



INTERIM REPORT

THIRD QUARTER 2018

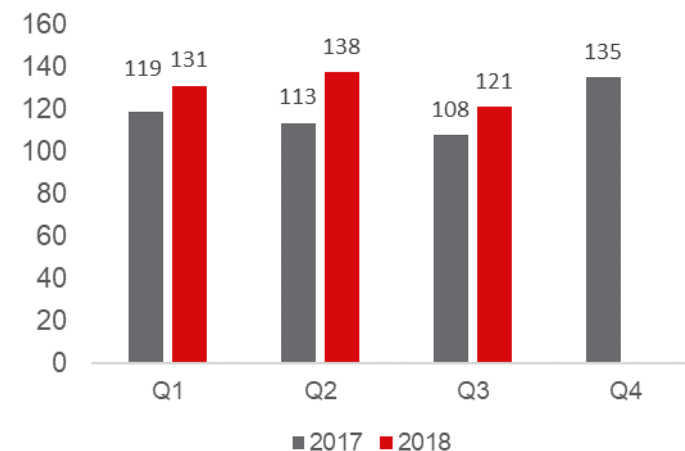
CEO ARNE MJØS
CFO BENT HAMMER

OSLO, 19 OCTOBER 2018

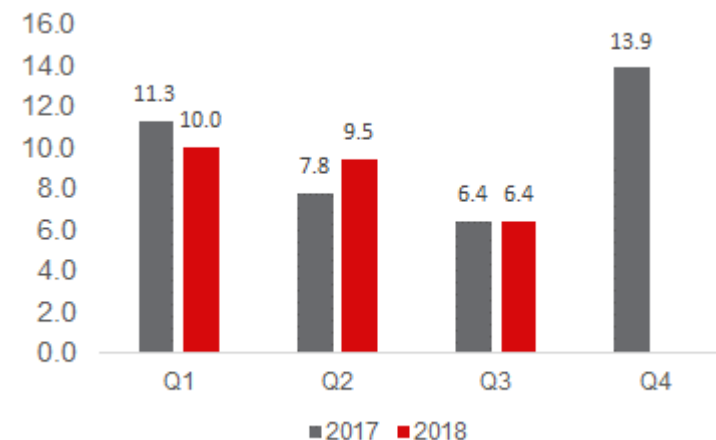
HIGHLIGHTS OF THE THIRD QUARTER

- Key figures
 - Revenue NOK 121 (108) million, up by 12% y-o-y
 - EBIT of NOK 6.4 (6.4) million, 5.3% (5.9%) margin
- Core digital business
 - YTD revenue growth of 23%
 - YTD EBIT margin of 10.5%
- Cloud transformation of Itera data centres
- Significant interest in our scalable hybrid model
- *The Customer Experience Provider of the Year 2018* (Global Sourcing Association)
- Successful employee stock purchase programme

Revenues
NOK million



EBIT
NOK million





FINANCIAL REVIEW

KEY FIGURES

	2018 Q3	2017 Q3	Change %	2018 YTD	2017 YTD	Change %	2017 FY
NOK Million							
Operating revenue	121.3	108.0	12 %	390.0	340.0	15 %	475.0
Gross profit	102.1	92.8	10 %	326.2	291.3	12 %	401.7
EBITDA	11.8	11.5	2 %	41.7	40.6	3 %	59.7
EBITDA margin	9.7 %	10.7 %	-1 pts	10.7 %	11.9 %	-1.3 pts	12.6 %
EBIT	6.4	6.4	0 %	25.9	25.5	2 %	39.3
EBIT margin	5.3 %	5.9 %	-0.6 pts	6.6 %	7.5 %	-0.9 pts	8.3 %
Net cash flow from operations	1.5	11.9	-88 %	14.8	16.7	-11 %	49.7
Cash and cash equivalents	19.6	59.1	-67 %	19.6	59.1	-67 %	59.9
Equity ratio	18.1 %	30.0 %	-11.9 pts	18.1 %	30.0 %	-11.9 pts	23.7 %
Employees at end of period	493	475	4 %	493	475	4 %	491
Employees in average	485	453	7 %	487	429	13 %	443

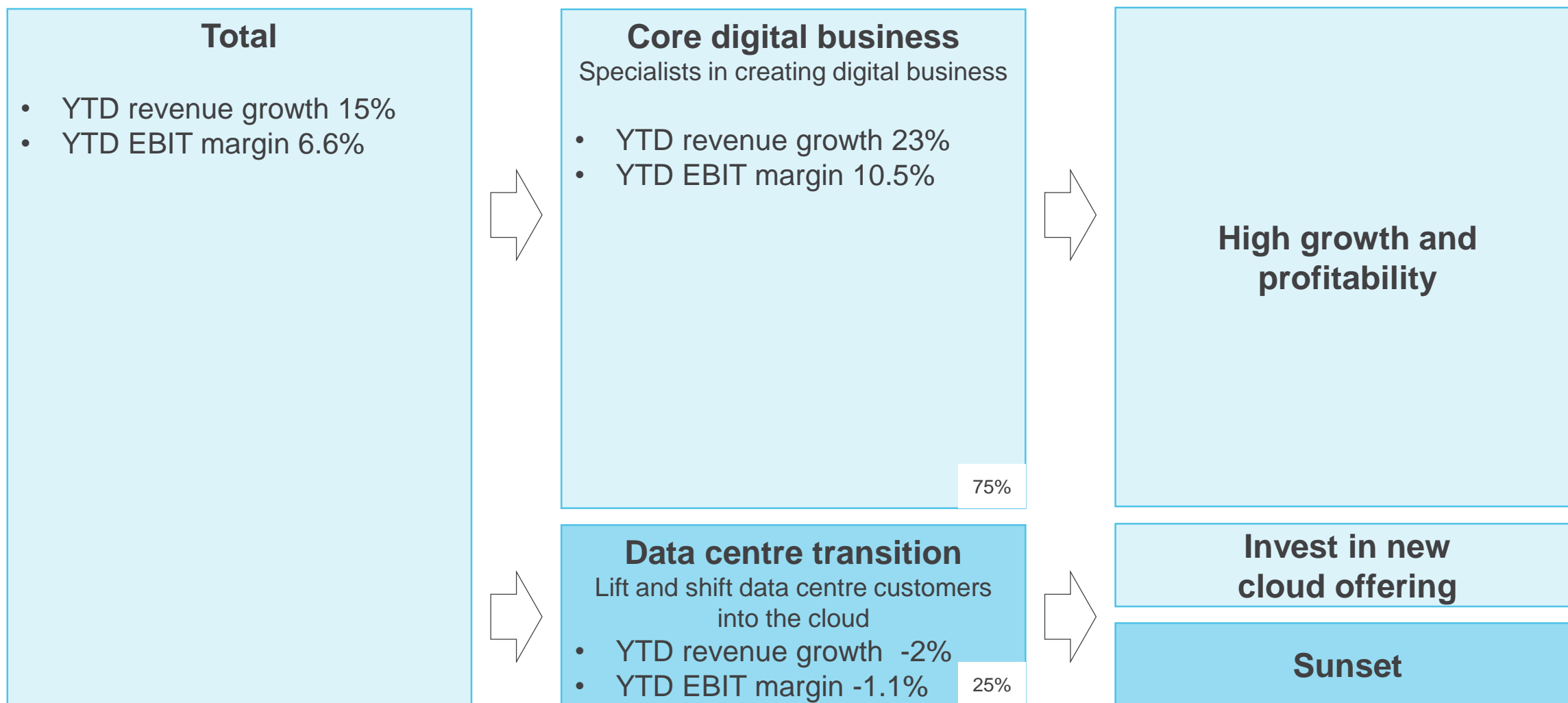
- Continued double-digit growth in service revenue, particularly strong in nearshore deliveries and in Denmark
- EBIT on par with last year
- Cash conversion negatively affected by significant receivables falling due over the last weekend of September

STATEMENT OF INCOME

NOK Million	2018 Q3	2017 Q3	Change %	2018 YTD	2017 YTD	Change %	2017 FY
Operating revenue	121.3	108.0	12 %	390.0	340.0	15 %	475.0
Cost of sales	19.2	15.1	27 %	63.9	48.7	31 %	73.4
Gross Profit	102.1	92.8	10 %	326.2	291.3	12 %	401.7
Personnel expenses	75.8	70.3	8 %	244.1	214.5	14 %	294.3
Depreciation	5.3	5.1	5 %	15.8	15.1	4 %	20.3
Other operating expenses	14.5	11.1	31 %	40.4	36.2	12 %	47.7
Total operating expenses	114.9	101.6	13 %	364.1	314.6	16 %	435.7
Operating profit (EBIT)	6.4	6.4	0 %	25.9	25.5	2 %	39.3
Net financial income	-0.2	-0.4	64 %	-1.8	-1.1	-68 %	-1.0
Profit before tax	6.3	6.0	5 %	24.1	24.4	-1 %	38.3
Tax	1.5	1.5	1 %	5.8	5.9	-2 %	8.7
Net profit for the period	4.8	4.5	6 %	18.3	18.5	-1 %	29.6

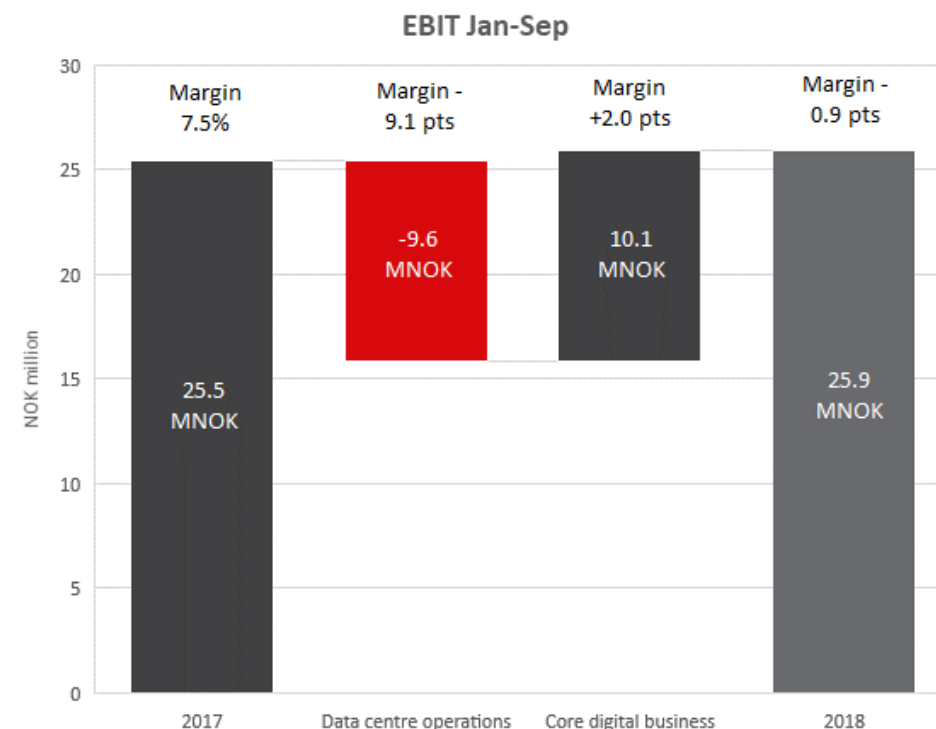
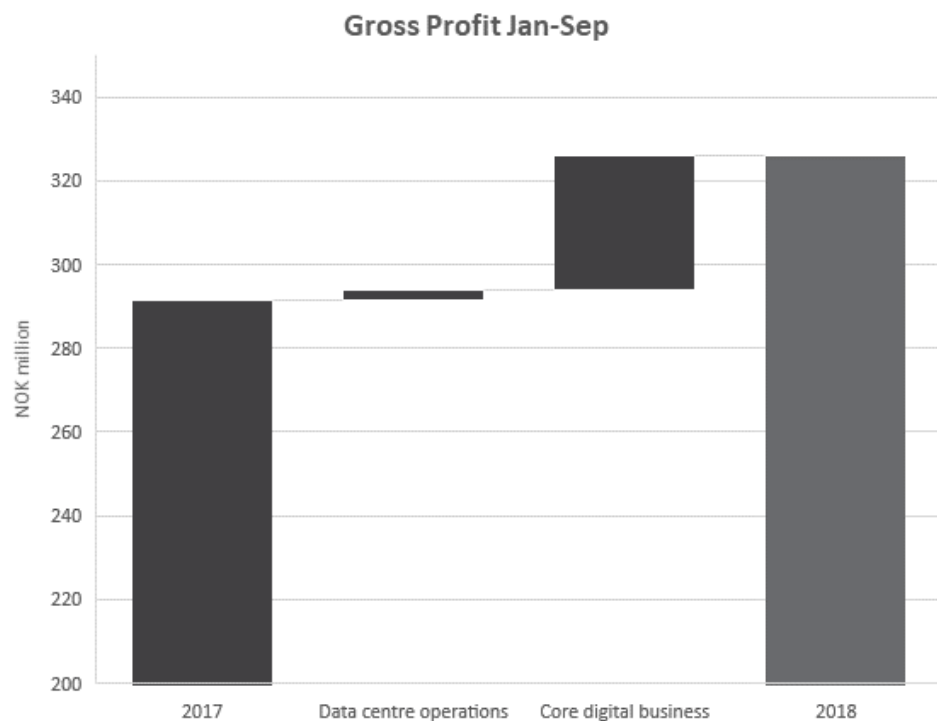
- > Utilisation impacted by the cloud transformation of data centre
- > Cost of sales higher due to more 3rd party subcontractors
- > Opex increase from facilities, training and professional services

CLOUD TRANSFORMATION



1): Share of total business in terms of gross profit

CLOUD TRANSFORMATION

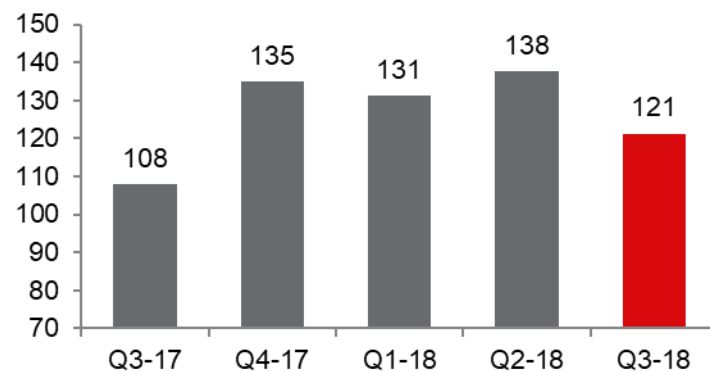


- High growth and strong profitability in core digital business
- Traditional data centre operations diluting growth and profitability
 - Invest in transformation to cloud offerings
 - Optimise and sunset residual business

QUARTERLY DEVELOPMENT

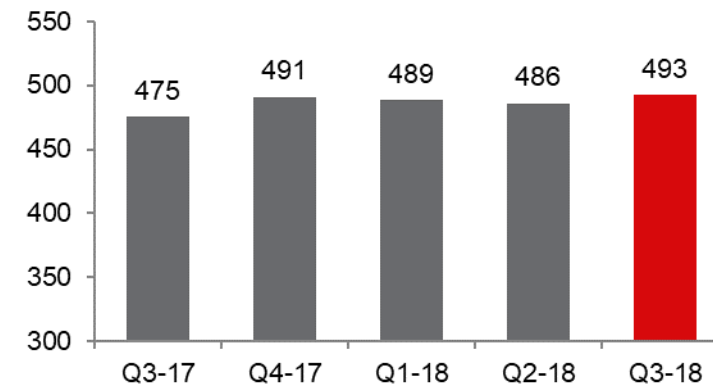
Operating revenue

NOK million



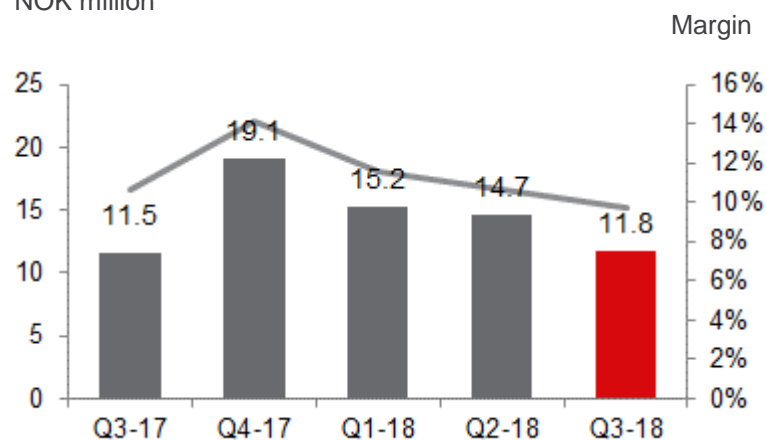
Employees

End of period



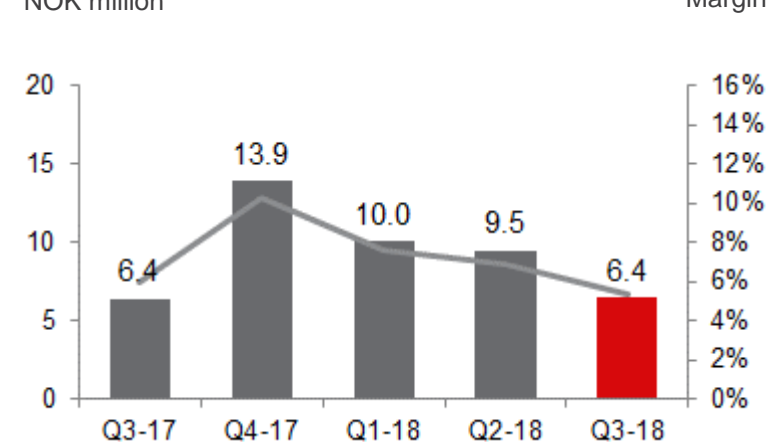
EBITDA

NOK million



EBIT

NOK million

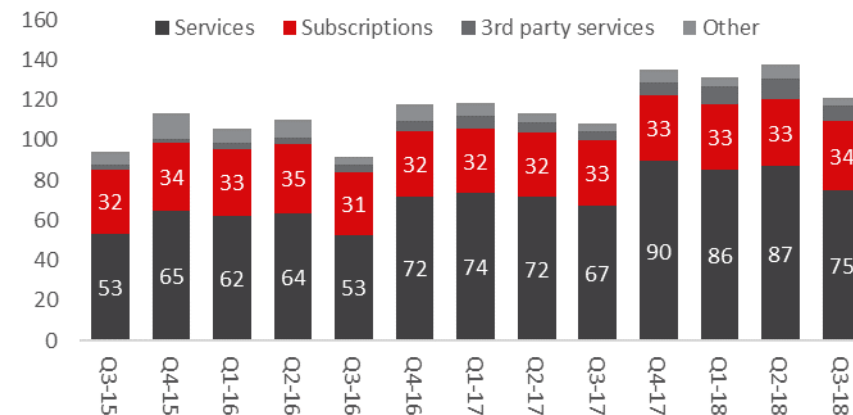


REVENUE

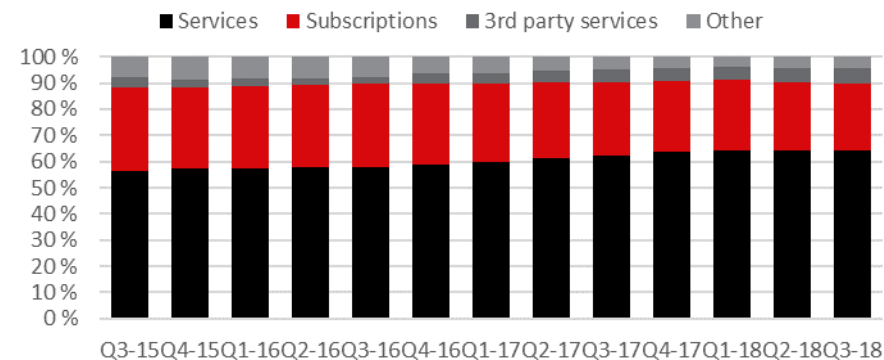
- Revenue increased by 12% y-o-y
 - Service revenues from own consultants increased by 11% to NOK 75 million
 - Subscription revenue increased by 5% to NOK 34 million
 - 3rd party service revenue increased by 93% to NOK 8 million
 - Other revenue, incl. HW/SW sales, increased by 1% to NOK 4 million

Revenue split (quarterly figures)

NOK Million



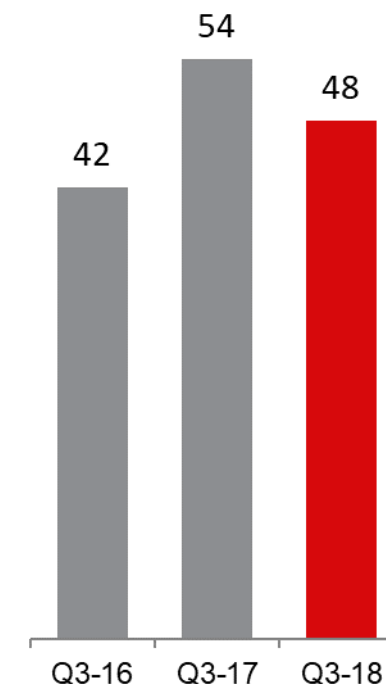
Revenue percentage split (rolling 12 months)



STATEMENT OF CASH FLOW

NOK Million	2018 Q3	2017 Q3	2018 YTD	2017 YTD	2017 FY
Cash flow from operations (EBITDA)	11.8	11.5	41.7	40.6	59.7
Change in balance sheet items	-10.3	0.4	-26.8	-23.9	-10.0
Net cash flow from operating activities	1.5	11.9	14.8	16.7	49.7
Net cash flow from investment activities	-2.3	-4.0	-15.8	-10.2	-19.5
Purchase of own shares	0.0	0.0	-22.6	-1.6	-1.6
Sale of shares	7.1	0.0	10.0	3.3	3.3
Borrowings repaid	-2.1	-1.4	-6.2	-6.0	-8.1
External dividend paid	0.0	0.0	-20.5	-14.6	-35.1
Net cash flow from financing activities	5.0	-1.4	-39.3	-18.9	-41.5
Net change in bank deposits and cash	4.2	6.6	-40.3	-12.0	-11.2
Bank deposits at the end of the period	19.6	59.1	19.6	59.1	59.9
New borrowing related to leasing	1.4	0.0	3.0	1.0	1.6

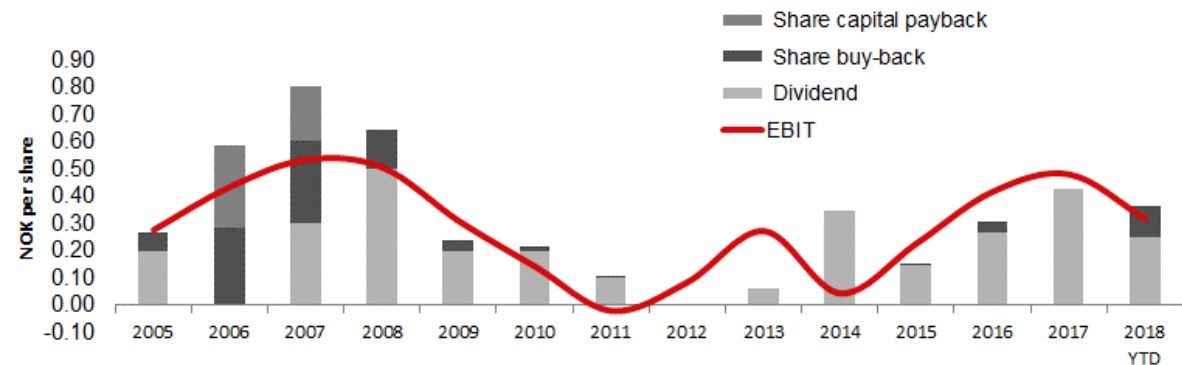
12 month rolling
cash flow from operations
(NOK Million)



-> Cash flow from operations NOK 1.5 (11.9) million in Q3
-> Inflow from Share Purchase Programme to key employees
-> Treasury shares valued at NOK 14.2 million at 30 Sep.

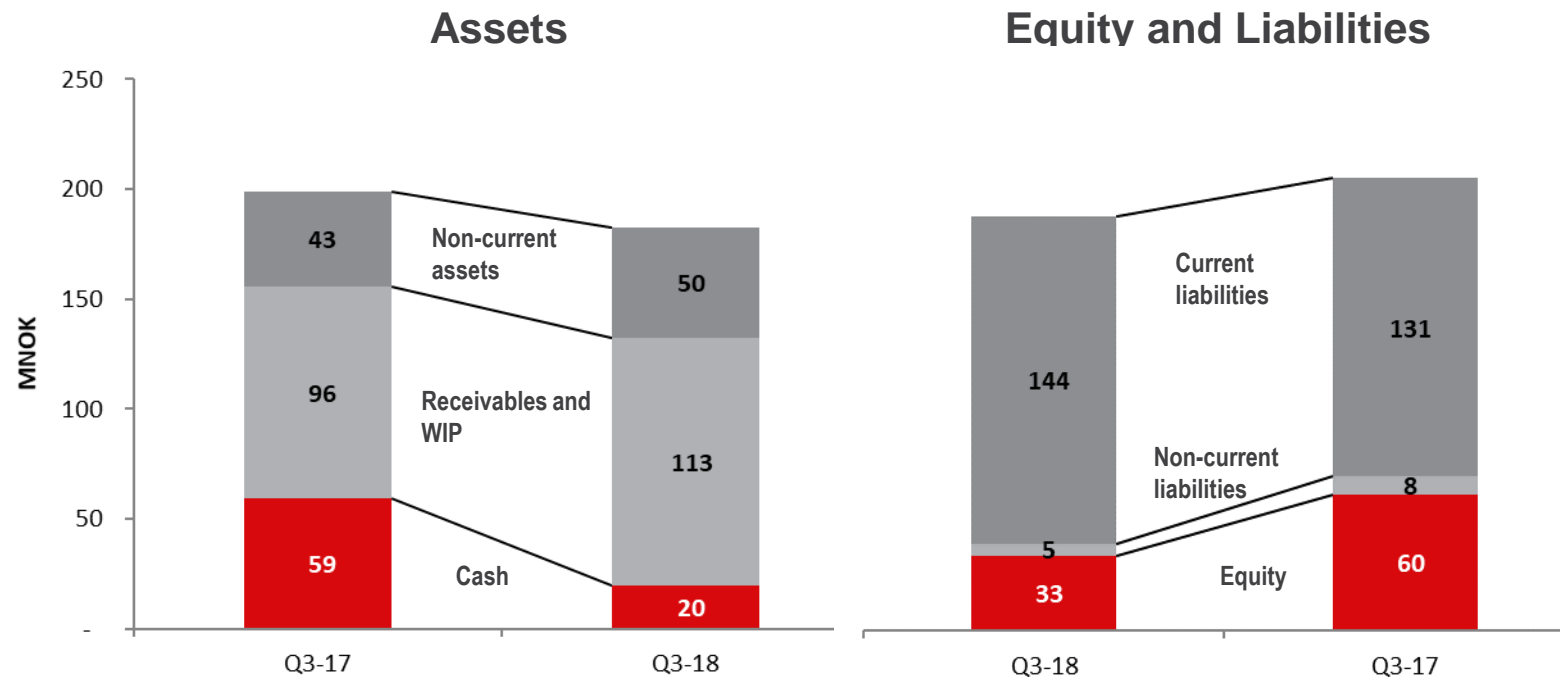
DIVIDENDS AND OWN SHARES

- Share price was NOK 11.40 end of quarter, up from NOK 6.21 (+84%) same time in 2017 (+92% incl. dividends)
- More than 100% distribution of earnings last three years:
 - Dividends of NOK 0.25 per share paid in Q4-17 and in Q2-18
 - Net buy-back of 1m shares in Q2 and Q3 of 2018
- Current holding of own shares is 1,242,165 shares, down 972,377 from last quarter
 - In Q2/Q3, 120 employees bought a total of 1,172,010 with a lock-in period.



STATEMENT OF FINANCIAL POSITION

- Cash and equity significantly reduced following high distribution of earnings
 - Group equity ratio of 18% (30%) per 30 September.
 - Cash balance of MNOK 20 (MNOK 59).
- Accounts Receivables MNOK 14 higher as main invoicing due date was on Sunday Sep 30



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) 7-9 2018	Impact IFRS 15	Reported (IFRS 15) 7-9 2018	Adjusted (IAS 18) 1-9 2018	Impact IFRS 15	Reported (IFRS 15) 1-9 2018
Revenue	119.3	2.0	121.3	388.5	1.5	390.0
EBIT	5.6	0.8	6.4	24.6	1.3	25.9
Net profit	4.2	0.6	4.8	17.4	0.9	18.3

Q3 2018 effects:

- Positive impact on sales revenue of MNOK 2.0 (deferred income recognition)
- Positive EBIT impact of MNOK 0.8 due to capitalisation of costs
- Book equity on 30 September reduced by MNOK 2.1

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

Platform economy

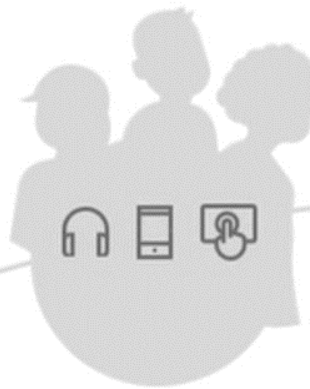
challenges the business logic in

ALL industries

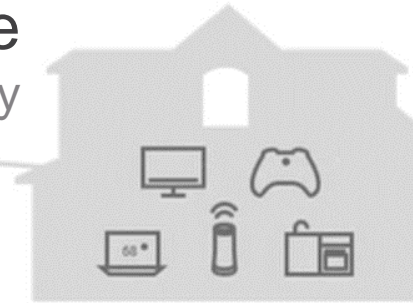
BY 2020...

Smart Devices

20B IoT Devices

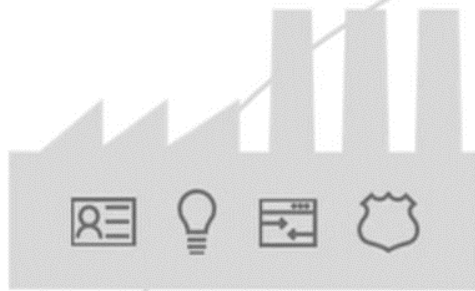


People
1.5 GB per day

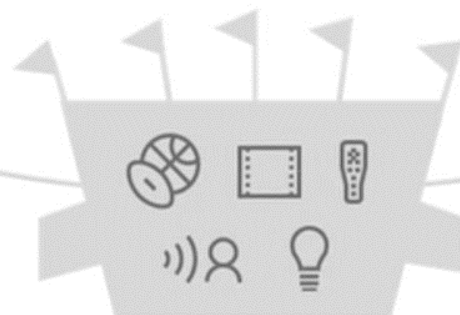


Smart Home
50 GB per day

Smart City
250 PB per day

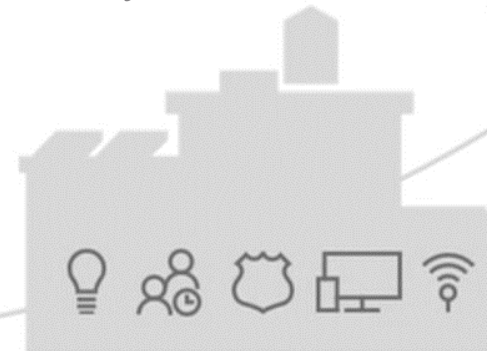


Connected Factory
1 PB per day

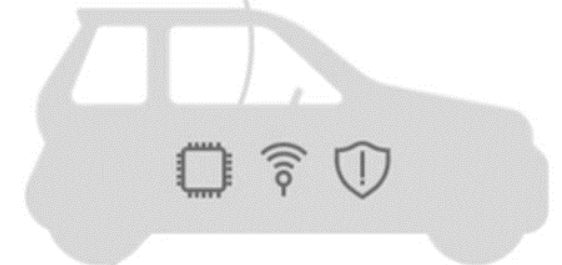


Stadium
200 TB per game

1 million/hour
new devices coming online by 2020



Smart Office
150 GB per day



Autonomous Vehicle
5 TB per day

#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

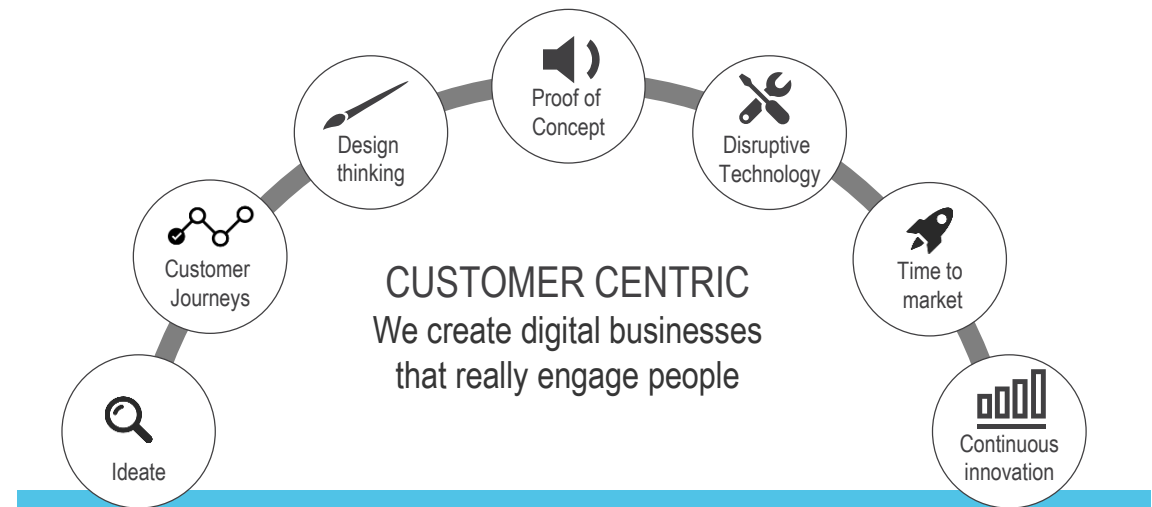
for greater scalability
and cost-efficiency

FAST & HYBRID



FAST AND HYBRID

FAST

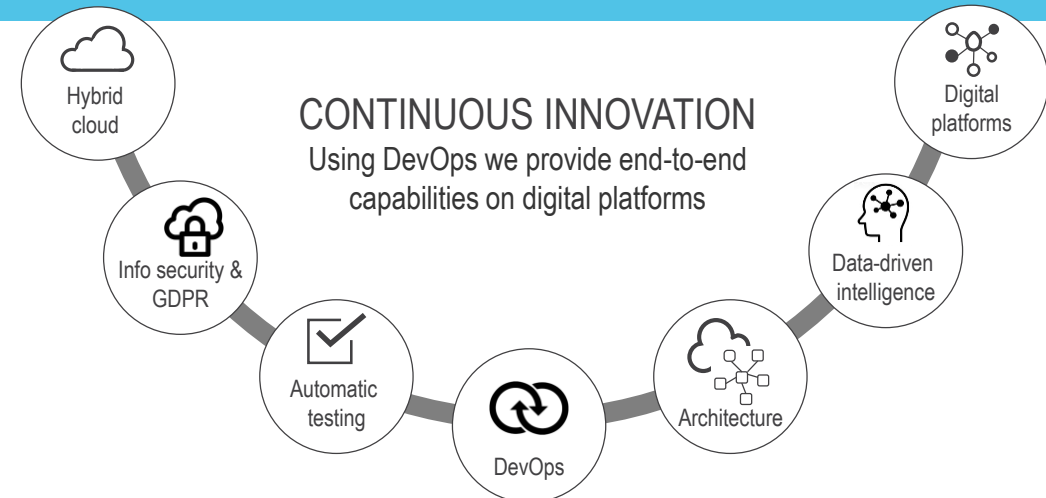


NORDIC CULTURE

HYBRID

CROSS-BORDER DELIVERY
Work is carried out where appropriate

HYBRID SCALABILITY



OUR SCALABILITY GAINS TRACTION

Itera helps to resolve the lack of digital talents in the Nordics while the talents remain in their home country

–Torbjørn Røe Isaksen, Minister of Trade of Norway, visiting Itera office in Kiev in September



Næringsministeren roser Iteras bruk av østeuropeisk arbeidskraft: – Bidrar til å bøte på manglende digital kompetanse i Norge

Source: digi.no



Itera is amongst the best sourcing providers in the world by winning The Customer Experience Provider of the Year 2018

–Global Sourcing Association Summit, 1st-3rd October Cape Town, South Africa



OUR JOURNEY

5-6 years to become
mature within global
sourcing

2008

First office in Kiev.
Innovate Nordic setup.

2010

New office in Lviv.
Build business framework.

2014

New office in Bratislava.
Scale into EU region by 9-12 months.

2016

Hybrid delivery model.
GDPR & BCR-P compliance.

2018

Global award winner.
Nordic uniqueness.

2019-

Huge
scalability.

10 YEARS ANNIVERSARY

STRONG CLOUD MARKET MOMENTUM



Cloud IaaS is fastest growing subsegment, projected to grow **36.6% in 2017**, **30.1% CAGR for next 5 years**

—Gartner and IDC



80% of CIOs will be pressured by their business leaders to evaluate **migrating their data centres** to IaaS

—Gartner



Cloud PaaS **reduces time required to manage apps by 80%** and **time to deploy a new app by 50%**

—Forrester

Global data centres amount for more **than 50% of all processing power already**

By 2021, hyperscale data centres will constitute:		2016
53%	of all data centre servers	27%
69%	of all data centre processing power	41%
65%	of all data stored in data centres	51%
55%	of all data centre traffic	39%

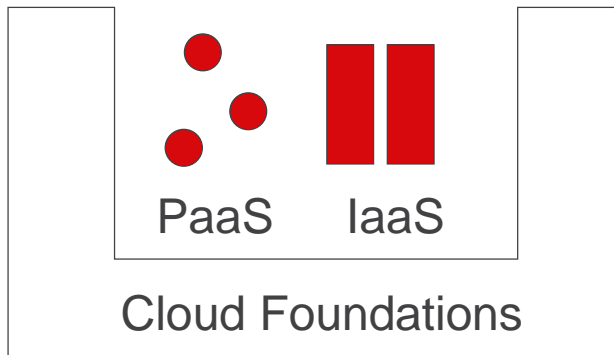
Source: Cisco Global Cloud Index, 2016-2021

CLOUD TRANSFORMATION

MANAGED CLOUD SERVICES

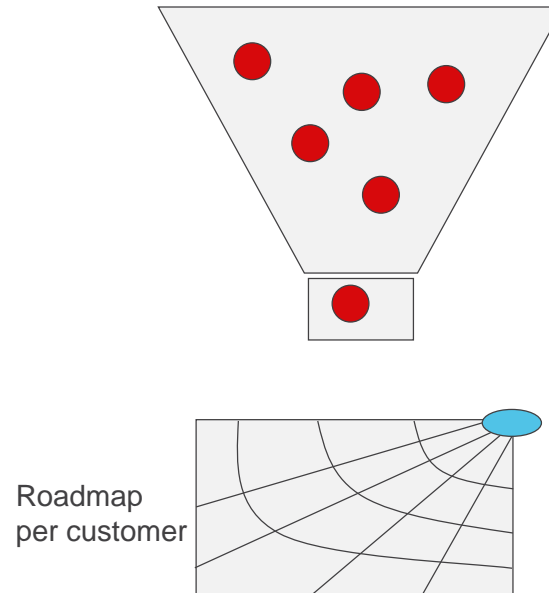
Build cloud foundations on best practices and onboard new customers

- Cloud foundations
- Cloud migration tools
- Self service
- ONE Itera with full range for services



LIFT AND SHIFT

Transform Itera data centre customers to cloud



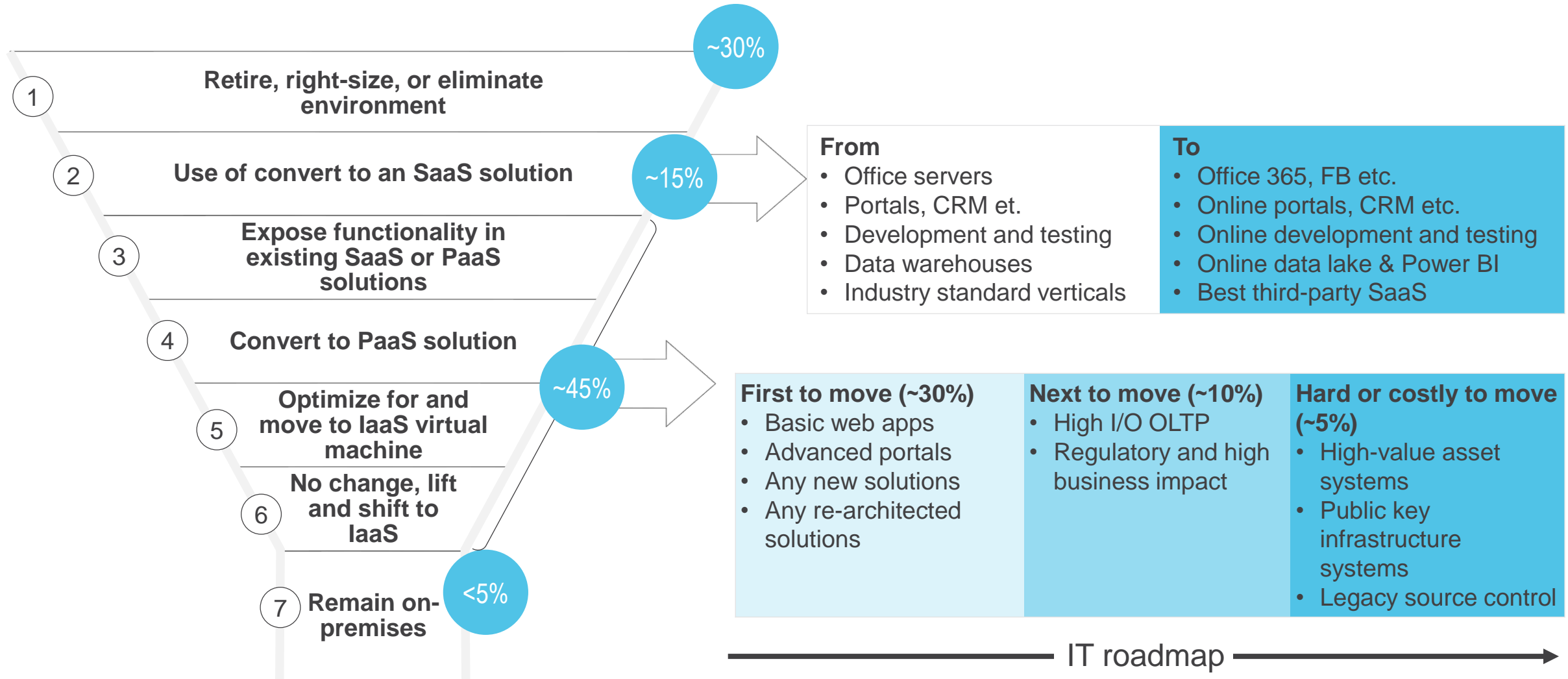
ITERA DATA CENTRES

Optimise, lift and shift customers to cloud managed services

- Dedicated infrastructure
- Purpose-build hardware
- Customized processes and configurations
- Managed services only



ROADMAP PLANNING



DIGITAL HEALTH FOR NORDIC CITIZENS

Itera has teamed up with a large Nordic company to build the future ehealth hub for Nordic citizens.



MEDICAL GRADE WEARABLES + AI = PROACTIVE CARE

1



WEARABLE + DIAGNOSTICS

Medical grade wearables and accurate home diagnostics generate data

2



CONVERSATIONAL MEDICAL TOOLS

Chatbots and IT tools will assess risk when they notice an anomaly

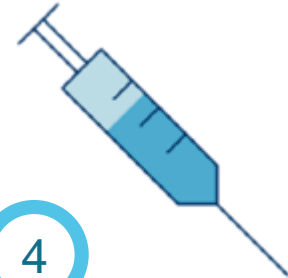
3



TELEMEDICINE FOLLOW-UP

Patients that require an examination will receive consult from a physician

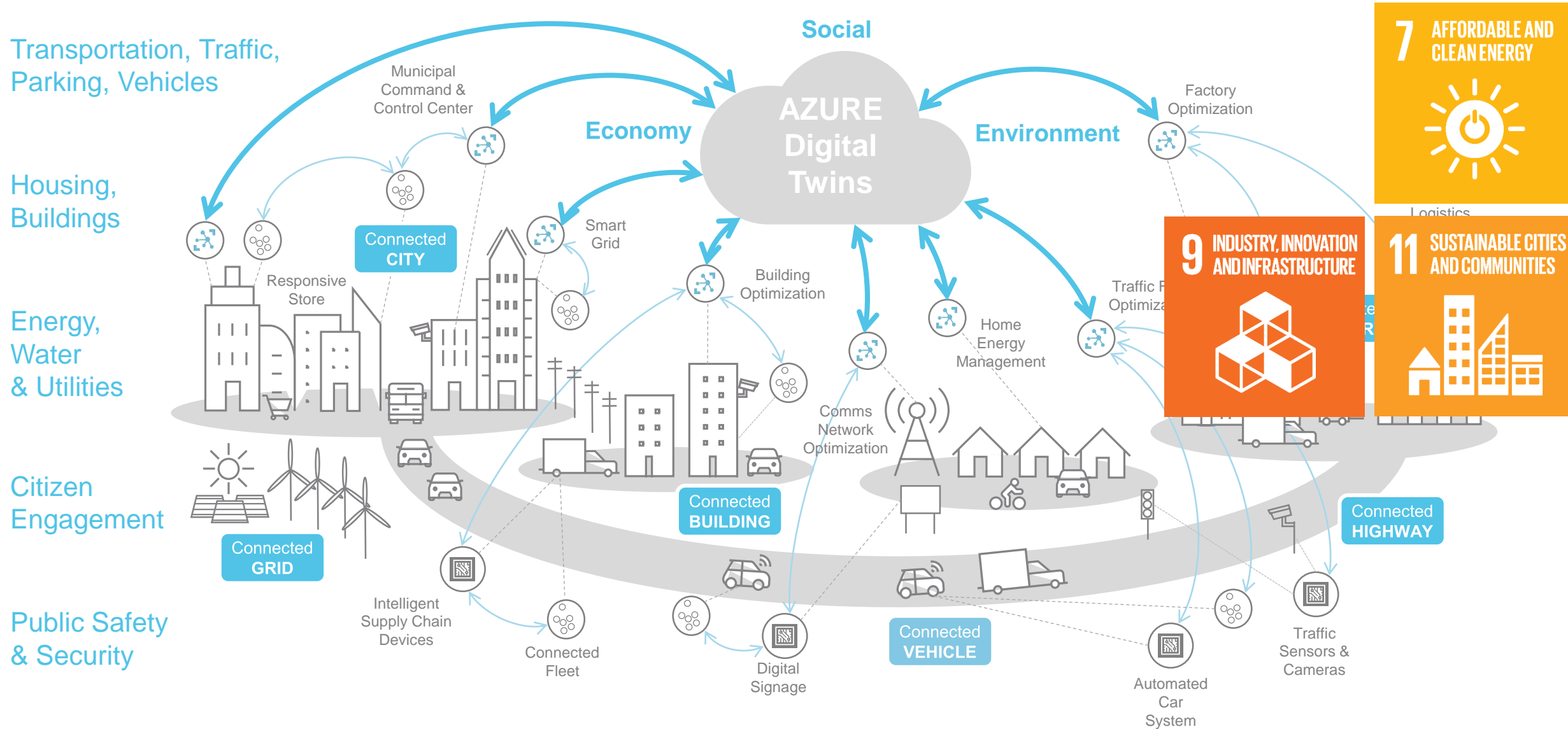
4



ROUTED FOR SERVICES

Patients are routed to appropriate care or testing facilities

ITERA TEAMS UP WITH MICROSOFT



Order intake from existing and new customers



- Book-to-bill ratio^{*)} of 0.9 in Q3 and 1.1 year-to-date

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

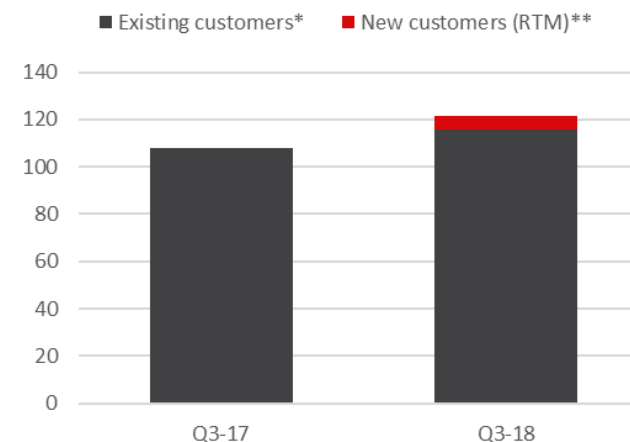
ORDER
INTAKE

CUSTOMER DEVELOPMENT

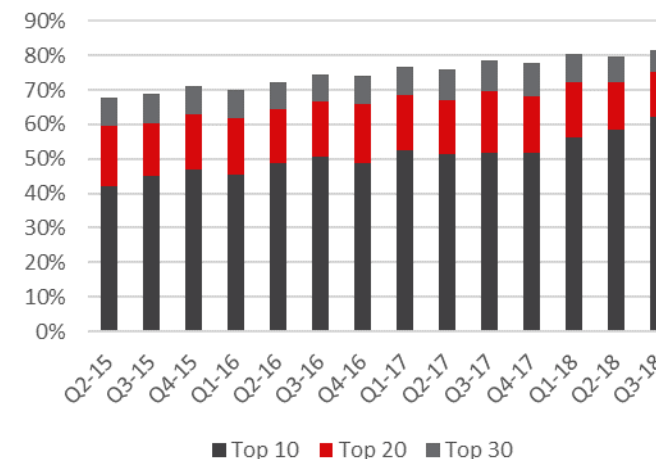
- New business
 - Existing customers accounted for 95.2% of revenues in Q3 2018
 - New customers won over the past year generated revenues of NOK 5.8 million in Q3 2018
- Increasing visibility
 - Share of revenue from top 30 customers up by 3 points y-o-y to 82%
 - Increasing number of large projects and services managed by Itera
 - Strategic relationships
 - Full range of services
 - Hybrid delivery across borders

Revenue customers split

MNOK



Share of revenue



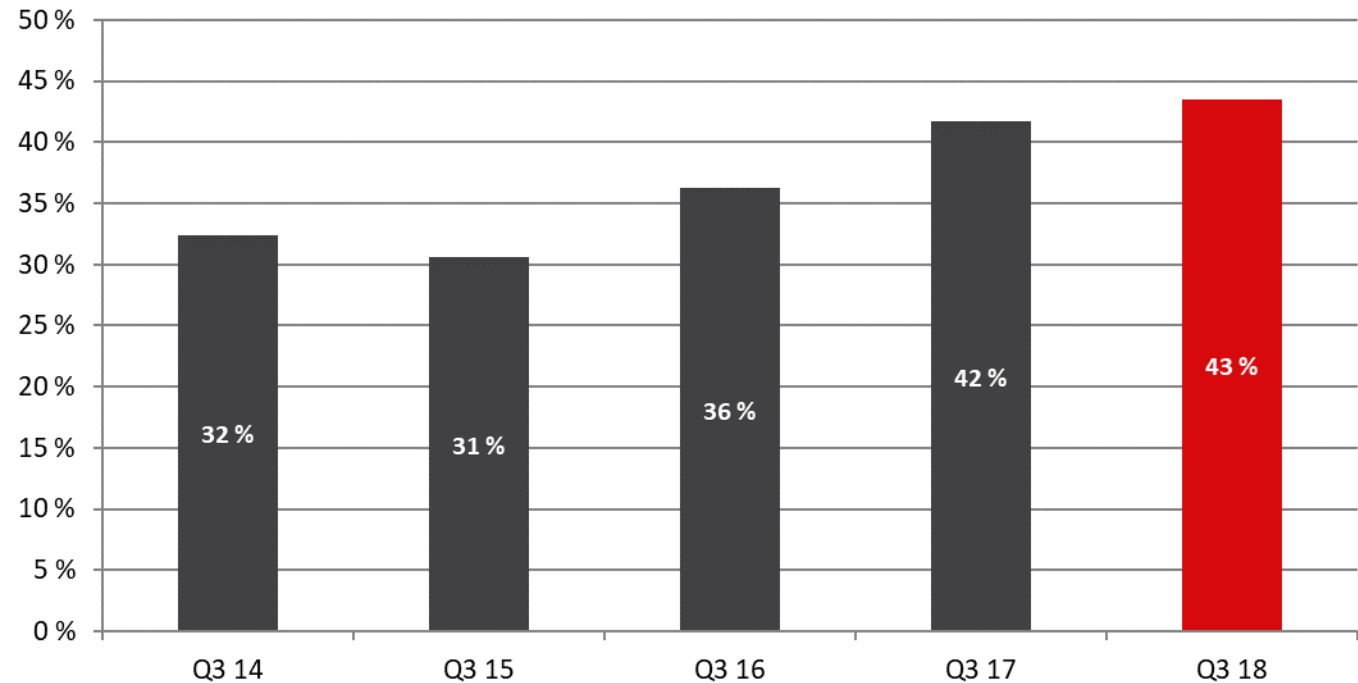
* Existing customers defined as customers that were invoiced in the corresponding quarter last year

** 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 43 % in Q3
- Target >50%
- Mixed teams of onshore and nearshore resources are increasing our price flexibility as well as providing access to a very large resource pool



Q3 2018



A photograph of two men sitting at a table in a meeting. The man on the left is smiling and looking towards the man on the right. The man on the right is also smiling and looking towards the man on the left. They are both wearing dark shirts. On the table, there are two laptops, a small 3D model of a head, and some papers. The background is dark with a large screen and a lamp.

SUMMARY

1. Continue solid profitable growth in our core digitalization business
2. Invest in Managed Cloud Services unit
3. Lift and shift Itera data centre customers into cloud and reduce own operation
4. Transform into ONE Itera management team with fewer business units and reduced overhead



OUTLOOK



OUTLOOK

- Attractive market with high demand for digitalisation in all Nordic markets
- Profitable growth and cash flow are key focus areas
- Invest in new Managed Cloud Services unit and transform own data centre into the cloud
- 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	26.59	NOR	21 853 977
2	OP CAPITAL AS	5.30	NOR	4 358 001
3	EIKESTAD AS	4.50	NOR	3 700 000
4	GIP AS	4.28	NOR	3 518 000
5	DnB NOR Bank ASA EGENHANDELSKONTO	3.89	NOR	3 200 000
6	SEPTIM CONSTULTING A	3.32	NOR	2 730 000
7	BOINVESTERING AS	3.16	NOR	2 600 000
8	GAMST INVEST AS	2.68	NOR	2 200 000
9	JØSYRA INVEST AS	2.68	NOR	2 200 000
10	STOREBRAND VEKST VER JPMORGAN EUROPE LTD,	2.61	NOR	2 148 646
11	MARXPIST INVEST AS c/o Børre Gammelsrud	2.47	NOR	2 031 588
12	ITERA ASA	1.51	NOR	1 242 165
13	FRAMAR INVEST AS	1.22	NOR	1 000 000
14	AANESTAD PANAGRI AS	1.10	NOR	900 000
15	BNP Paribas Securiti BPSS LUX/CLIENT ASSE	1.03	NOR	850 000
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	HØGBERG JON ERIK	0.78	NOR	637 551
19	NYVANG JETMUND GUNNAR	0.76	NOR	623 000
20	JENSEN LARS PETER	0.75	DNK	619 550
TOP 20		70.25		57 742 955

*Arne Mjøs Invest AS holds a future contract expiring 21 December 2018 on 3 350 000 shares currently owned by DNB Nor Bank ASA and Sparebank1 Markets. The total controlling interest of Arne Mjøs Invest AS is thus 25 203 977 (30.7%).