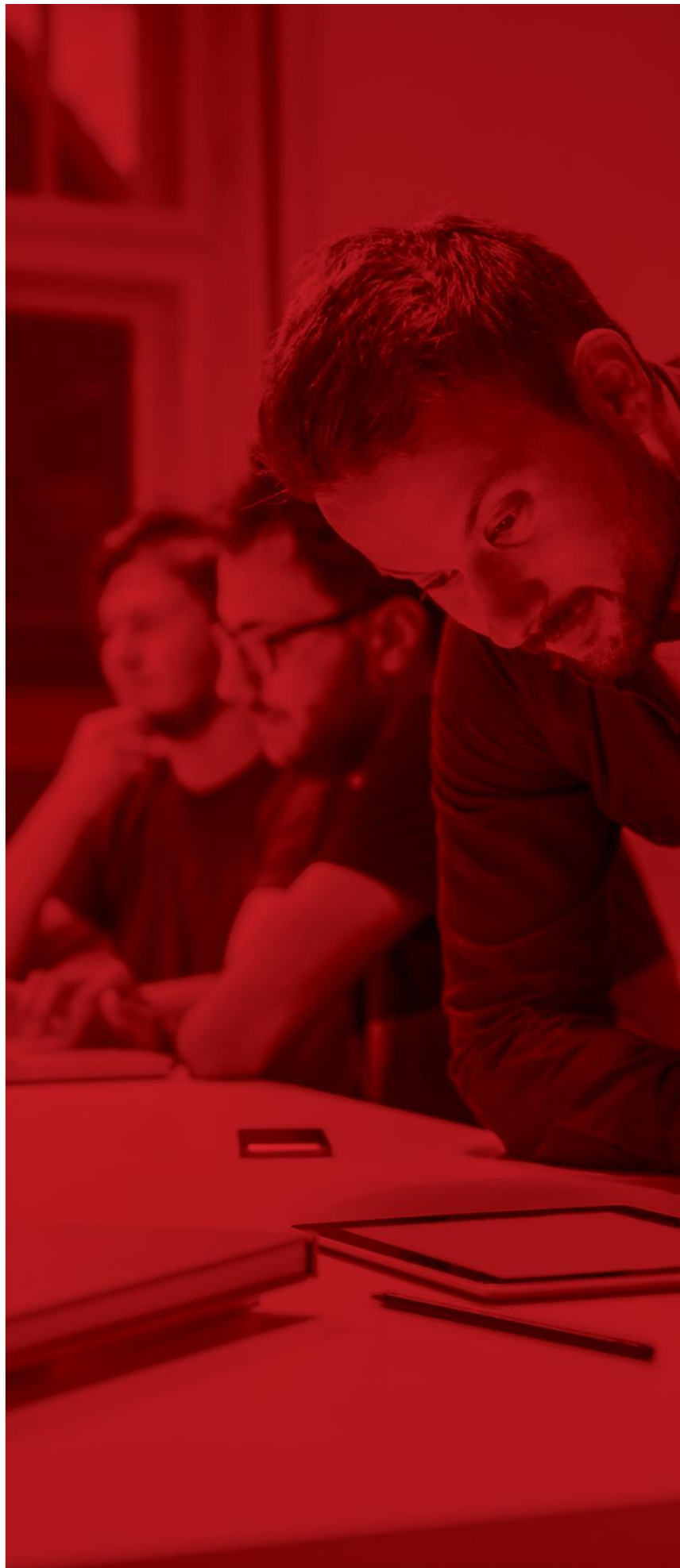


Q3
2019

itera
MAKE A DIFFERENCE



HIGHLIGHTS Q3

JULY – SEPTEMBER 2019

- Operating revenue NOK 128.3 million (NOK 121.3 million), representing growth of 6%
- Gross profit NOK 111.1 million (NOK 102.1 million), representing growth of 9%
- EBITDA NOK 19.1 million (NOK 11.8 million) and an EBITDA margin of 14.9% (9.7%)
 - For comparison, EBITDA without the accounting change (IFRS 16 Leases) would have been NOK 15.6 million, giving an EBITDA margin of 12.1%
- EBIT NOK 9.9 million (NOK 6.4 million) and an EBIT margin of 7.7% (5.3%)
- Cash flow from operations NOK 15.0 million (NOK 1.5 million)
- Cash and cash equivalents NOK 45.7 million (NOK 19.6 million)
- Treasury shares valued at NOK 6.2 million
- Equity ratio 24% (18%)

HIGHLIGHTS OF THE THIRD QUARTER

- Itera significantly improved its performance amid the transformation from traditional data centre operations to cloud services.
- Third-quarter operating revenue from Itera's core digital business was up 10% compared with the same period last year, while revenue from Itera's data centre operations was down 4%.
- The third-quarter EBIT margin for Itera's core digital business was 9.9% (6.7%), while Itera's data centre operations achieved an EBIT margin of 1.7% (1.9%).
- Itera had a strong order intake for its core digital business with a book-to-bill ratio of 1.4. Itera entered into new or extended contracts with customers such as If, Kreditor, BKK, Visavi Technology, Santander, Gjensidige, the Norwegian Directorate of Health, Norgesgruppen, Sharecat Solutions and Cognite.
- For the fourth consecutive year, Itera was recognised as one of the 25 most innovative companies in Norway across all industries.
- Itera was named a Microsoft Azure partner in Iceland and is running an extensive training and certification program on Microsoft Azure, Google Cloud and Amazon Web Services in accordance with its platform-first strategy.
- Itera's thought leadership in banking and insurance was evidenced by the attendance of more than 200 professionals at its PSD2 seminar. Its podcasts and in-depth report series ("Under lupen") are also attracting increasing interest.
- The Board has resolved an additional dividend of NOK 0.30 per share.

KEY FIGURES

	2019	2018	change	change	2019	2018	change	2018
Amounts in NOK million	7-9	7-9		%	1-9	1-9	%	1-12
Sales revenue	128.3	121.3	6.9	6 %	414.3	390.0	6 %	531.3
Gross profit	111.1	102.1	9.0	9 %	355.8	326.2	9 %	444.0
EBITDA	19.1	11.8	7.4	63 %	64.0	41.7	54 %	64.0
EBITDA margin	14.9 %	9.7 %	5.2 pts	5.2 pts	15.4 %	10.7 %	4.8 pts	12.0 %
Operating profit (EBIT)	9.9	6.4	3.4	54 %	37.6	25.9	45 %	42.8
EBIT margin	7.7 %	5.3 %	2.4 pts	2.4 pts	9.1 %	6.6 %	2.4 pts	8.1 %
Profit before tax	9.8	6.3	3.6	57 %	35.9	24.1	49 %	41.4
Profit for the period	7.6	4.8	2.8	59 %	27.4	18.3	50 %	31.7
Profit margin	5.9 %	3.9 %	2 pts	2 pts	6.6 %	4.7 %	1.9 pts	6.0 %
Net cash flow from operating activities	15.0	1.5	13.5	913 %	36.9	14.8	149 %	56.8
No. of employees at the end of the period	505	493	13	3 %	505	493	3 %	486

GROUP PERFORMANCE IN THE THIRD QUARTER OF 2019

FINANCIAL PERFORMANCE

The comments below relate to Itera's performance in the third quarter of 2019 compared to the third 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 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. As a result of rounding differences, some numbers and percentages may not add up to the totals given.

Summary for the third quarter of 2019

Itera achieved organic revenue growth of 6% in the third quarter of 2019 relative to the third quarter of 2018. This was driven by revenue growth from Itera's core digital business of 10%, with Norway and Itera's nearshore delivery centres in Ukraine and Slovakia making a particularly strong contribution to this. The growth in overall gross profit was even stronger at 9% as there was less use of subcontractors and sale of hardware and software.

The Group's operating profit (EBIT) for the third quarter of 2019 was NOK 9.9 million (NOK 6.4 million), giving an EBIT margin of 7.7% (5.3%). The third quarter of 2019 contained one more working day than the third quarter of 2018. One working day normally has a positive impact of NOK 1.0-1.5 million on revenue and operating profit.

Accounting principles

These interim condensed consolidated financial statements for the quarter ending 30 September 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 128.3 million (NOK 121.3 million) for the third quarter of 2019, which represents growth of 6%. This growth was predominantly from Itera's core digital business, the revenue from which increased to NOK 93.5 million from NOK 85.2 million (+10%), while the revenue generated by Itera's traditional data centre operations decreased by 4% from NOK 36.2 million to

NOK 34.8 million.

Gross profit (revenue minus cost of goods sold) was NOK 111.1 million (NOK 102.1 million) in the third quarter, an increase of 9%. The growth was driven by a particularly strong increase in new customers.

Operating expenses

Itera's total operating expenses in the third quarter of 2019 were 3% higher at NOK 118.4 million (NOK 114.9 million).

Cost of sales was NOK 17.1 million (NOK 19.2 million) in the third 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.

Personnel expenses were NOK 82.3 million (NOK 75.8 million) in the third quarter of 2019, which represents an increase of 8%. This is explained by the fact that the average number of employees increased by 3% and salary costs grew by 5%.

Other operating expenses were NOK 9.7 million (NOK 14.5 million) in the third quarter of 2019. The decrease was 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.

Depreciation and amortisation totalled NOK 9.2 million (NOK 5.3 million) in the third quarter, with NOK 3.3 million of this amount due to the impact of IFRS 16.

Operating result

The operating result before depreciation and amortisation (EBITDA) for the third quarter of 2019 was a profit of NOK 19.1 million (NOK 11.8 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 for the third quarter of 2019 was NOK 15.6 million, which corresponds to an EBITDA margin of 12.1%. The operating result (EBIT) for the third quarter was a profit of NOK 9.9 million (NOK 6.4 million). The EBIT margin for the third quarter of 2019 was 7.7% as compared to 5.3% in the third quarter of 2018.

Itera's earnings from its core digital business were NOK 9.3 million (NOK 5.7 million), giving an EBIT margin of 9.9% (6.7%). Itera's earnings from its traditional data centre operations were NOK 0.6 million (NOK 0.7 million), giving an EBIT margin of 1.7% (1.9%). 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 third quarter of 2019 was a profit of NOK 9.8 million (NOK 6.3 million). Tax expense accrued for the third quarter totalled NOK 2.2 million (NOK 1.5 million).

Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 15.0 million (NOK 1.5 million) in the third quarter of 2019. Excluding the effect of the adoption of IFRS 16, net cash flow from operating activities was NOK 11.6 million.

There was a net cash outflow for investing activities of NOK 7.7 million (NOK 2.3 million) in the third quarter of 2019, of which NOK 2.6 million (NOK 0.8 million) was for office equipment, furniture and fittings. In addition, NOK 3.5 million was invested in expanding

Itera's offices Kiev. An additional NOK 4.7 million (NOK 1.4 million) investment was financed through leasing, which primarily related to capacity increases and equipment renewal at Itera's data centres. Investment in intangible assets, including investment in intellectual property rights, totalled NOK 1.6 million (NOK 1.5 million).

Net cash flow from financing activities was NOK -5.8 million (NOK 5.0 million) in the third quarter of 2019.

Work in progress at 30 September 2019 was NOK 3.7 million lower than at 30 September 2018, while capitalised contract costs were NOK 4.7 million lower. The capitalised contract costs relate to deferred revenue recognition under IFRS 15. Accounts receivable and other receivables were NOK 10.0 million and NOK 1.9 million lower respectively than at 30 September 2018.

Accounts payable at 30 September 2019 were NOK 7.8 million lower than at 30 September 2018. Public duties payable were NOK 1.5 million higher than at the end of the third quarter of 2018, while tax payable was NOK 8.6 million, which is NOK 2.1 million higher than at 30 September 2018. Contract liabilities at 30 September 2019 were NOK 11.6 million higher at NOK 21.9 million. This was due to a reclassification of customer prepayments from other short-term liabilities, which were reduced by NOK 21.5 million to NOK 50.3 million.

Cash and cash equivalents amounted to NOK 45.7 million at 30 September 2019, compared to NOK 19.6 million at 30 September 2018. At the end of the period, Itera had an undrawn credit facility of NOK 25 million.

Itera had lease liabilities totalling NOK 57.2 million (NOK 10.6 million) at 30 September 2019, which represents a net increase of NOK 46.6 million. NOK 45.2 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 18.4 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 38.9 million are classified as non-current liabilities.

At 30 September 2019 Itera held 769,891 own shares, valued at NOK 6.2 million.

Equity at 30 September 2019 totalled NOK 56.4 million (NOK 33.0 million at 30 September 2018). The equity ratio was 23.6% (18.1%). The equity ratio was negatively impacted by 5.4 percentage points as a result of the adoption of IFRS 16 with effect from 1 January 2019.

Dividend

At its meeting on 22 October 2019, the Board of Directors approved the payment of an additional dividend of NOK 0.30 per share for 2018 in accordance with the authorisation it was granted at the Annual General Meeting on 21 May 2019. The share will trade excluding the right to receive the additional dividend starting on 25 October 2019 and the dividend will be paid on 1 November 2019.

BUSINESS REVIEW

The market demand for Itera's services is strong, and the Group has continued to strengthen its market position as a specialist in creating digital business. Itera is experiencing strong demand for assistance with utilizing emerging, cloud-based technologies from both existing and new customers across a range of industries. Many of the Group's customers are basing their business development on multi-cloud strategies as they work to move their technology stack from legacy systems to the cloud. Itera is very well positioned to be an advisory and development partner to such companies thanks to its strategic partnerships with the three largest cloud-based technology platforms, namely Microsoft Azure, Google Cloud and Amazon Web Services. The Group's range of expertise and services is well adapted to market demand.

Market and customer development

In the third quarter of 2019, Itera had a strong order intake in its core digital business with a book-to-bill ratio of 1.4 and it entered into new or extended contracts with customers such as If, Kredinor, BKK, Visavi, Santander, Gjensidige, the Norwegian Directorate of Health, Sharecat Solutions and Cognite.

Itera has a strong market position in relation to the Nordic banking and insurance sectors, with many of its customers in these areas headquartered in Oslo, Stockholm and Copenhagen. However, there is strong demand for expertise related to digitalization across all sectors and geographic areas. The Group therefore has a strategic goal of utilizing its strong expertise and domain knowledge to open up new opportunities and develop strategic customer relationships in both new geographic areas and industries.

An example from the third quarter is a framework agreement that Itera entered into with Instech Solutions, which includes providing support with developing and managing Instech's INS2000 + marine insurance solution. The new collaboration will help strengthen Instech Solutions' market position and delivery capacity.

Headquartered in Bergen, Instech Solutions is the world's leading software developer in the global marine insurance industry. INS2000 + is a complete marine insurance system used by insurance companies and brokers worldwide. Instech Solutions is a subsidiary of Norwegian Hull Club, a leading marine insurance association with members and clients worldwide.

The collaboration is in line with Itera's growth plans in Western Norway, as well as with its focus on new sectors.

Strong focus on technology platforms

In the third quarter, the Group continued its strategic focus on technology platforms. Technology platforms are the only option for modern organisations, as traditional data centres were not designed to handle the continuous and massive growth of IoT devices and sensors.

Itera has entered into partnerships with the three technology platforms that currently have the strongest footprint in the market, namely Microsoft Azure, Google Cloud and Amazon Web Services (AWS).

By the end of the quarter, more than 100 of Itera's employees had passed platform courses and certifications. Itera's platform expertise strategy covers all employees across all areas of expertise due to the wide range of features and functionality offered by these platforms, including big data analytics, the internet of things (IoT), machine learning, artificial intelligence (AI) and natural language processing. The certifications and trainings being undertaken by Itera's employees are accordingly not limited to the area of technology, and the Group is also offering training courses tailored to its designers, UX experts, content experts, project managers, business advisors and testing experts.

One of Norway's 25 most innovative companies - for the fourth time

In the third quarter, Itera was named as one of Norway's most innovative companies across all industries for the fourth year in a row.

The award is organized by "Innovasjonsmagasinet", which, with its 25,000 readers and national distribution, is Norway's premier innovation magazine. Each year, 25 companies are selected from across all sectors. Many strong brands were among the 25 chosen in 2019, including Posten, DNB, DNV GL and Aker Biomarine.

The jury's assessment included the following comments: "Itera once again impresses the jury with a mature and open innovation model that focuses on the needs of demanding customers and the opportunities related to good, digital user experiences. Itera proves that leadership-driven innovation combined with a pro-active attitude towards innovative technology is a good fit."

New expert report for the financial sector

Cicero Consulting is part of Itera and specialises in products and analysis for the banking and finance sector. In the third quarter, the much-hyped PSD2 directive (Payment Services Directive 2) fully entered into force. The directive's objective is to improve competition and strengthen innovation in the European banking sector.

PSD2 may lead to important changes in the whole sector. For example, it may enable fintech companies to challenge established players' product and service portfolios. Or it may lead to a decrease in the market power of credit card companies as account-to-account payments become more widespread.

As the financial sector in general did not have a clear overview of the consequences, Cicero and Itera conducted a country-representative survey in which Norwegians shared their opinions on the future of personal finance and banking services. To launch the report, Cicero and Itera hosted an open market seminar, which very quickly became fully booked, with several hundred people attending.

Recruitment with a long-term perspective

In addition to working in a very focused and organized 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 the second or third year of their Master's program.

In the third quarter, Itera welcomed 23 students from NTNU, the University of Oslo, NHH and OsloMet. The students were tasked with solving strategic problems in four different 8-week customer projects, each led by one of Itera's experienced project managers. All projects produced very valuable results for the customers.

Attracting world-class specialist expertise

Itera has a strong reputation in relation to its expertise, which means it attracts talented and experienced experts. One example from the third quarter is Itera's recruitment of one of the world's most experienced experts in performance and scalability. The individual in question has spent the last 14 years at Apple, where he worked on performance and scale for a company with over a billion customers and more than 1.4 billion active devices.

A second example from the third quarter is the recruitment of an experienced Microsoft expert who earlier this year was awarded the Microsoft Most Valuable Professional prize in the Azure category by Microsoft, meaning he made history as he became the third person ever to receive this prize in Norway and the 401st person ever to do so in the world.

Security as a driver of demand in cloud services

In general, almost all of the Group's customers are planning or are already working on both moving their existing solutions and IT infrastructure to the cloud and on developing new solutions and services based on components available in the platforms. One important driver for many is security.

While traditional on-premise solutions are exposed to potential severe security breaches and failures, the level of security in the cloud is significantly higher. The big story in cloud security is that big hacks and failures have not occurred. Cloud services are not getting breached.

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 accounted for 77% of its operating revenue, down from 82% in the third quarter of 2018, as Itera expanded into new industries and attracted new customers.

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 third quarter of 2019 was 505 as compared to 493 at the end of the third quarter of 2018. Itera has nearshore development centres in Slovakia and Ukraine. The proportion of Itera's capacity that is located in these locations (its nearshore ratio) was 48% (44%) at the end of the third 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

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

The interim report for the fourth quarter that will also contain preliminary figures for 2019 as a whole will be published and presented on 25 February 2020.

INTERIM CONDENSED FINANCIAL INFORMATION

Consolidated statement of comprehensive income

All figures in NOK 1000 except earnings per share	2019 7-9	2018 7-9	change %	2019 1-9	2018 1-9	change %	2018 1-12
Sales revenue	128 261	121 312	6 %	414 331	390 034	6 %	531 323
Operating expenses							
Cost of sales	17 137	19 202	(11 %)	58 510	63 869	(8 %)	87 275
Gross Profit	111 124	102 110	9 %	355 821	326 165	9 %	444 048
<i>Gross Margin</i>	87 %	84 %	2.5 pts	86 %	84 %	2.3 pts	84 %
Personnel expenses	82 264	75 848	8 %	260 455	244 099	7 %	327 769
Depreciation and amortisation	9 240	5 331	73 %	26 339	15 759	67 %	21 141
Other operating expenses	9 746	14 505	(33 %)	31 397	40 415	(22 %)	52 322
Total operating expenses	118 387	114 885	3 %	376 701	364 142	3 %	488 507
Operating profit	9 874	6 427	54 %	37 629	25 892	45 %	42 816
Other financial income	996	468	113 %	1 697	686	147 %	1 234
Other financial expenses	1 027	627	64 %	3 382	2 464	37 %	2 631
Net financial income (expenses)	(31)	(159)	80 %	(1 685)	(1 777)	5 %	(1 397)
Profit before taxes	9 843	6 268	57 %	35 944	24 114	49 %	41 419
Income taxes	2 220	1 482	50 %	8 526	5 820	46 %	9 742
Net income	7 623	4 786	59 %	27 418	18 294	50 %	31 677
Earnings per share	0.09	0.06	57 %	0.34	0.23	50 %	0.39
Fully diluted earnings per share	0.09	0.06	59 %	0.33	0.22	50 %	0.39
Translation differences on net investment in foreign operations	705	28	2 383 %	383	(365)	205 %	260
Total comprehensive income	8 327	4 814	73 %	27 801	17 929	55 %	31 937
Total comprehensive income attributable to:							
Shareholders in parent company	8 327	5 440	53 %	27 801	17 929	55 %	31 937

Consolidated statement of financial position

All figures in NOK 1000	2019 30 Sep	2018 30 Sep	change	change %	2018 31 Dec
ASSETS					
Non-current assets					
Deferred tax assets	3 876	3 346	531	16 %	3 630
Other intangible assets	21 022	22 901	(1 880)	(8 %)	22 954
Property, plant and equipment	31 650	23 607	8 044	34 %	23 477
Right-of-use assets	44 677	-	44 677		-
Total non-current assets	101 225	49 854	51 372	103 %	50 061
Current assets					
Work in progress	1 870	5 553	(3 683)	(66 %)	4 188
Contract costs	12 755	17 488	(4 734)	(27 %)	16 407
Accounts receivable	60 413	70 447	(10 034)	(14 %)	52 267
Other receivables	17 589	19 487	(1 899)	(10 %)	16 665
Cash and cash equivalents	45 713	19 581	26 131	133 %	55 279
Total current assets	138 339	132 557	5 782	4 %	144 807
TOTAL ASSETS	239 565	182 410	57 154	31 %	194 868
EQUITY AND LIABILITIES					
Equity					
Share capital	24 656	24 656	-	0 %	24 656
Other equity	4 346	(9 977)	14 323	144 %	(8 890)
Net income for the period	27 418	18 294	9 124	50 %	31 677
Total equity	56 420	32 974	23 446	71 %	47 443
Non-current liabilities					
Other provisions and liabilities	1 148	-	1 148		871
Lease liabilities - long-term portion	38 854	5 336	33 518	628 %	4 741
Total non-current liabilities	40 002	5 336	34 666	650 %	5 613
Current liabilities					
Accounts payable	14 407	22 192	(7 785)	(35 %)	23 941
Tax payable	8 605	6 533	2 071	32 %	9 537
Public duties payable	29 556	28 009	1 548	6 %	33 130
Contract liabilities	21 898	10 276	11 622	113 %	24 146
Lease liabilities	18 365	5 242	13 123	250 %	4 001
Other current liabilities	50 312	71 848	(21 536)	(30 %)	47 057
Total current liabilities	143 142	144 101	(959)	(1 %)	141 812
Total liabilities	183 145	149 437	33 708	23 %	147 425
TOTAL EQUITY AND LIABILITIES	239 565	182 410	57 155	31 %	194 868
Equity ratio	23.6 %	18.1 %	5.5 pts		24.3 %

Consolidated statement of cash flows

	2019 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
All figures in NOK 1000					
Profit before taxes	9 843	6 269	35 944	24 114	41 419
Income taxes paid	(471)	(21)	(9 903)	(7 885)	(9 844)
Depreciation and amortisation	9 240	5 331	26 339	15 759	21 141
Change in work in progress	1 024	(1 208)	2 318	4 124	5 489
Change in accounts receivable	8 488	569	(8 146)	(83)	1 780
Change in accounts payable	(4 263)	(2 338)	(9 534)	1 483	3 232
Change in other accruals	(4 639)	(6 794)	4 244	(22 046)	(6 124)
Effect of changes in exchange rates	(4 267)	(331)	(4 389)	(645)	(283)
Net cash flow from operating activities	14 955	1 476	36 875	14 822	56 809
Investment in fixed assets	(6 106)	(797)	(7 950)	(9 651)	(12 547)
Investment in intangible assets	(1 574)	(1 456)	(5 123)	(6 110)	(8 137)
Net cash flow from investing activities	(7 680)	(2 253)	(13 073)	(15 760)	(20 684)
Purchase of own shares	(96)	-	(96)	(22 556)	(22 556)
Sales of own shares	-	7 107	2 125	9 975	11 075
Instalment of lease liabilities	(5 719)	(2 082)	(15 327)	(6 246)	(8 721)
Dividends paid to equity holders of Itera ASA	-	-	(20 236)	(20 493)	(20 493)
Net cash flow from financing activities	(5 815)	5 024	(33 533)	(39 320)	(40 695)
Effects of exchange rate changes on cash and cash equivalents	164	(3)	165	(15)	(5)
Net change in cash and cash equivalents	1 625	4 245	(9 566)	(40 273)	(4 575)
Cash and cash equivalents at the beginning of the period	44 089	15 336	55 279	59 854	59 854
Cash and cash equivalents at the end of the period	45 713	19 581	45 713	19 581	55 279
New borrowings related to leasing	4 742	1 399	8 083	3 050	3 689

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 2018	24 656	(64)	1 014	(235)	25 268	50 638
Implementation of IFRS 15	-	-	-	-	(3 005)	(3 005)
Net income for the period	-	-	-	-	31 678	31 678
Other comprehensive income for the period	-	-	-	260	-	260
Share option costs	-	-	(466)	-	-	(466)
Employee share purchase programme	-	-	312	-	-	312
Purchase of own shares	-	(750)	(21 806)	-	-	(22 556)
Sale of own shares	-	442	10 634	-	-	11 075
Dividends	-	-	-	-	(20 493)	(20 493)
Equity as of 31 December 2018	24 656	(373)	(10 312)	25	33 448	47 443
Net income for the period	-	-	-	-	27 418	27 418
Other comprehensive income for the period	-	-	-	705	-	705
Share option costs	-	-	(1 297)	-	-	(1 297)
Employee share purchase programme	-	4	353	-	-	357
Purchase of own shares	-	(5)	(90)	-	-	(96)
Sale of own shares	-	143	1 982	-	-	2 125
Dividends	-	-	-	-	(20 236)	(20 236)
Equity as of 30 September 2019	24 656	(232)	(9 364)	729	40 629	56 420

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 September 2019.

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 30 September 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 recognises 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

Disclosed operating lease commitments as at 31 December 2018	57 388
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	-
Lease liability recognised as at 1 January 2019	54 019

Impact for the period

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

Condensed interim income statement

	IFRS 16 7-9 2019	Impact IFRS 16	IAS 17 7-9 2019	IFRS 16 1-9 2019	Impact IFRS 16	IAS 17 1-9 2019
All figures in NOK 1000						
Sales revenue	128 261	-	128 261	414 331	-	414 331
Cost of sales	17 137	-	17 137	58 510	-	58 510
Personnel expenses	82 264	-	82 264	260 455	-	260 455
Depreciation	9 240	3 341	5 899	26 339	9 945	16 395
Other operating expenses	9 746	(3 544)	13 291	31 397	(10 525)	41 921
Operating profit	9 874	203	9 671	37 629	580	37 049
Net financial income (expenses)	(31)	(343)	312	(1 685)	(1 088)	(597)
Profit before taxes	9 843	(140)	9 983	35 944	(508)	36 452
Income taxes	2 220	(31)	2 251	8 526	(112)	8 638
Net income	7 623	(109)	7 732	27 418	(396)	27 814

NOTE 4: ALTERNATIVE PERFORMANCE MEASURES

In accordance with the guidelines issued by the European Securities and Markets Authority on alternative performance measures (APMs), Itera publishes 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.

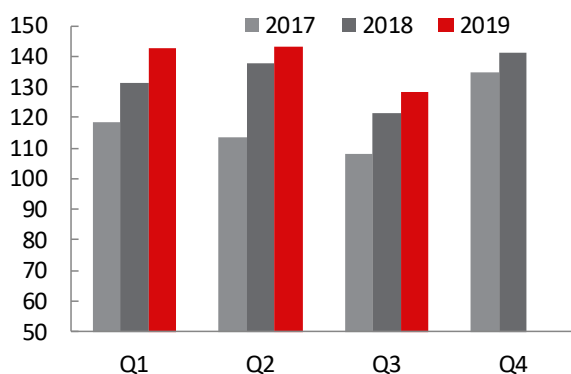
KEY FIGURES

	2019 7-9	2018 7-9	change %	2019 1-9	2018 1-9	change %	2018 1-12
All figures in NOK 1000 except earnings per share							
Profit & Loss							
Sales revenue	128 261	121 312	6 %	414 331	390 034	6 %	531 323
Gross profit	111 124	102 110	9 %	355 821	326 165	9 %	444 048
EBITDA	19 114	11 758	63 %	63 969	41 651	54 %	63 957
EBITDA margin	14.9 %	9.7 %	5.2 pts	15.4 %	10.7 %	4.8 pts	12.0 %
Operating profit (EBIT)	9 874	6 427	54 %	37 629	25 892	45 %	42 816
EBIT margin	7.7 %	5.3 %	2.4 pts	9.1 %	6.6 %	2.4 pts	8.1 %
Profit before taxes	9 843	6 268	57 %	35 944	24 114	49 %	41 419
Profit for the period	7 623	4 786	59 %	27 418	18 294	50 %	31 677
Balance sheet							
Non-current assets	101 225	49 854	103 %	101 225	49 854	103 %	50 061
Bank deposits	45 713	19 581	133 %	45 713	19 581	133 %	55 279
Other current assets	138 339	112 975	22 %	138 339	112 975	22 %	144 807
Total assets	239 565	182 410	31 %	239 565	182 410	31 %	194 868
Equity	56 420	32 974	71 %	56 420	32 974	71 %	47 443
Total non-current liabilities	40 002	5 336	650 %	40 002	5 336	650 %	5 613
Total current liabilities	143 142	144 101	(1 %)	143 142	144 101	(1 %)	141 812
Equity ratio	23.6 %	18.1 %	5.5 pts	23.6 %	18.1 %	5.5 pts	24.3 %
Current ratio	1.29	0.92	40 %	1.29	0.92	40 %	1.41
Cash flow							
Net cash flow from operating activities	14 955	1 476	913 %	36 875	14 822	149 %	56 809
Net cash flow	1 624	4 245	(62 %)	(9 567)	(40 273)	76 %	(4 575)
Share information							
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	81 425 620	80 458 271	1 %	81 186 520	81 134 448	0 %	81 086 951
Weighted average diluted shares outstanding	82 053 485	81 760 204	0 %	81 938 248	82 266 538	(0 %)	82 222 212
Earnings per share	0.09	0.06	57 %	0.34	0.23	50 %	0.39
Diluted Earnings per share	0.09	0.06	59 %	0.33	0.22	50 %	0.39
EBITDA per share	0.23	0.15	61 %	0.79	0.51	53 %	0.79
Equity per share	0.69	0.41	69 %	0.69	0.41	71 %	0.59
Dividend per share	0.00	0.00	0 %	0.25	0.25	0 %	0.25
Employees							
Number of employees at the end of the period	505	493	3 %	505	493	3 %	486
Average number of employees	502	488	3 %	494	488	1 %	488
Operating revenue per employee	255	248	3 %	838	800	5 %	1 089
Gross profit per employee	221	209	6 %	720	669	8 %	910
Personnel expenses per employee	164	155	5 %	527	501	5 %	672
Other operating expenses per employee	19	30	(35 %)	64	83	(23 %)	107
EBITDA per employee	38	24	58 %	129	85	52 %	131
EBIT per employee	20	13	49 %	76	53	43 %	88

QUARTERLY DEVELOPMENT 2017-2019

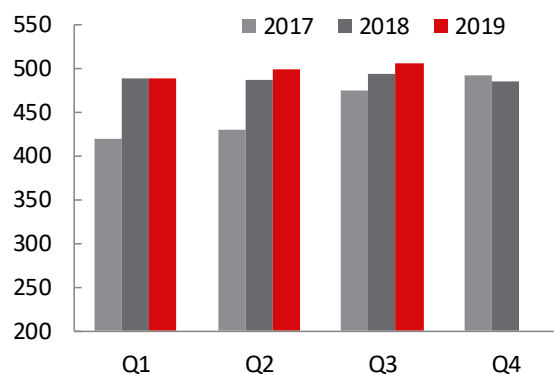
Revenues

NOK million



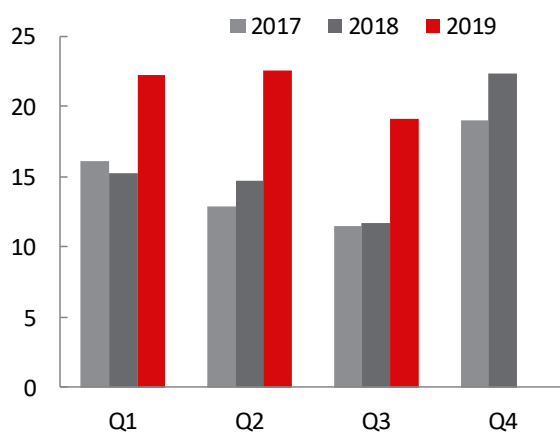
Employees

End of period



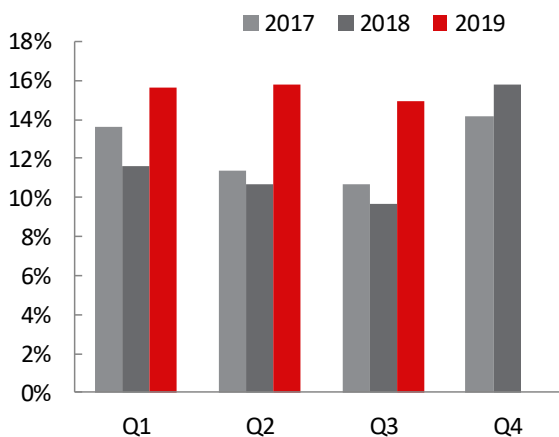
EBITDA

NOK million



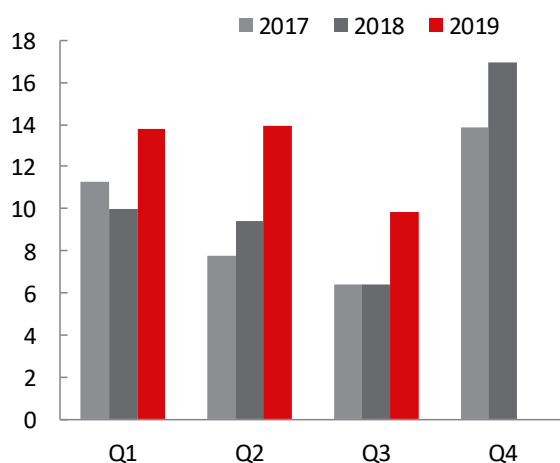
EBITDA margin

%



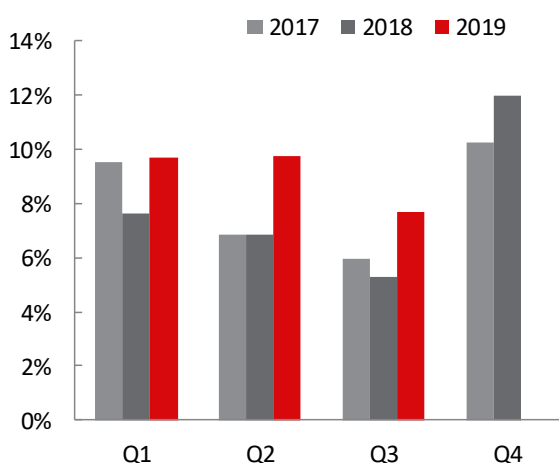
EBIT

NOK million



EBIT margin

%





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