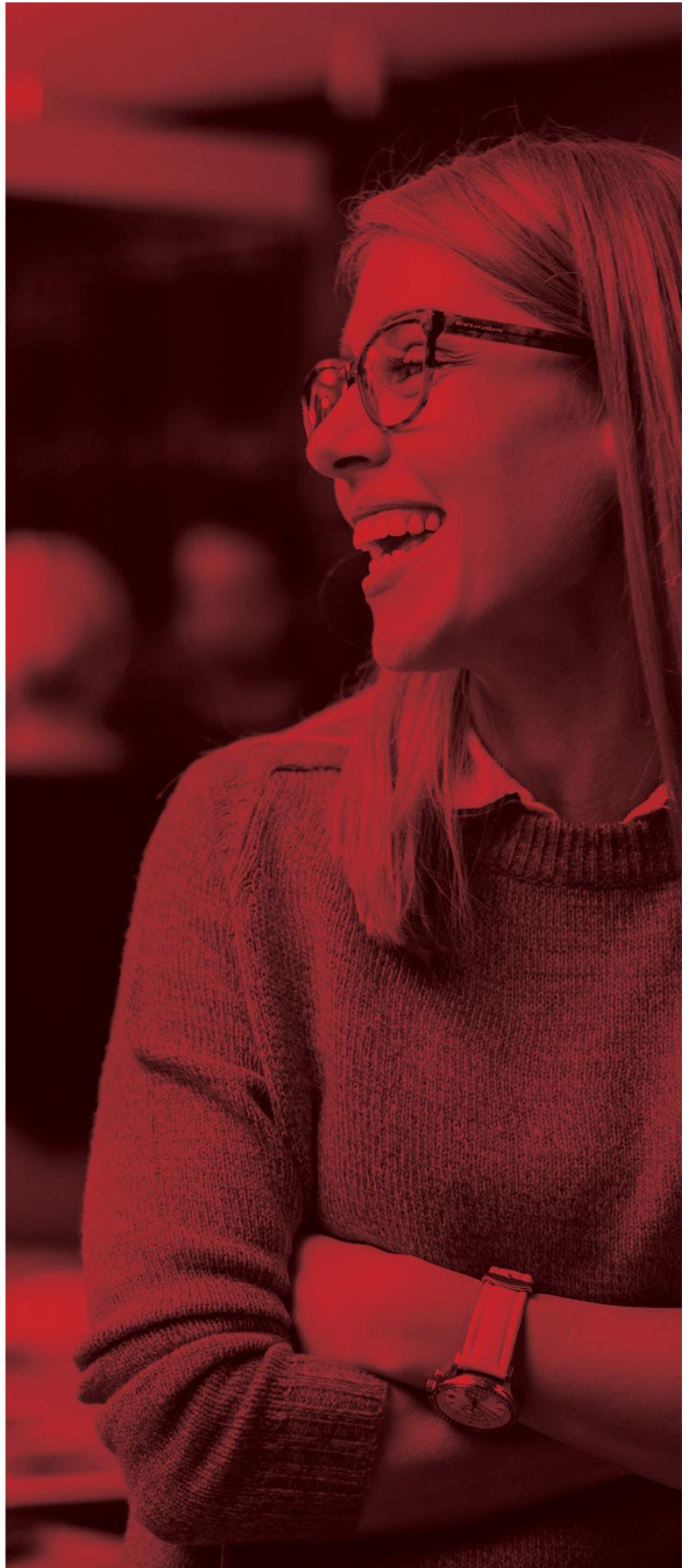


Q1
2018

itera
MAKE A DIFFERENCE



HIGHLIGHTS Q1

JANUARY – MARCH 2018

- Operating revenue NOK 131.2 million (NOK 118.6 million), representing growth of 11%
- EBITDA NOK 15.2 million (NOK 16.1 million) and an EBITDA margin of 11.6% (13.6%)
- EBIT NOK 10.0 million (NOK 11.3 million) and an EBIT margin of 7.6% (9.5%)
- Cash flow from operations NOK -8.2 million (NOK -0.8 million)
- Bank deposits NOK 44.0 million (NOK 65.3 million)
- Equity ratio 24.7% (29.2%)
- Equity at 1 January 2018 reduced by NOK 3.0 million due to Itera adopting IFRS 15

ACTIVITIES AND SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- First-quarter operating revenue was up 11% compared with the same period last year. Itera achieved significant revenue growth from its nearshore deliveries, but this was partially offset by the quarter containing three fewer working days than in 2017 due to the Easter holidays falling earlier than last year. This also significantly impacted earnings.
- Cash flow was also significantly affected by Easter as the last three calendar days of the quarter were bank holidays.
- Itera has adopted the new IFRS 15 standard on Revenue from Contracts with Customers. The change in accounting principles had little impact on the quarterly results, but increased the total assets and liabilities balance and reduced the book equity.
- The company continued to expand the capacity of its low-cost delivery centres nearshore and achieved a nearshore ratio of over 44% by the end of the quarter.
- Itera beat major international service providers to be selected as the main supplier for future digital solutions at KLP. Itera also entered into new or extended contracts with customers such as Gjensidige, Santander, APCOA Parking and Islandsbanki.
- Itera relocated one of its nearshore offices to refurbished and expanded premises to accommodate growth, incurring one-off moving expenses and double office rental costs in the first quarter.

KEY FIGURES

	2018	2017	change	change	2017
All figures in NOK million	1-3	1-3		%	1-12
Sales revenue	131.2	118.6	12.6	11 %	475.0
Gross profit	110.3	102.6	7.7	8 %	401.7
EBITDA	15.2	16.1	-0.9	-6 %	59.7
EBITDA margin	11.6 %	13.6 %	-2.0 %	-2 pts	12.6 %
Operating profit (EBIT)	10.0	11.3	-1.3	-11 %	39.3
EBIT margin	7.6 %	9.5 %	-1.9 %	-1.9 pts	8.3 %
Profit before tax	8.5	11.0	-2.4	-22 %	38.3
Profit for the period	6.5	8.3	-1.8	-22 %	29.6
Profit margin	5.0 %	7.0 %	-2.1 %	-2.1 pts	6.2 %
Net cash flow from operating activities	-8.2	-0.8	-7.5	-976 %	49.7
No. of employees at the end of the period	489	419	70	17 %	491

The figures for 2018 have been prepared in accordance with IFRS 15, while the 2017 figures are based on IAS 18.

REPORT FOR THE FIRST QUARTER

FINANCIAL PERFORMANCE

Summary for the first quarter of 2018

Itera achieved organic revenue growth of 11% in the first quarter of 2018 relative to the first quarter of 2017. This was driven by growth in the revenue earned for services provided by Itera's own consultants from its onshore as well as its nearshore locations.

The Group's operating profit (EBIT) for the first quarter of 2018 was NOK 10.0 million (NOK 11.3 million), giving an EBIT margin of 7.6% (9.5%). The first quarter of 2018 contained three fewer working days than the first quarter of 2017 due to the Easter holidays falling earlier in 2018. This is estimated to have had an impact on both revenue and earnings of more than NOK 3 million.

Accounting principles

This consolidated interim financial report includes Itera ASA and its subsidiaries, and was prepared in accordance with IAS 34, which covers interim reporting, and the Securities Trading Act. The report has not been audited, and does not contain all the information required in an annual financial report. More information about the accounting principles used can be found in Itera's annual report for 2017.

The figures given in brackets in this report refer to the equivalent period in 2017. The comparable figures for balance sheet items are the figures reported at 31 March 2017.

See Note 4 on alternative performance measures.

IFRS 15 Revenue from Contracts with Customers

Itera adopted the new IFRS 15 Revenue from Contracts with Customers standard with effect from 1 January 2018. The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to Itera's opening balance sheet as at 1 January 2018, reflecting the introduction of contract assets and liabilities in relation to open contracts for trade and other receivables and trade and other payables respectively, with the costs of obtaining and fulfilling a contract capitalised as other current assets. The comparison figures have not been restated, and the financial statements for Q1 2018 as they would have been had they been prepared on the basis of the accounting policies applied in 2017 have been included in note 3, together with the effect of the new standard on the opening balance sheet as at 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (effective from 1 January 2018) replaces the old incurred loss model with an expected loss model. Itera's assessment is that implementing IFRS 9 will not have a significant impact on its financial statements.

IFRS 16 Leases

A new accounting standard relating to leasing (IFRS 16) has not yet come into force for the Group and has consequently not been applied when preparing the consolidated accounts for the first quarter of 2018. Itera's assessment of the impact on its financial statements of implementing this standard remains unchanged from that set out in its annual report for 2017.

Operating revenue

The Group reports operating revenue of NOK 131.2 million (NOK 118.6 million) for the first quarter of 2018, which represents growth

of 11%. Revenue from services delivered by Itera's own consultants grew by 16%, while third-party service revenue was up by 33%. Subscription-related revenue grew by approximately 2%. Denmark almost doubled its revenue.

Gross profit (revenue minus cost of sales) was NOK 110.3 million (NOK 102.6 million) in the first quarter. This represents growth of 8% relative to the first quarter of 2017.

Operating expenses

The Group's total operating expenses in the first quarter of 2018 were 13% higher at NOK 121.1 million (NOK 107.3 million).

Cost of sales was NOK 20.9 million (NOK 16.0 million) in the first quarter of 2018. Cost of sales principally consists of services purchased from sub-consultants, costs related to the Group's data centres, and third-party software licences and hardware that form part of larger deliveries. Cost of sales can vary significantly from quarter to quarter.

Personnel expenses were NOK 82.0 million (NOK 73.5 million) in the first quarter of 2018, which represents an increase of 12%. This was primarily due to an increase in employee numbers. Personnel expenses per employee were down 6% in the quarter (down 5% excluding IFRS 15 adjustment) due to increasing nearshore ratio.

Other operating expenses were NOK 13.0 million in the first quarter of 2018, which was unchanged from the same period last year, despite relocation and double office rental costs in Kiev.

Depreciation and amortisation totalled NOK 5.2 million (NOK 4.9 million) in the first quarter.

Operating result

The operating result before depreciation and amortisation (EBITDA) for the first quarter of 2018 was a profit of NOK 15.2 million (NOK 16.1 million), while the operating result (EBIT) was a profit of NOK 10.0 million (NOK 11.3 million). The EBIT margin for the first quarter of 2018 was 7.6% as compared to 9.5% in the first quarter of 2017.

The first quarter of 2018 contained three fewer working days than the first quarter of 2017 due to the Easter holidays falling earlier in 2018. This is estimated to have had an impact on both revenue and earnings of more than NOK 3 million. The company thus regards its underlying profitability to be on par with last year.

Net financial items were NOK -1.5 million (NOK -0.3 million) in the first quarter of 2018 and included foreign exchange losses related to a lease deposit.

The result before tax for the first quarter of 2018 was a profit of NOK 8.5 million (NOK 11.0 million). Accrued tax expense totalled NOK 2.0 million (NOK 2.6 million).

The Group had deferred tax assets totalling NOK 3.8 million (NOK 3.4 million) at 31 March 2018.

Cash flow, liquidity and equity

Cash flow from operating activities was NOK -8.2 million (NOK -0.8 million) in the first quarter of 2018. This is NOK 23.4 million less than EBITDA, and this was primarily due to seasonal reductions in accounts receivable and other accruals from 31 December 2017 and taxes paid in first quarter.

Work in progress at 31 March 2018 was NOK 10.8 million lower than

at 31 March 2017. The decrease is due to the effect of implementing IFRS 15 and was more than offset by the introduction of contract assets of NOK 18.7 million. Accounts receivable from customers were NOK 14.1 million higher than at 31 March 2017, in part due to the final three days in March being bank holidays.

Accounts payable at 31 March 2018 were NOK 2.9 million higher than at 31 March 2017. Public duties payable were NOK 4.3 million higher than at the end of the first quarter of 2017, while tax payable was NOK 6.5 million, which was down NOK 2.4 million from 31 March 2017. Contract liabilities totalling NOK 11.1 million were introduced due to Itera adopting IFRS 15. Other current liabilities were NOK 2.6 million higher.

Bank deposits totalled NOK 44.0 million (NOK 65.3 million) at 31 March 2018, and the Group had an undrawn credit facility of NOK 25 million.

The Group had interest-bearing liabilities totalling NOK 11.9 million (NOK 18.8 million) at 31 March 2018 related to financial lease agreements entered into in order to finance investments related to IT hosting contracts, with NOK 6.3 million of this amount representing current liabilities and NOK 5.5 million being non-current liabilities.

Itera did not purchase or sell any of its own shares in the first quarter. At 31 March 2018 Itera held 213,935 own shares.

Equity at 31 March 2018 totalled NOK 54.0 million (NOK 62.9 million). This represented an equity ratio of 24.7% (29.2%).

Investment

The Group invested a total of NOK 5.5 million (NOK 3.5 million) in the first quarter of 2018.

Investment in Itera's IT hosting activities amounted to NOK 0.3 million (NOK 0.9 million) in the first quarter of 2018. Leasing accounted for NOK 0.2 million (NOK 0.8 million) of this amount. Investment in intangible assets (including software developed in-house for ongoing yearly agreements) totalled NOK 3.1 million (NOK 2.7 million) in the first quarter of 2018. Investments into office equipment and furniture and fittings in new office premises amounted to NOK 2.3 million (NOK 0.0 million).

Dividend

At its meeting on 15 February 2018, the Board of Directors passed a resolution to propose an ordinary dividend of NOK 0.25 per share at the Annual General Meeting on 22 May 2018. It will also ask for its authorisation to approve possible additional dividends to be renewed.

BUSINESS REVIEW

The market demand for the Group's services is strong, driven by digitalisation in all industries. Artificial intelligence (AI), the Internet of Things, big data and cloud platforms are seeing significant interest and demand not only from small and medium-sized companies with the ability to move fast, but also from large organisations in both the private and public sectors. Furthermore, there is a strong overall trend for organisations to shift from using more traditional working methods to agile approaches, inspired by methodologies such as lean start-up and design thinking. The Group is finding that its position as a specialist at creating digital business is strong, and that the range of services it offers is both unique and in demand from the market.

Market and customer development

In the first quarter of 2018, the Group entered into new or extended agreements with strong industry brands including KLP, Gjensidige, Santander, Forsvarsbygg, RiksTV, Islandsbanki and APCOA Parking.

Innovative solutions with "first mover" customers

Itera works continuously to keep its position as one of the Top 5 most innovative companies in the market (as recognised by Innovasjonsmagasinet in 2017). The company therefore regards working with customers who are early adopters of new technology as a priority. One such customer is APCOA (formerly Europark), which is part of the APCOA PARKING Group, which currently manages around 1.4 million parking spaces at over 8,500 locations in 12 countries.

Over the past year, Itera has worked with APCOA to develop a machine-based parking solution that improves customer satisfaction and streamlines operations. The system reads each car's number plate when it drives into a car park, interprets the image, and then matches it to various different registers and identifies it. The core of the solution is advanced camera technology and Optical Character Recognition (OCR), a form of machine learning used to interpret images. Challenges that needed to be solved included difficult weather conditions, dirty number plates, technology-based challenges etc. The work started about a year ago, and at the end of the first quarter, the solution had been rolled out to a large number of airports in Norway.

The customer experience has improved as the parking process is now easier and faster than it was traditionally. The process of entering and exiting car parks has been made simpler and automated, and the payment can be done automatically through an app, on a pay station when leaving or by receiving an invoice. No more fines!

The evolution of cloud platforms

New solutions created for businesses in today's modern world are more or less cloud-based by default. There is correspondingly increasing demand in the market for expertise in cloud-based services, deploying DevOps and developing and operating next-generation solutions based on advanced services within AI, big data and IoT that run on cloud platforms. The digital platforms used include both horizontal platforms such as Microsoft Azure, Amazon Web Services (AWS) and Google as well as new industry-specific platforms dominated by major companies.

In the first quarter, Itera continued the process of building a very strong environment within DevOps and digital platforms.

GDPR – market demand for advisory services

Because the General Data Protection Regulation (GDPR) will start to be enforced in 2018, Itera is experiencing demand for advisory services related to compliance. GDPR is a regulation in EU law on data protection and privacy for all individuals in the European Union. GDPR is primarily intended to give citizens and residents control over their personal data. GDPR implies a strict compliance regime, with severe penalties of up to 4% of a company's worldwide turnover.

In order to offer an agile and practical approach, Itera operates interdisciplinary teams that include consultants who specialise in infrastructure and applications, information security, data classification, project management, and processing and analysis, as well as experts from collaborating law firms.

A GDPR delivery involves the customer presenting its detailed insight and knowledge about its business and the data that it processes. Based on this, Itera structures, analyzes and recommends concrete measures with corresponding delivery descriptions to ensure the customer complies with GDPR.

Make a difference – corporate social responsibility

As a company, Itera is part of society, and it correspondingly has a responsibility to make a positive contribution to society. This is communicated by the Group's vision, "MAKE A DIFFERENCE", which constitutes a powerful imperative that is tightly related to the Group's brand. Corporate Social Responsibility (CSR) is important to Itera for several reasons:

- It can have a positive effect on employee satisfaction. Itera believes that its employees want to be a part of an organization that engages actively with contributing to society. Ensuring Itera's vision and business values are an integral part of day-to-day activities at the group has the potential to contribute to employee engagement, commitment, pride and loyalty.
- Growth and profitability: Itera believes that companies that are aware of their responsibility to make a positive contribution to society are more successful than companies that have an unbalanced focus on profitability. Having a reputation as a responsible company that complies with all legal requirements is a prerequisite for building solid relationships with customers and to attracting new employees.

Many of Itera's deliveries have an impact on society. A good example of one such delivery in the first quarter was a project that involved some of Itera's service designers working with one of the districts in the City of Oslo to identify how to create effective key arenas for children and young adults in the district.

Engagement to increase female representation in the IT industry

In relative terms the number of women in the IT sector is low, and Itera wants to help create a more balanced mix. In the first quarter, Itera welcomed 30 female technology students for a full-day visit. This visit attracted political interest, with both the Minister of Children and Equality, Linda Hofstad Helleland, and the Minister of Trade and Industry, Torbjørn Røe Isaksen, visiting Itera to discuss the proportion of women studying tech-related subjects with the participants and Itera.

Nordic strategy and larger, long-term customer relationships

A key part of Itera's strategy is to maintain and develop the Group's largest and most strategic relationships across national borders and areas of expertise. Itera has a strong customer portfolio in the Nordic region, where many customers are served from more than one of Itera's various locations.

The revenue from Itera's 30 largest customers grew by 14% in the first quarter of 2018 and accounted for 80% of the Group's operating revenue, up from 76% in the first quarter of 2017.

The Group is witnessing a clear tendency for more and more Nordic customers to purchase a wider range of services from Itera across international borders. Nearshoring and cloud services are natural drivers of this, but we are also seeing a greater tendency for personnel resources to be mobile and for project teams to be distributed across international borders in the Nordic region. This is making local presence less critical.

A good example of this scalability is Itera's entry model into the Icelandic market where more than 35 consultants are working from Itera various locations.

Organisation

The Group's headcount at the end of the first quarter of 2018 was 489 as compared to 419 at the end of the first quarter of 2017.

The proportion of Itera's capacity that is located nearshore (its

nearshore ratio) was 44% (38%) at the end of the first quarter. The Group has development centres in Slovakia and Ukraine, and is approaching its long term strategic target of achieving a nearshore ratio of more than 50%.

To support a further and strong increase in the Group's scalability, the close to 200 employees that work at Itera's development centre in Kiev moved into larger, modern and newly built premises in central Kiev during the first quarter.

Significant risks and uncertainties

Itera's activities are influenced by a number of different factors, both within and outside of the company's control. As a service company, Itera faces business risks associated with competition and pressure on prices, project overruns, recruitment, loss of key employees, customers' performance and bad debts. Market-related risks include risks related to the business cycle. Financial risks include currency fluctuations against the Norwegian krone (NOK), principally in relation to the Danish krone (DKK), the US dollar (USD) and the euro (EUR). In addition, interest rate changes will affect the returns earned by the Group on its bank deposits, as well as leasing costs and the cost of credit facilities.

The Group is exposed through its nearshore activities in Ukraine to additional risk factors such as country risk, data security and corruption. Itera has a zero-tolerance policy on corruption and therefore does not deliver services to the public or private sectors in Ukraine.

More information about risks and uncertainties can be found in Itera's annual report for 2017.

Events after the reporting period

Shortly after the end of the first quarter, KLP announced that it had selected Itera as its partner for digitalising its customer channels.

The agreement will be a continuation of Itera's long-standing relationship with KLP, to which the Group has delivered a wide range of services and solutions within development, communication and user experience for 17 years. Going forward, Itera will work closely with KLP to design and develop the future digital customer experience offered by the company to its 900,000 members, 403 municipalities, 16 county authorities, 24 health trusts and 2500 companies. KLP plays a very important role in society as an investment manager and partner in the lives of many people. Itera is looking forward to helping to make a difference by creating great digital customer experiences for so many people.

Outlook

The company's overall strategy of developing large, long-term customer relationships, increasing the number of project deliveries which involve the full range of the Group's services, using nearshore resources and focusing on operational efficiency remains unchanged.

Itera develops its range of services to meet customers' requirements, and its services are based on combining communication and technology.

Next interim report

The interim report for the second quarter of 2018 will be published and presented on 17 August 2018.

STATEMENT OF CONSOLIDATED INCOME

All figures in NOK 1000	2018 1-3	2017 1-3	change	change %	2017 1-12
Sales revenue	131 151	118 569	12 582	11 %	475 025
Operating expenses					
Cost of sales	20 856	15 976	4 880	31 %	73 360
Gross Profit	110 294	102 593	7 702	8 %	401 666
<i>Gross Margin</i>	84 %	87 %	-2 %	-2.4 pts	85 %
Personnel expenses	82 046	73 450	8 596	12 %	294 316
Depreciation	5 200	4 865	334	7 %	20 335
Other operating expenses	13 033	12 994	39	0 %	47 682
Total operating expenses	121 136	107 286	13 850	13 %	435 692
Operating profit	10 015	11 283	-1 268	-11 %	39 333
Financial items					
Other financial income	155	265	-110	-42 %	713
Other financial expenses	1 635	576	1 059	184 %	1 721
Net financial items	-1 480	-311	-1 169	-376 %	-1 008
Ordinary profit before tax	8 535	10 972	-2 437	-22 %	38 325
Tax expense	2 002	2 629	-627	-24 %	8 691
Profit for the period	6 533	8 343	-1 810	-22 %	29 635
Earnings per share	0.08	0.10	-0.02	-22 %	0.36
Fully diluted earnings per share	0.08	0.10	-0.02	-22 %	0.36
Statement of other income and costs					
Currency translation differences	-197	264	-461	-174 %	693
Profit for the period	6 533	8 343	-1 810	-22 %	29 635
Total profit	6 336	8 608	-2 272	-26 %	30 328
Attributable to:					
Shareholders in parent company	6 336	8 608	-2 272	-26 %	30 328

STATEMENT OF FINANCIAL POSITION

All figures in NOK 1000	2018 31. mar	2017 31. mar	ending	ending %	2017 31. des
ASSETS					
Non-current assets					
Deferred tax assets	3 822	3 355	467	14 %	3 023
Other intangible assets	23 126	16 163	6 962	43 %	22 272
Fixed assets	20 452	25 768	-5 316	-21 %	21 235
Total non-current assets	47 400	45 286	2 114	5 %	46 530
Current assets					
Work in progress	10 165	20 992	-10 826	-52 %	15 794
Accounts receivable	77 834	63 688	14 146	22 %	70 364
Contract assets	18 684	0	18 684		0
Other receivables	20 610	20 495	116	1 %	21 230
Bank deposits	44 014	65 298	-21 284	-33 %	59 854
Total current assets	171 308	170 473	835	0 %	167 241
TOTAL ASSETS	218 708	215 759	2 949	1 %	213 771
EQUITY AND LIABILITIES					
Equity					
Share capital	24 656	24 656	0	0 %	24 656
Other equity	22 825	29 923	-7 099	-24 %	-3 653
Net profit for the period	6 533	8 343	-1 810	-22 %	29 635
Total equity	54 014	62 923	-8 909	-14 %	50 638
Non-current liabilities					
Non-current interest bearing liabilities	5 530	11 949	-6 419	-54 %	6 799
Total non-current liabilities	5 530	11 949	-6 419	-54 %	6 799
Current liabilities					
Accounts payable	21 152	18 272	2 880	16 %	20 710
Tax payable	6 548	9 078	-2 530	-28 %	8 531
Public duties payable	38 708	34 437	4 271	12 %	33 041
Contract liabilities	11 095	0	11 095		0
Other short-term liabilities	81 661	79 100	2 560	3 %	94 052
Total current liabilities	159 164	140 887	18 277	13 %	156 334
Total liabilities	164 694	152 836	11 858	8 %	163 133
TOTAL EQUITY AND LIABILITIES	218 708	215 759	2 949	1 %	213 771
Equity ratio	24.7 %	29.2 %	-4.5 pts		23.7 %

STATEMENT OF CASH FLOW

	2018 1-3	2017 1-3	change	change %	2017 1-12
All figures in NOK 1000					
Cash flow from operating activities					
Profit before taxes	8 535	10 972	-2 437	550 %	38 325
Tax paid	-4 459	-1 702	-2 757	38 %	-8 708
Depreciation	5 200	4 865	334	1355 %	20 335
Change in work in progress	-488	-6 681	6 192	-208 %	-1 482
Change in accounts receivable	-7 470	-7 749	279	-2878 %	-14 425
Change in accounts payable	442	-6 170	6 612	-193 %	-3 732
Change in other accruals	-10 202	6 524	-16 726	139 %	18 713
Effect of currency changes	214	-825	1 039	-179 %	639
Net cash flow from operating activities	-8 228	-765	-7 463	90 %	49 664
Cash flow from investment activities					
Investment in fixed assets	-2 409	-31	-2 378	99 %	-6 041
Investment in intangible assets	-3 101	-2 684	-416	-545 %	-13 418
Net cash flow from investment activities	-5 509	-2 715	-2 794	3 %	-19 458
Cash flow from financing activities					
Purchase of own shares	0	0	0	0 %	-1 590
Sales of own shares	0	0	0	0 %	3 298
Borrowings repaid	-2 088	-2 317	230	-1109 %	-8 114
Dividend	0	0	0	0 %	-35 113
Net cash flow from financing activities	-2 088	-2 317	230	-1109 %	-41 519
Currency effect on cash	-16	4	-19	119 %	75
Net cash flow	-15 841	-5 794	-10 047	42 %	-11 238
Bank deposits at the beginning of the period	59 854	71 092	-11 238	733 %	71 092
Bank deposits at the end of the period	44 014	65 298	-21 284	407 %	59 854
New borrowing related to leasing	172	800	-628	227 %	1 577

STATEMENT OF CHANGES IN EQUITY

All figures in NOK 1000	Share capital	Own shares	Other equity	Translation differences	Other equity	Total equity
Shareholders' equity as of 31 Dec 2016	24 656	-290	480	-928	30 397	54 315
Comprehensive income for the year 2017	0	0	0	693	29 635	30 328
Option costs	0	0	216	0	-1 134	-918
Employee share purchase programme	0	0	318	0	0	318
Purchase of own shares	0	-75	0	0	-1 515	-1 590
Sale of own shares	0	300	0	0	2 998	3 298
Dividend	0	0	0	0	-35 113	-35 113
Shareholders' equity as of 31 Dec 2017	24 656	-64	1 014	-235	25 268	50 637
Implementation of IFRS 15	0	0	0	0	-2 961	-2 961
Comprehensive income year to date 2018	0	0	0	-197	6 533	6 336
Shareholders' equity as of 31 Mar 2018	24 656	-64	1 014	-432	28 840	54 014

NOTES

NOTE 1: TRANSACTIONS WITH RELATED PARTIED

There have been no material transactions with related parties during the reporting period 1 January 2018 to 31 March 2018.

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2018 that would have a material effect on the interim accounts.

NOTE 3: IMPLEMENTATION OF IFRS 15 – “REVENUE FROM CONTRACTS WITH CUSTOMERS”

The IASB has issued a new standard on the recognition of revenue, IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces IAS 18, which covers contracts for goods and services, and IAS 11 (Construction Contracts). Itera adopted IFRS 15 with effect from 1 January 2018.

The new standard is based on the principle of recognising revenue when control of goods or services transfers to a customer. The notion of control replaces the existing notion of risks and rewards. The most important change to current practice is that revenue from consulting services rendered related to subscription contracts in some cases will be recognised over the contract period for the subscription contract and not at point in time when the services have been delivered as previously done. Under IFRS 15 control is considered transferred when the subscription contracts are fulfilled, not when these services are rendered. Cost for fulfilling a contract, such as cost related to delivering the services mentioned, were under the previous accounting policy expensed as incurred. IFRS 15 requires capitalisation of such cost as Contract Asset if the amortisation period is more than 12 months. The amortisation period is the expected contract period, including renewals. Payments from customers for delivering these services are under IFRS considered prepayments and classified as Contract Liabilities under current liabilities. Itera has reconsidered its approach and will use the prospective approach in adopting the standard, which means that the cumulative impact of adopting the standard has been recognised in retained earnings at 1 January 2018. The new accounting standard will have some impact on the timing of when Itera recognises revenue, the cost of resources and tax. In addition, certain line items in the statement of financial position have changed, mainly in relation to contract assets and liabilities.

The tables below show the impact of IFRS 15 on the statement of consolidated income for the first quarter of 2018 and on the statement of financial position as at 31 March 2018. The impact on retained earnings at 1 January 2018 has been estimated to be NOK -3.0 million.

Condensed statement of income

All figures in NOK 1000	Old Principles Q1 2018	Effect of IFRS 15	New Principles Q1 2018
Sales revenue	131 663	-512	131 151
Cost of sales	21 200	-344	20 856
Personnel expenses	82 659	-612	82 046
Depreciation	5 200	-	5 200
Other operating expenses	13 033	-	13 033
Operating profit	9 571	444	10 015
Net financial items	-1 394	-86	-1 480
Ordinary profit before tax	8 177	357	8 535
Tax expense	1 919	82	2 002
Profit for the period	6 258	275	6 533

Condensed statement of financial position

All figures in NOK 1000

	Old Principles Q1 2018	Effect of IFRS 15	New Principles Q1 2018
ASSETS			
Deferred tax assets	3 020	802	3 822
Other intangible assets	23 126	0	23 126
Fixed assets	20 452	0	20 452
Total non-current assets	46 598	802	47 400
Work in progress	20 967	-10 801	10 165
Accounts receivable	77 834	0	77 834
Contract assets	0	18 684	18 684
Other receivables	20 610	0	20 610
Bank deposits	44 014	0	44 014
Total current assets	163 425	7 883	171 308
TOTAL ASSETS	210 023	8 685	218 708
EQUITY AND LIABILITIES			
Equity			
Total equity	56 699	-2 685	54 014
Non-current interest bearing liabilities	5 530	0	5 530
Total non-current liabilities	5 530	0	5 530
Accounts payable	21 152	0	21 152
Tax payable	6 548	0	6 548
Public duties payable	38 708	0	38 708
Contract liabilities	0	11 095	11 095
Other short-term liabilities	81 386	275	81 661
Total current liabilities	147 794	11 370	159 164
TOTAL EQUITY AND LIABILITIES	210 022	8 685	218 708
Equity ratio	27.0 %	-2.3 pts	24.7 %

NOTE 4: ALTERNATIVE PERFORMANCE MEASURES

In accordance with the guidelines issued by the European Securities and Markets Authority on alternative performance measures (APMs), Itera is publishing definitions for the alternative performance measures used by the company. Alternative performance measures, i.e. performance measures not based on financial reporting standards, provide the company's management, investors and other external users with additional relevant information on the company's operations by excluding matters that may not be indicative of the company's operating result or cash flow. Itera has adopted non-recurring costs, EBITDA, EBITDA margin, EBIT, EBIT margin and equity ratio as alternative performance measures both because the company thinks these measures will increase the level of understanding of the company's operational performance and because these represent performance measures that are often used by analysts and investors and other external parties.

Non-recurring costs are significant costs that are not expected to reoccur under normal circumstances.

EBITDA is short for earnings before interest, tax, depreciaton and amortisation. It is calculated as profit for the period before (i) tax expense, (ii) financial income and expenses and (iii) depreciation and amortisation.

EBITDA margin is calculated as EBITDA as a proportion of operating revenue.

EBIT is short for earnings before interest and tax and is calculated as profit for the period before (i) tax expense and (ii) financial income and expenses.

EBIT margin is calculated as EBIT as a proportion of operating revenue.

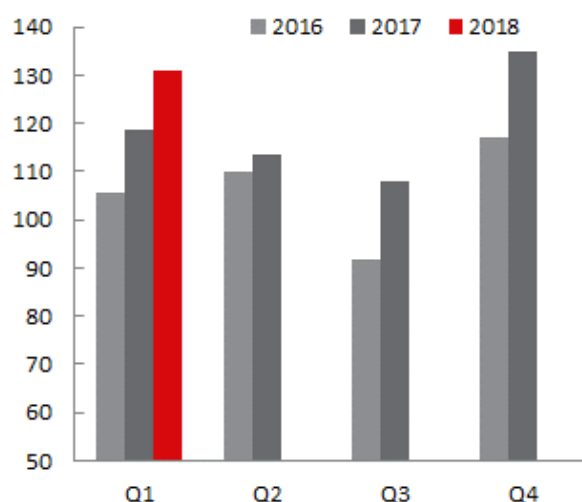
Equity ratio is calculated as total equity as a proportion of total equity and liabilities.

KEY FIGURES

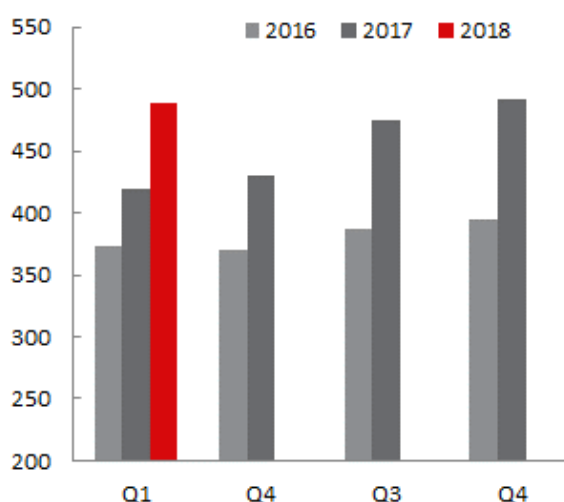
All figures in NOK 1000	2018 1-3	2017 1-3	change	change %	2017 1-12
Profit & Loss					
Sales revenue	131 151	118 569	12 582	11 %	475 025
Gross profit 1	110 294	102 593	7 702	8 %	401 666
EBITDA	15 215	16 148	-933	-6 %	59 668
EBITDA margin	11.6 %	13.6 %	-2 pts	-2 pts	12.6 %
Operating profit (EBIT)	10 015	11 283	-1 268	-11 %	39 333
EBIT margin	7.6 %	9.5 %	-1.9 pts	-1.9 pts	8.3 %
Profit before taxes	8 535	10 972	-2 437	-22 %	38 325
Profit for the period	6 533	8 343	-1 810	-22 %	29 635
Balance sheet					
Non-current assets	47 400	45 286	2 114	5 %	46 530
Bank deposits	44 014	65 298	-21 284	-33 %	59 854
Other current assets	127 294	105 175	22 120	21 %	107 388
Total assets	218 708	215 759	2 949	1 %	213 771
Equity	54 014	62 923	-8 909	-14 %	50 638
Total current liabilities	159 164	140 887	18 277	13 %	156 334
Equity ratio	24.7 %	29.2 %	-4.5 pts	-4.5 pts	23.7 %
Current ratio	0.80	0.75	0.05	7 %	0.69
Cash flow					
Net cash flow from operating activities	-8 228	-765	-7 463	-976 %	49 664
Net cash flow	-15 841	-5 794	-10 047	-173 %	-11 238
Share information					
Number of shares	82 186 624	82 186 624	0	0 %	82 186 624
Weighted average basic shares outstanding	81 972 689	81 221 179	751 510	1 %	81 690 873
Weighted average diluted shares outstanding	82 864 915	82 163 129	701 786	1 %	82 590 747
Profit per share	0.08	0.10	-0.02	-22 %	0.36
Diluted Profit per share	0.08	0.10	-0.02	-22 %	0.36
EBITDA per share	0.19	0.20	-0.01	-7 %	0.73
Equity per share	0.66	0.77	-0.12	-15 %	0.62
Dividend per share	0.00	0.00	0.00	0 %	0.43
Employees					
Number of employees at the end of the period	489	419	70	17 %	491
Average number of employees	489	411	77	19 %	443
Operating revenue per employee	268	288	-20	-7 %	1 072
Gross profit 1 per employee	226	249	-24	-10 %	906
Personnel expenses per employee	168	179	-11	-6 %	664
Other operating expenses per employee	27	32	-5	-16 %	108
EBITDA per employee	31	39	-8	-21 %	135
EBIT per employee	20	27	-7	-25 %	89

QUARTERLY DEVELOPMENT 2015-2018

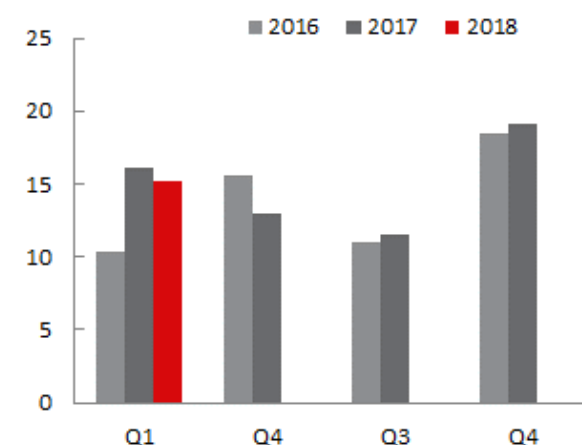
Revenues
NOK million



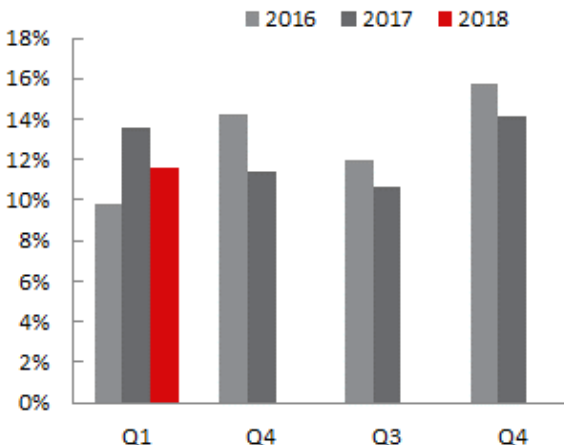
Employees
End of period



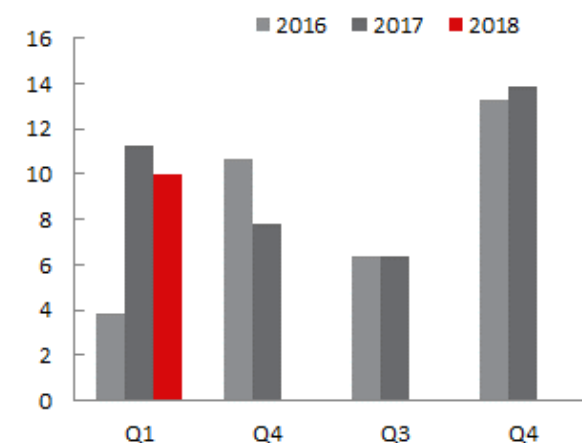
EBITDA
NOK million



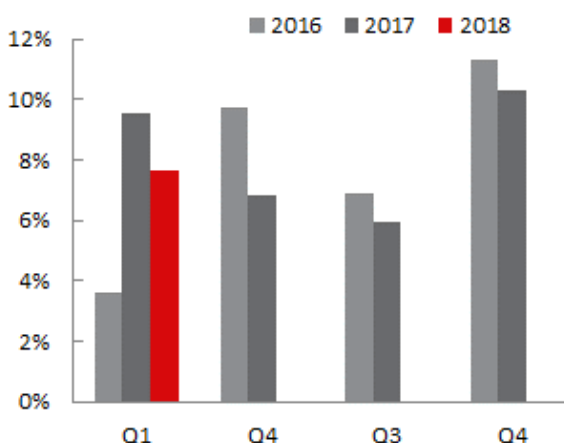
EBITDA margin
%



EBIT
NOK million



EBIT margin
%





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