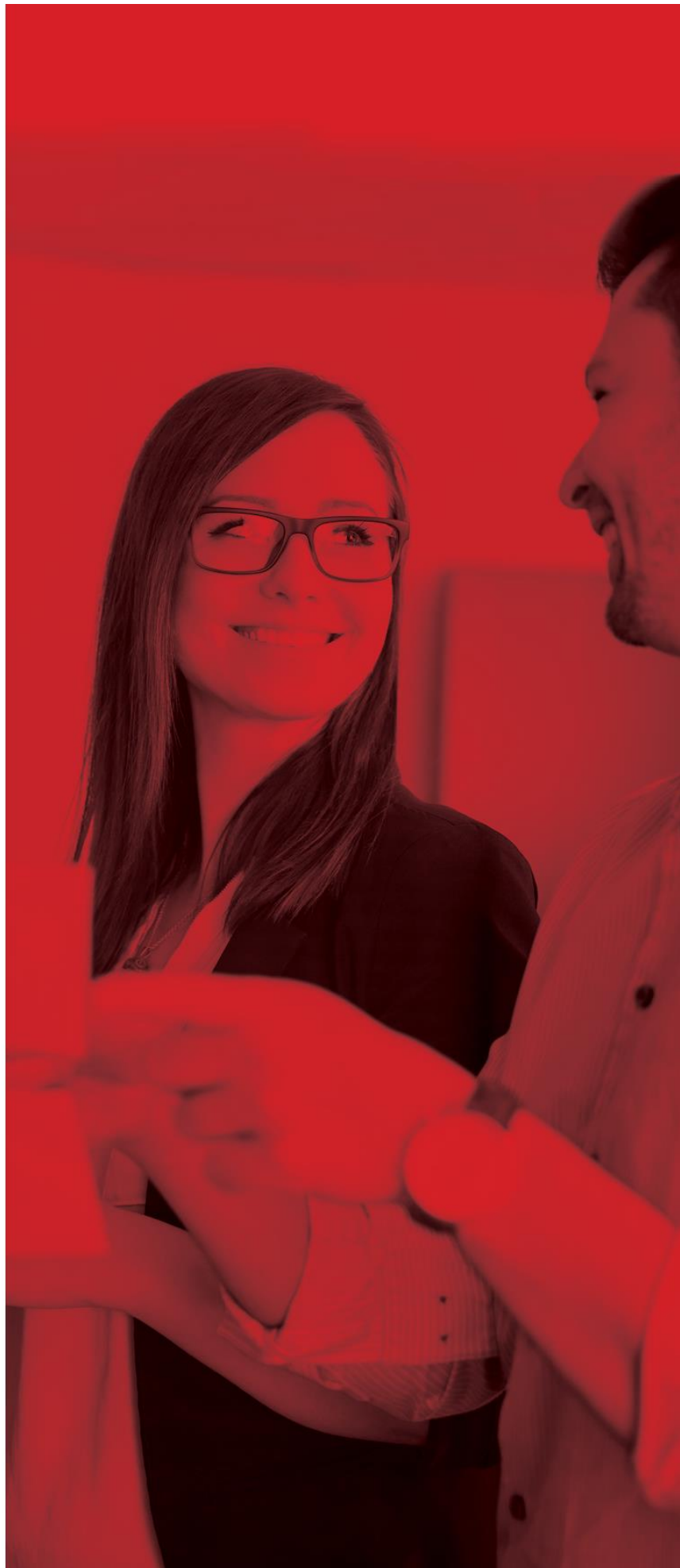


**Q2**  
2019

*itera*  
MAKE A DIFFERENCE



# HIGHLIGHTS Q2 AND H1 2019

## APRIL – JUNE 2019

- Operating revenue NOK 143.3 million (NOK 137.6 million), representing growth of 4%
  - Core digital business revenue grew 9% and represented 77% of total revenue. EBIT margin of 12.3%
- EBITDA NOK 22.6 million (NOK 14.7 million) and an EBITDA margin of 15.8% (10.7%). For comparison, EBITDA without the accounting change (IFRS 16 Leases) would have been NOK 19.1 million, equivalent to an EBITDA margin of 13.3%
- EBIT NOK 13.9 million (NOK 9.5 million) and an EBIT margin of 9.7% (6.9%), representing a 47% improvement
- Cash flow from operations NOK 26.9 million (NOK 21.6 million). Comparative cash flow from operations before accounting change (IFRS 16 Leases) is NOK 23.4 million
- Cash and cash equivalents NOK 44.1 million (NOK 15.3 million)
- Treasury shares valued at NOK 5.9 million
- Equity ratio 20% (11%)

## JANUARY – JUNE 2019

- Operating revenue NOK 286.1 million (NOK 268.7 million), representing growth of 6%
  - Core digital business revenue grew 9% and represented 76% of total revenue. EBIT margin of 12.5%.
- EBITDA NOK 44.9 million (NOK 29.9 million) and an EBITDA margin of 15.7% (11.1%). For comparison, EBITDA without the accounting change (IFRS 16 Leases) would have been NOK 37.9 million, equivalent to an EBITDA margin of 13.2%
- EBIT NOK 27.8 million (NOK 19.5 million) and an EBIT margin of 9.7% (7.2%)
- Cash flow from operations NOK 21.9 million (NOK 13.3 million). Comparative cash flow from operations before accounting change (IFRS 16 Leases) is NOK 14.9 million

## ACTIVITIES AND SIGNIFICANT EVENTS DURING THE SECOND QUARTER

- Second-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 8%, with the transformation to cloud services continuing.
- Itera entered into new or extended contracts with customers such as Aker Solution's start-up company Cognite, DNV GL, Santander, Storebrand Forsikring, KLP, Visavi Technology, Össur and Nets.
- The second-quarter EBIT margin for Itera's core digital business was 12.3%, while Itera's data centre operations achieved an EBIT margin of 1.4%. The profitability improvement was due in part to Itera's consolidation of its data centres and the associated decrease in overheads.
- The Annual General Meeting on 21 May 2019 approved the Board's proposal the payment of an ordinary dividend of NOK 0.25 per share and authorised the Board to decide on the payment of an additional dividend later in the year.

# KEY FIGURES

	2019	2018	change	change	2019	2018	change	2018
Amounts in NOK million	4-6	4-6		%	1-6	1-6	%	1-12
Sales revenue	143.3	137.6	5.7	4 %	286.1	268.7	6 %	531.3
Gross profit	122.1	113.8	8.3	7 %	244.7	224.1	9 %	444.0
EBITDA	22.6	14.7	7.9	54 %	44.9	29.9	50 %	64.0
EBITDA margin	15.8 %	10.7 %	5.1 pts	5.1 pts	15.7 %	11.1 %	4.6 pts	12.0 %
Operating profit (EBIT)	13.9	9.5	4.5	47 %	27.8	19.5	43 %	42.8
EBIT margin	9.7 %	6.9 %	2.9 pts	2.9 pts	9.7 %	7.2 %	2.5 pts	8.1 %
Profit before tax	13.2	9.3	3.9	42 %	26.1	17.8	46 %	41.4
Profit for the period	10.1	7.0	3.1	44 %	19.8	13.5	47 %	31.7
Profit margin	7.0 %	5.1 %	2 pts	2 pts	6.9 %	5.0 %	1.9 pts	6.0 %
Net cash flow from operating activities	26.9	21.6	5.4	25 %	21.9	13.3	64 %	56.8
No. of employees at the end of the period	499	486	13	3 %	499	486	3 %	486

# GROUP PERFORMANCE IN THE SECOND QUARTER AND FIRST SIX MONTHS OF 2019

## FINANCIAL PERFORMANCE

The comments below relate to Itera's performance in the second quarter of 2019 compared to the second quarter of 2018 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2018. Please refer to Note 4 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 second quarter of 2019

Itera achieved organic revenue growth of 4% in the second quarter of 2019 relative to the second quarter of 2018. This was driven by revenue growth from Itera's core digital business of 9%, with Norway and Itera's nearshore delivery centres in Ukraine and Slovakia making a particularly strong contribution to this.

The Group's operating profit (EBIT) for the second quarter of 2019 was NOK 13.9 million (NOK 9.5 million), giving an EBIT margin of 9.7% (6.9%). The second quarter of 2019 contained two fewer working days than the second quarter of 2018. One working day normally has a positive impact of NOK 1-1.5 million on revenue and operating profit.

### Accounting principles

These interim condensed consolidated financial statements for the quarter ending 30 June 2019 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 2018. 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 2018, with the exceptions stated below. The interim financial information contained in this report has not been audited or reviewed.

### 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 increased lease liabilities and right of use assets by NOK 54 million as at 1 January, this having a corresponding dilutive effect on the equity ratio. In addition, lease principal repayments have been reclassified from operating expenses to depreciation. This increases reported EBITDA compared to the previous standard. Please refer to Note 3 for further information.

### Operating revenue

Itera reports operating revenue of NOK 143.3 million (NOK 137.6 million) for the second quarter of 2019, which represents growth of 4%. This growth was predominantly from Itera's core digital business, the revenue from which increased to NOK 109.7 million from NOK 101.1 million (+9%), while the revenue generated by Itera's traditional data centre operations decreased by 8% from NOK 36.5 million to NOK 33.6 million. For the first six months revenue

grew by 6% to NOK 286.1 million, where Itera's core digital business increased by 9% and its traditional data centre operations decreased by 1%.

Core digital business represented 77% of total revenue in the second quarter of 2019, an increase by 4 percentage points compared to the same period last year. This is in line with Itera's transformation program where existing customers on Itera's traditional data centres are lifted and shifted to hyperscale public cloud.

Gross profit (revenue minus cost of goods sold) was NOK 122.1 million (NOK 113.8 million) in the second quarter, which represented an increase of 7%. For the first six months gross profit was NOK 244.7 million (NOK 224.1 million, which represented an increase of 9%).

### Operating expenses

Itera's total operating expenses in the second quarter of 2019 were 1% higher at NOK 129.4 million (NOK 128.1 million), while for the first six months they were up 4% to NOK 258.3 million.

Cost of sales was NOK 21.2 million (NOK 23.8 million) in the second quarter of 2019. 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. For the first six months cost of sales was down 7% to NOK 41.4 million.

Personnel expenses were NOK 87.9 million (NOK 86.2 million) in the second quarter of 2019, which represents an increase of 2%. The personnel expenses per employee were unchanged as annual salary increases were neutralised by an increase in the share of nearshore employees. For the first six months personnel expenses were NOK 178.2 million, which was 6% higher than in the same period last year.

Other operating expenses were NOK 11.6 million (NOK 12.9 million) in the second quarter of 2019. The decrease was partly due to lease costs totalling NOK 3.5 million being reclassified due to the adoption of IFRS 16, with the majority of this amount reclassified to depreciation expense. For the first six months other operating costs were NOK 21.7 million (NOK 25.9 million).

Depreciation and amortisation totalled NOK 8.6 million (NOK 5.2 million) in the second quarter, with NOK 3.3 million of this amount due to the impact of IFRS 16. For the first six months depreciation and amortisation totalled NOK 17.2 million (NOK 10.4 million).

### Operating result

The operating result before depreciation and amortisation (EBITDA) for the second quarter of 2019 was a profit of NOK 22.6 million (NOK 14.7 million), with this figure positively impacted by the adoption of IFRS 16 with effect from 1 January 2019 (see note 3 for further details). Excluding the effect of the adoption of IFRS 16, EBITDA in the second quarter of 2019 was NOK 19.1 million, which corresponds to an EBITDA margin of 13.3%. For the first six months EBITDA was NOK 44.9 million (NOK 29.9 million) and the EBITDA margin 15.7% (11.1%). The operating result (EBIT) was a profit of NOK 13.9 million (NOK 9.5 million) for the second quarter and NOK 27.8 million (NOK 19.5 million) for the first six months. The EBIT margin for the second quarter of 2019 was 9.7% as compared to 6.9% in the second quarter of 2018, whereas for the first six months it was 9.7% (7.2%).

Itera's second-quarter earnings from its core digital business were

NOK 13.5 million (NOK 10.8 million), giving an EBIT margin of 12.3% (10.7%). Itera's earnings from its traditional data centre operations were NOK 0.5 million (NOK -1.4 million), giving an EBIT margin of 1.4% (-3.8%). The transformation program to shift Itera's data centre operations to cloud offerings is progressing in line with the plan.

The result before tax for the second quarter of 2019 was a profit of NOK 13.2 million (NOK 9.3 million). Tax expense accrued for the second quarter totalled NOK 3.2 million (NOK 2.3 million). For the first six months the result before tax was a profit of NOK 26.1 million (NOK 17.8 million) and the tax expense accrued was NOK 6.3 million (NOK 4.3 million).

Earnings per share (EPS) was NOK 0.12 (0.09) for the second quarter and NOK 0.24 (0.17) for the first six months.

### Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 26.9 million (NOK 21.6 million) in the second quarter of 2019 and NOK 21.9 million (NOK 13.3 million) for the first six months. Excluding the effect of IFRS 16 adoption, net cash flow from operating activities was NOK 23.4 million in the second quarter of 2019 and NOK 14.9 million for the first six months.

There was a net cash outflow from investing activities of NOK 2.9 million (NOK 8.0 million) in the second quarter of 2019, of which NOK 0.9 million (NOK 6.4 million) was for office equipment, furniture and fittings. An additional NOK 0.2 million (NOK 1.5 million) of investment was financed through leasing. Investment in intangible assets, including investment in intellectual property rights, totalled NOK 2.0 million (NOK 1.6 million). There was a net cash outflow from investing activities of NOK 5.4 million (NOK 13.5 million) in the first six months.

There was a net cash outflow from financing activities of NOK 23.2 million (NOK 42.3 million) in the second quarter of 2019 mainly because of the distribution of a dividend. In the first six months there was a net cash outflow from financing activities of NOK 27.7 million (NOK 44.3 million).

Work in progress at 30 June 2019 was NOK 1.5 million lower than at 30 June 2018, while capitalised contract costs were NOK 4.8 million lower. The capitalised contract costs are related to deferred revenue recognition under IFRS 15. Accounts receivable and other receivables were NOK 2.1 million and NOK 2.3 million lower than at 30 June 2018, respectively.

Accounts payable at 30 June 2019 were NOK 5.9 million lower than at 30 June 2018. Public duties payable were NOK 0.7 million higher than at the end of the second quarter of 2018, while tax payable was NOK 9.8 million, which is NOK 4.5 million higher than at 30 June 2018. Contract liabilities at 30 June 2019 were NOK 13.2 million higher at NOK 24.2 million. This was due to a reclassification of customer prepayments from other short-term liabilities, which were reduced by NOK 24.6 million to NOK 57.9 million.

Cash and cash equivalents amounted to NOK 44.1 million at 30 June 2019, compared to NOK 15.3 million at 30 June 2018. At the end of the period, Itera had an undrawn credit facility of NOK 25 million.

Itera had lease liabilities totalling NOK 56.7 million (NOK 11.3 million) at 30 June 2019, which represents a net increase of NOK 45.5 million. NOK 47.3 million of the lease liabilities relates to the capitalisation of the present value of future lease and rental obligations under the new IFRS 16 Leases standard, while the rest relates to financial lease agreements entered into to finance investments related to IT hosting contracts. NOK 17.4 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 39.4 million are classified as non-current liabilities.

Itera sold 490,047 of its own shares in the second quarter as part of employee share and option programmes. At 30 June 2019 Itera held 752,118 own shares, valued at NOK 5.9 million.

Equity at 30 June 2019 totalled NOK 48.1 million (NOK 20.7 million

at 30 June 2018). The equity ratio was 19.6% (11.3%). The equity ratio was negatively impacted by 4.7 percentage points as a result of the adoption of IFRS 16 with effect from 1 January 2019.

### Dividend

The Annual General Meeting on 21 May 2019 approved the Board's proposal the payment of an ordinary dividend of NOK 0.25 per share and authorised the Board to decide on the payment of an additional dividend later in the year. The share went ex-dividend on 22 May 2019.

## BUSINESS REVIEW

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

### Market and customer development

In the second quarter of 2019, Itera entered into new or extended contracts with customers such as Cognite, Santander, Storebrand Forsikring, KLP, Visavi Technology, Winorg, DNV GL, Össur and Nets.

Itera works as a partner to many organisations that want to advance society by making the most of the opportunities offered by high-quality user experiences and future-oriented technologies.

### Sensor technology and digital twins for traffic safety

An example of Itera working with organisations that seek to advance society from the second quarter is Trafsys, a leading Nordic knowledge business that develops intelligent transport systems. Itera was engaged to assist Trafsys with developing and testing solutions that help improve traffic safety by minimising or entirely preventing the effects of incidents such as queues and accidents using monitoring and incident management.

Trafsys monitors hundreds of Norwegian roads, bridges, tunnels and junctions continuously using advanced sensor technology and digital twins. Trafvision is the company's main product - a powerful, modular system for traffic control and monitoring. Trafvision provides the user with a clear and accurate picture of the traffic situation through status messages and alarms from a number of different data collection and detection systems alongside the road, including video, radar, telephone, weather data and fire alarm systems.

Trafvision has been continuously improved since 1999. With the very strong emergence of advanced sensor technology, there has been explosive growth in the number of sensors deployed. Trafvision's existing database-centric architecture was eventually going to become a bottleneck in terms of processing in real time the enormous and rapidly growing volumes of data being created. Hence, Itera contributed to the work of modernising the architecture by switching to using microservices and Kafka message bus.

The new architecture is well suited to processing the data stream of millions of messages in real time, and it thus enables events that would adversely affect traffic safety to be handled quickly and without delay. In the event of an incident, traffic is quickly redirected by the system automatically initiating the measures required on the basis of data from on-site sensors, such as signal management, road barrier, variable signs, radio messages and emergency lighting. Examples of events that automatically generate alarms are traffic accidents, fires/the use of fire extinguishers, lost loads, excessive CO2 levels, pedestrians in the road, queues and stopped vehicles.



## Cloud-based pollen count warnings

Another example from the second quarter can be found in the health area. Around 1 million Norwegians are allergic to pollen to some extent. Accurate pollen count warnings can make everyday life easier during the pollen season. In the second quarter, Itera worked together with the Norwegian Allergy and Asthma Association to look into how machine learning and artificial intelligence can be used to analyse current and historic pollen data to provide as accurate and long-range pollen count warnings as possible.

## Knowledge sharing and competence development

Knowledge sharing is part of Itera's culture and is practised not only internally but also externally, as Itera's employees deliver lectures at universities and talks at conferences and organise open community events. One example of an external event from the second quarter was a seminar held in Reykjavik, Iceland together with Microsoft and Össur, which is one of Itera's customers and a world leader in orthopaedic products. The topic was "Digital thinking – what matters is not the technology, but where it can take you". Microsoft, Össur and Itera shared their views on the most important developments taking place in the Norwegian and Nordic region, as well as on the challenges and opportunities associated with digitisation both from a national and global perspective. The seminar was very positively evaluated by the Icelandic participants.

One of Itera's main internal competence development activities also took place in the second quarter. All employees enjoyed a program that featured more than 60 lightning talks to choose from that addressed highly relevant topics ranging from machine learning, efficient teams, content audits to security and design thinking.

## Innovation as part of the organisational culture

To contribute to the Group's growth ambitions, the Group arranges an annual open innovation competition called "Itera Game Changer". The 2019 edition was held in the second quarter. The Group defines a "game changer" as an initiative (idea, partnership, spin off, agreement etc.) that has a realistic potential to significantly increase Itera's revenue over a 12-24-month perspective.

Itera invited the Group's very skilled, highly experienced, commercially insightful and very creative employees to participate in the competition. The employees themselves were free to decide whether they would work alone or as part of a team that they would form with other colleagues or alternatively by inviting external participants. To win, entrants had to come up with a business concept that is scalable and has significant market potential.

A broad range of ideas were presented, and all attendees and participants were able to vote to decide which one would win. The winning idea was a concept developed and presented by a team consisting of business developers and technologists from both Itera and the Group's customer Cognite, whose largest owner is Aker Solutions.

Cognite has developed an innovative solution targeted at heavy-asset industries like oil & gas, shipping, manufacturing and power. The solution collects, cleans and contextualises data and presents digital twins of physical objects, e.g. oil drilling platforms, to identify maintenance needs before errors or down-time occur. The concept presented at the innovation competition described how a specific idea for additional functionality could revolutionise how the solution is used and its value.

## Recruitment with a long-term perspective

In addition to working in a very focused way on continuous recruitment, Itera annually runs a summer internship program targeted at students at major universities. This program is a strategic instrument for building relationships with the most talented students at an early stage in their education, with some students offered positions at Itera as early as after their second or third year of their

Master's program. In the second quarter, Itera welcomed 23 students from NTNU, the University of Oslo, NHH and OsloMet. The students were divided into groups, each led by one of Itera's project managers, and were challenged to solve strategic issues for four of the Group's customers.

## Strong focus on technology platforms

Today, cloud-based technology platforms such as Microsoft Azure, Google Cloud and Amazon Web Services (AWS) include features and functionality that used only to be available to large companies. This democratisation of technology is ensuring that any business – whether a start-up or a small or large business – can take advantage of sophisticated technology due to the products and services being more affordable and user-friendly.

In the second quarter, the Group continued its strategic focus on technology platforms. Training and certification activities were provided and completed across the Group, and these were tailored to the Group's strategic competence areas to ensure that the whole Group is at the forefront in terms of designing, developing and managing innovative solutions that are based on advanced services within artificial intelligence (AI), big data and the internet of things (IoT).

## 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 1% in the second quarter of 2019 and accounted for 78% of its operating revenue, down from 80% in the second quarter of 2018.

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 second quarter of 2019 was 499 as compared to 486 at the end of the second quarter of 2018. Itera has nearshore development centres in Slovakia and Ukraine. The proportion of Itera's capacity that is located here (its nearshore ratio) was 48% (44%) at the end of the second quarter.

## Significant risks and uncertainties

Itera's activities are influenced by several 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 2018.

## Outlook

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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 hybrid teams of Nordic and 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.

There is an attractive market with high demand for digitalisation in all Nordic markets. Profitable growth and cash flow are key focus areas. We will continue to invest in our new Managed Cloud Services unit and to transition our own data centres to the cloud. Larger projects and customers are expected to continue to increase revenue visibility, efficiency and scalability.

## Next interim report

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The interim report for the third quarter of 2019 will be published and presented on 23 October 2019.

# STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The Board of Directors and the CEO have today considered and approved the consolidated condensed financial statements for the six months ended June 30, 2019, with comparatives for the corresponding period of 2018 for Itera Group. The Board has based this declaration on reports and statements from the group's CEO, the results of the group's activities, and other information that is essential to assess the group's position.

To the best of our knowledge:

- The consolidated condensed financial statements for the six months ended June 30, 2019 have been prepared in accordance with IFRS as adopted by EU and IAS 34 - Interim Financial Reporting and additional disclosure requirements under the Norwegian Securities Trading Act.
- The information provided in the financial statements gives a true and fair portrayal of Itera Group's assets, liabilities, profit and overall financial position as of June 30, 2019.
- The information provided in the report for the first half 2019 provides a true and fair overview of the development, performance, financial position, important events and significant related party transactions in the accounting period as well as the most significant risks and uncertainties facing Itera Group.

Oslo, 20 August 2019

The Board of Directors and CEO 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



Charlotte Bech Blindheim  
Board Member



Arne Mjøs  
CEO

# INTERIM CONDENSED FINANCIAL INFORMATION

## Consolidated statement of comprehensive income

All figures in NOK 1000 except earnings per share	2019 4-6	2018 4-6	change %	2019 1-6	2018 1-6	change %	2018 1-12
<b>Sales revenue</b>	<b>143 306</b>	<b>137 571</b>	<b>4 %</b>	<b>286 069</b>	<b>268 722</b>	<b>6 %</b>	<b>531 323</b>
<b>Operating expenses</b>							
Cost of sales	21 221	23 810	(11 %)	41 372	44 667	(7 %)	87 275
<b>Gross Profit</b>	<b>122 085</b>	<b>113 760</b>	<b>7 %</b>	<b>244 697</b>	<b>224 055</b>	<b>9 %</b>	<b>444 048</b>
<i>Gross Margin</i>	85 %	83 %	2.5 pts	86 %	83 %	2.2 pts	84 %
Personnel expenses	87 869	86 206	2 %	178 192	168 252	6 %	327 769
Depreciation and amortisation	8 648	5 228	65 %	17 099	10 428	64 %	21 141
Other operating expenses	11 636	12 877	(10 %)	21 651	25 910	(16 %)	52 322
<b>Total operating expenses</b>	<b>129 374</b>	<b>128 121</b>	<b>1 %</b>	<b>258 314</b>	<b>249 257</b>	<b>4 %</b>	<b>488 507</b>
<b>Operating profit</b>	<b>13 932</b>	<b>9 450</b>	<b>47 %</b>	<b>27 756</b>	<b>19 465</b>	<b>43 %</b>	<b>42 816</b>
Other financial income	389	63	517 %	701	218	221 %	1 234
Other financial expenses	1 081	202	436 %	2 355	1 837	28 %	2 631
<b>Net financial income (expenses)</b>	<b>(693)</b>	<b>(139)</b>	<b>(399 %)</b>	<b>(1 654)</b>	<b>(1 619)</b>	<b>(2 %)</b>	<b>(1 397)</b>
<b>Profit before taxes</b>	<b>13 239</b>	<b>9 311</b>	<b>42 %</b>	<b>26 101</b>	<b>17 846</b>	<b>46 %</b>	<b>41 419</b>
Income taxes	3 178	2 336	36 %	6 306	4 338	45 %	9 742
<b>Net income</b>	<b>10 061</b>	<b>6 975</b>	<b>44 %</b>	<b>19 795</b>	<b>13 508</b>	<b>47 %</b>	<b>31 677</b>
Earnings per share	0.12	0.09	44 %	0.24	0.17	47 %	0.39
Fully diluted earnings per share	0.12	0.08	45 %	0.24	0.16	48 %	0.39
Translation differences on net investment in foreign operations	(104)	(197)	47 %	(321)	(394)	18 %	260
<b>Total comprehensive income</b>	<b>9 957</b>	<b>6 778</b>	<b>47 %</b>	<b>19 474</b>	<b>13 114</b>	<b>49 %</b>	<b>31 937</b>
Total comprehensive income attributable to:							
Shareholders in parent company	9 957	6 778	47 %	19 474	13 114	49 %	31 937



# Consolidated statement of financial position

All figures in NOK 1000	2019 30 Jun	2018 30 Jun	change	change %	2018 31 Dec
<b>ASSETS</b>					
<b>Non-current assets</b>					
Deferred tax assets	3 566	3 490	75	2 %	3 630
Other intangible assets	21 867	23 436	(1 569)	(7 %)	22 954
Property, plant and equipment	23 042	24 752	(1 710)	(7 %)	23 477
Right-of-use assets	46 918	-	46 918		-
<b>Total non-current assets</b>	<b>95 393</b>	<b>51 678</b>	<b>43 715</b>	<b>85 %</b>	<b>50 061</b>
<b>Current assets</b>					
Work in progress	2 893	4 344	(1 451)	(33 %)	4 188
Contract costs	13 938	18 731	(4 793)	(26 %)	16 407
Accounts receivable	68 901	71 016	(2 115)	(3 %)	52 267
Other receivables	19 498	21 837	(2 339)	(11 %)	16 665
Cash and cash equivalents	44 089	15 336	28 753	187 %	55 279
<b>Total current assets</b>	<b>149 319</b>	<b>131 264</b>	<b>18 054</b>	<b>14 %</b>	<b>144 807</b>
<b>TOTAL ASSETS</b>	<b>244 712</b>	<b>182 942</b>	<b>61 770</b>	<b>34 %</b>	<b>194 868</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	24 656	24 656	-	0 %	24 656
Other equity	3 632	(17 461)	21 093	121 %	(8 890)
Net income for the period	19 795	13 508	6 287	47 %	31 677
<b>Total equity</b>	<b>48 083</b>	<b>20 703</b>	<b>27 380</b>	<b>132 %</b>	<b>47 443</b>
<b>Non-current liabilities</b>					
Other provisions and liabilities	1 003	-	1 003		871
Lease liabilities - long-term portion	39 376	5 510	33 865	615 %	4 741
<b>Total non-current liabilities</b>	<b>40 379</b>	<b>5 510</b>	<b>34 868</b>	<b>633 %</b>	<b>5 613</b>
<b>Current liabilities</b>					
Accounts payable	18 670	24 530	(5 860)	(24 %)	23 941
Tax payable	9 767	5 286	4 481	85 %	9 537
Public duties payable	28 341	27 611	730	3 %	33 130
Contract liabilities	24 246	11 050	13 196	119 %	24 146
Lease liabilities	17 363	5 750	11 613	202 %	4 001
Other current liabilities	57 863	82 502	(24 639)	(30 %)	47 057
<b>Total current liabilities</b>	<b>156 250</b>	<b>156 728</b>	<b>(478)</b>	<b>(0 %)</b>	<b>141 812</b>
<b>Total liabilities</b>	<b>196 628</b>	<b>162 239</b>	<b>34 390</b>	<b>21 %</b>	<b>147 425</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244 712</b>	<b>182 942</b>	<b>61 770</b>	<b>34 %</b>	<b>194 868</b>
<b>Equity ratio</b>	<b>19.6 %</b>	<b>11.3 %</b>	<b>8.3 pts</b>		<b>24.3 %</b>

# Consolidated statement of cash flows

All figures in NOK 1000	2019 4-6	2018 4-6	2019 1-6	2018 1-6	2018 1-12
Profit before taxes	13 239	9 311	26 101	17 846	41 419
Income taxes paid	(3 455)	(3 405)	(9 432)	(7 864)	(9 844)
Depreciation and amortisation	8 648	5 228	17 099	10 428	21 141
Change in work in progress	(265)	5 821	1 295	5 332	5 489
Change in accounts receivable	6 393	6 818	(16 633)	(652)	1 780
Change in accounts payable	(2 503)	3 378	(5 271)	3 820	3 232
Change in other accruals	4 825	(5 050)	8 883	(15 252)	(6 124)
Effect of changes in exchange rates	55	(528)	(122)	(314)	(283)
<b>Net cash flow from operating activities</b>	<b>26 936</b>	<b>21 573</b>	<b>21 921</b>	<b>13 345</b>	<b>56 809</b>
Investment in fixed assets	(885)	(6 445)	(1 844)	(8 853)	(12 547)
Investment in intangible assets	(1 998)	(1 553)	(3 549)	(4 654)	(8 137)
<b>Net cash flow from investing activities</b>	<b>(2 883)</b>	<b>(7 998)</b>	<b>(5 392)</b>	<b>(13 507)</b>	<b>(20 684)</b>
Purchase of own shares	-	(22 556)	-	(22 556)	(22 556)
Sales of own shares	2 125	2 868	2 125	2 868	11 075
Instalment of lease liabilities	(5 084)	(2 076)	(9 608)	(4 164)	(8 721)
Dividends paid to equity holders of Itera ASA	(20 236)	(20 493)	(20 236)	(20 493)	(20 493)
<b>Net cash flow from financing activities</b>	<b>(23 195)</b>	<b>(42 257)</b>	<b>(27 719)</b>	<b>(44 345)</b>	<b>(40 695)</b>
Effects of exchange rate changes on cash and cash equivalents	11	4	0	(12)	(5)
<b>Net change in cash and cash equivalents</b>	<b>870</b>	<b>(28 678)</b>	<b>(11 190)</b>	<b>(44 518)</b>	<b>(4 575)</b>
Cash and cash equivalents at the beginning of the period	43 219	44 013	55 279	59 854	59 854
<b>Cash and cash equivalents at the end of the period</b>	<b>44 089</b>	<b>15 336</b>	<b>44 089</b>	<b>15 336</b>	<b>55 279</b>
<b>New borrowings related to leasing</b>	<b>190</b>	<b>1 478</b>	<b>3 341</b>	<b>1 651</b>	<b>3 689</b>

# 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
<b>Equity as of 1 January 2018</b>	<b>24 656</b>	<b>(64)</b>	<b>1 014</b>	<b>(235)</b>	<b>25 268</b>	<b>50 638</b>
Implementation of IFRS 15	-	-	-	-	(3 005)	<b>(3 005)</b>
Net income for the period	-	-	-	-	31 678	<b>31 678</b>
Other comprehensive income for the period	-	-	-	260	-	<b>260</b>
Share option costs	-	-	(466)	-	-	<b>(466)</b>
Employee share purchase programme	-	-	312	-	-	<b>312</b>
Purchase of own shares	-	(750)	(21 806)	-	-	<b>(22 556)</b>
Sale of own shares	-	442	10 634	-	-	<b>11 075</b>
Dividends	-	-	-	-	(20 493)	<b>(20 493)</b>
<b>Equity as of 31 December 2018</b>	<b>24 656</b>	<b>(373)</b>	<b>(10 312)</b>	<b>25</b>	<b>33 448</b>	<b>47 443</b>
Net income for the period	-	-	-	-	19 795	<b>19 795</b>
Other comprehensive income for the period	-	-	-	(104)	-	<b>(104)</b>
Share option costs	-	-	(1 297)	-	-	<b>(1 297)</b>
Employee share purchase programme	-	4	353	-	-	<b>357</b>
Sale of own shares	-	143	1 982	-	-	<b>2 125</b>
Dividends	-	-	-	-	(20 236)	<b>(20 236)</b>
<b>Equity as of 30 June 2019</b>	<b>24 656</b>	<b>(226)</b>	<b>(9 274)</b>	<b>(80)</b>	<b>33 007</b>	<b>48 083</b>

# NOTES

## NOTE 1: TRANSACTIONS WITH RELATED PARTIES

There have been no material transactions with related parties during the reporting period 1 January 2019 to 30 June 2019.

## NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 30 June 2019 that would have a material effect on the interim accounts.

## NOTE 3: IFRS 16 LEASES

Itera adopted the accounting standard IFRS 16 Leases on 1 January 2019. This has resulted 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. Itera has applied exceptions allowed by the standard for short-term and low-value leases.

Itera adopted the modified retrospective approach upon transition, which has resulted in all the transition impact being reported as adjustments to opening balances, and comparative periods have not been restated. Itera used the practical expedient contained in IFRS 16 that permits companies not to reassess whether contracts meet the definition of a lease and applied IFRS 16 to all existing operating leases as of 31 December 2018.

Following adoption of the new model on 1 January 2019, Itera recognised 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. Depreciation on right-of-use assets is recognised separately from interest expense on lease liabilities in the income statement.

Itera will remeasure its 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.

Itera had a liability for rent for premises totalling NOK 57.4 million at 31 December 2018. This amount includes the rental agreement for Itera's head office premises at Nydalen in Oslo which runs until 30 June 2023, as well as the rental agreement for its office premises in Kiev (Ukraine) which runs until 5 December 2022. Itera also has office rental agreements in Bratislava (SK), Copenhagen (DK) and Bryne (NO).

The table below shows a reconciliation of the future payments of operating lease expenses at 31 December 2018 to the lease liability that was recognised as at 1 January 2019.

All figures in NOK 1000

<b>Disclosed operating lease commitments as at 31 December 2018</b>	<b>57 388</b>
Discounted using the Group's incremental borrowing rate	(3 369)
Finance lease liabilities recognised as at 31 December 2018	57 343
Short term leases recognised on a straight-line basis as expense	45
Low -value leases recognised on a straight-line basis as expense	-
Contracts reassessed as service agreements	-
Adjustments as a result of a different treatment of extension and termination options	-
Adjustments relating to changes in the index or rate affecting variable payments	-
<b>Lease liability recognised as at 1 January 2019</b>	<b>54 019</b>

**Impact for the period**

The table below summarise the impact of adopting IFRS 16 on the group's interim statement of income for the period ended on 30 June 2019.

**Condensed interim income statement**

	IFRS 16	Impact	IAS 17	IFRS 16	Impact	IAS 17
	4-6 2019	IFRS 16	4-6 2019	1-6 2019	IFRS 16	1-6 2019
All figures in NOK 1000						
Sales revenue	143 306	-	143 306	286 069	-	286 069
Cost of sales	21 221	-	21 221	41 372	-	41 372
Personnel expenses	87 869	-	87 869	178 192	-	178 192
Depreciation	8 648	3 305	5 343	17 099	6 603	10 496
Other operating expenses	11 636	(3 506)	15 142	21 651	(6 980)	28 631
<b>Operating profit</b>	<b>13 932</b>	<b>201</b>	<b>13 731</b>	<b>27 756</b>	<b>377</b>	<b>27 379</b>
Net financial income (expenses)	(693)	(382)	(310)	(1 654)	(745)	(909)
<b>Profit before taxes</b>	<b>13 239</b>	<b>(182)</b>	<b>13 421</b>	<b>26 101</b>	<b>(368)</b>	<b>26 469</b>
Income taxes	3 178	(40)	3 218	6 306	(81)	6 387
<b>Net income</b>	<b>10 061</b>	<b>(142)</b>	<b>10 202</b>	<b>19 795</b>	<b>(287)</b>	<b>20 082</b>

**NOTE 4: ALTERNATIVE PERFORMANCE MEASURES**

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

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

EBITDA is short for earnings before interest, tax, 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



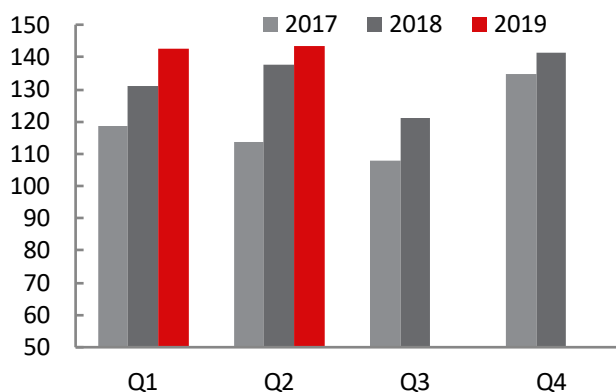
# KEY FIGURES

	2019 4-6	2018 4-6	change %	2019 1-6	2018 1-6	change %	2018 1-12
All figures in NOK 1000 except earnings per share							
<b>Profit &amp; Loss</b>							
Sales revenue	143 306	137 571	4 %	286 069	268 722	6 %	531 323
Gross profit	122 085	113 760	7 %	244 697	224 055	9 %	444 048
EBITDA	22 580	14 678	54 %	44 855	29 893	50 %	63 957
EBITDA margin	15.8 %	10.7 %	5.1 pts	15.7 %	11.1 %	4.6 pts	12.0 %
Operating profit (EBIT)	13 932	9 450	47 %	27 756	19 465	43 %	42 816
EBIT margin	9.7 %	6.9 %	2.9 pts	9.7 %	7.2 %	2.5 pts	8.1 %
Profit before taxes	13 239	9 311	42 %	26 101	17 846	46 %	41 419
Profit for the period	10 061	6 975	44 %	19 795	13 508	47 %	31 677
<b>Balance sheet</b>							
Non-current assets	95 393	51 678	85 %	95 393	51 678	85 %	50 061
Bank deposits	44 089	15 336	187 %	44 089	15 336	187 %	55 279
Other current assets	149 319	115 928	29 %	149 319	115 928	29 %	144 807
Total assets	244 711	182 942	34 %	244 711	182 942	34 %	194 868
Equity	48 083	20 703	132 %	48 083	20 703	132 %	47 443
Total non-current liabilities	40 379	5 510	633 %	40 379	5 510	633 %	5 613
Total current liabilities	156 250	156 728	(0 %)	156 250	156 728	(0 %)	141 812
Equity ratio	19.6 %	11.3 %	8.3 pts	19.6 %	11.3 %	8.3 pts	24.3 %
Current ratio	1.24	0.84	48 %	1.24	0.84	48 %	1.41
<b>Cash flow</b>							
Net cash flow from operating activities	26 936	21 573	25 %	21 921	13 345	64 %	56 809
Net cash flow	869	(28 678)	103 %	(11 191)	(44 518)	75 %	(4 575)
<b>Share information</b>							
Number of shares	82 186 624	82 186 624	0 %	82 186 624	82 186 624	0 %	82 186 624
Weighted average basic shares outstanding	81 189 483	80 972 386	0 %	81 066 971	81 472 537	(0 %)	81 086 951
Weighted average diluted shares outstanding	81 792 883	82 132 421	(0 %)	81 700 506	82 519 705	(1 %)	82 222 212
Earnings per share	0.12	0.09	44 %	0.24	0.17	47 %	0.39
Diluted Earnings per share	0.12	0.08	45 %	0.24	0.16	48 %	0.39
EBITDA per share	0.28	0.18	53 %	0.55	0.37	51 %	0.79
Equity per share	0.59	0.26	132 %	0.59	0.26	132 %	0.59
Dividend per share	0.25	0.25	0 %	0.25	0.25	0 %	0.25
<b>Employees</b>							
Number of employees at the end of the period	499	486	3 %	499	486	3 %	486
Average number of employees	493	486	2 %	490	487	1 %	488
Operating revenue per employee	291	283	3 %	584	552	6 %	1 089
Gross profit per employee	247	234	6 %	499	460	9 %	910
Personnel expenses per employee	178	178	0 %	364	345	5 %	672
Other operating expenses per employee	24	27	(11 %)	44	53	(17 %)	107
EBITDA per employee	46	30	51 %	92	61	49 %	131
EBIT per employee	28	19	45 %	57	40	42 %	88

# QUARTERLY DEVELOPMENT 2017-2019

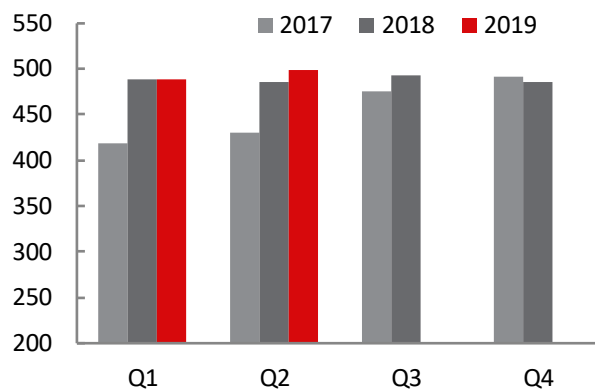
## Revenues

NOK million



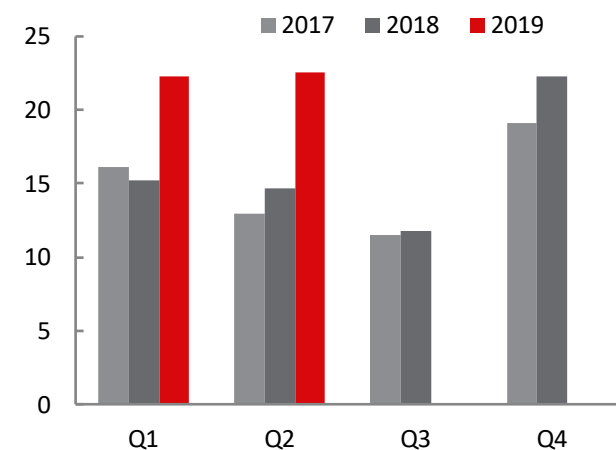
## Employees

End of period



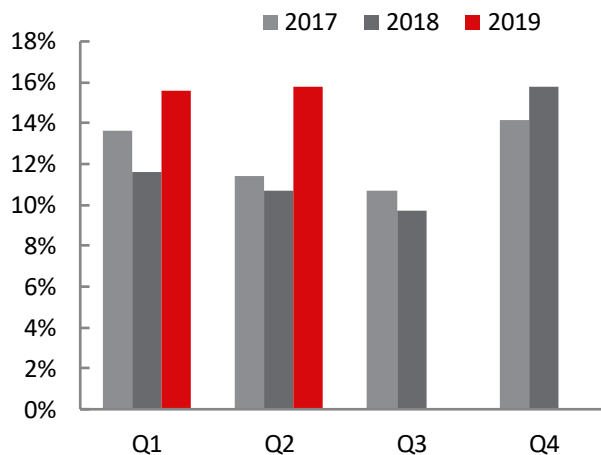
## EBITDA

NOK million



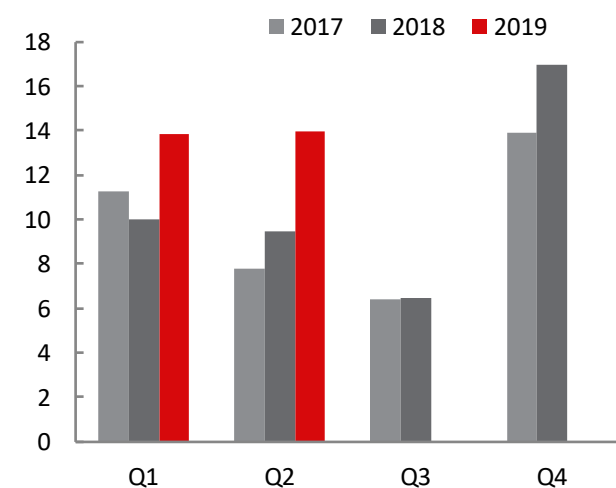
## EBITDA margin

%



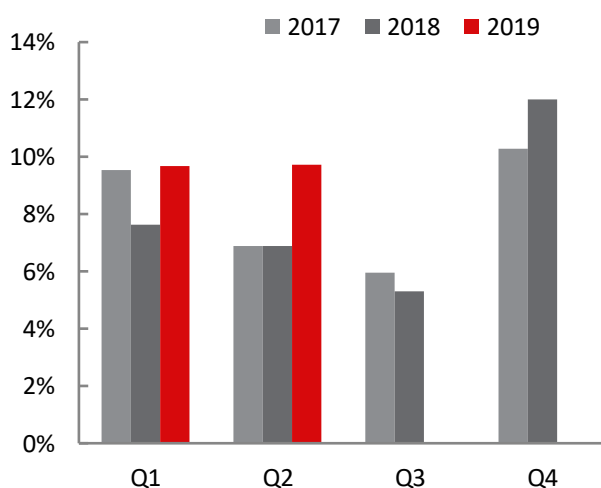
## EBIT

NOK million



## EBIT margin

%





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