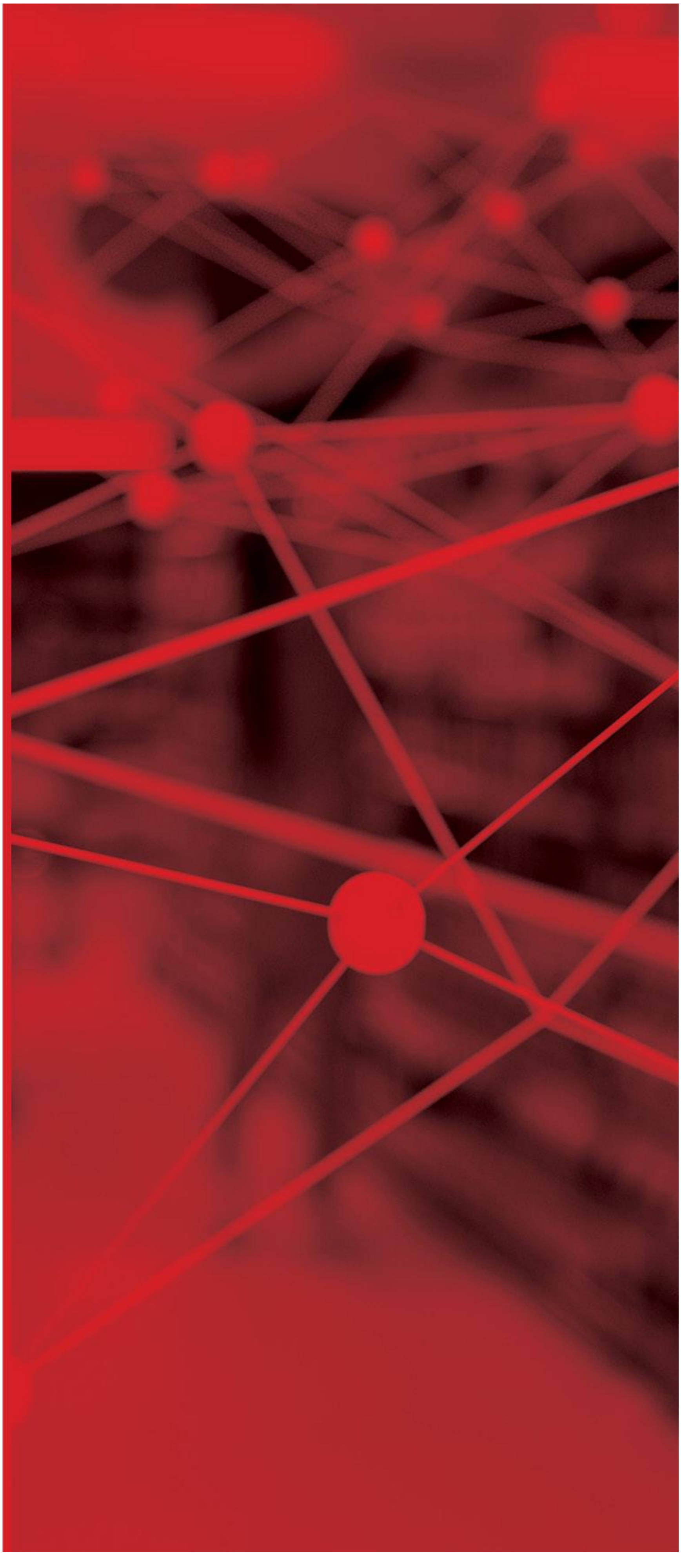
Q4

2018



itera

MAKE A DIFFERENCE

HIGHLIGHTS Q4 AND 2018

OCTOBER – DECEMBER 2018

- Operating revenue NOK 141.3 million (NOK 135.0 million), representing growth of 5%
- EBITDA NOK 22.3 million (NOK 19.1 million) and an EBITDA margin of 15.8% (14.1%)
- EBIT NOK 16.9 million (NOK 13.9 million) and an EBIT margin of 12.0% (10.3%)
- Cash flow from operations NOK 42.0 million (NOK 33.0 million)
- Cash and cash equivalents NOK 55.3 million (NOK 59.9 million)
- Treasury shares valued at NOK 10.4 million
- Equity ratio 25% (26%)

JANUARY – DECEMBER 2018

- Operating revenue NOK 531.3 million (NOK 475.0 million), representing growth of 12%
- EBITDA NOK 64.0 million (NOK 59.7 million) and an EBITDA margin of 12.0% (12.6%)
- EBIT NOK 42.8 million (NOK 39.3 million) and an EBIT margin of 8.1% (8.3%)
- Cash flow from operations NOK 56.8 million (NOK 49.7 million)

ACTIVITIES AND SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- Fourth-quarter operating revenue from Itera's core digital business was up 9% compared with the same period last year, while revenue from Itera's data centre operations was down 6%.
- The transition from traditional data centre operations to managed cloud services is progressing according to plan. After the end of the quarter, Itera entered into a partnership agreement with Arrow Electronics, which enables Itera's customers to utilise Arrow's distribution platform for CSP (cloud solution partner) licensing to access global platform vendors.
- Cash flow from operations was seasonally high and positively affected by receivables that fell due on the last weekend of September being received at the beginning of October.
- Itera increased its presence in Bergen to better serve the Western Norway region with hybrid (onshore/nearshore) deliveries.
- Itera entered into new or extended contracts with customers such as KLP, Vistin Pharma, BITS, Nets Denmark, Storebrand, If, Santander, Trafsys and the City of Oslo.
- The Board intends to propose an ordinary dividend of NOK 0.25 per share to the Annual General Meeting.

KEY FIGURES

Amounts in NOK million	**2018 10-12**	2017 10-12	*change*	*change %*	**2018 1-12**	2017 1-12	*change %*
Sales revenue	141.3	135.0	*6.3*	*5 %*	531.3	475.0	*12 %*
Gross profit	117.9	110.4	*7.5*	*7 %*	444.0	401.7	*11 %*
EBITDA	22.3	19.1	*3.2*	*17 %*	64.0	59.7	*7 %*
EBITDA margin	15.8 %	14.1 %		*1.7 pts*	12.0 %	12.6 %	*-0.5 pts*
Operating profit (EBIT)	16.9	13.9	*3.1*	*22 %*	42.8	39.3	*9 %*
EBIT margin	12.0 %	10.3 %		*1.7 pts*	8.1 %	8.3 %	*-0.2 pts*
Profit before tax	17.3	13.9	*3.4*	*24 %*	41.4	38.3	*8 %*
Profit for the period	13.2	11.1	*2.0*	*18 %*	31.5	29.6	*6 %*
Profit margin	9.3 %	8.3 %		*1.1 pts*	5.9 %	6.2 %	*-0.3 pts*
Net cash flow from operating activities	42.0	33.0	*9.0*	*27 %*	56.8	49.7	*14 %*
No. of employees at the end of the period	486	491	*(5)*	*(1 %)*	486	491	*(1 %)*

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

GROUP PERFORMANCE IN THE FOURTH QUARTER OF 2018

FINANCIAL PERFORMANCE

The comments below relate to Itera's performance in the fourth quarter of 2018 compared to the fourth quarter of 2017 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2017. Please refer to Note 5 for a description of the alternative performance measures used.

Itera (the Group) consists of Itera ASA (the Company) and its subsidiaries. Itera ASA is a public limited liability company, incorporated in Norway and listed on the Oslo stock exchange with the ticker ITE. The condensed consolidated interim financial statements cover the Group and the Group's subsidiaries. As a result of rounding differences, some numbers and percentages may not add up to the totals given.

Summary for the fourth quarter of 2018

Itera achieved organic revenue growth of 5% in the fourth quarter of 2018 relative to the fourth quarter of 2017. This was driven by growth in Itera's core digital business, especially in Denmark and from its nearshore delivery centres in Ukraine and Slovakia.

The Group's operating profit (EBIT) for the fourth quarter of 2018 was NOK 16.9 million (NOK 13.9 million), giving an EBIT margin of 12.0% (10.3%). The fourth quarter of 2018 contained one less working day than the fourth quarter of 2017, which normally has a negative impact of NOK 1 million on revenue and operating profit.

Accounting principles

These interim condensed consolidated financial statements for the year ending 31 December 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Group's annual report for 2017. The accounting policies applied in the preparation of these 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 2017, with the exceptions stated below. The interim financial information contained in this report has not been audited or reviewed.

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 Q4 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. Implementing IFRS 9 did not have a significant impact on Itera's financial statements.

IFRS 16 Leases

IFRS 16 Leases (effective from 1 January 2019) establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. Implementing IFRS 16 in 2019 is expected to increase lease liabilities and right of use assets by NOK 54 million, which will dilute the equity ratio by 5.4 percentage points to 19.1%. Please refer to Note 4 for further information.

Operating revenue

Itera reports operating revenue of NOK 141.3 million (NOK 135.0 million) for the fourth quarter of 2018, which represents growth of 5%. This growth was predominantly from Itera's core digital business, revenue from which increased from NOK 97.4 million to NOK 105.9 million (+9%), while revenue from traditional data centre operations decreased by 6% from NOK 37.5 million to NOK 35.4 million.

Operating revenue for 2018 as a whole was NOK 531.3 million (NOK 475.0 million), equivalent to growth of 12%.

Gross profit (revenue minus cost of goods sold) was NOK 117.9 million (NOK 110.4 million) in the fourth quarter, an increase of 7%. Gross profit for 2018 as a whole was NOK 444.0 million (NOK 401.7 million), which represents growth of 11% relative to 2017.

Operating expenses

Itera's total operating expenses in the fourth quarter of 2018 were 3% higher at NOK 124.4 million (NOK 121.1 million). Operating expenses for 2018 as a whole totalled NOK 488.5 million (NOK 435.7 million).

Cost of sales was NOK 23.4 million (NOK 24.6 million) in the fourth quarter of 2018 and NOK 87.3 million (NOK 73.4 million) for the year as a whole. Cost of sales principally consists of services purchased from sub-contractors, costs related to Itera'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 83.7 million (NOK 79.8 million) in the fourth quarter of 2018, which represents an increase of 5%. This increase was mainly due to the effect of adopting IFRS 15 and the consequent reduction in capitalised personnel expenses, as well as to general increases in salaries. Personnel expenses for 2018 as a whole were NOK 327.8 million (NOK 294.3 million).

Other operating expenses were NOK 11.9 million (NOK 11.5 million) in the fourth quarter of 2018. The corresponding figure for 2018 as a whole was NOK 52.3 million (NOK 47.7 million). The increase relative to 2017 mainly relates to increased facility costs and higher spending on competence development.

Depreciation and amortisation totalled NOK 5.4 million (NOK 5.2 million) in the fourth quarter. The corresponding figure for 2018 as a whole was NOK 21.1 million (NOK 20.3 million).

Operating result

The operating result before depreciation and amortisation (EBITDA) for the fourth quarter of 2018 was a profit of NOK 22.3 million (NOK 19.1 million), while the operating result (EBIT) was a profit of NOK 16.9 million (NOK 13.9 million). The EBIT margin for the fourth quarter of 2018 was 12.0% as compared to 10.3% in the fourth quarter of 2017.

EBIT for 2018 as a whole was NOK 42.8 million as compared to NOK 39.3 million in the same period last year. Itera's earnings from its core digital business were NOK 12.4 million higher than in 2017 at NOK 45.8 million, giving an EBIT margin of 11.7% (10.1%). Itera's earnings from its traditional data centre operations were NOK 9.0 million lower at NOK -3.0 million, giving an EBIT margin of -2.1% (4.1%). A transformation program to shift the data centre operations to cloud offerings is in progress.

The result before tax for the fourth quarter of 2018 was a profit of NOK 17.3 million (NOK 13.9 million). Tax expense accrued for the fourth quarter totalled NOK 4.1 million (NOK 2.8 million). For 2018 as a whole the result before tax was NOK 41.4 million (NOK 38.3 million) and the accrued tax expense was NOK 10.0 million (NOK 8.7 million).

Cash flow, liquidity and equity

Net cash inflow from operating activities was NOK 42.0 million (NOK 33.0 million) in the fourth quarter of 2018 and NOK 56.8 million (NOK 49.7 million) for 2018 as a whole. The increase in the fourth quarter was due to higher EBITDA combined with significant receivables that fell due on the last weekend of September being received at the beginning of October.

Net cash outflow for investing activities was NOK 4.9 million (NOK 9.3 million) in the fourth quarter of 2018. Investment in IT hosting activities amounted to NOK 1.0 million (NOK 1.0 million), including leasing of NOK 0.6 million (NOK 0.5 million). Investment in intangible assets, including investment in intellectual property rights, totalled NOK 2.0 million (NOK 5.3 million). Net cash outflow for investing activities was NOK 20.7 million (NOK 19.5 million) for 2018 as a whole.

Net cash outflow for financing activities was NOK 1.4 million (NOK 23.0 million) in the fourth quarter and NOK 40.7 million (NOK 41.5 million) for 2018 as a whole.

Work in progress at 31 December 2018 was NOK 11.6 million lower than at 31 December 2017. The decrease was partially due to the effect of implementing IFRS 15 and was more than offset by the introduction of contract assets of NOK 16.4 million. Accounts receivable and other receivables were NOK 18.1 million and NOK 6.7 million lower than at 31 December 2017, respectively. The former is predominantly due to NOK 17.2 million of advance billing relating to 2019 has been netted against accounts receivable.

Accounts payable at 31 December 2018 were NOK 3.2 million higher than at 31 December 2017. Public duties payable were in line with the previous year, while tax payable was NOK 7.6 million, which is NOK 0.9 million lower than at 31 December 2017. Contract liabilities amounting to NOK 9.7 million were added due to Itera adopting IFRS 15 in 2018. Other short-term liabilities were NOK 28.6 million lower compared to the end of 2017 in part due to the netting of advance billing as described above.

Cash and cash equivalents amounted to NOK 55.3 million at 31 December 2018, compared to NOK 59.9 million at 31 December 2017. At the end of the period, Itera had an undrawn credit facility of NOK 25 million.

Itera had interest-bearing liabilities totalling NOK 8.7 million (NOK 13.8 million) at 31 December 2018 related to financial lease agreements entered into in order to finance investments related to IT hosting contracts, with NOK 4.0 million of this amount representing current liabilities and NOK 4.7 million being non-current liabilities.

Itera did not purchase or sell any of its own shares in the fourth quarter. At 31 December 2018 Itera held 1,242,165 own shares, valued at NOK 10.4 million.

Equity at 31 December 2018 totalled NOK 47.2 million (NOK 50.6 million as at 31 December 2017). The decrease was mainly due to the net purchase of 1,028,230 own shares. Itera's adoption of IFRS 15 also had a negative impact on equity of NOK 3.0 million. The equity ratio was 24.5% (25.6%). The equity ratio will decrease to 19.1% following the adoption of IFRS 16 on 1 January 2019.

Dividend

At its meeting on 14 February 2019, the Board of Directors passed a resolution to propose an ordinary dividend of NOK 0.25 per share at the Annual General Meeting on 21 May 2019. It will also ask for its authorisation to approve possible additional dividends to be renewed.

BUSINESS REVIEW

Itera's position as a specialist at creating digital business is strong. The range of services it offers is both unique and in demand from the market as a result of digitalisation in all industries. Artificial intelligence (AI), 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.

Market and customer development

In the fourth quarter of 2018, the Group entered into new or extended agreements with strong brands including KLP, Vistin Pharma, BITS, Nets Denmark, Landsbankinn, Storebrand, If, Santander, Trafsys and the City of Oslo.

The contract Itera entered into with Landsbankinn illustrates the strong progress the Group has made in the Icelandic market where many companies are finding there to be a shortage of technology personnel much as in Norway. This explains the high level of interest in and demand for Itera's hybrid delivery model, and more than 60 employees based in Itera's offices in Kiev and Bratislava were engaged in delivering development and testing services to the Icelandic market in the fourth quarter.

Our new office Bergen office, where Itera started the first projects in the first quarter of 2018 is developing healthy. The strategy has been to qualify customers for testing the Group's hybrid delivery model, and then scale the activity based on evaluation of results. The model has proven suitable and attractive for several customers based in the Bergen region, and the team engaged in Bergen has grown to a double-digit size. During the fourth quarter, three new frame agreements were signed with Bergen based customers within banking, industry/offshore and infrastructure sectors.

Digitalising Norway

In the fourth quarter, the banking and finance industry's infrastructure company in Norway, BITS, engaged Itera to create a gateway to simplify the exchange of data between the financial industry and the public sector. The project is part of the Digital Samhandling for offentlig og privat virksomhet (DSOP, Digital Public-Private Collaboration) program. Digital collaboration between the financial industry and the public sector will create great value and save time and money for the organisations involved and will, not least, contribute to the digitalisation of Norway.

Itera is responsible for the entire solution, including designing, developing, testing, maintaining and operating it. The DSOP gateway is based on DevOps and is being built, tested and deployed in Microsoft Azure to achieve high scalability, security and robustness for all types of data exchange between financial institutions and public enterprises. The first phase of the solution will be in production in February 2019.

Strategic partnership with Arrow Electronics

As announced in the third quarter, Itera has decided to invest in a "lift and shift" process to move Itera's own data centers to the cloud. This decision was based on the increasing level of market demand for cloud services, as global data centres are rapidly gaining market share at the expense of smaller, local data centres.

As part of this transformation process, Itera entered into a strategic partnership with the international company Arrow Electronics in the fourth quarter. Arrow Electronics has a strong position in the Internet of Things (IoT) and has a well-developed distribution portal for cloud solution partner (CSP) licensing in relation to the largest global platform vendors. Itera's partnership with Arrow Electronics means Itera is now part of this ecosystem. Furthermore, it strengthens Itera's role as a provider of services based on cloud platforms, the IoT and license optimization. There is significant commercial and innovation potential for many of the Group's customers in collecting and analysing data. Itera will help to uncover such insights through the use of IoT. Data volumes not previously thought to be available quickly enough or to be extensive or exact enough will be a valuable basis for decisions related to adapting customers' businesses on an ongoing basis.

Itera is well prepared to deliver a spectrum of cloud-related services, ranging from architecture and consultancy through to development & operations (DevOps).

Significant interest in technology for handling the exponential growth in data

Hundreds of thousands of new devices are connected to the internet every day, resulting in a continuous and exponential increase in data. At many organizations, this data is stored in multiple different systems that do not communicate with each other. What such organisations need is a single, shared data source: a central nervous system which makes all the organisation's data and records available to everyone. Technology developed to collect and store such data, preferably in real time, offers major opportunities for organizations in their efforts to develop relevant services to meet user demands as they arise.

Itera is the first company in Norway to partner with Confluent, the largest contributor to the open source project Apache Kafka, a streaming platform originally developed by LinkedIn. With 7 of the 10 largest banks and 8 of the 10 largest insurance companies globally on its list of customers, Confluent is a highly relevant partner for Itera due to our strong footprint in banking and insurance in the Nordics.

In the fourth quarter, both existing and potential customers expressed interest in investigating business opportunities related to the streaming platform Apache Kafka.

Continued focus on technology platforms

In the fourth quarter, the Group intensified its focus on the largest, cloud-based technology platforms, namely Microsoft Azure, Amazon Web Services (AWS) and Google Cloud, in order to ensure it is at the forefront of designing and developing innovative solutions based on advanced services within AI, big data and the IoT.

A trusted advisor to expert authorities

The Group believes strongly in multidisciplinarity as a prerequisite for innovation and delivering services that offer a great user experience. In addition to its strong expertise in technology, the Group is highly recognized in communication-related disciplines. As an example from the fourth quarter, Itera entered into an agreement with the Language Council of Norway. The Language Council of Norway is the state's consultative body on language issues. It follows up Norway's language policy on assignment for the Ministry of Culture. Itera's assignment includes delivering advisory services in relation to communication-related issues, such as using plain language and tone of voice, a field involving regarding communication style as part of a company's corporate brand and identity.

Nordic strategy and larger, long-term customer relationships

A key part of Itera's strategy is to maintain and develop its 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 10% in the fourth quarter of 2018 and accounted for 79% of its operating revenue, up from 78% in the fourth quarter of 2017.

Itera is witnessing a clear tendency for more and more Nordic customers to purchase a wider range of services from it 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.

Organisation

Itera's headcount at the end of the fourth quarter of 2018 was 486 as compared to 491 at the end of the fourth quarter of 2017.
The proportion of Itera's capacity that is located nearshore (its nearshore ratio) was 45% (43%) at the end of the fourth quarter. Itera has development centres in Slovakia and Ukraine, and is approaching its long-term strategic target of achieving a nearshore ratio of more than 50%.

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 Itera on its bank deposits, as well as leasing costs and the cost of credit facilities.

Itera 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.

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 Itera'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 first quarter of 2019 will be published and presented on 26 April 2019.

STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We hereby confirm that, to the best of our knowledge, the summarised financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with IFRS as adopted by the EU and IAS 34 Interim Financial Accounting, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole.

Disclaimer
This report contains statements regarding the future in connection with Itera's growth initiatives, profit figures, outlook, strategies and objectives. The forward-looking statements are based on the current group structure and accounting standards as of 31 December 2018. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

Oslo, 14 February 2019

The Board of Directors of Itera ASA

Morten Thorkildsen
Chairman

Mimi K. Berdal
Board Member

Jan-Erik Karlsson
Board Member

Gyrid Skalleberg Ingerø
Board Member

Erik Berg Solheim
Board Member (employee elected)

Charlotte Bech Blindheim
Board Member (employee elected)

Arne Mjøs
CEO

INTERIM CONDENSED FINANCIAL INFORMATION

Consolidated statement of comprehensive income

All figures in NOK 1000 except earnings per share	2018 10-12	2017 10-12	change	change %	2018 1-12	2017 1-12	change %
Sales revenue	**141 289**	**134 988**	***6 301***	***5 %***	**531 323**	**475 025**	***12 %***
Operating expenses							
Cost of sales	23 406	24 611	*(1 205)*	*(4.9 %)*	87 275	73 360	*19 %*
Gross Profit	**117 883**	**110 377**	***7 506***	***7 %***	**444 048**	**401 666**	***11 %***
Gross Margin	83 %	82 %		*1.7 pts*	84 %	85 %	*-1 pts*
Personnel expenses	83 670	79 813	*3 857*	*5 %*	327 769	294 316	*11 %*
Depreciation and amortisation	5 382	5 208	*174*	*3 %*	21 141	20 335	*4 %*
Other operating expenses	11 907	11 490	*417*	*4 %*	52 322	47 682	*10 %*
Total operating expenses	**124 365**	**121 122**	***3 243***	***3 %***	**488 507**	**435 692**	***12 %***
Operating profit	**16 924**	**13 866**	***3 058***	***22 %***	**42 816**	**39 333**	***9 %***
Other financial income	548	175	*373*	*213 %*	1 234	713	*73 %*
Other financial expenses	167	126	*41*	*32 %*	2 631	1 721	*53 %*
Net financial income (expenses)	**381**	**49**	***332***	***684 %***	**(1 397)**	**(1 008)**	***(39 %)***
Profit before taxes	**17 305**	**13 915**	***3 390***	***24 %***	**41 419**	**38 325**	***8 %***
Income taxes	4 138	2 767	*1 372*	*50 %*	9 958	8 691	*15 %*
Net income	**13 167**	**11 148**	***2 019***	***18 %***	**31 461**	**29 635**	***6 %***
Earnings per share	0.16	0.14	*0.03*	*20 %*	0.39	0.36	*7 %*
Fully diluted earnings per share	0.16	0.13	*0.03*	*19 %*	0.38	0.36	*7 %*
Translation differences on net investment in foreign operations	269	481	*(213)*	*(44 %)*	551	693	*(21 %)*
Total comprehensive income	**13 435**	**11 629**	***1 806***	***16 %***	**32 011**	**30 328**	***6 %***
Total comprehensive income attributable to:							
Shareholders in parent company	13 435	11 629	*1 806*	*16 %*	32 011	30 328	*6 %*

Consolidated statement of financial position

All figures in NOK 1000	Note	2018 31 Dec	2017 31 Dec	*change*	*change* *%*
ASSETS					
Non-current assets					
Deferred tax assets		3 630	3 023	*607*	*20 %*
Other intangible assets		22 954	22 272	*682*	*3 %*
Fixed assets		23 477	21 235	*2 242*	*11 %*
Total non-current assets		**50 061**	**46 530**	***3 531***	***8 %***
Current assets					
Work in progress		4 188	15 794	*(11 605)*	*(73 %)*
Accounts receivable		52 267	54 047	*(1 780)*	*(3 %)*
Contract assets	3	16 407	-	*16 407*	
Other receivables		14 545	21 230	*(6 685)*	*(31 %)*
Cash and cash equivalents		55 279	59 854	*(4 574)*	*(8 %)*
Total current assets		**142 687**	**150 924**	***(8 238)***	***(5 %)***
TOTAL ASSETS		**192 748**	**197 454**	***(4 707)***	***(2 %)***
EQUITY AND LIABILITIES					
Equity					
Share capital		24 656	24 656	*-*	*0 %*
Other equity		(8 890)	(3 653)	*(5 238)*	*(143 %)*
Net income for the period		31 461	29 635	*1 826*	*6 %*
Total equity		**47 227**	**50 638**	***(3 411)***	***(7 %)***
Non-current liabilities					
Other provisions and liabilities		871	-	*871*	
Non-current interest-bearing liabilities		4 741	6 799	*(2 058)*	*(30 %)*
Total non-current liabilities		**5 613**	**6 799**	***(1 186)***	***(17 %)***
Current liabilities					
Accounts payable		23 941	20 710	*3 232*	*16 %*
Tax payable		7 633	8 531	*(899)*	*(11 %)*
Public duties payable		33 130	33 041	*89*	*0 %*
Contract liabilities	3	9 703	-	*9 703*	*0 %*
Other short-term liabilities		65 501	77 735	*(12 234)*	*(16 %)*
Total current liabilities		**139 908**	**140 017**	***(109)***	***(0 %)***
Total liabilities		**145 521**	**146 816**	***(1 295)***	***(1 %)***
TOTAL EQUITY AND LIABILITIES		**192 748**	**197 454**	***(4 707)***	***(2 %)***
Equity ratio		**24.5 %**	**25.6 %**		***-1.1 pts***

Consolidated statement of cash flows

All figures in NOK 1000	2018 10-12	2017 10-12	*change*	2018 1-12	2017 1-12	*change*
Profit before taxes	**17 305**	**13 915**	***3 391***	**41 420**	**38 325**	***3 094***
Income taxes paid	(1 959)	(5 568)	*3 609*	(9 844)	(8 708)	*(1 136)*
Depreciation and amortisation	5 382	5 208	*174*	21 141	20 335	*807*
Change in w ork in progress	1 364	6 529	*(5 165)*	5 489	(1 482)	*6 971*
Change in accounts receivable	1 863	(14 335)	*16 197*	1 780	(14 425)	*16 205*
Change in accounts payable	1 749	1 778	*(29)*	3 232	(3 732)	*6 963*
Change in other accruals	15 327	24 081	*(8 754)*	(6 719)	18 713	*(25 431)*
Effect of changes in exchange rates	957	1 388	*(431)*	312	639	*(327)*
Net cash flow from operating activities	**41 988**	**32 996**	***8 993***	**56 810**	**49 664**	***7 146***
Investment in fixed assets	(2 897)	(3 961)	*1 064*	(12 547)	(6 041)	*(6 507)*
Investment in intangible assets	(2 027)	(5 344)	*3 317*	(8 137)	(13 418)	*5 281*
Net cash flow from investing activities	**(4 924)**	**(9 305)**	***4 381***	**(20 684)**	**(19 458)**	***(1 226)***
Purchase of ow n shares	-	-	-	(22 556)	(1 590)	*(20 966)*
Sales of ow n shares	1 100	(345)	*1 445*	11 075	3 298	*7 777*
Borrow ings repaid	(2 475)	(2 123)	*(352)*	(8 721)	(8 114)	*(607)*
Dividends paid to equity holders of Itera ASA	-	(20 493)	*20 493*	(20 493)	(35 113)	*14 620*
Net cash flow from financing activities	**(1 375)**	**(22 961)**	***21 586***	**(40 695)**	**(41 519)**	***823***
Effects of exchange rate changes on cash and cash equivalents	9	60	*(51)*	(5)	75	*(80)*
Net change in cash and cash equivalents	**35 699**	**789**	***34 909***	**(4 575)**	**(11 238)**	***6 663***
Cash and cash equivalents at the beginning of the period	19 581	59 065	*(39 484)*	59 854	71 092	*(11 238)*
Cash and cash equivalents at the end of the period	**55 279**	**59 854**	***(4 575)***	**55 279**	**59 854**	***(4 575)***
New borrow ings related to leasing	**640**	**550**	***90***	**3 689**	**1 577**	***2 112***

Consolidated statement of changes in equity

All figures in NOK 1000	Share capital	Own shares	Other paid in equity	Cumulative translation differences	Other equity	Total equity
Equity as of 1 January 2017	**24 656**	**(290)**	**480**	**(928)**	**30 397**	**54 315**
Comprehensive income for the period	-	-	-	693	29 635	**30 328**
Share option costs	-	-	216	-	(1 134)	**(918)**
Employee share purchase programme	-	-	318	-	-	**318**
Purchase of own shares	-	(75)	-	-	(1 515)	**(1 590)**
Sale of own shares	-	300	-	-	2 998	**3 298**
Dividends	-	-	-	-	(35 113)	**(35 113)**
Equity as of 31 December 2017	**24 656**	**(64)**	**1 014**	**(235)**	**25 268**	**50 638**
Implementation of IFRS 15	-	-	-	-	(3 005)	**(3 005)**
Comprehensive income for the period	-	-	-	282	31 461	**31 743**
Share option costs	-	-	736	-	-	**736**
Employee share purchase programme	-	-	1 807	-	-	**1 807**
Purchase of own shares	-	(750)	(21 806)	-	-	**(22 556)**
Sale of own shares	-	442	7 915	-	-	**8 357**
Dividends	-	-	-	-	(20 493)	**(20 493)**
Equity as of 31 December 2018	**24 656**	**(373)**	**(10 334)**	**46**	**33 231**	**47 227**

NOTES

NOTE 1: TRANSACTIONS WITH RELATED PARTIES

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

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 December 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 that relate 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 are delivered as was previously the case. Under IFRS 15, control is considered to have been transferred when the subscription contracts are fulfilled, not when the services are rendered. The costs of fulfilling a contract, such as costs related to delivering the services mentioned, were under the previous accounting policy expensed as incurred. IFRS 15 requires such costs to be capitalised as contract assets 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 2018 and on the statement of financial position as at 31 December 2018. The impact on retained earnings at 1 January 2018 from the change in accounting principles has been estimated to be NOK -3.0 million.

Condensed income statement

All figures in NOK 1000	Old Principles 10-12 2018	Effect of IFRS 15	New Principles 10-12 2018	Old Principles 2018	Effect of IFRS 15	New Principles 2018
Sales revenue	140 171	1 119	141 289	528 658	2 665	531 323
Cost of sales	23 537	(131)	23 406	87 768	(493)	87 275
Personnel expenses	82 458	1 212	83 670	325 955	1 814	327 769
Depreciation	5 382	-	5 382	21 141	-	21 141
Other operating expenses	11 907	-	11 907	52 322	-	52 322
Operating profit	**16 887**	**37**	**16 924**	**41 472**	**1 343**	**42 816**
Net financial income (expenses)	460	(80)	381	(1 131)	(265)	(1 397)
Profit before taxes	**17 347**	**(43)**	**17 305**	**40 341**	**1 078**	**41 419**
Income taxes	4 148	(10)	4 138	9 710	248	9 958
Net income	**13 199**	**(33)**	**13 167**	**30 631**	**830**	**31 461**

Condensed statement of financial position

All figures in NOK 1000	Old Principles 31 Dec 2018	Effect of IFRS 15	New Principles 31 Dec 2018
ASSETS			
Deferred tax assets	2 981	650	3 630
Other intangible assets	22 954	-	22 954
Fixed assets	23 477	-	23 477
Total non-current assets	**49 411**	**650**	**50 061**
Work in progress	13 428	(9 240)	4 188
Accounts receivable	52 267	-	52 267
Contract assets	-	16 407	16 407
Other receivables	14 545	-	14 545
Bank deposits	55 279	-	55 279
Total current assets	**135 520**	**7 167**	**142 687**
TOTAL ASSETS	**184 931**	**7 816**	**192 748**
EQUITY AND LIABILITIES			
Equity			
Share capital	24 656	-	24 656
Other equity	(5 885)	(3 005)	(8 890)
Net income for the period	30 631	830	31 461
Total equity	**49 402**	**(2 175)**	**47 227**
Other provisions and liabilities	871	-	871
Non-current interest-bearing liabilities	4 741	-	4 741
Total non-current liabilities	**5 613**	**-**	**5 613**
Accounts payable	23 941	-	23 941
Tax payable	7 633	-	7 633
Public duties payable	33 130	-	33 130
Contract liabilities	-	9 703	9 703
Other short-term liabilities	65 213	288	65 501
Total current liabilities	**129 917**	**9 991**	**139 908**
TOTAL EQUITY AND LIABILITIES	**184 931**	**7 816**	**192 748**
Equity ratio	**26.7 %**	**-2.2 pts**	**24.5 %**

NOTE 4: IFRS 16 LEASES

The Group will adopt IFRS 16 Leases on 1 January 2019. This will result in almost all leases being recognised on the statement of financial position, as IFRS 16 removes the distinction between operating and finance leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental costs are recognised in the statement of financial position. The Group will apply exceptions allowed by the standard for short-term and low-value leases. The accounting for lessors will not significantly change.

The Group will adopt the modified retrospective approach upon transition, which will result in all the transition impact being reported as adjustments to opening balances, and comparative periods will not be restated. The Group will use the practical expedient contained in IFRS 16 which permits companies not to reassess whether contracts meet the definition of a lease and will apply IFRS 16 to all existing operating leases as of 31 December 2018.

When applying the new model from 1 January 2019, Itera will recognise a liability to make lease payments (i.e. a lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. a right-of-use asset) for all leases with a lease term of more than twelve months, unless the underlying asset is of low value, and will recognise depreciation on its right-of-use assets separately from interest on lease liabilities in the income statement.

Itera will remeasure lease liabilities upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Generally, the amount of the remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset.

Implementing IFRS 16 in 2019 is expected to increase lease liabilities and right of use assets by NOK 54 million, which will dilute the equity ratio by 5.4 percentage points to 19.1%.

NOTE 5: 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, depreciation 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.

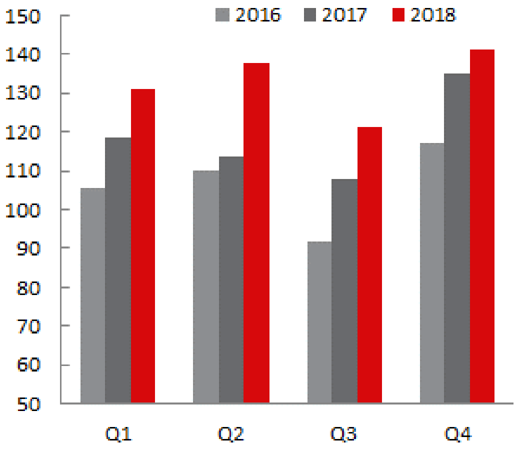
Equity ratio is calculated as total equity as a proportion of total equity and liabilities.

KEY FIGURES

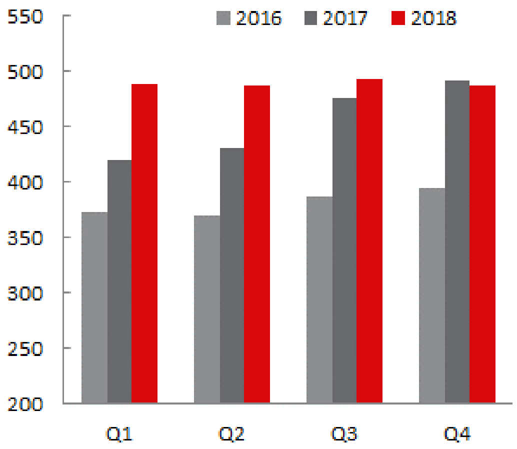
Amounts in NOK 1000	2018 10-12	2017 10-12	change	change %	2018 1-12	2017 1-12	change %
Profit & Loss							
Sales revenue	141 289	134 988	*6 301*	*5 %*	531 323	475 025	*12 %*
Gross profit	117 883	110 377	*7 506*	*7 %*	444 048	401 666	*11 %*
EBITDA	22 306	19 074	*3 232*	*17 %*	63 957	59 668	*7 %*
EBITDA margin	15.8 %	14.1 %	*1.7 pts*	*1.7 pts*	12.0 %	12.6 %	*-0.5 pts*
Operating profit (EBIT)	16 924	13 866	*3 058*	*22 %*	42 816	39 333	*9 %*
EBIT margin	12.0 %	10.3 %	*1.7 pts*	*1.7 pts*	8.1 %	8.3 %	*-0.2 pts*
Profit before taxes	17 305	13 915	*3 390*	*24 %*	41 419	38 325	*8 %*
Profit for the period	13 167	11 148	*2 019*	*18 %*	31 461	29 635	*6 %*
Balance sheet							
Non-current assets	50 061	46 530	*3 531*	*8 %*	50 061	46 530	*8 %*
Bank deposits	55 279	59 854	*(4 574)*	*(8 %)*	55 279	59 854	*(8 %)*
Other current assets	87 407	91 071	*(3 663)*	*(4 %)*	87 407	91 071	*(4 %)*
Total assets	192 748	197 454	*(4 707)*	*(2 %)*	192 748	197 454	*(2 %)*
Equity	47 227	50 638	*(3 411)*	*(7 %)*	47 227	50 638	*(7 %)*
Total non-current liabilities	5 613	6 799	*(1 186)*	*(17 %)*	5 613	6 799	*(17 %)*
Total current liabilities	139 908	140 017	*(109)*	*(0 %)*	139 908	140 017	*(0 %)*
Equity ratio	24.5 %	25.6 %	*-1.1 pts*	*-1.1 pts*	24.5 %	25.6 %	*-1.1 pts*
Current ratio	1.02	1.08	*-0.06 pts*	*(5 %)*	1.02	1.08	*(5 %)*
Cash flow							
Net cash flow from operating activities	41 988	32 996	*8 993*	*27 %*	56 810	49 664	*14 %*
Net cash flow	35 699	789	*34 909*	*4422 %*	(4 575)	(11 238)	*59 %*
Share information							
Weighted average basic shares outstanding	82 186 624	82 186 624	-	*0 %*	82 186 624	82 186 624	*0 %*
Weighted average diluted shares outstanding	80 944 459	81 972 689	*(1 028 230)*	*(1 %)*	81 086 951	81 690 873	*(1 %)*
Profit per share	0.16	0.14	*0.02*	*18 %*	0.38	0.36	*6 %*
Diluted Profit per share	0.16	0.14	*0.03*	*20 %*	0.39	0.36	*7 %*
EBITDA per share	0.27	0.23	*0.04*	*17 %*	0.78	0.73	*7 %*
Equity per share	0.57	0.62	*(0.04)*	*(7 %)*	0.57	0.62	*(7 %)*
Dividend per share	0.00	0.25	*(0.25)*	*(100 %)*	0.25	0.43	*(42 %)*
Employees							
Number of employees at the end of the period	486	491	*(6)*	*(1 %)*	486	491	*(1 %)*
Average number of employees	489	485	*4*	*1 %*	488	443	*10 %*
Operating revenue per employee	289	278	*11*	*4 %*	1 089	1 072	*2 %*
Gross profit per employee	241	228	*14*	*6 %*	910	906	*0 %*
Personnel expenses per employee	171	165	*7*	*4 %*	672	664	*1 %*
Other operating expenses per employee	24	24	*1*	*3 %*	107	108	*(0 %)*
EBITDA per employee	46	39	*6*	*16 %*	131	135	*(3 %)*
EBIT per employee	35	29	*6*	*21 %*	88	89	*(1 %)*

QUARTERLY DEVELOPMENT 2016-2018

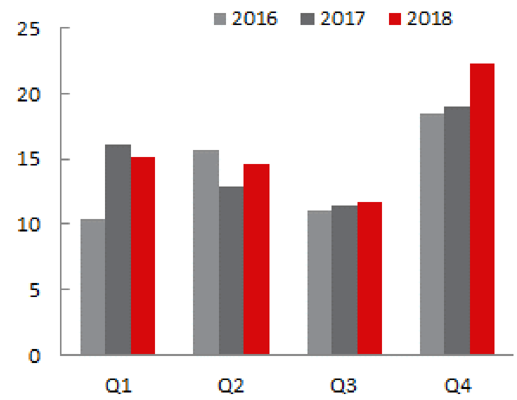
Revenues
NOK million



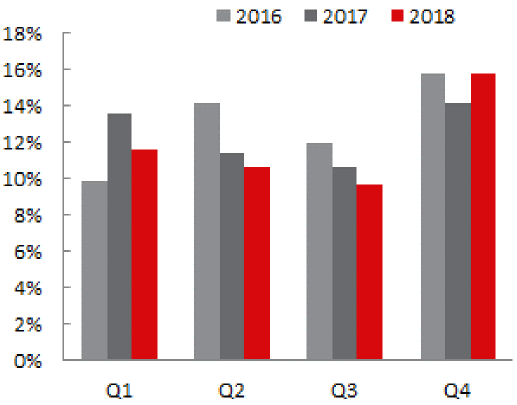
Employees
End of period



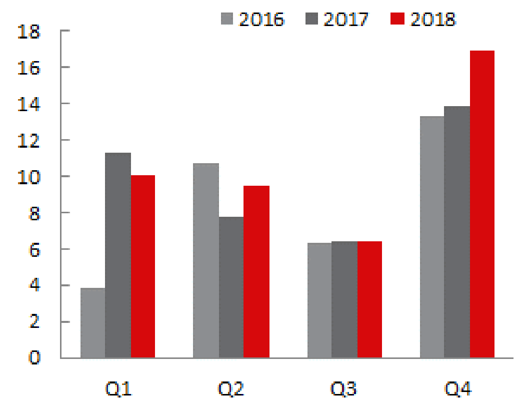
EBITDA
NOK million



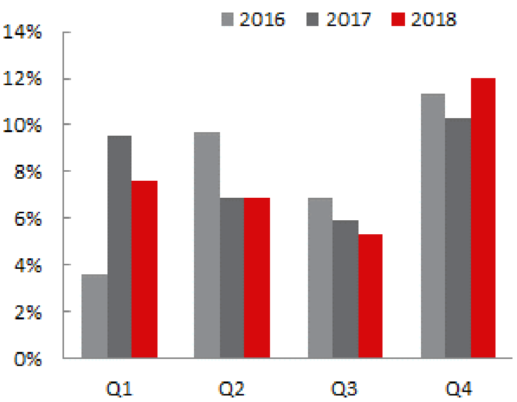
EBITDA margin
%

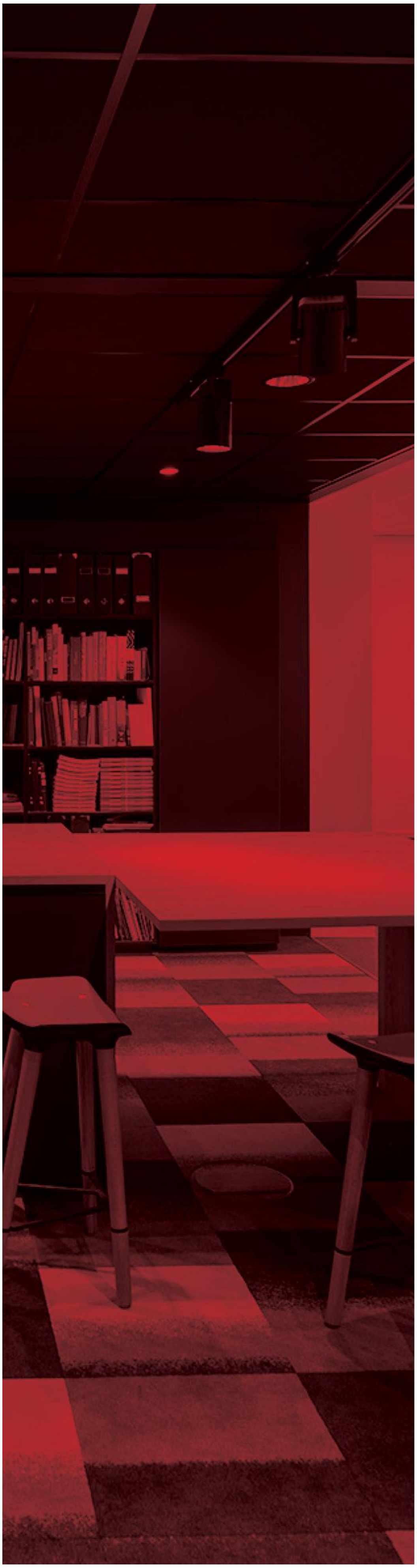


EBIT
NOK million



EBIT margin
%





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