



INTERIM REPORT

SECOND QUARTER 2018

CEO ARNE MJØS
CFO BENT HAMMER

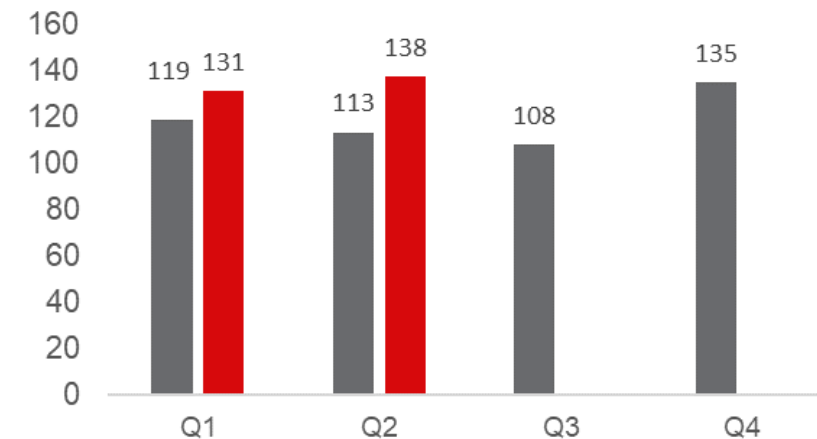
OSLO, 17 AUGUST 2018

HIGHLIGHTS OF THE SECOND QUARTER

- Revenue
 - NOK 138 (113) million
 - Growth of 21% y-o-y
- Gross Profit
 - NOK 114 (96) million
 - Growth of 19% y-o-y
- EBITDA
 - EBITDA of NOK 14.7 (12.9) million, 10.7% (11.4%) margin
- EBIT
 - EBIT of NOK 9.5 (7.8) million, 6.9% (6.8%) margin
- Cash flow
 - NOK 21.6 (5.5) million cash flow from operations
- Capacity
 - Number of employees up by 56 (13%) last 12 months
- Dividends
 - Paid ordinary dividend of NOK 0.25 per share

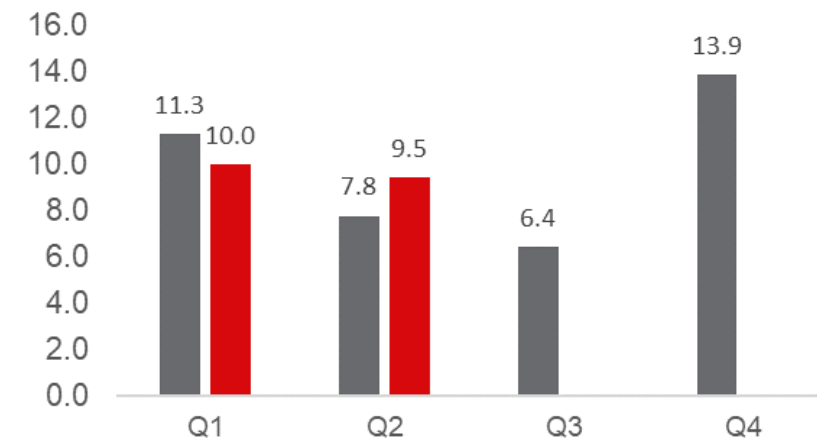
Revenues

NOK million



EBIT

NOK million



■ 2017 ■ 2018



FINANCIAL REVIEW

KEY FIGURES

	2018 Q2	2017 Q2	Change %	2018 YTD	2017 YTD	Change %	2017 FY
NOK Million							
Operating revenue	137.6	113.5	21 %	268.7	232.1	16 %	475.0
Gross profit	113.8	95.8	19 %	224.1	198.4	13 %	401.7
EBITDA	14.7	12.9	13 %	29.9	29.1	3 %	59.7
EBITDA margin	10.7 %	11.4 %	-0.7 pts	11.1 %	12.5 %	-1.4 pts	12.6 %
EBIT	9.5	7.8	22 %	19.5	19.1	2 %	39.3
EBIT margin	6.9 %	6.8 %	0 pts	7.2 %	8.2 %	-1 pts	8.3 %
Net cash flow from operations	21.6	5.5	293 %	13.3	4.7	182 %	49.7
Cash and cash equivalents	15.3	52.5	-71 %	15.3	52.5	-71 %	59.9
Equity ratio	11.3 %	27.9 %	-16.6 pts	11.3 %	27.9 %	-16.6 pts	23.7 %
Employees at end of period	486	430	13 %	486	430	13 %	491
Employees in average	486	424	15 %	487	418	17 %	443

- High growth in service revenue, especially in nearshore deliveries and in Denmark
- Strong cash conversion beyond Q1 catch-up
- Equity and cash balance significantly reduced by dividend payout and share re-purchase

STATEMENT OF INCOME

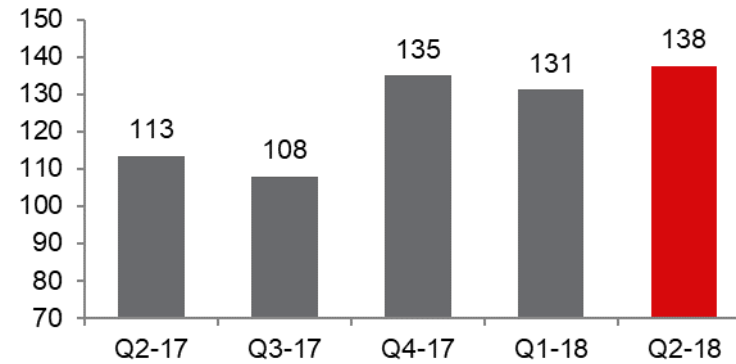
NOK Million	2018 Q2	2017 Q2	Change %	2018 YTD	2017 YTD	Change %	2017 FY
Operating revenue	137.6	113.5	21 %	268.7	232.1	16 %	475.0
Cost of sales	23.8	17.6	35 %	44.7	33.6	33 %	73.4
Gross Profit	113.8	95.8	19 %	224.1	198.4	13 %	401.7
Personnel expenses	86.2	70.8	22 %	168.3	144.2	17 %	294.3
Depreciation	5.2	5.2	1 %	10.4	10.0	4 %	20.3
Other operating expenses	12.9	12.1	6 %	25.9	25.1	3 %	47.7
Total operating expenses	128.1	105.7	21 %	249.3	213.0	17 %	435.7
Operating profit (EBIT)	9.5	7.8	22 %	19.5	19.1	2 %	39.3
Net financial income	-0.1	-0.3	54 %	-1.6	-0.6	-165 %	-1.0
Profit before tax	9.3	7.5	25 %	17.8	18.4	-3 %	38.3
Tax	2.3	1.8	27 %	4.3	4.5	-3 %	8.7
Net profit for the period	7.0	5.6	24 %	13.5	14.0	-3 %	29.6

- Utilisation impacted by the transition of hosting operation into hybrid cloud and devops
- Cost of sales higher due to more 3rd party subcontractors
- Increase in average personnel expenses due to less capitalisation of product development and salary growth

QUARTERLY DEVELOPMENT

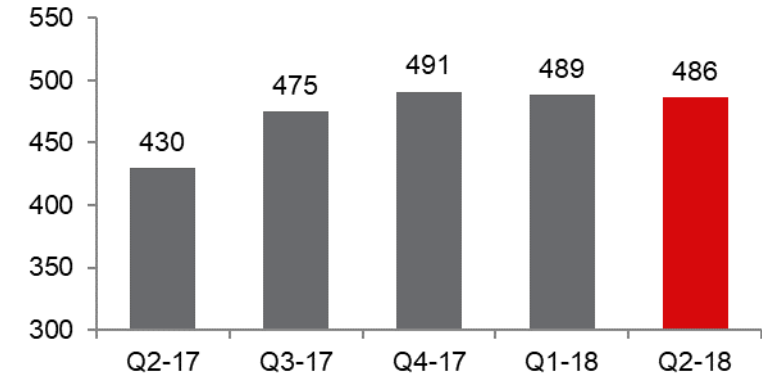
Operating revenue

NOK million



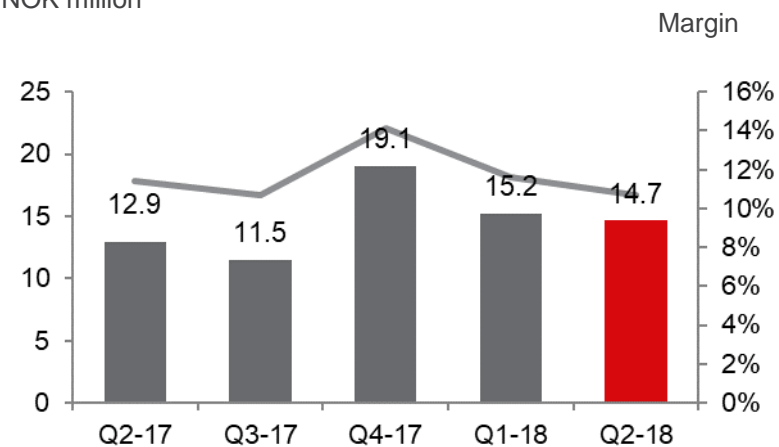
Employees

End of period



EBITDA

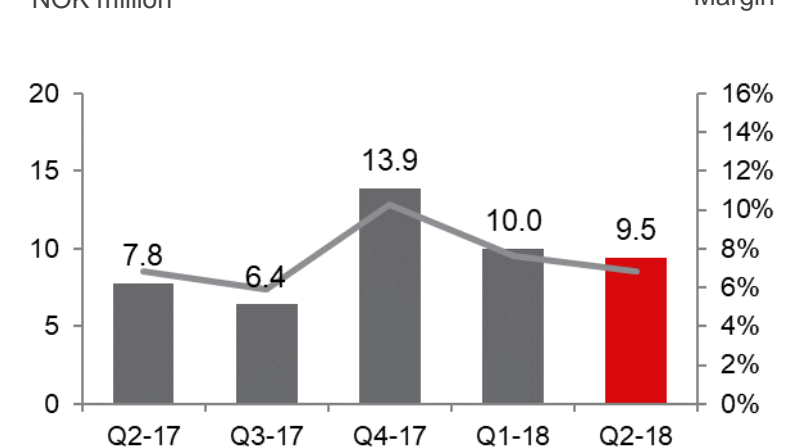
NOK million



EBIT

NOK million

Margin

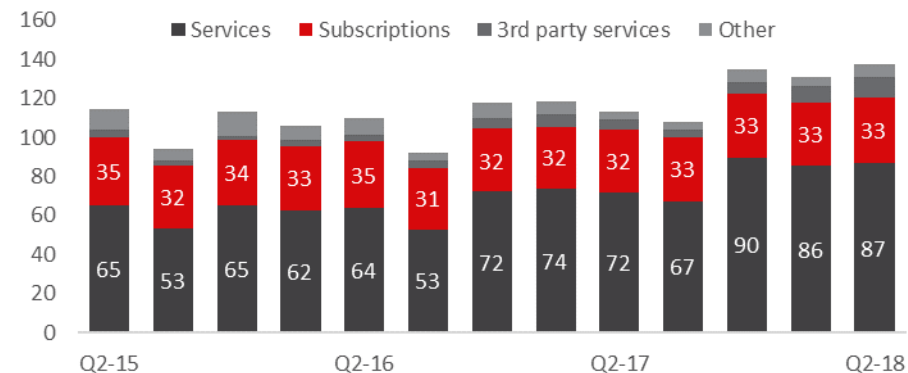


REVENUE

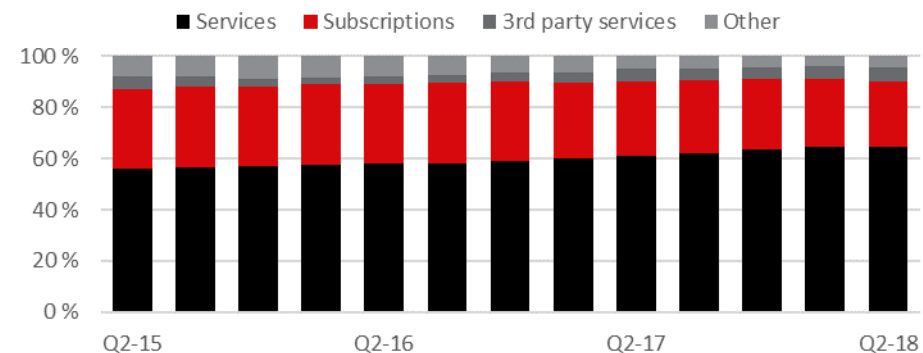
- Revenue increased by 21% y-o-y
 - Service revenues from own consultants increased by 21% to NOK 87 million
 - Subscription revenue increased by 4% to NOK 33 million
 - 3rd party service revenue increased by 94% to NOK 10 million
 - Other revenue, incl. HW/SW sales, increased by 57% to NOK 7 million

Revenue split (quarterly figures)

NOK Million



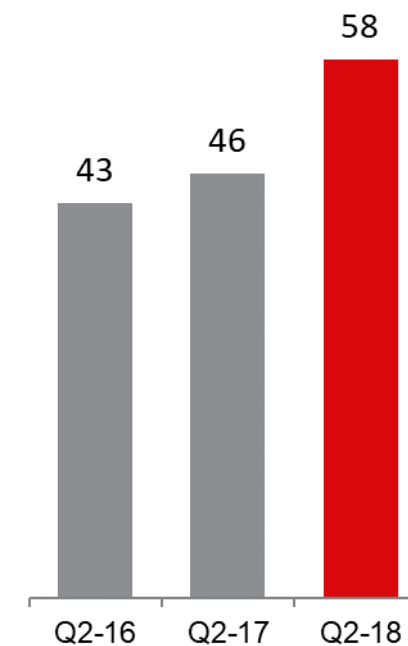
Revenue percentage split (rolling 12 months)



STATEMENT OF CASH FLOW

NOK Million	2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017 FY
Cash flow from operations (EBITDA)	14.7	12.9	29.9	29.1	59.7
Change in balance sheet items	6.9	-7.4	-16.5	-24.4	-10.0
Net cash flow from operating activities	21.6	5.5	13.3	4.7	49.7
Net cash flow from investment activities	-8.0	-3.5	-13.5	-6.2	-19.5
Purchase of own shares	-22.6	-1.6	-22.6	-1.6	-1.6
Borrowings repaid	-2.1	-2.2	-4.2	-4.5	-8.1
External dividend paid	-20.5	-14.6	-20.5	-14.6	-35.1
Net cash flow from financing activities	-45.1	-18.4	-47.2	-20.8	-44.8
Net change in bank deposits and cash	-28.7	-12.8	-44.5	-18.6	-11.2
Bank deposits at the end of the period	15.3	52.5	15.3	52.5	59.9
New borrowing related to leasing	1.5	0.2	1.7	1.0	1.6

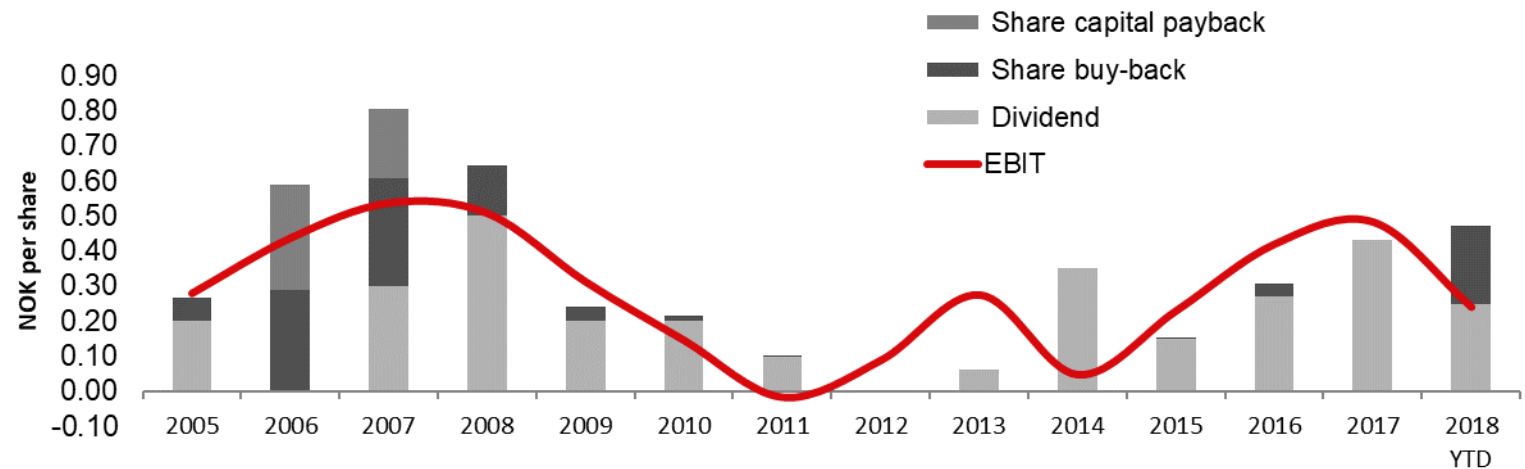
12 month rolling
cash flow from operations
(NOK Million)



-> Cash flow from operations NOK 21.6 (5.5) million in Q2
-> NOK 43 million used for dividend payments and purchase of own shares
-> 12 month rolling cash flow from operations was NOK 58 million

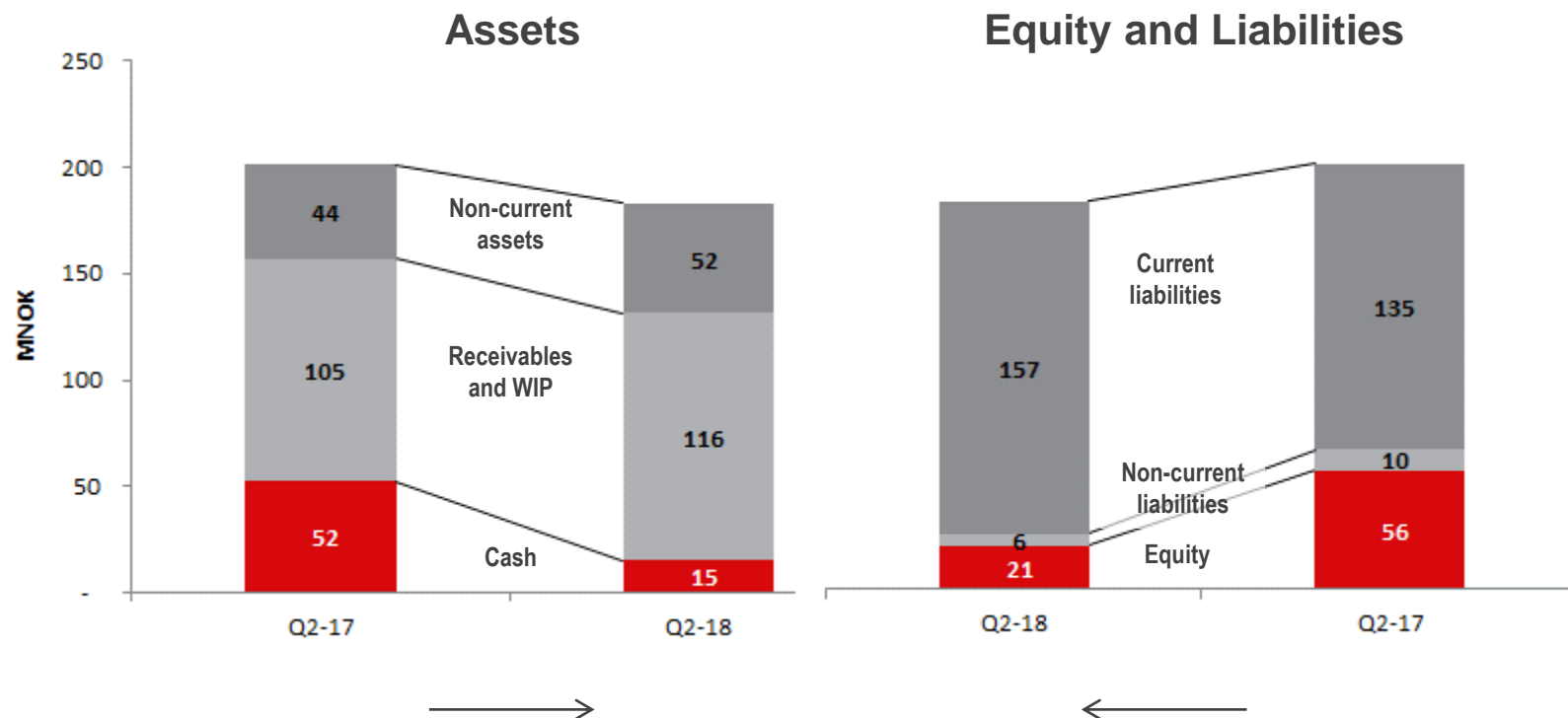
DIVIDENDS AND OWN SHARES

- An ordinary dividend for 2017 of NOK 0.25 per share (68% of net profits) was paid in June
- Share price was NOK 8.62 on 29 June, up NOK 1.62 (23%) from same time in 2017
- Current holding of own shares is 2,214,542 shares, up 2,000,607 from last quarter
- Consistent high distribution of earnings



STATEMENT OF FINANCIAL POSITION

- Group equity ratio of 11% (27%) per 30 June.
- Cash balance of MNOK 15 (MNOK 52).
- Receivables and WIP MNOK 10 higher (MNOK 8 from IFRS 15 effects).
- Equity and cash low from purchase of own shares (MNOK 20) and dividend payout (MNOK 21).



IMPACT OF IFRS 15 IMPLEMENTATION

1 JAN 2018 EQUITY REDUCED BY MNOK 3.0 FROM CHANGE IN ACCOUNTING PRINCIPLES

IFRS 15 implementation effects 2018:

NOK Million	Adjusted (IAS 18) 4-6 2018	Impact IFRS 15	Reported (IFRS 15) 4-6 2018	Adjusted (IAS 18) 1-6 2018	Impact IFRS 15	Reported (IFRS 15) 1-6 2018
Revenue	137.6	0.0	137.6	269.2	-0.5	268.7
EBIT	9.4	0.1	9.5	19.0	0.5	19.5
Net profit	7.0	0.0	7.0	13.3	0.3	13.5

Q2 2018 effects:

- No impact on sales revenue (deferred income recognition)
- Positive EBIT impact of MNOK 0.1 due to capitalisation of costs
- Book equity on 30 June reduced by MNOK 2.7

Affected areas for timing of revenue recognition:

- Customised development based where Itera retains the IP will change from a point in time (at delivery) to over time (over the licence contract period)
- Transition projects will be recognised when the customer can use and benefit from the services rendered

A man with short blonde hair is assisting a woman with dark hair who is wearing a VR headset. The man is pointing towards the headset. In the background, there is a large, modern desk with a tablet displaying a diagram. The entire image has a blue tint.

BUSINESS REVIEW

ITERA TOWARDS 2020

#1 in creating digital business

WE FOCUS ON OUR
CUSTOMERS'
CUSTOMER

through customer
journeys and lean
startup

WE WORK IN
MULTIDISCIPLINARY
TEAMS

combining
communication &
technology skills

WE TAKE LIFE-CYCLE
RESPONSIBILITY

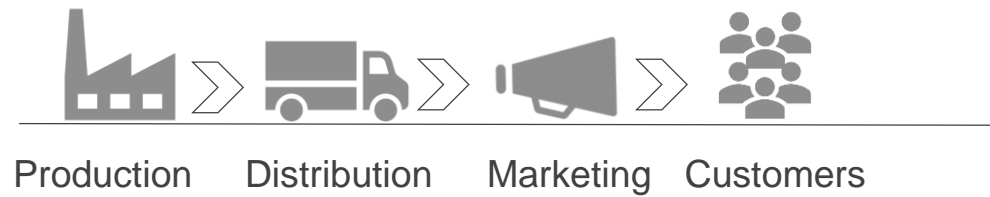
embracing cloud and
data protection issues

WE BRING VALUE
THROUGH OUR
HYBRID MODEL

for greater scalability
and cost-efficiency

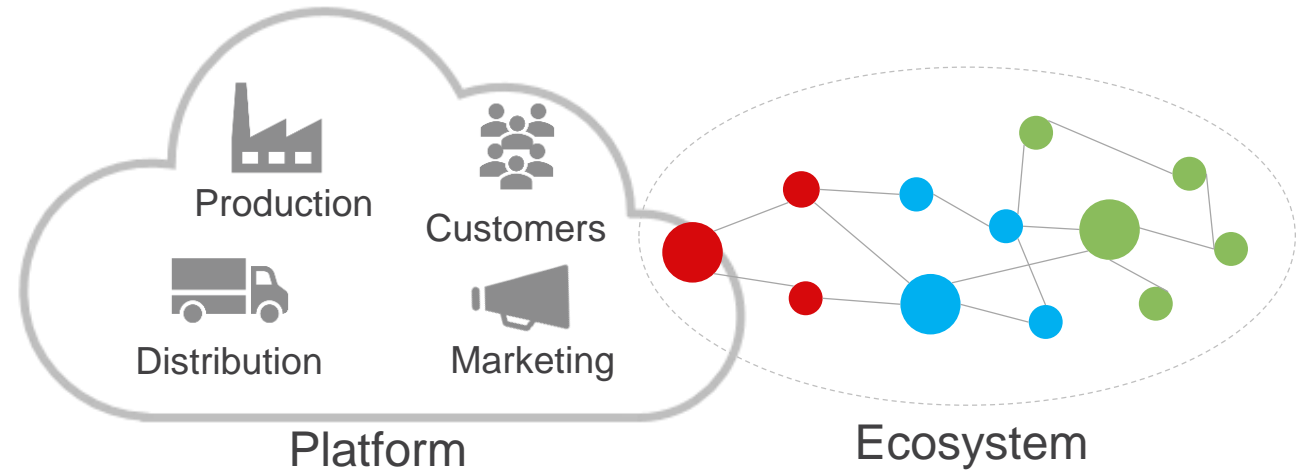
FROM VALUE CHAIN TO PLATFORMS

Traditional business model



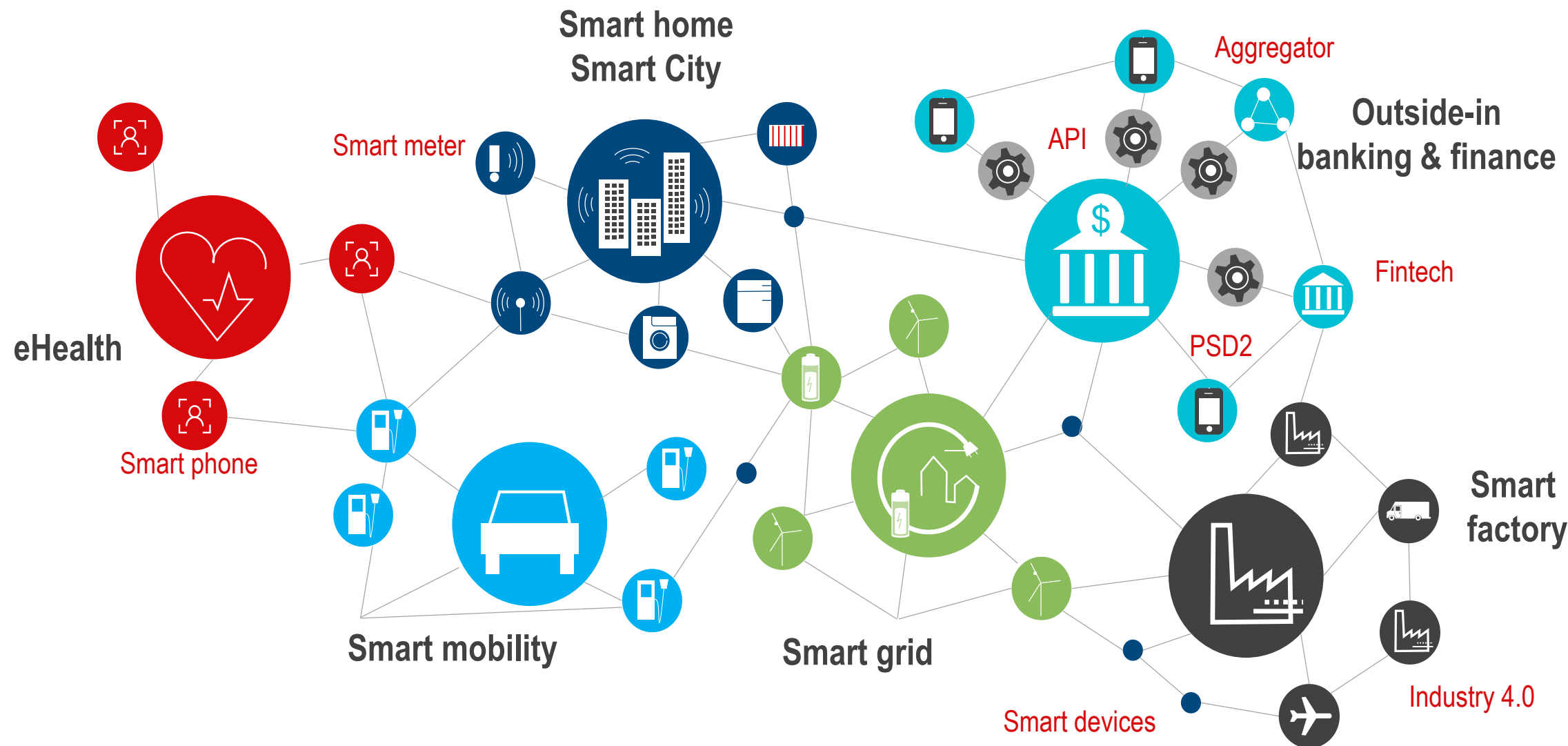
Value creation is
linear and one-way

Platform based business model



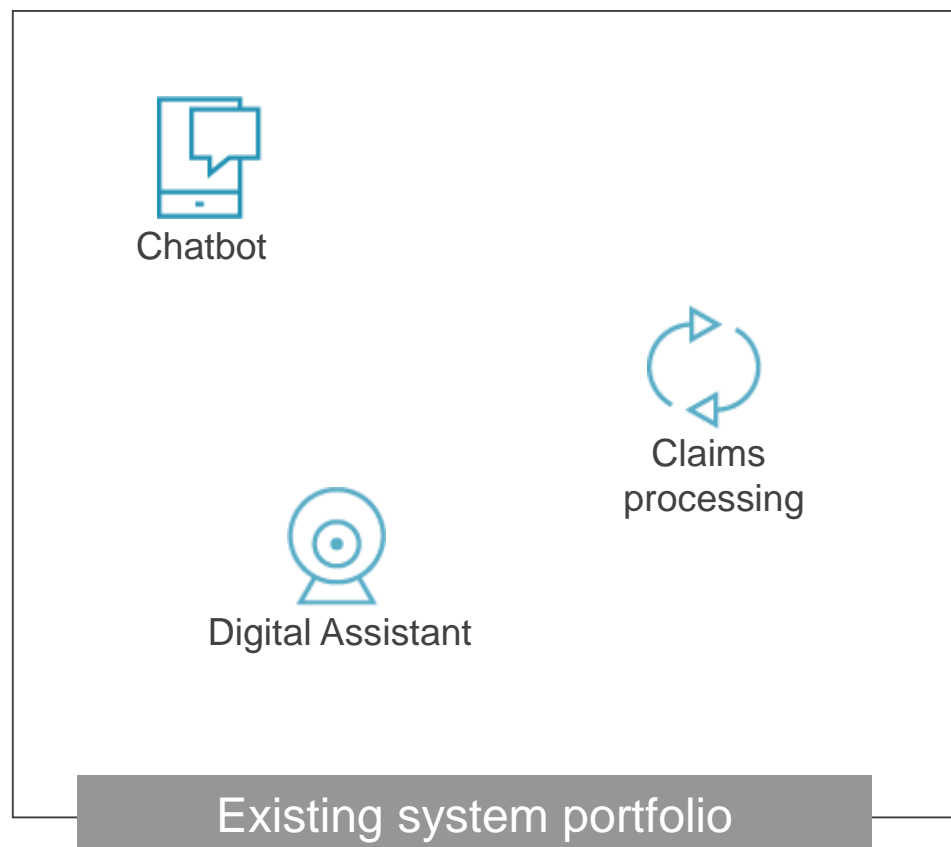
Value creation is
continuous and two-way

THE PLATFORM ECONOMY

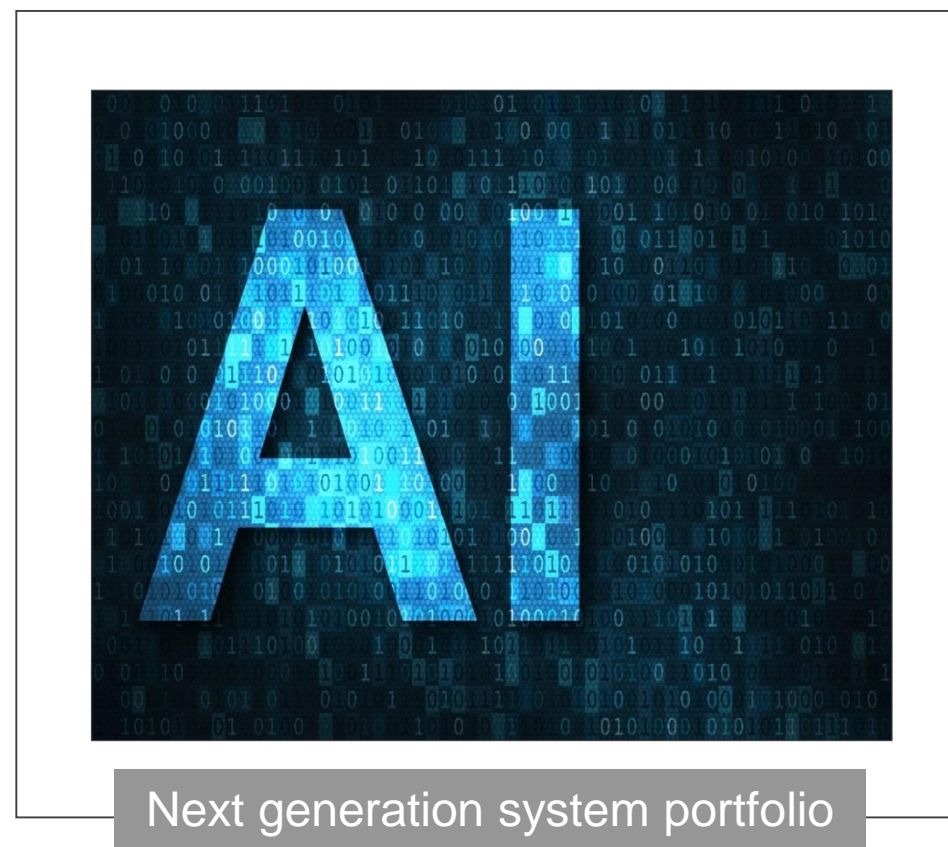


THE FUTURE OF AI IN PLATFORMS

2018: small spots of AI



2030: AI everywhere



FIRST MOVER PROJECTS

We are working on several first movers projects and opportunities across industries in the new platform economy

Digital Health

- Building a digital health platform across industries for a leading Nordic business
- Accessing fitness and health data from all kind of digital devices and using AI to improve people's life

Smart Energy Market

- Several projects in building the new intelligent utility with smart grids and distributed energy resources (i.e. solar, batteries)
- In addition to IoT and AI, blockchain is considered as key enabling technology

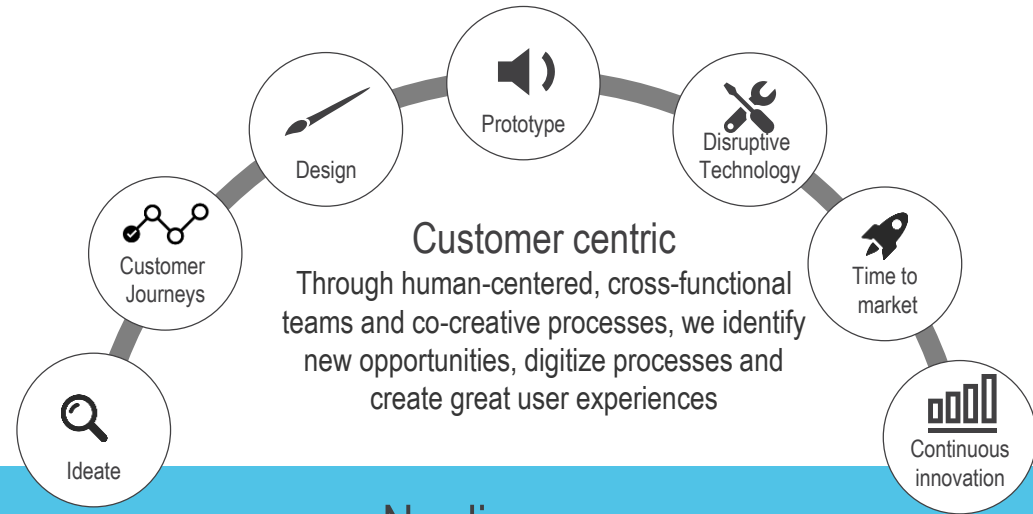
Smart Building & City

- Our award winning AirBnB-inspired solution for the Norwegian Defense is extended with a platform for digital locks
- Several upcoming opportunities where smart buildings and smart energy are combined towards future smart city

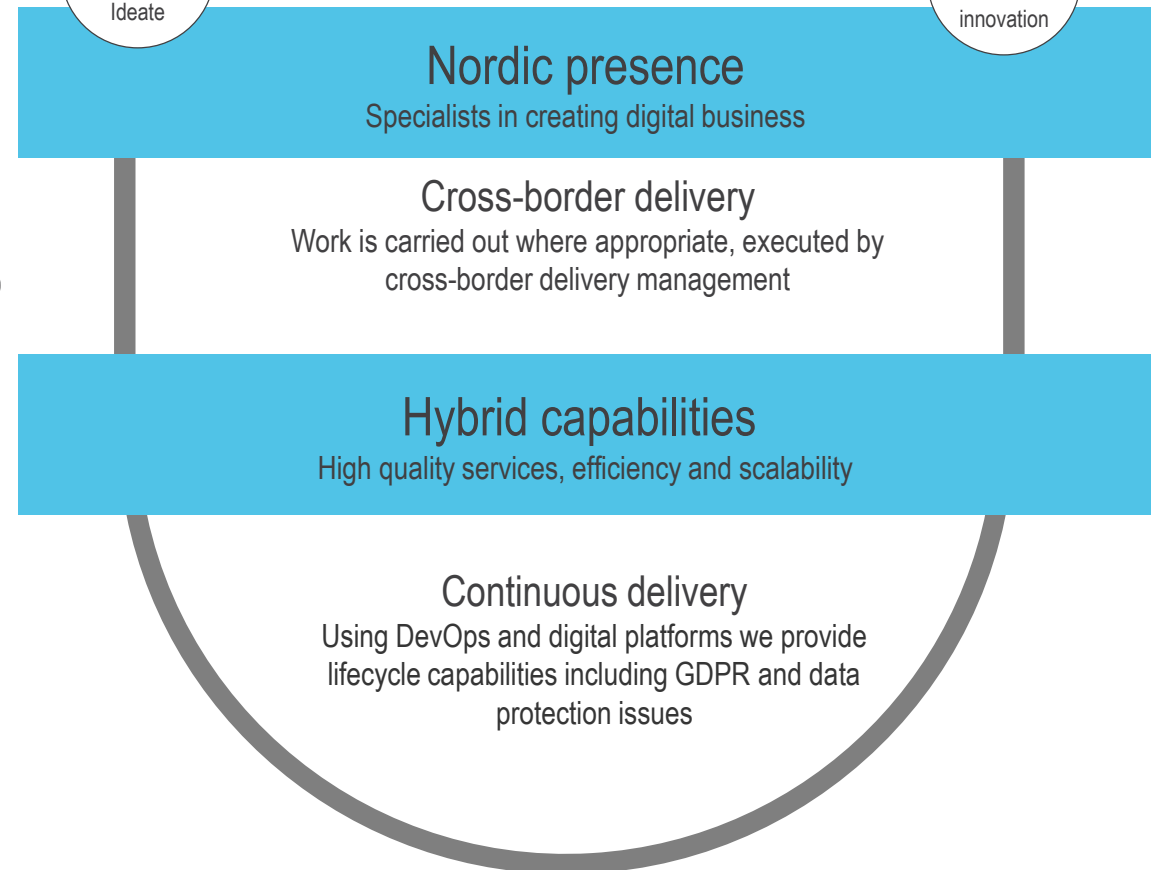
SPECIALISTS IN CREATING DIGITAL BUSINESS

FAST AND HYBRID

FAST



HYBRID



NEW DIRECTOR OF DIGITAL BUSINESS AND EXPERIENCE

- Ole Morten Damlien, former CEO in Creuna and Director Digital Business Integration in Accenture
- More than 50 specialists, high ambitions for further development
- *"With experience from and solid knowledge of Accenture and Creuna, I find Itera somewhere in the middle: it is listed, and large enough to have the structure and scalability of the big companies, while the agility and dynamics reminds me more of the agencies that set new user experience standards, which include AI and new technology platforms. This is what I find unique with Itera."*



Ole Morten Damlien

DELIVERING THE NEW EXPERIENCE



Outstanding
experiences



**Digital Business
& Experience**

50+ consultants



Open & scalable
cloud platform



**Cloud platforms
Azure, Amazon, Google**

150+ consultants



Data driven
intelligence



**DevOps &
Hybrid Cloud**

100+ consultants



MASSIVE DATA STREAMING FOR UEFA

- Engaged by UEFA in Switzerland to set up the technology platform to handle real-time data at massive scale delivered to the entire eco-system of football in Europe
- Data from Champions League, Europa League and Nations League
 - Persons (managers, referees etc.)
 - Players
 - Results
 - Teams
 - Club rankings
 - League setup
 - Travel logistics
 - Live streaming of all matches
- The platform will be available for all consumers of European football data
 - Supporters
 - Media
 - Betting companies



Order intake from existing and new customers



S'banken



nets



Íslandsbanki

ORDER
INTAKE

- Book-to-bill ratio*) of 0.8 in Q2 2018

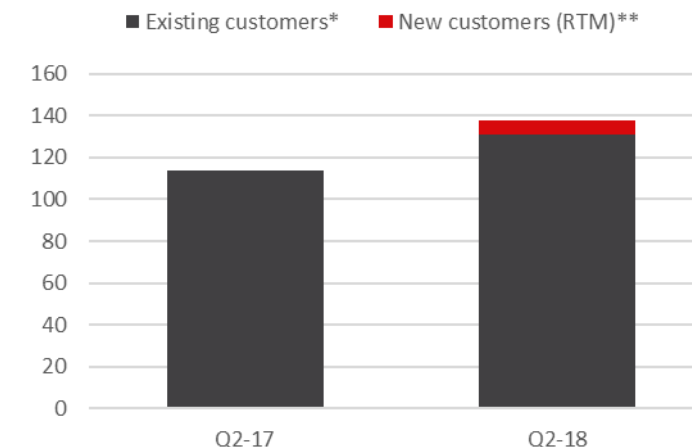
*) The **book-to-bill ratio** is the ratio of orders received to the amount of revenue for a specific period for Itera units

CUSTOMER DEVELOPMENT

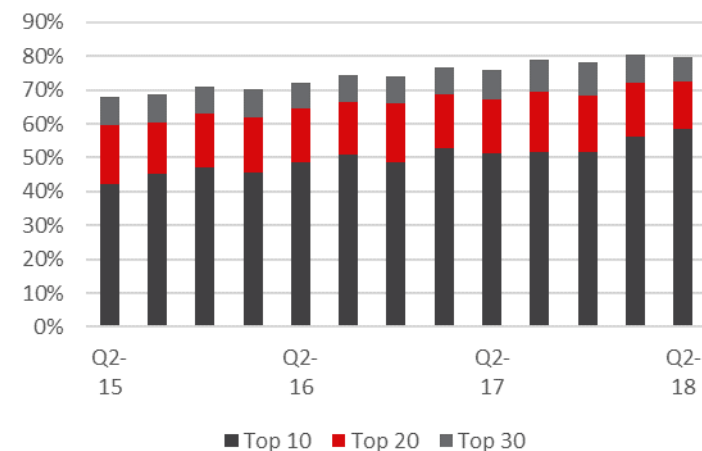
- New business
 - Existing clients accounted for 95.2% of revenues in Q2 2018
 - New customers won over the past year generated revenues of NOK 6.7 million in Q2 2018
- Increasing visibility
 - Share of revenue from top 30 customers up by 4 points y-o-y to 80%
 - Increasing number of large projects and services managed by Itera
 - Strategic relationships
 - Full range of services
 - Hybrid delivery across borders

Revenue customers split

MNOK



Share of revenue



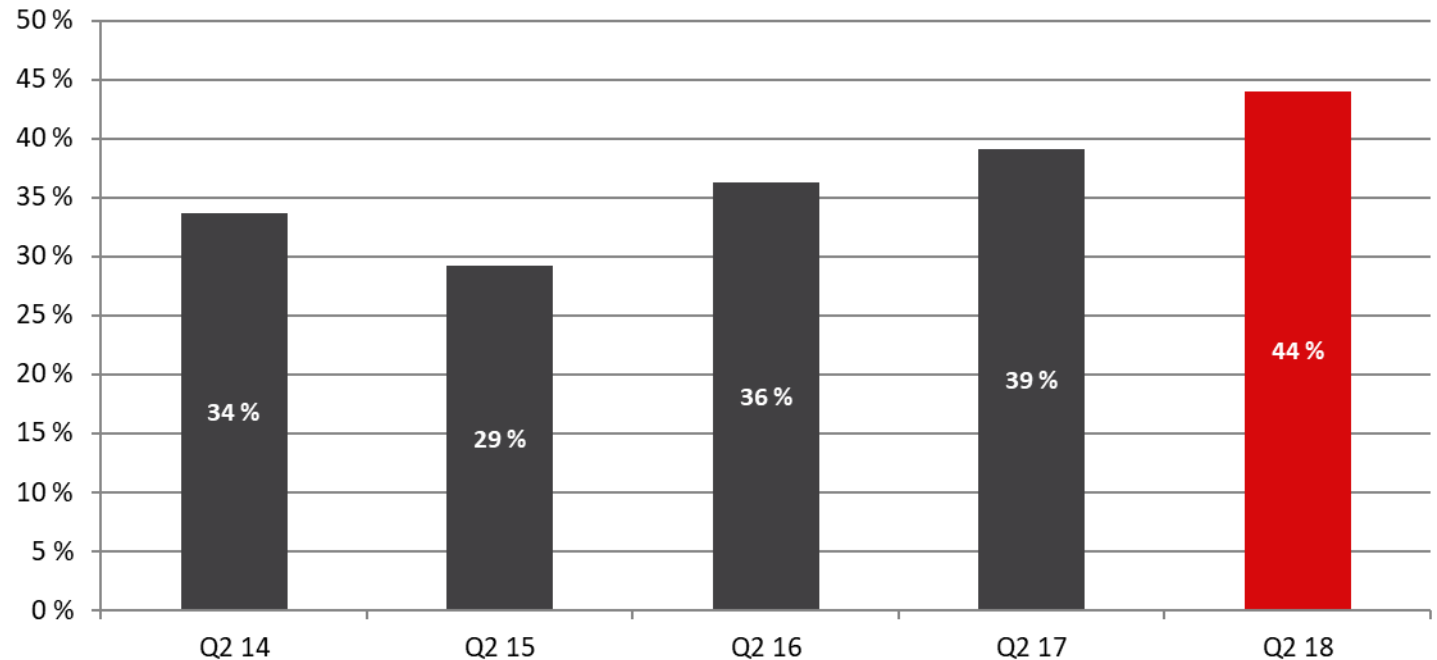
* Existing customers defined as customers that were invoiced in the corresponding quarter last year

** New customers (Rolling Twelve Months) defined as customers won since end of corresponding quarter last year

NEARSHORE RATIO

Nearshore ratio

% of all staff located nearshore



- Nearshore ratio of 44 % in Q2
- Target >50%
- Mixed teams of onshore and nearshore are increasing our price flexibility as well as providing access to a very large resource pool

TOP 25 MOST INNOVATIVE COMPANY

For the third consecutive year, Itera is recognised as one of the 25 most innovative companies across all industries in Norway



Accompanied by strong brands:

- DNB
- Telenor
- Tine
- The Norwegian Tax Administration
- Sbanken
- DNV GL

Awarded 2016, 2017 and 2018 by Innovasjonsmagasinet, the leading innovation publication in Norway with more than 25.000 readers and wide-spread national distribution



Q2 2018





OUTLOOK

A man and a woman are looking at a tablet together in an office setting. The man is sitting and holding the tablet, while the woman stands behind him, looking at the screen. The image has a blue tint.

OUTLOOK

- Customer demand remains strong in all Nordic markets
- Profitable growth and cash flow are key focus areas
- Digitalisation creates a strong market demand in all sectors where Itera is operating
- Larger projects and customers expected to continue to increase revenue visibility, efficiency and scalability

Itera does not provide guidance to the market on future prospects



itera

MAKE A DIFFERENCE

TOP 20 SHARE- HOLDERS

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS	26.61	NOR	21 873 645
2	OP CAPITAL AS	5.30	NOR	4 358 001
3	EIKESTAD AS	4.38	NOR	3 600 000
4	GIP AS	4.23	NOR	3 475 000
5	DnB NOR Bank ASA EGENHANDELSKONTO DnB NOR Markets	3.89	NOR	3 200 000*
6	SEPTIM CONSTULTING A	3.29	NOR	2 700 000
7	BOINVESTERING AS	3.16	NOR	2 600 000
8	STOREBRAND VEKST VER JPMORGAN EUROPE LTD,	2.98	NOR	2 452 689
9	ITERA ASA	2.69	NOR	2 214 542
10	GAMST INVEST AS	2.68	NOR	2 200 000
11	JØSYRA INVEST AS	2.68	NOR	2 200 000
12	MARXPIST INVEST AS c/o Børre Gammelsrud	2.47	NOR	2 031 588
13	FRAMAR INVEST AS	1.22	NOR	1 000 000
14	AANESTAD PANAGRI AS	1.10	NOR	900 000
15	STOREBRAND NORGE I V JPMORGAN EUROPE LTD,	0.89	NOR	727 555
16	BNP Paribas Securiti BPSS PAR/NO TREATY/U	0.82	FRA	672 000
17	ALTEA PROPERTY DEVEL Att: Trond Sigurd St	0.80	NOR	658 477
18	SÆTRANG MORTEN	0.76	NOR	626 825
19	NYVANG JETMUND GUNNAR	0.75	NOR	620 000
20	JENSEN LARS PETER	0.75	DNK	616 700
TOP 20		71.45		58 727 022

*Arne Mjøs Invest AS holds a future contract expiring 21 September 2018 on 3 200 000 shares currently owned by DNB Nor Bank ASA. The total controlling interest of Arne Mjøs Invest AS is thus 25 073 645 (31.5%).