



INTERIM REPORT

ITERA FIRST QUARTER 2019

CEO ARNE MJØS
CFO BENT HAMMER

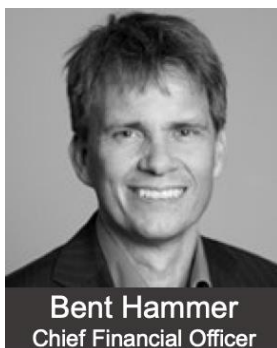
OSLO, 26 APRIL 2019

PRESENTERS AND AGENDA



Highlights of the quarter

Business review



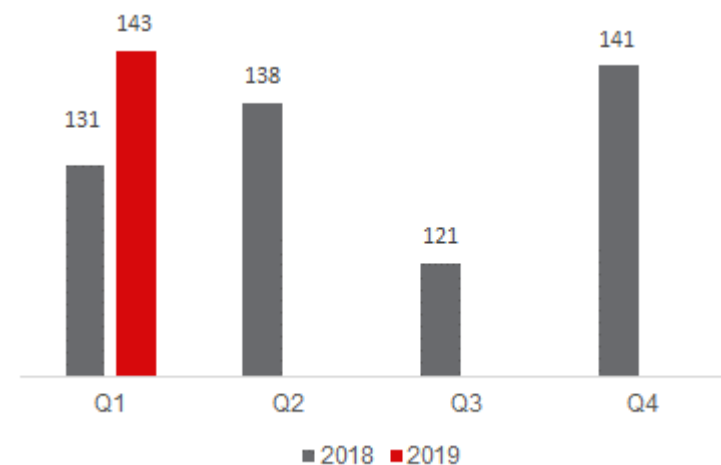
Financial review

Outlook

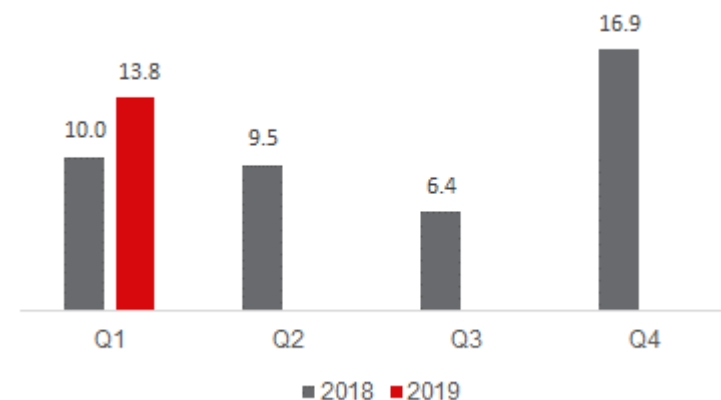
HIGHLIGHTS OF THE FIRST QUARTER

- Core digital business
 - Revenue growth of 10%
 - EBIT margin of 12.8%
- Total business
 - Revenue NOK 143 (131) million, up by 9% y-o-y
 - EBIT of NOK 13.8 (10.0) million, 9.7% (7.6%) margin
- Cloud transformation of Itera data centres progressing
 - Cost-reduction programme successful
 - Data centre consolidation
- Strong order intake in digital business with book-to-bill ratio of 2.3

Revenues
NOK million



EBIT
NOK million





BUSINESS REVIEW

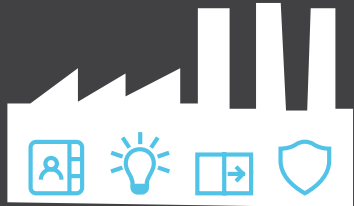
GOING DIGITAL



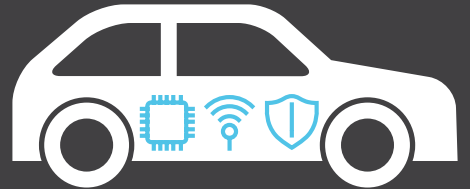
Smart Devices
20B IoT Devices
Smart City
250 PB per day



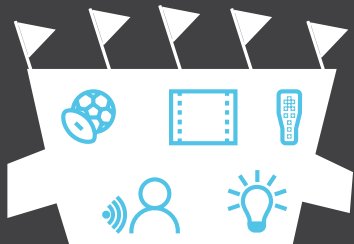
People
1.5 GB per day
Smart Home
50 GB per day



Connected
Factory
1 PB per day



Autonomous
Vehicle
5 TB per day



Stadium
200 TB
per game



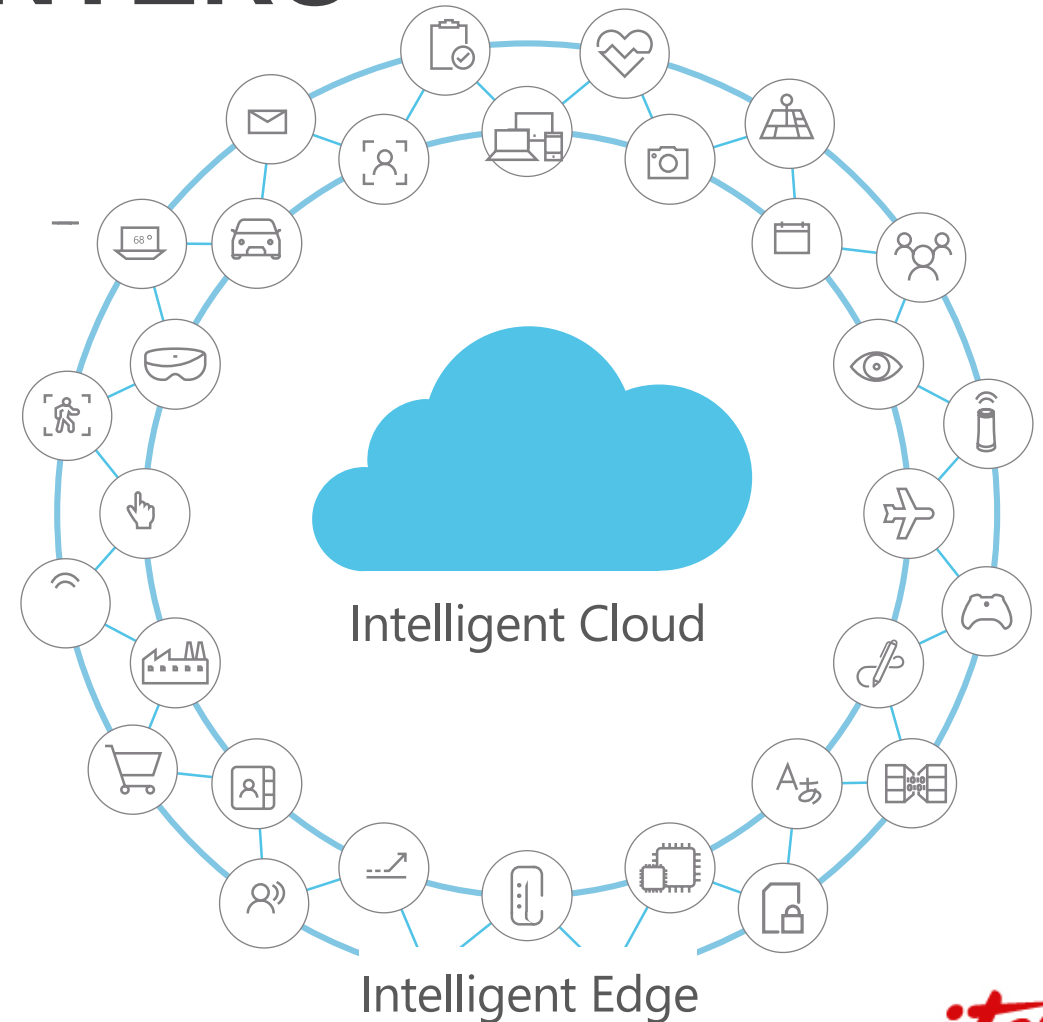
Smart
Office
150 GB
per day

**1 million/
hour**

new devices coming
online by 2020

CLOUD IS MORE SECURE THAN TRADITIONAL DATA CENTERS

- **The big story in cloud security is that big hacks and failures have not occurred**
 - Cloud services are not getting breached
 - Most security incidents are the customer's fault
- **Cloud is designed for extensive use of IoT in all industries**
 - Using advanced AI-based security detection and prevention capabilities



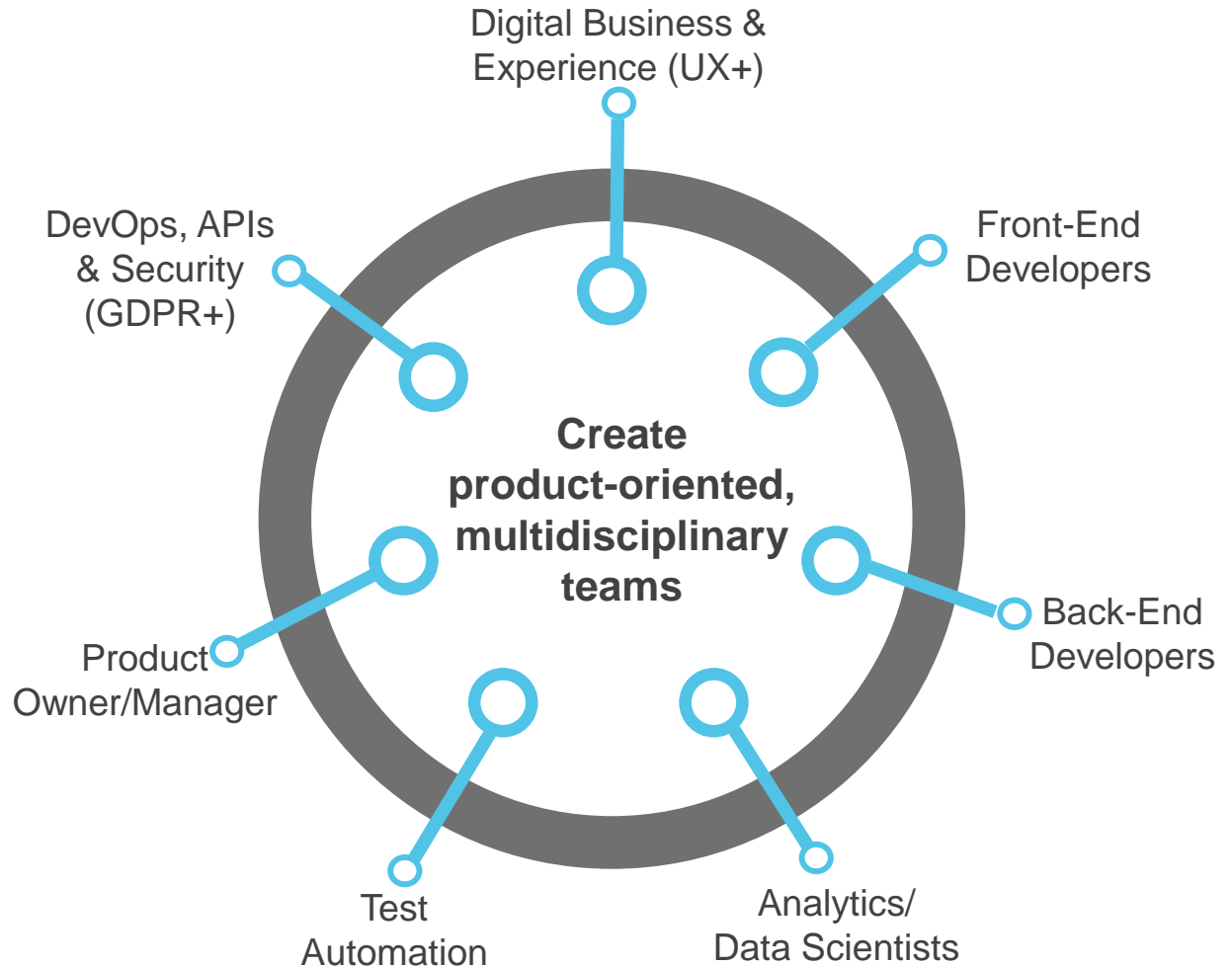
OUR STRATEGIC POSITION:

SPECIALISTS IN CREATING DIGITAL BUSINESS

PLATFORM FIRST

OUR STEPS INTO THE FUTURE

1. We are working **with first movers** on creating digital business, i.e. smart building, smart energy
2. New engagements are organized as **DevOps on platforms** as first choice
3. We are **moving existing projects to platforms**
4. We are **transforming workload** from traditional data centers to **cloud platforms**

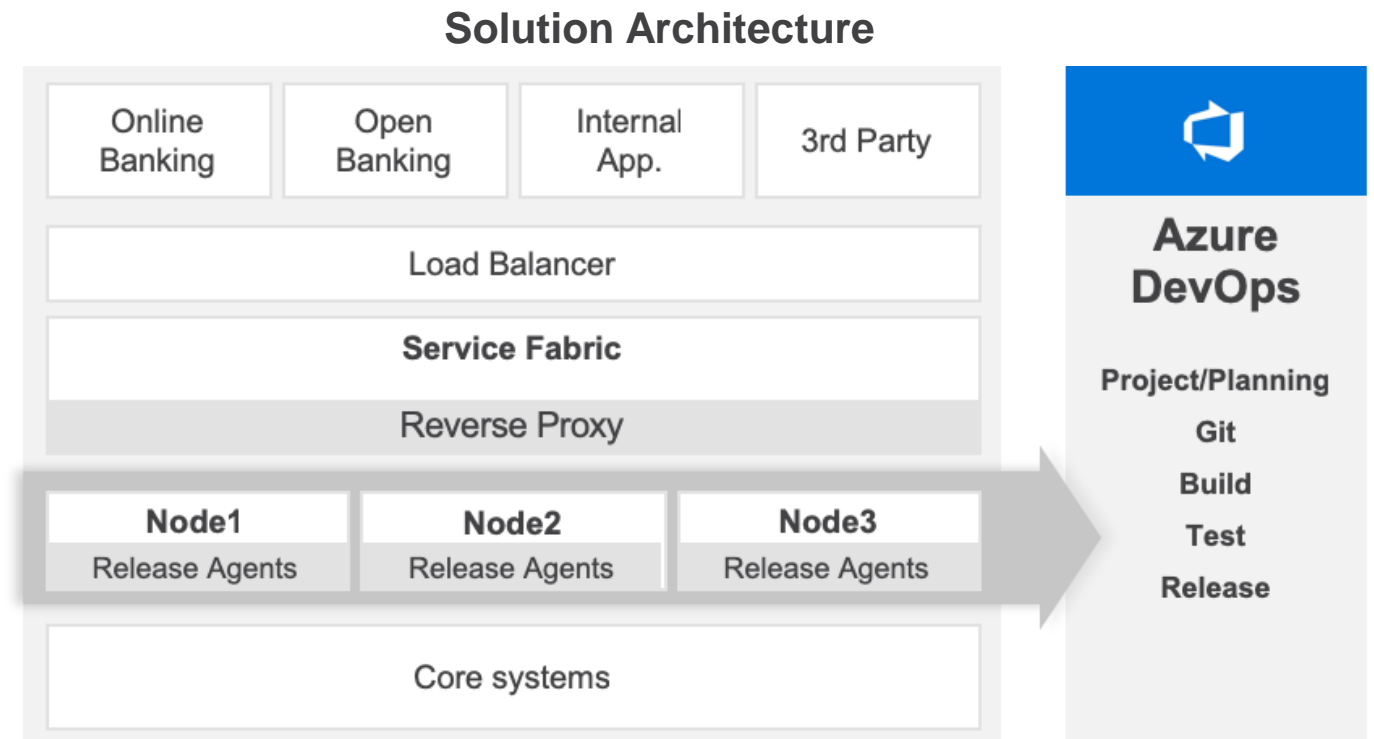


A man with short blonde hair, wearing a grey sweater, is assisting a woman with dark hair, also in a grey sweater, who is wearing a black VR headset. The man is adjusting the headset on the woman's head. They are in a modern office environment with a large wooden desk and a computer monitor in the background. The monitor displays a 3D wireframe model of a building. The entire image has a blue tint.

Selected projects

MICROSERVICE PLATFORM FOR MULTIPLE CONSUMING PROJECTS

- Itera has implemented shared microservice platform for multiple consuming projects for a large bank
 - 50+ services/APIs
 - Multiple core systems and external data sources
 - DevOps pipeline and multiple releases per day
 - Continuous testing and delivery of features and fixes.
 - Currently over 100 000 users.
 - Scaled to handle substantially more users for Open Banking
- The solution is currently deployed on-premise but is easily moved to Azure Services Fabric PaaS



INCREASED QUALITY OF LIFE

- Millions of people worldwide experience reduced mobility and quality of life as a result of accidents or various diseases
 - Many benefit from products such as braces or prosthetics
- Together with Össur, a world leader in orthopedic products, Itera develops the **SmartMeasure**TM app to support the specialist's dialogue with the patient
 - iPhone's gyroscopic sensor technology is used to make accurate measurements to ensure that the patient gets an individually tailored product
- **SmartMeasure** lets the specialist place the order efficiently.
 - More time can be spent on the patient and less time filling out forms.

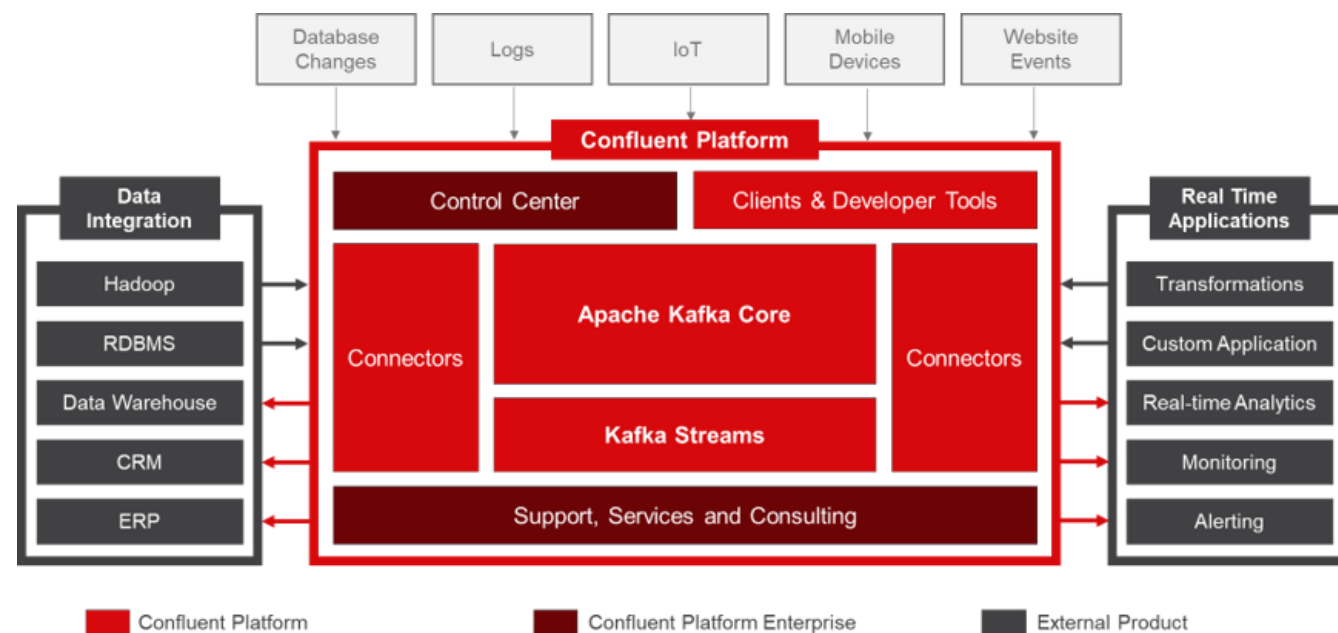


SmartMeasureTM
DIGITAL MEASURING SYSTEM FOR CUSTOM KNEE BRACES

itera

DATA STREAMING OF 1 BILLION TRANSACTIONS PER DAY

- A global retailer engaged Itera to set up Streaming Platform-as-a-Service scaled to handle all data in all markets from supplier to consumer
- Itera supported in establish a KAFKA streaming platform based on Confluent Enterprise Platform.
- The platform is deployed on AWS, Azure, 2x on-premise.
- Estimated load is approximately 1 billion messages per day.



CRIME PREVENTION

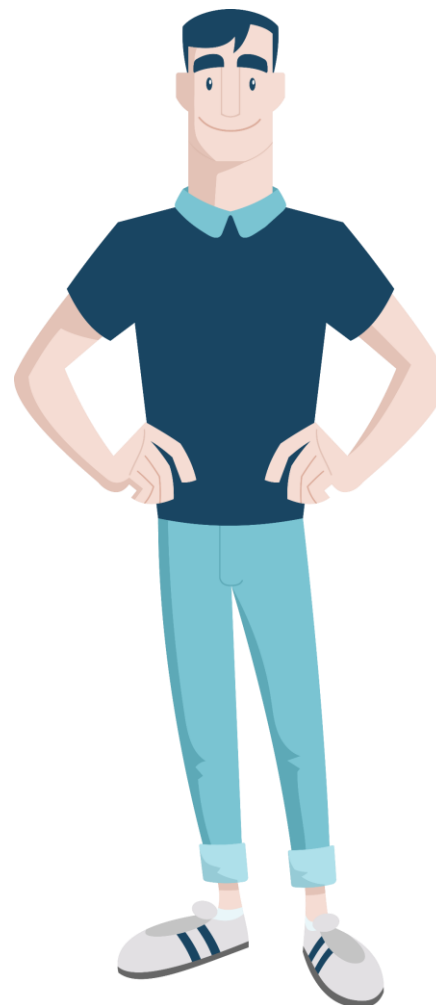


- Together with the cash handling company Loomis, Itera has developed an Anti Money Laundering solution which is in use in Norway and Sweden
- The solution contributes to prevent crime as it automatically generates alerts in the event of unusual activity, e.g. if there is a change in the amount of cash that Loomis collects from a customer
- Itera provided a full range of services including frontend, backend, user experience, functional architecture and testing.



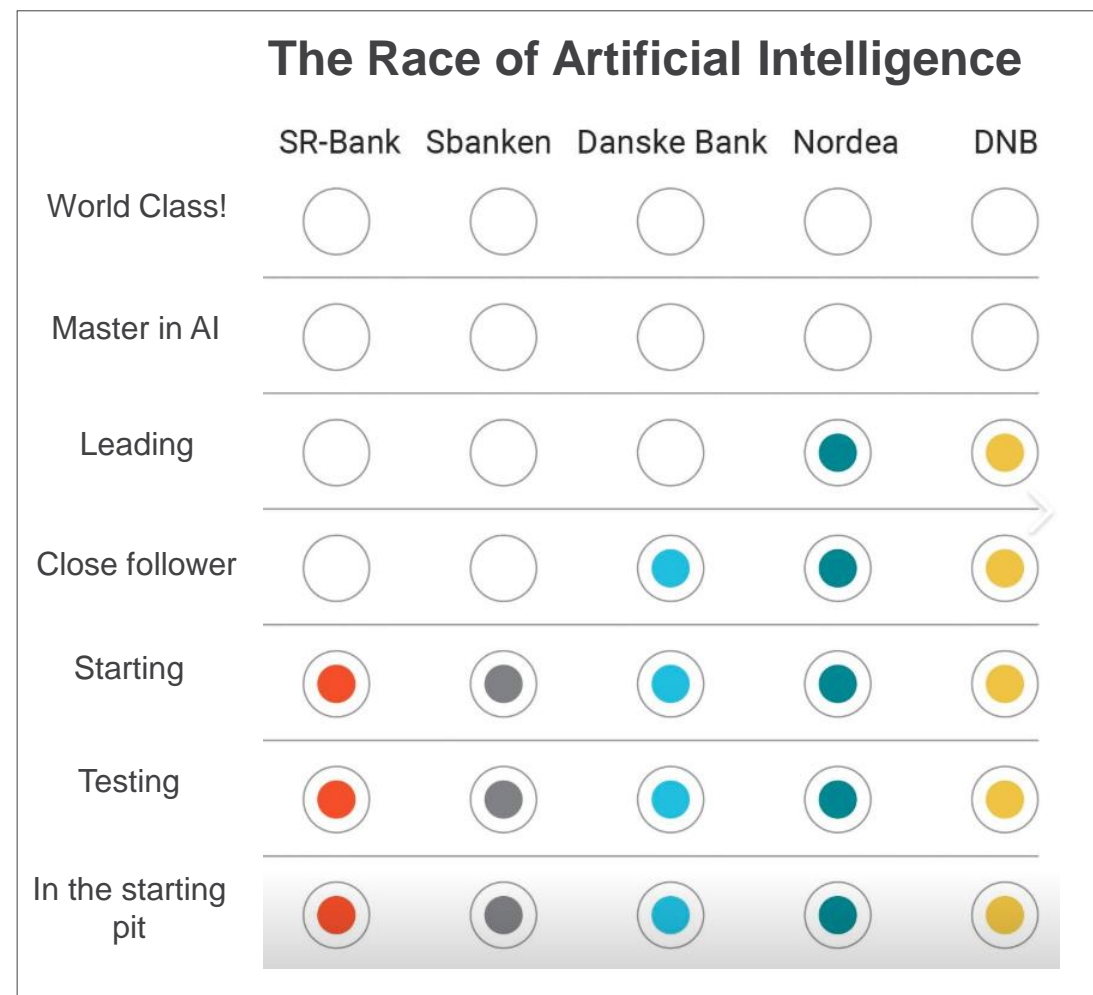
HR HENRY

- Employees expect quick answers to questions related to their conditions of employment
- Many HR departments have to spend a lot of time to answer the same few, but most common questions
- HR Henry is a digital assistant based on artificial intelligence
- The assistant is fully trained and ready to help with all HR related issues in employment legislation – holidays, leave of absence, sick leave, welfare benefits and much more



INCREASED MARKET INSIGHT WITH AI

- Itera has specialized in providing market insight and technological advisory solutions to the financial industry
- Itera has entered into a partnership with Mito.ai based on its AI solution to understand text data, regardless of the language in which the text is written
- More than three million news articles, job ads, public messages and social media posts are analyzed daily
- The new report shows the status of the “Race of Artificial Intelligence” and provides decision makers in Nordic banks the basis they need to understand trends, technologies and competitors



ORDER INTAKE

Order intake from existing and new customers



onninen



Gasum

TRAFSYS



- Book-to-bill ratio*) of 2.3 in Q1 for Digital Business and 1.7 overall

*) 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

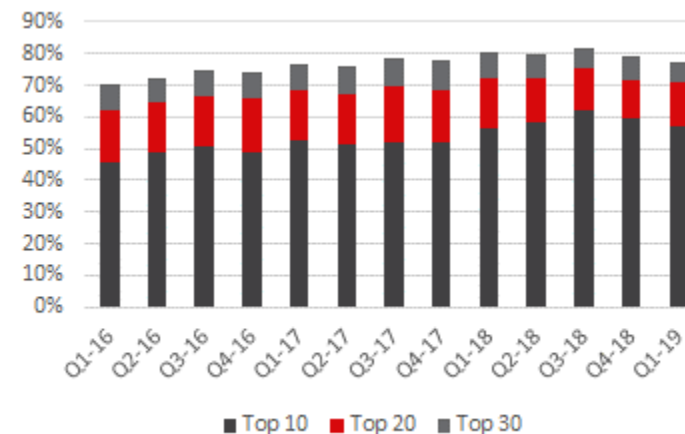
- New business
 - Existing customers accounted for 90.4% of revenues in Q1 2019
 - New customers won over the past year generated revenues of NOK 13.7 million in Q1 2019
- Increasing visibility
 - Share of revenue from top 30 customers down by 3 points y-o-y to 77%
 - High customer concentration signifies
 - Strategic relationships
 - Full range of services
 - Hybrid delivery across borders

Revenue customers split

MNOK



Share of revenue



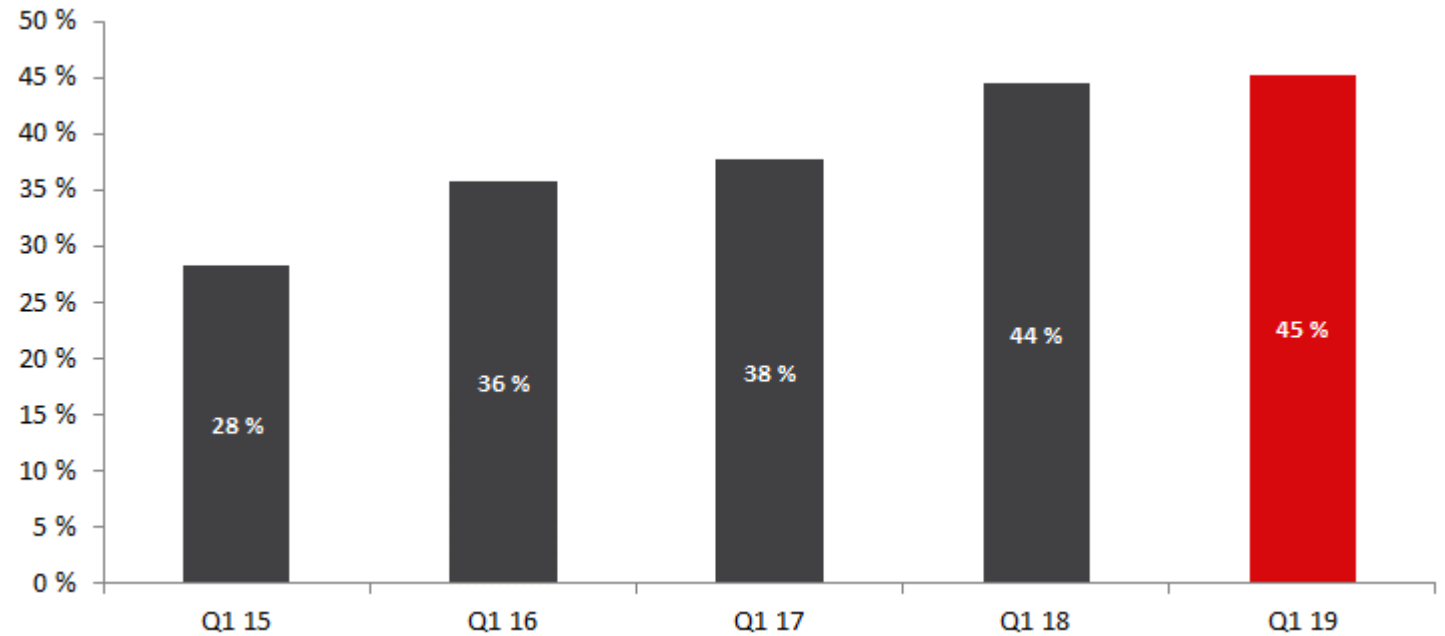
* Existing customers defined as customers that were invoiced in the corresponding quarter last year

** 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 45% in Q1 2019
- 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



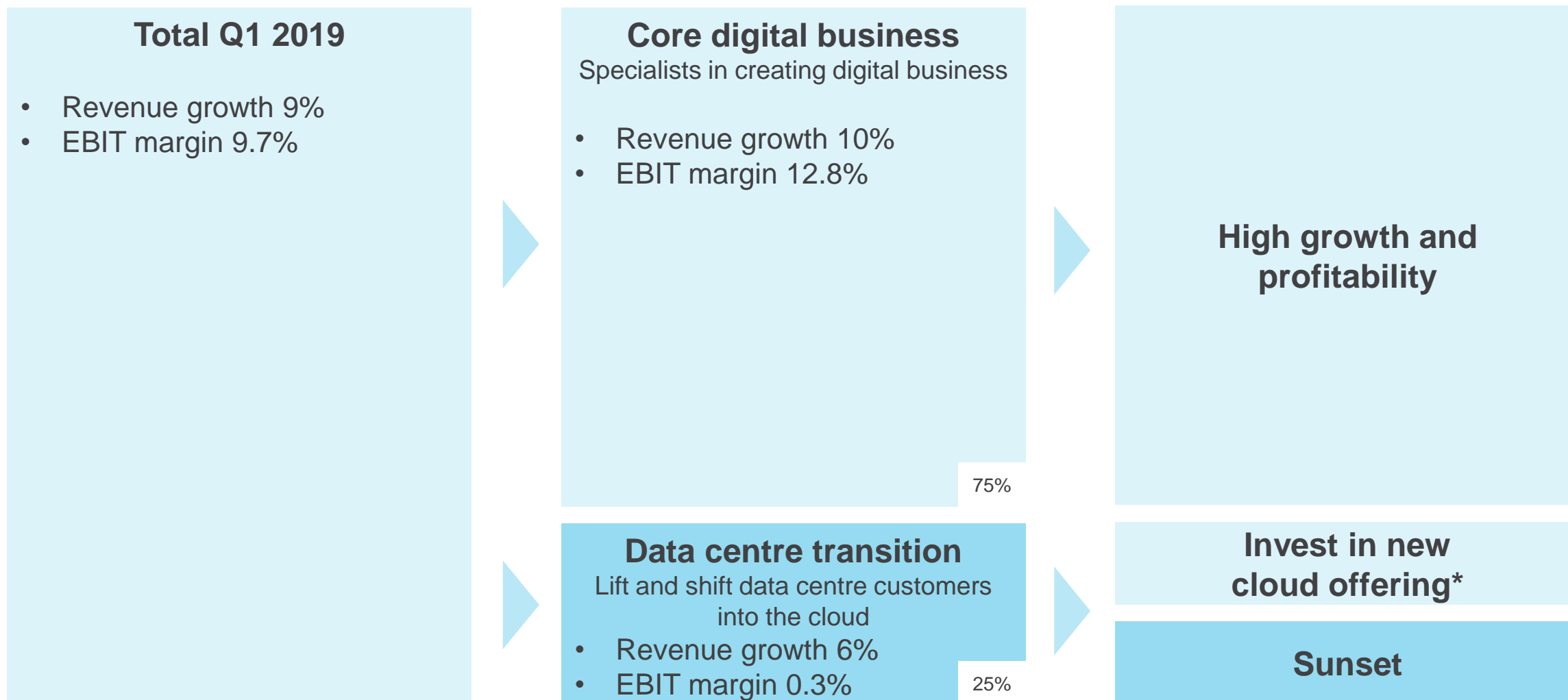
FINANCIAL REVIEW

KEY FIGURES

	2019 Q1	2018 Q1	Change %	2018 FY
NOK Million				
Sales revenue	142.8	131.2	9 %	531.3
Gross profit	122.6	110.3	11 %	444
Personnel expenses	90.3	82.0	10 %	327.8
Other opex	10.0	13.0	(23 %)	52.3
EBITDA	22.3	15.2	46 %	64.0
EBITDA margin	15.6 %	11.6 %	4 pts	12.0 %
EBIT	13.8	10.0	38 %	42.8
EBIT margin	9.7 %	7.6 %	2 pts	8.1 %
Net cash flow from operations	(8)	(8)	(3 %)	56.8
Cash and cash equivalents	43	44	(2 %)	55.3
Equity ratio	22.3 %	24.7 %	-2.4 pts	24.3 %
Employees at end of period	488	489	(0.2 %)	486
Employees in average	487	489	(0.3 %)	488

- Solid revenue growth driven by core digital business
- Shift from opex to depreciation from accounting change
 - Also significantly impacting equity ratio
- Change in employee mix after data centre transition

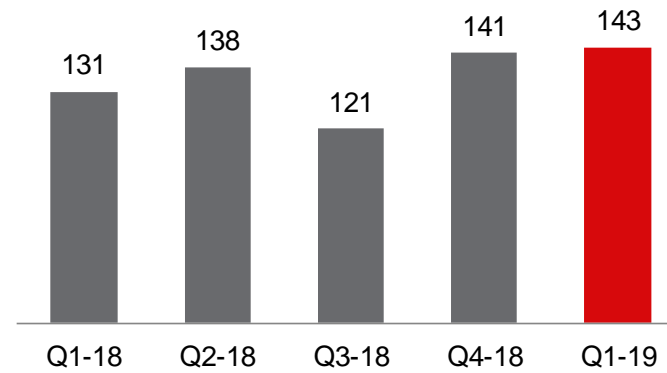
CLOUD TRANSFORMATION



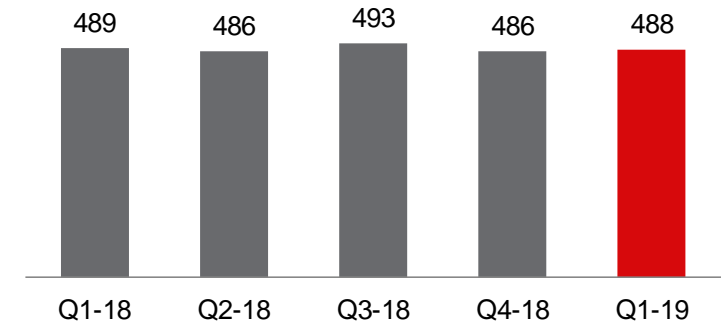
*) Will be included as core digital business after the initial investment period

QUARTERLY DEVELOPMENT

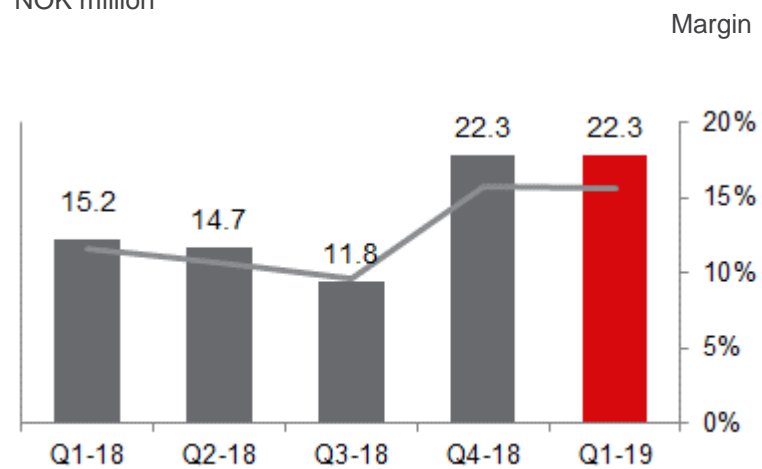
Operating revenue
NOK million



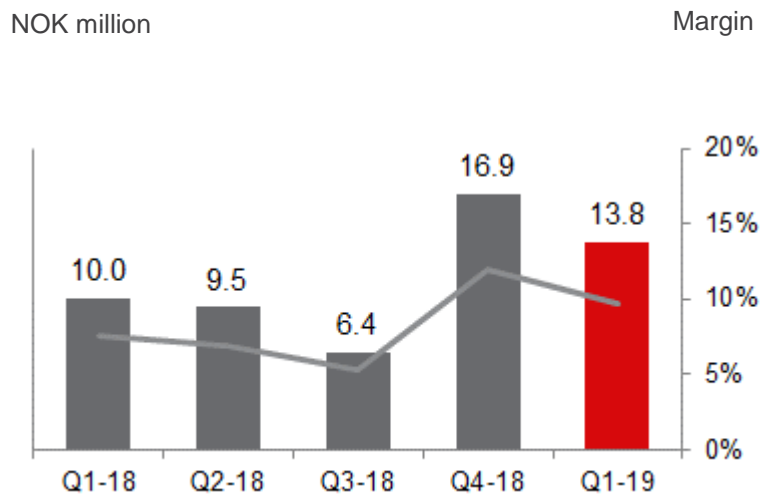
Employees
End of period



EBITDA
NOK million



EBIT
NOK million



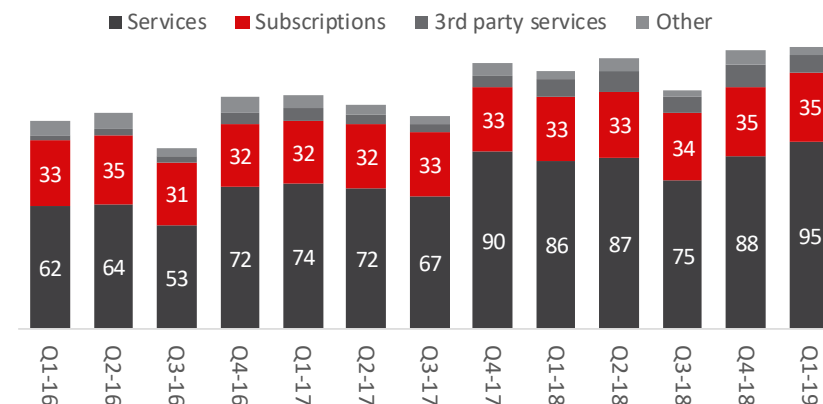
REVENUE SPLIT

Revenue increased by 9% y-o-y

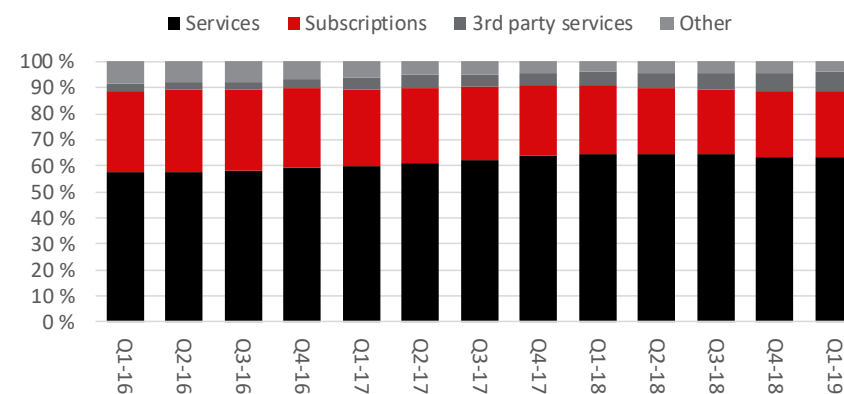
- Service revenues from own consultants increased by 11% to NOK 95 million
- Subscription revenue increased by 7% to NOK 35 million
- 3rd party service revenue increased by 4% to NOK 9 million
- Other revenue, incl. HW/SW sales, decreased by 17% to NOK 4 million as Itera closed its web shop towards end of quarter

Revenue split (quarterly figures)

NOK Million



Revenue percentage split (rolling 12 months)

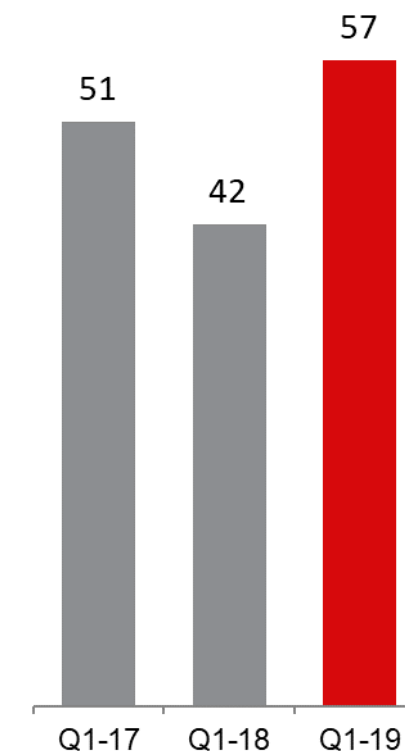


STATEMENT OF CASH FLOW

NOK Million	2019 Q1	2018 Q1	2018 FY
Cash flow from operations (EBITDA)	22.3	15.2	64.0
Change in balance sheet items	(30.8)	(23.4)	(7.1)
Net cash flow from operating activities	(8.5)	(8.2)	56.8
Net cash flow from investment activities	(2.5)	(5.5)	(20.7)
Purchase of own shares	-	-	(22.6)
Sale of shares	-	-	11.1
Borrowings repaid	(1.0)	(2.1)	(8.7)
External dividend paid	-	-	(20.5)
Net cash flow from financing activities	(1.0)	(2.1)	(40.7)
Net change in bank deposits and cash	(12.1)	(15.8)	(4.2)
Bank deposits at the end of the period	43.2	44.0	55.3
New borrowing related to leasing	3.2	0.2	3.7

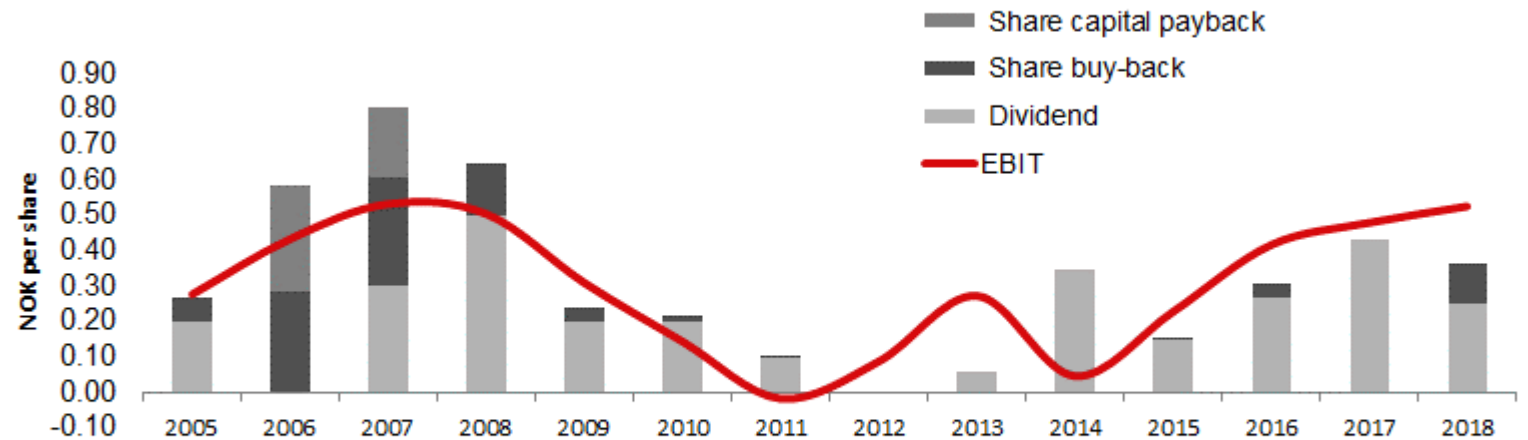
- Cash flow from operations NOK -8.5 (-8.2) million in Q1
- Investments in consolidating data centres
- 12 month rolling cash flow from operations was NOK 57 million

12 month rolling
cash flow from operations
(NOK Million)



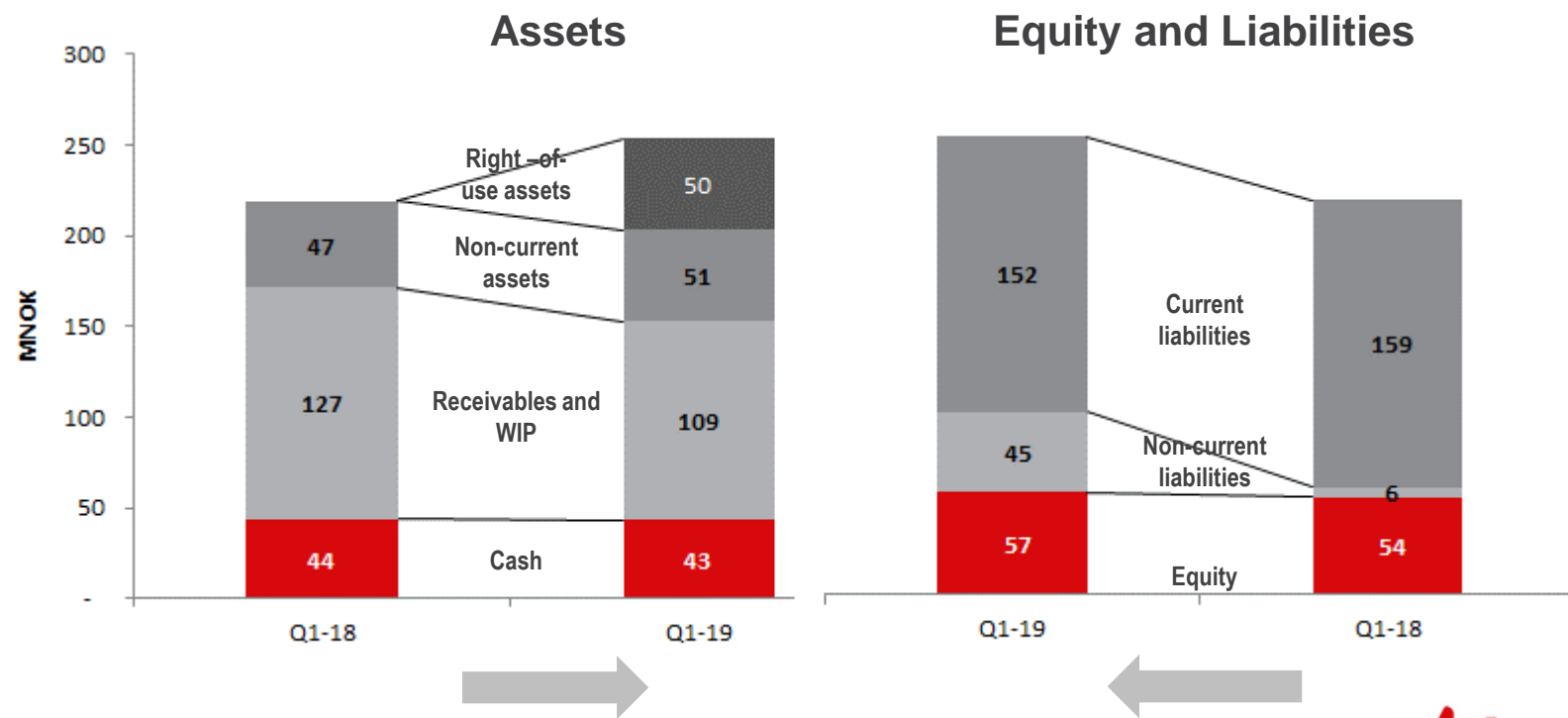
DIVIDENDS AND OWN SHARES

- Total 12-month return of +4% incl. dividends
 - Share price was NOK 8.24 at the end of Q1 2019, an increase of 1% from NOK 8.18 the end of Q1 2018
- Board proposes an ordinary dividend of NOK 0.25 per share and possibility of deciding additional dividend later
- Current holding of own shares is 1,242,165 shares, unchanged in the quarter
 - More than 130 employees own a combined total of approx. 36% of shares



STATEMENT OF FINANCIAL POSITION

- Right-of-use assets of MNOK 50 introduced following adoption of IFRS 16 Leases with corresponding lease liability
- Equity ratio of 22% (25%) per 31 March
 - -5.5 points impact from IFRS 16
- Cash balance of MNOK 43 (MNOK 44)





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.



Q&A SESSION

TOP 20 SHARE- HOLDERS

No.	Name	%	Nat.	Shareholding
1	ARNE MJØS INVEST AS	26.59	NOR	21 853 977
2	OP CAPITAL AS	5.33	NOR	4 378 001
3	EIKESTAD AS	4.99	NOR	4 100 000
4	GIP AS	4.41	NOR	3 626 000
5	DnB NOR Bank ASA	4.08	NOR	3 349 743
6	SEPTIM CONSTULTING AS	3.39	NOR	2 788 000
7	BOINVESTERING AS	3.19	NOR	2 620 000
8	GAMST INVEST AS	2.68	NOR	2 200 000
9	JØSYRA INVEST AS	2.68	NOR	2 200 000
10	STOREBRAND VEKST VERDIPAPIRFOND	2.65	UK	2 177 355
11	MARXPIST INVEST AS	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	ALTEA PROPERTY DEVELOPMENT AS	0.80	NOR	658 477
16	SÆTRANG	0.80	NOR	655 000
17	NYVANG	0.78	NOR	640 000
18	HØGBERG	0.78	NOR	637 551
19	JENSEN	0.75	NOR	620 100
20	MORTEN JOHNSEN HOLDING AS	0.73	NOR	600 000
20	SOBER KAPITAL AS	0.73	NOR	600 000
TOP 20		70.91		58 277 957

*Arne Mjøs Invest AS holds a future contract expiring 21 June 2019 on 3,350,000 shares at an average price of NOK 9.4689 per share. The total controlling interest of Arne Mjøs is thus 25,203,977 shares (30.7%) of which 3,350,000 shares on future contracts.

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