 713	-	-	663 425
Operating revenues from other segments	16 875	15 331	898	36 551	(69 655)	-
Operating revenues	425 835	257 083	13 611	36 551	(69 655)	663 425
Cost of goods sold	(286 978)	(160 499)	(3 788)	-	13 342	(437 923)
Salaries and personnel costs	(47 490)	(59 162)	(7 597)	(32 291)	3 339	(143 201)
Other operational costs	(10 458)	(30 276)	(2 905)	(25 184)	12 794	(56 028)
Depreciation	(32 127)	(19 160)	(350)	(1)	-	(51 638)
Other income	19 600	20 562	35	246	-	40 444
Other expenses	(500)	-	(1)	(582)	-	(1 082)
EBITA	67 882	8 547	(993)	(21 260)	(40 179)	13 997

FY 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Total
Operating revenues from external customers	787 272	511 376	24 478	-	-	1 323 126
Operating revenues from other segments	32 881	19 577	3 448	67 555	(123 462)	-
Operating revenues	820 153	530 953	27 926	67 555	(123 462)	1 323 126
Cost of goods sold	(539 551)	(330 069)	(7 779)	-	14 392	(863 007)
Salaries and personnel costs	(89 565)	(113 388)	(7 831)	(60 936)	6 693	(265 027)
Other operational costs	(97 750)	(56 851)	(7 878)	(46 277)	99 130	(109 626)
Depreciation	(60 761)	(43 308)	(766)	(4 387)	-	(109 222)
Other income	19 600	20 047	165	246	-	40 058
Other expenses	(4 900)	(2 435)	(388)	(2 292)	-	(10 015)
EBITA	47 226	4 949	3 449	(46 089)	(3 247)	6 287
Employees 31 December 2022	119	147	43	5	-	315

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:

Q2 2023	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	143 269	61 979	-	-	(3 384)	201 864
Advisory & Services*	20 772	41 532	209	-	(906)	61 607
Own Software	12 408	7 104	8 506	-	(180)	27 839
Other revenues	231	23	-	16 587	(16 606)	234
Total revenues	176 680	110 638	8 715	16 587	(21 076)	291 544

Q2 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	158 218	86 571	321	-	(4 975)	240 135
Advisory & Services*	18 601	35 646	491	-	(2 263)	52 475
Own Software	11 390	7 286	5 584	-	(552)	23 708
Other revenues	8 319	1 690	-	17 054	(26 182)	881
Total revenues	196 528	131 193	6 396	17 054	(33 972)	317 199

H1 2023	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	292 926	128 047	-		(4 293)	416 680
Advisory & Services*	38 791	75 164	246		(1 770)	112 431
Own Software	24 762	14 041	15 534		(379)	53 958
Other revenues	105	174	-	33 173	(33 198)	255
Total revenues	356 584	217 425	15 780	33 173	(39 639)	583 323

H1 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	347 786	172 546	321		(9 312)	511 340
Advisory & Services*	39 976	70 125	782		(3 541)	107 341
Own Software	21 386	12 522	12 508		(1 991)	44 425
Other revenues	16 687	1 890	-	36 551	(54 810)	319
Total revenues	425 835	257 083	13 611	36 551	(69 655)	663 425

FY 2022	Norway	Sweden/ Denmark	Poland	HQ	Elim- inations	Group
Hardware	661 629	323 626	477		(8 088)	977 643
Advisory & Services*	82 950	176 875	306		(6 251)	253 879
Own Software	44 164	24 454	27 143		(4 169)	91 593
Other revenues	31 411	5 998	-	67 555	(104 953)	11
Total revenues	820 153	530 953	27 926	67 555	(123 462)	1 323 126

*Commission is included in Advisory & Services

Note 4. Share capital and shareholders

The company's share capital as at 30 June 2023 was NOK 305 131 070 divided into 30 513 107 ordinary shares with a par value of NOK 10.00.⁷

Each share gives the right to one vote at the company's annual general meeting. At the time of this report, Techstep holds 192 treasury shares.

Techstep's 20 largest shareholders at 30 June 2023 were as follows:

Shareholder	# of shares	Ownership %
DATUM AS	5 835 198	19.12 %
KARBON INVEST AS ¹⁾	4 371 619	14.33 %
Swedbank AB	3 347 897	10.97 %
DNB Markets Aksjehandel/-analyse	1 477 000	4.84 %
STEENCO AS	869 566	2.85 %
AS CLIPPER	869 566	2.85 %
MIDDELBORG INVEST AS	696 615	2.28 %
VERDIPAPIRFONDET DNB SMB	680 902	2.23 %
CIPRIANO AS	599 916	1.97 %
Saxo Bank A/S	580 064	1.90 %
TIGERSTADEN AS	475 000	1.56 %
CAMIKO AS	436 793	1.43 %
SPECTER INVEST AS	305 430	1.00 %
TVENGE	300 000	0.98 %
GIMLE INVEST AS	261 513	0.86 %
TIGERSTADEN MARINE AS	250 000	0.82 %
NORDHOLMEN AS	244 756	0.80 %
PIKA HOLDING AS	214 346	0.70 %
ADRIAN AS	203 886	0.67 %
UNIFIED AS	196 927	0.65 %
Total number owned by top 20	22 216 994	72.81 %
Total number of shares	30 513 107	100.00 %

¹⁾ Karbon Invest AS is owned by the Board member Jens Rugseth

Duo Jag AS, which is partly owned by Board member Ingrid Leisner, owns 60,157 shares in Techstep ASA.

⁷ At the annual general meeting on 23 May 2023, it was approved to resolve a 10:1 share split, followed by a share capital decrease by reducing the nominal value of the company's shares from NOK 10 to NOK 1. The ex-date for the reverse share split was on 30 May 2023, while the share capital decrease was registered with the Norwegian Register of Business Enterprises on 12 July 2023. Following such registration, the Techstep ASA's new share capital is NOK 30,513,107 divided into 30,513,107 shares, each with a nominal value of NOK 1.

Share option grant

In accordance with the authorisation granted by the annual general meeting on 23 May 2023, the Board of Directors of Techstep ASA resolved on 14 June 2023 to grant share options pursuant to the 2023 incentive programme. The granted options vest 1/3 each year from 14 June 2023, and are fully vested on 14 June 2026. The options must be exercised within 5 years. The exercise price is NOK 18.70. The exercise price will be adjusted for any dividends paid or accrued before exercise. The exercise of share options can be settled in cash and/or with new existing treasury shares.

In addition, to maintain the purpose of the share options incentive programme, it was resolved a repricing of options previously issued with vesting in 2024, 2025 and 2026. The repricing of options vesting in 2024, 2025 and 2026 is NOK 21.70, NOK 25.60 and NOK 29.50, respectively.

At 30 June 2023, the total number of outstanding share options was 1 488 723.

For information on the share option programme for previous years please see the Annual Report 2022 which is available from the website www.techstep.io/investor.

Overview of shares and share options held by members of the management group as at 30 June 2023:

Name	Position	Shares	Share options
Børge Astrup	CEO	145 537	500 000
Ellen Solum	CFO	-	150 000
Ellen Skaarnæs	Chief People Officer	5 422	84 065
Sheena Lim	Chief Marketing Officer	2 134	84 065
Mads Vårdal	Chief Product Officer	502	199 738
David Landerborn	Chief Operations Officer	29 417	82 965
Bartosz Leoszewski	Chief Technology Officer	39 796	84 065

Note 5. Property, plant and equipment

(Amounts in NOK 1000)	Right-of-use assets	Equipment ¹⁾	Other fixed assets	Total
Accumulated cost as at 1 January 2022	63 881	292 234	31 090	387 205
Additions	12 500	126 507	5 943	144 950
Additions arising from business combinations	-	-	83	83
Disposals	(2 673)	(76 928)	(15 641)	(95 242)
Translation differences	(103)	(4 236)	(11)	(4 350)
Accumulated cost 31 December 2022	73 605	337 577	21 464	432 646
Accumulated cost as at 1 January 2023	73 605	337 577	21 464	432 646
Additions	1 561	61 068	2 366	64 996
Disposals	(9 631)	(88 869)	(3 624)	(102 123)
Translation differences	2 155	7 099	995	10 249
Accumulated cost 30 June 2023	67 691	316 875	21 202	405 768
				-
Accumulated depreciation as at 1 January 2022	(33 613)	(149 468)	(25 081)	(208 163)
Current year depreciation	(13 763)	(92 840)	(2 620)	(109 222)
Disposals	2 673	64 004	14 082	80 759
Translation differences	837	1 429	(223)	2 043
Accumulated depreciation 31 December 2022	(43 866)	(176 874)	(13 842)	(234 584)
Accumulated depreciation as at 1 January 2023	(43 868)	(176 874)	(13 842)	(234 584)
Current year depreciation	(7 433)	(46 845)	(1 178)	(55 457)
Disposals	9 373	74 844	2 266	86 483
Translation differences	(1 096)	(4 825)	(616)	(6 538)
Accumulated depreciation 30 June 2023	(43 023)	(153 701)	(13 370)	(210 095)
Book value of assets 31 December 2022	29 738	160 703	7 622	198 064
Book value of assets 30 June 2023	24 667	163 174	7 832	195 674

Note 6. Cash and cash equivalent

(Amounts in NOK 1 000)

Current assets	Q2 2023	Q2 2022	2022
Cash at bank and in hand, not included in cash pool	11 576	29 922	61 119
Of which is restricted	3 214	6 233	5 196

The Group has a credit facility of NOK 92 million. As at 30 June 2023 NOK 73.9 million of the facility has been utilised.

Note 7. Changes in Group structure and business combinations

2022

Acquisition of Crypho AS

On 1 June 2022 Techstep acquired 100% of the shares in Crypho AS. Crypho AS has an end-to-end encrypted enterprise software as a service (SaaS) messaging and file-sharing application. The transaction was partly settled in 368 902 consideration shares in Techstep ASA. At the time of completion, this corresponded to NOK 1.1 million. The earnout (refer to table below) is to be settled in Techstep shares.

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

Consideration and amount recognised	Chrypho	Total
Settlement of shareholder loans*	3 673	3 673
Consideration shares	1 059	1 059
Seller credit	1 818	1 818
Total	6 550	6 550
Consideration to be allocated	Chrypho	Total
Consideration shares	1 059	1 059
Seller credit	1 818	1 818
Total	2 877	2 877
Net assets	Chrypho	Total
Intangible assets	3 566	3 566
Property plant and equipment	83	83
Trade and other receivables	28	28
Cash and cash equivalents	294	294
Other non-current liabilities	(5 983)	(5 983)
Current liabilities	(142)	(142)
Net assets	(2 153)	(2 153)
Excess value	5 030	5 030
Purchase price allocation	Chrypho	Total
Goodwill	4 844	4 844
Long-term debt	186	186
Total	5 030	5 030

*Settlement of shareholder loans:

Crypho had shareholder loans of NOK 3.7 million. In conjunction with the closing of the transaction, Techstep assumed the position as debtor. The shareholder loans were subsequently settled with 1 129 118 shares in Techstep ASA.

Divestment of Voice and Contact centre business unit

On 3 January 2022, the divestment of the Voice and contact centre business unit was completed for a total consideration of NOK 65.5 million. The settlement was received in December 2021. The gain of NOK 40.1 million has been recognised in the income statement on the line item other income in Q1 2022. NOK 24.5 million has been derecognised from the statement of financial position's line item assets held for sale.

Acquisition of last 20% of shares in Techstep Finance AS

On 14 February 2022, the company acquired the remaining 20% of the shares in Techstep Finance AS for NOK 9 million. The amount was settled in cash. Following the transaction Techstep owns 100% of the shares in Techstep Finance AS.

Note 8. Subsequent events**Share capital decrease**

The share capital decrease related to the 10:1 reverse share split was registered in the Norwegian Register of Business Enterprises on 12 July.

Refinancing and new bank relation

Techstep has signed a term sheet with a new bank relation for the refinancing of the company's term loans and credit facilities. The refinancing package increases total available liquidity by NOK 25 million and restructures the interest-bearing debt, increasing long-term debt by NOK 50 million compared to current long term debt with a 50/50 five-year amortisation and five-year bullet, in addition to flexible short-term credit facilities.

Conversion of seller's credit to shares

On 5 July Techstep entered into an agreement with Stobor Invest AS for the conversion of all remaining seller's credit to shares. The outstanding seller's credit amounted to NOK 14 427 855, which was converted from SEK 14 553 011 by using a NOK/SEK exchange rate equal to 0.9914. The subscription price per new share in the conversion equaled NOK 13.70 and the total number of new shares issued to Stobor was 1 053 128. The agreed subscription price reflected the market price per share in Techstep minus a discount due to the new shares being subject to certain lock-up restrictions in the 12-month period following conversion. After this transaction, Techstep has no outstanding seller's credit from previous acquisitions. The share capital increase was registered with the Norwegian Register of Business Enterprises on 13 July 2023. Following that registration, Techstep's new share capital is NOK 31 566 235 divided into 31 566 235 shares, each with a nominal value of NOK 1.

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.

Net gross profit

Net gross profit is defined as Total revenue less Cost of goods sold and depreciation from Hardware-as-a-Service.

Gross margin

Gross margin is defined as Total revenue less Cost of goods sold and depreciation from Hardware-as-a-Service, divided by Total revenue.

EBITDA

Earnings before interest, tax, depreciation (excluding depreciation from Hardware-as-a-Service), 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 revenue.

EBITDA adjusted

Adjusted earnings before interest, tax, depreciation (excluding depreciation from Hardware-as-a-Service), amortisation and impairment (EBITDA) are 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 the 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.

EBITA adjusted

Adjusted earnings before interest, tax, amortisation and impairment (EBITA) are based on EBITA 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 sales of subsidiaries, acquisition-related costs and other non-recurring income and expenses.

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.

Hardware revenue

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

Hardware's share of revenue is the Hardware revenue divided by Total revenue.

Advisory & Services revenue

Revenue from Advisory & Services includes revenue from advisory, support and maintenance services, and sales of third party software licenses including related commission.

Advisory & Services share of revenue is the revenue from Advisory & Services divided by Total revenue.

Own Software revenue

Revenue from Own Software includes revenue from the right to access and use software developed by Techstep (Own Software).

Own Software share of revenue is the revenue from Own Software 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 defined as Annual Recurring Revenue from Techstep's Own Software portfolio and is calculated by multiplying the contractual monthly revenue from existing contracts at the end of a reporting period, with twelve. Contracts where invoicing to customers has not commenced at the reporting date, are not included in the calculation.

APM's in the income statement	Q2 2023	Q2 2022	HI 2023	HI 2022	2022
Total revenue	291 544	317 199	583 323	663 425	1 323 126
Cost of goods sold	(173 543)	(205 262)	(350 934)	(437 923)	(863 007)
Gross profit	118 001	111 937	232 390	225 502	460 119
Gross margin	40.5 %	35.3 %	39.8 %	34.0 %	34.8 %
Salaries and personnel costs	(58 991)	(71 000)	(118 171)	(143 201)	(265 027)
Other operational costs	(29 814)	(28 756)	(52 358)	(56 028)	(109 626)
Other income	119	377	255	40 444	40 058
Other expenses	(0)	(382)	(1)	(1 082)	(10 015)
EBITDA	29 314	12 177	62 115	65 634	115 509
Depreciation	(26 848)	(27 749)	(55 457)	(51 638)	(109 222)
EBITA	2 467	(15 572)	6 658	13 997	6 287
Amortisation	(16 651)	(15 534)	(31 736)	(30 083)	(58 492)
EBIT	(14 185)	(31 106)	(25 077)	(16 087)	(52 205)
Net gross profit					
Gross profit	118 001	111 937	232 390	225 502	460 119
Depr. Hardware-as-a-service	(22 623)	(22 984)	(46 845)	(43 884)	(92 840)
Net gross profit	95 378	88 953	185 544	181 618	367 279
Net gross margin	32.7 %	28.0 %	31.8 %	27.4 %	27.8 %
EBITDA adjusted					
EBITDA	29 314	12 177	62 115	65 634	115 509
Other income	(119)	(377)	(255)	(40 444)	(40 058)
Other expense	0	382	1	1 082	10 015
Adjusted EBITDA	29 196	12 182	61 861	26 273	85 466
EBITA adjusted					
EBITA	2 467	(15 572)	6 658	13 997	6 287
Other income	(119)	(377)	(255)	(40 444)	(40 058)
Other expense	0	382	1	1 082	10 015
EBITA adjusted	2 348	(15 567)	6 404	(25 365)	(23 756)
Revenue splits					
Revenue	291 544	317 199	583 323	663 425	1 323 126
Hardware	201 864	240 135	416 680	511 340	977 643
Advisory, Services and Own Software	89 680	77 065	166 643	152 085	345 483
Hardware share of revenue	69.2 %	75.7 %	71.4 %	77.1 %	73.9 %
Advisory, services and own software share of revenue	30.8 %	24.3 %	28.6 %	22.9 %	26.1 %
APM's in the Statement of financial position					
NIBD			HI 2023	HI 2022	2022
Cash and cash equivalents			11 576	29 922	61 119
Non-current interest-bearing borrowings			1 941	97 016	90 665
Current interest-bearing borrowings			188 599	169 961	83 322
NIBD			178 963	237 054	112 868
Equity ratio					
Total equity			569 089	530 483	571 520
Total equity and liabilities			1 232 281	1 277 796	1 323 300
Equity ratio			46.2 %	41.5 %	43.2 %



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