

ANNUAL REPORT 2019



**THE SPECIALIST IN
CREATING SUSTAINABLE
DIGITAL BUSINESS**

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Stories

What matters is not the technology, but where it can take you.

At Itera, we specialise in creating digital business. We are passionate about design and technology, and we take an inter-disciplinary approach in order to fully realise the strength of our combined skills. We work as partners to organisations that want to advance society by making the most of the opportunities offered by high-quality user experiences and future-oriented technologies.

Let us share some of our customer stories.



Modernisation of architecture for increased traffic safety

Hundreds of roads, bridges, mountain crossings and junctions in Norway are continuously monitored through advanced sensor technology and digital twins. Itera assists Trafsys in developing and testing solutions that contribute to increased traffic safety through monitoring and handling of incidents such as queue formation or accidents, so that the effects of an incident can be minimized or avoided completely.

Customer

Trafsys

Technology

Apache Kafka

Trafsys is a leading Nordic competence company that develops intelligent transport systems. Trafvision is their main product - a powerful and 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 along the road, including video, radar, telephone, weather data systems and fire alarms.

Microservices and Kafka message bus

Trafvision has been continuously developed 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.

Instant and automatic measures

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 based on 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.



Better use of data with Cognite

Data is the new oil. However, if this paradigm shift is to take full effect, the data must be extracted, contextualized and utilized in new and more efficient ways than we have been able to do so far.

Customer
Cognite

Technology
Energy

Cognite Data Fusion (CDF), developed by Cognite, one of Itera's customers, is a service that transforms, contextualizes and analyzes huge amounts of data into useful information. An example of use is the monitoring of a physical object's condition to perform predictive maintenance and thus increase the object's lifetime, providing positive effects in both a profitability and sustainability perspective.

Legacy infrastructure is often an obstacle to being able to utilize data efficiently. Industries such as oil and gas, shipping and energy

already have large amounts of data, but are unable to contextualize it effectively enough to extract valuable and value-creating information. Cognite Data Fusion visualises and creates digital representations of physical objects, for example through digital twins.

Cognite and Itera's cooperation started early 2019. Initially, Itera helped to build a set of reusable components called Gearbox, which help to simplify the building of applications and services on top of Cognite Data Fusion. Gearbox lets the user get faster to the point where an application creates value due to less need for tailoring.

Cognite Data Fusion is open by nature. For Cognite's customers, CDF's APIs and libraries are open-source, enabling the customer to develop and build on the platform. This enables the customer to tailor the solution to specific needs, while also providing inspiration and innovation.

The solution opens many opportunities:

- Manual operating processes are digitalised and simplified (Smart maintenance)
- Data is made available in real time
- Data sources can be compared, and operating processes can be continuously improved
- Operational decisions can be done using CDF data

Understand production processes and make data-driven decisions (Production optimization)

- Contextualized, real time data
- Remove bottlenecks and unnecessary production restrictions
- Limit delays and optimize the gap between capacity and production

Increased security and digitalisation of the industrial workplace (Digital worker)

- Optimize operations with digital twins
- Collaborate across space and time on the same digital platform



Smart Measure for increased quality of life

Millions of people worldwide experience reduced mobility and quality of life as a result of accidents or various diseases.

Customer
Össur

Technology
Health

Many benefit from products such as braces or prosthetics. Together with Össur, a world leader in orthopedic products, Itera develops the SmartMeasure™ 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.



Building a digital bridge between the public and private sectors

Norway's banks are sitting on large amounts of information about their customers, whether in the form of their transaction histories or how many bank accounts people have.

Customer
Bits

Technology
Finance

The Norwegian Police Service, the Norwegian Labour and Welfare Administration (NAV) and the Norwegian Tax Administration are examples of public sector organisations that need banks' data for their work, e.g. for investigations and case management purposes. Itera and Bits, which represents Norway's banks, have now worked together to help make it easier for banks and public sector organisations to exchange data.

Although you may not have heard of Bits, every Norwegian is certain to have used one of its services. Bits' primary task is to ensure Norway's processing of payments

and payment infrastructure are efficient. Payment infrastructure is what enables money, transactions and information to be exchanged seamlessly between different banks. It is what makes it possible for you as a customer of a bank to withdraw money from any ATM you like, and for transfers to be made between accounts at every different bank. It is thus not just infrastructure for banks, but for Norwegian society as a whole.

In just 12 weeks data was being exchanged more simply and securely

Bits asked Itera to develop a gateway to make it simpler for the finance industry and the public sector to exchange data. The project is part of the DSOP (Digital Samhandling Offentlig Privat) program, which is a collaborative program to digitalise important processes across society involving the Norwegian Tax Administration, the Brønnøysund Register Centre, the Norwegian Labour and Welfare Adminis-

tration, the Norwegian Police Service and the financial industry. Bits represents the finance industry in the collaboration. The DSOP program will create significant value, will save organisations time and money, and will, importantly, help further digitalise Norway.

From definition to deployment, the first phase of the solution, called the DSOP Gateway, took just 12 weeks. An important premise defined at an early point was that using a cloud platform and DevOps was important to achieving the project's commercial aims over both the short and the long term. On the basis of an architecture sprint involving a team of experts from Bits, Itera and Microsoft, we clarified the critical success factors, risks and objectives for the architecture and estimated the resources and costs associated with developing the first phase of the solution. Itera was responsible for designing, developing, testing, managing and operating the solution, which is on Microsoft's Azure cloud platform in order to achieve the very high level of scalability, security and reliability needed when data is being exchanged between financial institutions and public sector organisations.

The solution is currently used by three public sector organisations, namely the Norwegian Police Service, the Norwegian Labour and Welfare Administration, and the Norwegian Tax Administration, as well as by Norway's banks, and going forward it may be expanded through the addition of new services to make it simpler for banks and even more public sector organisations to exchange data.

From a manual and time-consuming task to a quick and easy process

An example that illustrates how much easier exchanging data has become is provided by the change in the process that the Norwegian Police Service have to undertake when they need information on an individual's bank accounts, which they have a statutory right to request from banks. Previously, the Norwegian Police Service would have to send a request for the information to Norway's various banks, which normally would result

in them receiving responses by letter through the post around a week later.

The process now looks rather different. Instead of sending a request to a range of banks to find out at which bank or banks the individual in question has an account, the Norwegian Police Service sends a digital request to the banks' central register of bank accounts in Norway. The police's systems then automatically send a request to the relevant banks and immediately receive the information they need. In order to create the solution between the finance industry and the various public sector organisations, the following new infrastructure components were needed, which Itera was tasked with developing for DSOP:

- The customer relationship register (KFR), which contains information on customers of Norwegian banks not already included in the banking industry's existing register of accounts and addresses (KAR).
- The DSOP Gateway, which ensures the messaging formats are converted as required between the banks' registers (KAR and KFR) and the public sector organisations' systems.



CEO COMMENT Arne Mjøs, CEO

Leading with a platform-first approach

2019 was another year of improving strategic and financial performance. Indeed, Itera achieved all time high revenue and profitability, while the underlying growth rate and profitability for our core digital business was among the best in our industry. We were also able to return solid cash to shareholders while continuing to invest in our business.

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One of the Top 25 most innovative companies across all industries in Norway for the fourth year in a row.

Our strong performance reflects the power of our strategy, which enable our customers to transform their businesses in an increasingly complex and disruptive digital world. Itera's ability to create digital business by combining business knowledge, customer experience and new cloud technology continues to set us apart in the marketplace.

Our results demonstrate the durability of our business, the continued strong demand for our services, and the significant growth opportunities ahead.

Among the highlights:

- We were recognized as one of the Top 25 most innovative companies across all industries in Norway for the fourth year in a row.
- We entered into strategic agreements with new customers in new industries and in new geographies and strengthened our position as an international company that delivers its services from various locations. New customers won in 2019 accounted for 12% of total revenue, up from 5% in 2018.
- Our world-class hybrid delivery model that involves multidisciplinary teams working across borders continued its success, delivering a growth rate of 29% in 2019.
- Our core digital business grew by 8%, while our data centre operations business decreased by 1% since several services were transformed to the cloud according to plan. In total, we achieved organic revenue growth of 5% and gross profit growth of 9%.



Now that all businesses in all industries are becoming digital, they need brand new technologies, delivery models and business models to adapt to this totally new digital age.

- The operating margin (EBIT) for our core digital business was 12.0%, while for our data centre operations business it was 4.0%. In total, we achieved an operating margin of 10.0%, up from 8.1% in 2018. The operating result of 56.2 MNOK was an improvement of 31% from 2018.

In 2019 we delivered solid shareholder value once again with a total return, including dividends, of 43%, which compares to a return of 17% for the Oslo Stock Exchange Benchmark Index (OSEBX). The total returns we have delivered over the previous two and three years of 72% and 156% respectively are outstanding.

Platform first

Now that all businesses in all industries are becoming digital, they need brand new technologies, delivery models and business models to adapt to this totally new digital age, which is powered by cloud, Internet of Things (IoT), big data and artificial intelligence (AI). And this is just the start of a new era.

Our *Platform first* approach is at the core of our business, which is to say that digital platforms are the preferred option for solutions at Itera. We focus on both business platforms and technology platforms in everything we do, from solving the needs of customers, developing our services and capabilities to building our expertise.

Many of our customers are building their own business platforms in order to make data available in real time and to offer their customers the ability to participate in their ecosystem by sharing data and building services and solutions on their platform. Our ability to address the most complex issues and strategic questions faced by our customers is best demonstrated by our customer stories.

One such customer story is how we helped Cognite, the fast-growing start-up company owned by Aker ASA, to transform heavy asset industries, such as oil and gas and

utilities, by making advanced use of digital twins, IoT and artificial intelligence. Another is how we developed a subsea field condition and performance monitoring tool that enables predictive and preventive maintenance for subsea assets for a global energy company. A third example is that we developed a power system planning tool for a large utility company to enable it to analyse the available capacity of electrical grids. Thanks to these kinds of solutions, our customers can realize substantial value and benefits more interactively and faster than ever before.

Many of our customers are still in the early stages of their digital transformations, and they recognize that technology is core to their business. They understand that we have a unique ability to create digital business at scale and speed across borders to deliver solutions that grow businesses, change industries and improve lives. This is why our customers choose to partner with us at Itera.

World-class hybrid delivery across borders

Building on our strong Nordic heritage, we combine a local presence with geographically distributed capabilities into a hybrid delivery model that features multidisciplinary teams, a flexible distribution of work across borders and an attractive blended price tag.

Our hybrid delivery capabilities are very scalable and provide access to a much larger workforce than is available in local markets. We are tapping into the world's fourth-largest pool of digitally talented people, a pool which is only a few hours by plane from the Nordic region.

Our hybrid delivery model was recognised as providing the best customer experience in the world by the Global Sourcing Association (GSA) in 2018. Our projects are organised as DevSecOps teams across business, communication, development, testing, information security and operations to reduce time to market and increase customer satisfaction.

By making information security, cybersecurity, data protection and privacy a collective



We are committed to creating digital solutions that contribute to economic, social and environmental sustainability.

responsibility for all team members and also integrating them into the early stages of the development lifecycle, we develop secure solutions within an agile framework. Security is a core part of our business, and we will continue to expand our efforts in this area in 2020.

An international ONE-Itera company

Itera has become a genuinely international company. We remain the partner of choice for a range of selected leading companies and public-sector organisations in the Nordics. We also serve customers based in the Nordics in other European countries as well as elsewhere in the world.

In 2019, we entered into several strategic agreements with new customers in new industries such as energy, maritime and fisheries and provided services to international businesses in more than 18 countries. For example, Itera is a strategic partner to DNV GL in relation to its digital transformation of its various business areas across the world. We also grew our presence in Iceland and in the Western Norway region, where several global companies are headquartered.

We continued to grow the revenue we generate from our existing customers through our strong long-term relationships, and most of our 30 largest customers have been with us for ten or more years. In addition, we demonstrated that we are performing strongly by winning new, attractive customers with significant potential.

New customers won during the last 12 months accounted for 12% of Itera's revenue in 2019, up from 5% in 2018. As a result of this increase of new customers, our 30 largest customers accounted for 75% of revenue, down from 78% in 2018.

Sustainability is business

Digitalisation is often presented as a transformative power that will change how we live and work in the context of the United Nations' Sustainable Development Goals (SDG). In 2019, a multidisciplinary team of

20 employees produced a very strong foundation for Itera's own sustainability strategy.

We selected SDG No 9, "Industry, Innovation and Infrastructure", No 11, "Sustainable Cities and Communities", and No 12, "Responsible Consumption and Production", as the goals that are most relevant to our business. We are committed to creating digital solutions that contribute to economic, social and environmental sustainability.

We also contribute to the other Sustainable Development Goals depending on our customers' sustainability strategies. In addition, Itera has extensive expertise in sustainability based on its long-standing customer deliveries as part of which it has provided sustainable services since before the United Nations defined its goals.

Sustainability is big business, not just a question of generating goodwill. We added sustainability to the core of our business and will continue to work to be recognized as "The specialist in creating sustainable digital business". Since the Nordic region often features at the top of global rankings for sustainable development, this also represents a competitive advantage for us as international businesses seek to learn from the Nordic region.

I know that our employees, our customers and our shareholders want us to make this commitment. We will therefore report on the progress of our contribution to the three selected SDGs in 2020 for markets and investors.

Shared consciousness and empowerment

Our organisational model has been reinvented during the last two years to operate as a network of teams across disciplines and borders. The model is based on "Team of Teams" and "ONE Mission" as the new rules of leadership and engagement in a complex world, which are intended to create a shared consciousness and to empower employees in line with the direction of the company strategy.



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The new model combines the agility, adaptability and cohesion of a small team with the power of a large organisation, forming a flat organisation that is fully interconnected across disciplines and borders.

The new model combines the agility, adaptability and cohesion of a small team with the power of a large organisation, forming a flat organisation that is fully interconnected across disciplines and borders. We also seek to foster a humble style of leadership that empowers and interconnects teams, pulls diverse perspectives into the conversation and does not permit any single person to be a stand-alone hero. At Itera, people are rewarded for their skills and abilities, not for their position.

Today, this approach is creating competitive advantages for us as customers are increasingly seeking the best solutions - not just from within their own industries but from leaders in other industries. In addition to our multidisciplinary teams, we adapt leading solutions from one industry to accelerate value in other industries.

For example, using artificial intelligence and our knowledge of the banking and finance industry, we created a strategy to establish a new digital electric power company by using

real-time data from smart meters in order to disrupt the industry. In addition, we engaged a large Nordic insurance company to pilot the potential of using smart meter data and artificial intelligence to identify electrical failures and hence prevent fires in homes and buildings.

Thanks to these new digital solutions, insurance companies can realize substantial value, as the consequences of failures in electrical systems and of incorrect use of electrical equipment are the most submitted claims. And many lives can be saved as fire-related deaths and injuries could decrease.

Continuous innovation

As our customers seek to navigate their futures, they rely on us for fresh ideas, our platform-first approach, cutting-edge digital solutions, entrepreneurship and high-quality delivery.

Our vision is to make a difference for our people, our customers, their customers and society as a whole. We are especially proud that Itera was recognized for the fourth consecutive year as one of the 25 most innovative companies across all industries in Norway by Innovasjonsmagasinet.

In 2019, we adopted new Subject Matter Areas based on our “Platform first” strategy. Our Subject Matter Areas are our roadmap for building our capabilities and expertise at creating sustainable digital business. For example, we created Smart Banking and Smart Energy as Subject Matter Areas to expand our market position in our largest industries with new value-added offerings.

Our Subject Matter Areas also give our employees more opportunities to develop future-oriented expertise than ever before. All our staff have attended training and certification programs in digital platforms, and more than 200 certifications were passed for Microsoft Azure, Google Cloud and Amazon Web Services (AWS). We developed continuous learning paths, including agile



We embrace diversity in order to build a social and professional workplace environment that is a source of innovation, creativity and competitive advantage.

transformation, deep learning, new user interfaces, analytics, machine learning and artificial intelligence.

In 2019, we continued to invest in new managed cloud services while downscaling our investment in our own data centres by lifting and shifting to the cloud. The revenue generated by our core digital business accounted for 75% of our total revenue in 2019, up from 73% in 2018.

Grow People. Grow Customers. Grow Company.

At Itera, our focus is “Grow People. Grow Customers. Grow Company” – in that order. To grow our people, we work every day to build the most attractive workplace possible. To grow our customers, we go the extra mile to ensure their satisfaction and trust. Grow people and grow customers are mutually dependent, a kind of symbiosis. As our people grow, our customers grow, and as our customers grow, our people grow. And so, our company will grow of its own accord.

As soon as new employees arrive at Itera, they have access to the tools they need to develop and evolve, namely the Itera Academy, skills training that enables them to continuously update their expertise, exciting projects and interesting career paths. We are committed to creating conditions that help everyone to develop new skills, regardless of their position or mission.

Itera is deeply committed to inclusion and diversity. We embrace diversity in order to build a social and professional workplace environment that is a source of innovation, creativity and competitive advantage. We think it is particularly important to promote an interest in computer science and digital expertise among women, as this creates a more diverse pipeline of talent for our industry and beyond.

I am particularly interested in increasing the proportion of women in my management team. The two most recent additions to the management team, who will be onboarded in early 2020, are women. However, diversity is about much more than just gender. For this reason, we have signed a partner agreement with SHE Community, which focuses on diversity in business in a broad sense.

Continuing to raise the bar

At Itera, one of our greatest strengths is that we are always striving to be better. With our talented people, our specialized capabilities, our ONE-Itera culture and our empowered organisation, I am very confident that we will continue to raise the bar, redefining what is possible and leading by example.

We head into 2020 with strong momentum in our business and are very well-positioned in the marketplace as the specialist in creating sustainable digital business. The outbreak of coronavirus is impacting industries and companies around the world, but we at Itera are really seeing the benefits of the improvements we have made in recent years. As a result of these efforts, we are better prepared to handle volatile markets and unexpected events.

To conclude, I would like to warmly thank everyone at Itera and our board of directors for their continued hard work, passion and dedication to our customers and our business. I would also like to thank our customers, strategic partners and shareholders for their support with our journey.

IN BRIEF 2019

Itera executed well against its strategy in 2019, resulting in new customers in new industries, partnerships and projects with several cloud-based technology and business platforms, high employee engagement, a strengthened brand and solid financial results, with a shareholder return of 42 percent.

Itera delivered a total annual return to shareholders (including dividends) of 43% in 2019, which compares with 17% for the Oslo Stock Exchange Benchmark Index (OSEBX). Operating revenue for 2019 was NOK 560.3 million, equivalent to a growth of 5%.

The revenue from Itera's 30 largest customers accounted for 75% of its operating revenue, down from 78% in 2018, as Itera expanded into new industries and attracted new customers.

Q1

First-quarter operating revenue from Itera's core digital business was up 10% compared with the same period in 2018. The Group intensified its focus on the largest, cloud-based technology platforms, namely Microsoft Azure, Amazon Web Services (AWS) and Google Cloud, in order to ensure it is at the forefront of designing and developing innovative solutions based on advanced services within AI, big data and the IoT.

Q2

The annual open innovation competition "Itera Game Changer" with the purpose of supporting the Group's growth ambitions, was arranged. 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. An ordinary dividend of NOK 0.25 per share was paid to the shareholders based on the Group's 2018 results.

Q3

For the fourth consecutive year, Itera was recognised as one of the 25 most innovative companies in Norway across all industries. The Group 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. Itera was named a Microsoft Azure partner in Iceland.

Q4

New customers in new industries won over the past year generated revenues of NOK 20.0 (7.3) million in Q4 2019. A supplementary dividend of NOK 0.30 per share was paid to the shareholders based on the Group's 2018 results.

KEY FIGURES 2019

560

Operating revenues (MNOK)

43%

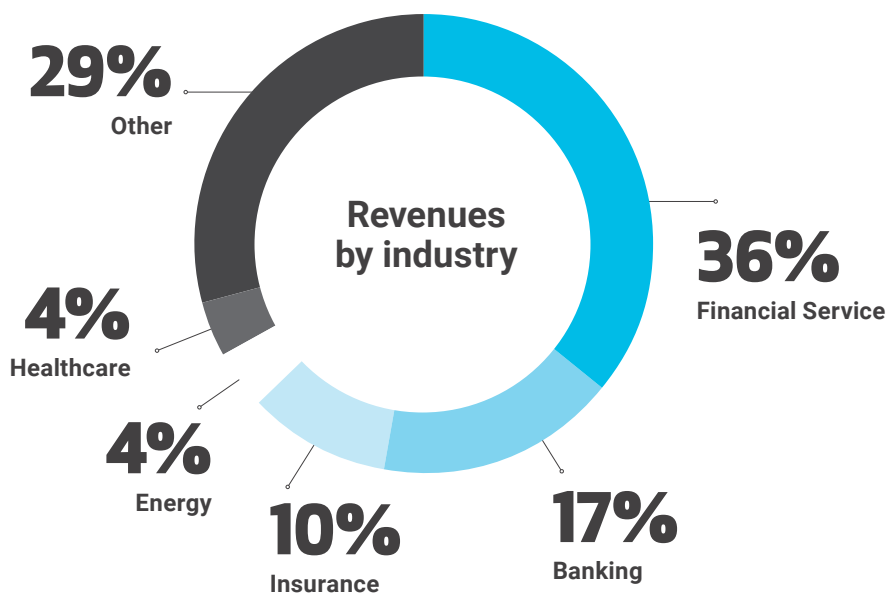
Shareholder return

10%

EBIT Margin

512

Number of employees



KEY FIGURES

2019

	Definitions	2019	2018
Profit and loss			
Operating revenue		560 318	531 323
EBITDA		92 015	63 957
EBITDA Margin		16.4%	12.0%
EBIT		56 218	42 816
EBIT Margin		10.0%	8.1%
Profit before taxes		53 589	41 419
Result for the year		41 609	31 677
Cash Flow from Operations		80 007	56 809
Financial position			
Total fixed assets		101 575	50 061
Total bank deposits		53 085	55 279
Total current assets		139 656	144 807
Total assets		241 231	194 868
Shareholder's equity		46 371	47 443
Total liabilities		194 860	147 425
Equity ratio	1	19%	24%
Current ratio	2	0.88	1.02
Share information			
Number of shares		82 186 624	82 186 624
Average number of outstanding shares		81 244 074	81 086 951
Equity per share outstanding	3	0.57	0.59
EBITDA per share outstanding	4	1.13	0.79
Earnings per share outstanding	5	0.51	0.39
Dividend per share outstanding	6	0.55	0.25
Employees			
Number of employees at year end		512	486
Average number of employees		498	488

Definitions

1. Share equity divided by total assets
2. Most liquid assets and short-term receivables divided by current liabilities
3. Equity divided by number of shares
4. Profit/loss before tax plus depreciation divided by average number of outstanding shares
5. Net profit/loss for the year divided by average number of outstanding shares
6. Dividend divided by average number of outstanding shares



Our responsible proposition

The specialist in creating sustainable digital business

Realized by People. Passion. Purpose.

Itera aspires to be viewed as the specialist in creating sustainable digital business. Sustainability is already a driver for our services and solutions. Our employees strongly support the company's ambition. It is a question of merging people, passion and purpose. To succeed, we need to work together and to take a holistic approach. We have expertise in design, technology, and business. We have customers who aim to be sustainable businesses. We have the skills needed to create the best solutions. This is how we make a difference.



Business for good

Itera is aware of its social responsibility. We have also helped leading organisations with their sustainability work for many years. Our mission is to be a goal-oriented partner for our customers. sustainability.

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Itera has a duty to make a positive contribution. This is communicated by our 'Make a difference' vision, which is a powerful imperative associated with our brand.

Ane Gjennestad,
CCO Itera

For us, sustainability is a driving force for smart business – it is a question of creating more with less. And 2019 was the year in which we refined the group's strategy in relation to our own commitment to

Our vision – make a difference – imposes significant requirements on how we as a company impact the society in which we operate. We want to play a role in society that involves us making a positive contribution. For Itera, this means that sustainability is business. And it also means operationalising our core values: innovative, passionate and skilled.

In order to demonstrate our commitment to sustainability internally and externally, a sig-

nificant amount of effort was put into developing our sustainability strategy in 2019. Our ambition in this work was to produce clear guidelines and targets in respect of how Itera will help make the future more sustainable. We have a long history of carrying out sustainability initiatives: we achieved our first environmental certification back in 2000.

COMMITTED ORGANISATION

Internal buy-in is a requirement for our commitment to sustainability to be credible externally. A large part of our strategy work was therefore carried out in the form of workshops with employees from all of Itera's service areas. This approach was taken because our commitment to sustainability needs to be a platform for the entire organisation and we need to deliver sustainability from across our specialist areas and units. This is in line with our 'One Itera' mantra.

The strategy work was carried out in four main phases:

1. Assessing our existing activities
2. Conducting a materiality analysis
3. Selecting which of the UN's Sustainable Development Goals we would prioritise
4. Setting targets and associated measures

Itera's sustainability strategy is a dynamic document that will change in accordance with internal and external opportunities, requirements and expectations. It is our tool for making a positive difference for society, our customers, our owners and our employees.



Living up to expectations

Itera has numerous stakeholders. We affect their day-to-day activities – and they affect our activities. In order to gain insight into what our stakeholders expect and require of us, we completed a materiality analysis in 2019. This provides valuable input for Itera's strategic business decisions.

The materiality analysis identifies which stakeholders are important to us and what they think Itera should deliver on. This is the basis for how Itera prioritises its efforts on the areas that will produce the greatest benefit for society and for the company.

The materiality analysis was carried out in 2019, and it confirmed that our primary stakeholders are our customers, our employees, our investors/owners and our partners.

The following summary is an extract from the materiality analysis:

Technology is increasingly a driver and a pre-requisite for more sustainable solutions. Itera's competitive advantage is that we have expertise, experience and delivery capabilities that can meet our stakeholders' expectations. We will also invest in becoming even better at implementing sustainability into our deliveries. This will create trust and meet the expectations of our primary stakeholders:

- Our **customers** will recognise us as an attractive provider if we display clear targets, expertise and an active commitment to sustainable, value-adding solutions. A number of customers have put sustainability on their agenda and look for partners that can contribute to a sustainable future.
- Our **owners and investors** increasingly recognise the value of businesses operating ethically and sustainably. Sustainability is smart business, and investors regard this as a requirement for good investment returns.
- Our **employees** are our most important resource. Our employees are committed to contributing to sustainable growth and want a meaningful working day. Through its commitment to sustainability, Itera will seek to ensure that we are an attractive employer for skilled people who want to make a difference.
- Our **collaboration partners** also want to operate sustainably. We often rely on one another to meet our customers' needs. This means that we need to have the same responsible attitude to what represent the most sustainable and value-adding solutions – for the benefit of our customers and our customers' customers.



Goals for a sustainable future

Itera is committed to being part of the global effort to create sustainable world. Through our strategy work, it became clear that Itera cannot make a meaningful contribution to all of the UN's 17 Sustainable Development Goals. Our approach is therefore to prioritise those goals where we can make a difference through our company.

Our sustainability strategy work, and the materiality analysis in particular, clearly identified the targets where our business and our employees can make a credible contribution to developing sustainability.

Itera believes that technology and digitalisation are helping to create sustainable societies. Big data, cloud solutions, the internet of things and other technologies, in addition to open arenas for democratic processes,

are the basis for our shared resources to be managed responsibly.

Itera has formulated and implemented four purposes:

- We realize sustainable innovation
- We integrate sustainability into our deliveries
- We are sustainable in our day-to-day operations
- We collaborate to achieve our goals

GOALS PRIORITISED BY ITERA

The three Sustainable Development Goals set out below have been prioritised by Itera as a guide for our organisation. Over the next few years, Itera will focus on innovation and developing measures and services that are in line with these overarching ambitions.



Industry, innovation and infrastructure

“Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”.

Itera has prioritised measures that mean that we can be a capable advisor to our customers on building sustainable value chains. We will also put in motion internal competence development activities, including by setting up the Itera Sustainability Academy.



Sustainable cities and communities

“Make cities and human settlements inclusive, safe, resilient and sustainable”.

Itera develops sustainable smart concepts via its interdisciplinary teams of specialists. Smart cities, smart mobility and smart energy are important and appropriate focus areas.



Responsible consumption and production

“Ensure sustainable consumption and production patterns”.

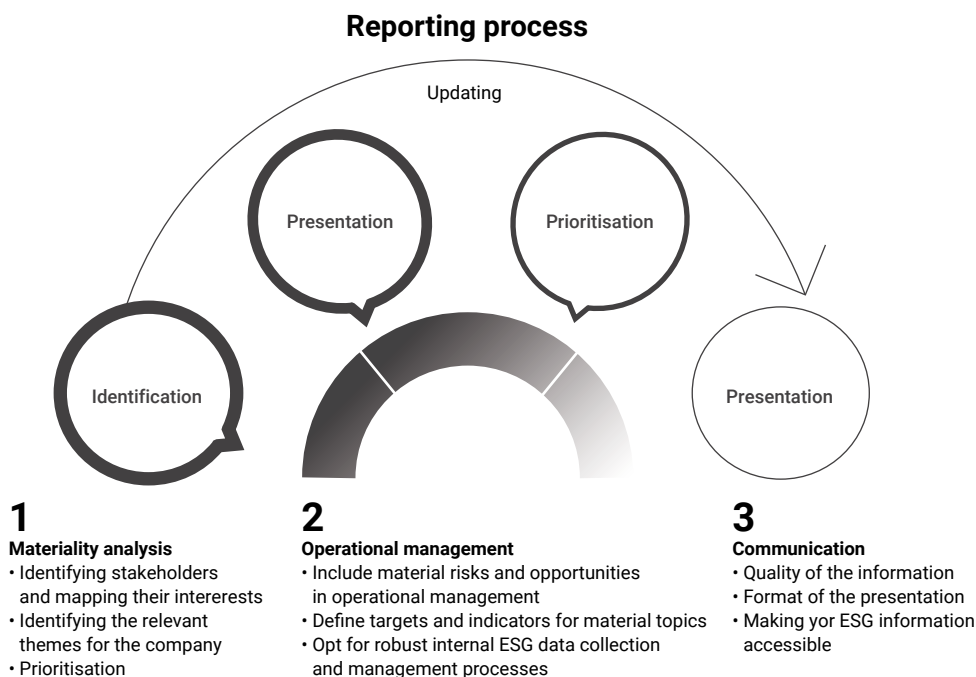
Itera rewards internal conduct that contributes to responsible consumption. We have ambitious targets in relation to recycling or reusing equipment for which the company no longer has a use. Itera will also set requirements to ensure its procurement activities are as sustainable as possible.



Global effort

The UN’s 17 Sustainable Development Goals are the world’s shared blueprint for eradicating poverty, fighting inequality and stopping climate change by 2030.

Sustainable development is about meeting the needs of people alive today without compromising the ability of future generations to meet theirs. The Sustainable Development Goals reflect the three dimensions to sustainable development: the climate and environment, the economy, and social issues.



We are open about what we do

Itera is committed to reporting its sustainability work in a transparent way. This is also in line with the growing requirements to which listed companies are subject. Itera's objective is to have a set reporting structure where we regularly report on our targets, where we are in relation to them, and what measures we have taken for the KPIs we have prioritised.



We have been inspired by the process model for ensuring comprehensive reporting and use of reported data that is recommended by organisations including Oslo Stock Exchange. We are on the right path, and as of 2020 we are certified as a Transparency Partner by NASDAQ. This serves as confirmation of Itera's commitment to sustainability and transparency, including its commitment to ensuring human rights, looking after the environment and operating responsible business activities.

Itera is also certified as an Eco-Lighthouse. This requires us to be open about our environmental impact and the measures we take to reduce our environmental footprint.

CORPORATE GOVERNANCE

Itera applies corporate governance that is based on the requirements of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The separate section on corporate governance provides more information on how Itera complies with Section 3-3(b) paragraph 2 of the Norwegian Accounting Act and the provisions of the Norwegian Code of Practice for Corporate Governance.

Our sustainable value creation

Itera takes a comprehensive approach to how we contribute to sustainable value creation. Our foundation is formed of our vision and strategy, our strengths, and our core deliveries. When these are combined, value is created for our customers, our employees and our owners.



Our vision and strategy

Vision

Make A Difference

Values

Innovative. Passionate. Skilled.

Strategic position

The specialist in creating sustainable digital business

UN SDGs prioritised by Itera

9: Industry, innovation and infrastructure

11: Sustainable cities and communities

12: Responsible consumption and production



Our strengths

Expertise

Technology, design and business expertise applied correctly contribute to sustainability

Commitment

Employees motivated to make a difference

Customer portfolio

We can have an impact on many of the largest companies in the Nordics

We integrate sustainability into our deliveries



Our main activities

Realize sustainable innovation

Identify, sell and deliver projects

Test and learn methods

Sustainability in deliveries

Skills development through "Sustainability Check"

Sustainable day-to-day operations

We are sustainable in our day-to-day operations

"Sustainability Academy" for employees

Collaborators

Identify any relevant partners



Our value creation

Investors

Long-term and ethical investments

Customers

Attractive partner with clear standpoints and contributions to sustainability

Employees

Projects with purpose in a value-based company

Purpose 1

We realize sustainable innovation

Purpose 2

We integrate sustainability in our deliveries

Purpose 3

We live a sustainable worklife

Purpose 4

We collaborate with partners to achieve our goals



Sustainability work prioritised by Itera

Itera's sustainability strategy is a dynamic document from which new priorities and initiatives will evolve over time. This section presents the initiatives, measures and targets we have prioritised.

Working environment

Feedback from Itera's employees in 2019 resulted in improvements being made to our premises to ensure an even better working environment. The solution includes more meeting rooms, quiet zones and zones for people to work more efficiently in project groups and teams. We also organised a stress management course delivered by Stamina Helse for managers and employees.

HSE

The HSE targets we have set ourselves are part of our systematic health, safety and working environment work.

We have set the following HSE targets:

1. Promote employee engagement
2. Maintain a low sick leave rate

Employee engagement

Itera does not measure employee satisfaction but employee engagement, as we are of the view that this is a strong indicator of employee wellbeing. Employee engagement is measured every two weeks through a digital survey consisting of around 10 questions. Each employee gives his/her score and feedback on a wide range of relevant topics, such as his/her work-life balance, professional development, workload and adherence

to Itera's values. Employees are given the opportunity to share their opinion on which areas and measures should be prioritised in order to improve the results.

2019 status: - 8.1 (Group)
 - 7.8 (Norway)
Target for 2020: 8.0 score

Sick leave

2019 status: 3.1%
Target for 2020: 3.0%

Environment

Eco-Lighthouse

Itera is a certified Eco-Lighthouse company. This is a natural extension to Itera's history: In 2001 Itera became the first Norwegian communication and technology company to obtain certification in accordance with the environmental standard ISO 14001.

We are committed to operating our business activities in such a way that we avoid damaging the external environment. At Itera, we have a pronounced environmental policy that is reflected across our entire organisation.

Measures:

1. Limit paper usage
2. Encourage use of public transport
3. Sort waste electronic equipment (return scheme).

TRANSPORT

(The figures apply to the Norwegian part of the Group)

No. of flights in the Nordic region in 2019: 289
No. of flights within Europe in 2019: 175
No. of flights in the rest of the world in 2019: 12

PROCUREMENT

(The figures apply to the Norwegian part of the Group)

Number of suppliers that have a certified environmental management system such as Environmental Lighthouse, ISO 14001, EMAS or equivalent in 2019: 18
Goal: 150

Percentage (%) of purchase volume (measured in NOK) spent on third party eco-labelled/environmentally certified goods and services in 2019: 46%

Target 2025: 90%*

The 46% share of purchase volume with environmental certification is surveyed based on our 50 largest suppliers.

* We are focusing on sustainable products. As an example, all our cleaning products, coffee and office supplies are environmentally certified. In 2020, Itera will commit to increasing the focus on the companies from which we purchase goods and services. We will identify which of our suppliers currently have environmental certifications and / or sustainability strategies and establish internal guidelines to ensure that future suppliers also take on environmental commitments. These measures will help us to reach the 2025 target, which is that 90% of the companies we buy benefits and goods from have a sustainability strategy and / or a certification.

WASTE

(The figures apply to the Norwegian part of the Group)

Residual waste: 5681 kilos
Recycled waste: 3915 kilos
Total: 9597 kilos

RECYCLED WASTE

(The figures apply to the Norwegian part of the Group)

Food waste: 1874 kilos
Paper and cardboard: 905 kilos
Waste Electrical and Electronic Equipment: 133 kilos

Equality and diversity

In recent years, Itera has been active in several arenas aimed at ensuring diversity, primarily to contribute to increase the proportion of women, both in its own company and in the ICT industry in general, such as



Oda, Ada and now most recently SHE. The work that is being done and will be done in the future is firmly anchored in our business strategy.

From the beginning of 2020, Itera will put diversity even more clearly on the agenda by establishing an own diversity group in the organisation. The group will ensure the right priorities for diversity work going forward so that diversity becomes part of the platform for Itera's further growth and ambition.

Increased diversity will create synergies Itera can benefit from across departments, disciplines, levels and national borders. Diversity will be a very important competitive advantage. Diversity is developing both for the company and for the individual employee. As a company, we are going to invest in diversity and the results will be rewarded through financial results, in our employee survey and in the fight for the best new employees.

SHE INDEX

Itera has joined the SHE Index, meaning it takes part annually in a survey that measures parameters such as the gender balance and gender pay gap at participating Norwegian organisations. Itera's first score upon joining was 58 out of a possible 100, a result that is a good basis for Itera to work systematically on diversity.

Prioritised measures:

1. Actively work to reduce the pay gap between men and women at all levels within the organisation
2. Achieve a more balanced gender distribution in top management
3. Achieve a more balanced gender distribution in middle management
4. Participate in relevant communities and networks (ODA/SHE etc.) that focus on gender balance and diversity within IT. This will hopefully enable us to achieve a better gender balance within our male-dominated profession (IT)
5. Be aware of bias and gender equality when assessing individuals for promotion and recruiting new employees.

Empowering women in technology to "Lead the change"

ODA

Itera is a gold partner of ODA, the largest network for women in tech in the Nordic region. ODA has over 10,000 members from over 500 companies in different industries, and has worked to make tech more diverse since 2005.

ODA is a non-profit organisation for women in tech run by volunteers who are women in tech and with the support of around 50 partners. The proportion of women in the workforce and diversity are global issues, and are also recognised in the UN's Millennium Development Goals.

At a time when digital transformation and technology are not only creating previously undreamed of solutions to some of the biggest challenges of our times but are also contributing to greater risk, diversity is absolutely essential to society's development. ODA has measured the proportion of women in ICT in Norway since 2016 in collaboration with Kantar TNS, and although the proportion of women in the sector has grown from 16% to 28% in 2018, this is still a long way off the target of women representing 40% of employees both in the sector in general and at the senior management level. In order to achieve this target, ODA works with its strategic partners and various industry organisations to deliver a range of initiatives that target everyone from senior executives to school children. Together the network helps promote technology as an attractive career path for women.

Women as a proportion of Itera employees (Group)

2019:	33%
2020 target:	34%

Women as a proportion of Itera employees (Norway)

2019:	36%
2020 target:	37%
2025 target:	40%

The Group's management team consisted of six men and three women in 2019. The

shareholder-elected Board members are two women and two men, while the employee-elected representatives and observers are two women and two men.

Other selected measures and relevant policies related to sustainability

HARDWARE RECYCLING

Itera has a target of recycling all computer equipment for which we no longer have a use. Used screens, keyboards and mice are given to employees free of charge. PCs that are no longer being used by Itera are formatted and prepared with a Windows operating system for a new life in low-income families. Equipment that cannot be reused is disposed of as hazardous waste.

MOBILE TELEPHONE SCHEME

Itera's employees are entitled to NOK 6,000 plus value-added tax every second year to buy a new mobile phone. In 2020 Itera is introducing a scheme that rewards all employees who keep their phone for more than two years. This involves employees who choose to keep their phone for more than 24 months seeing their next entitlement increase by NOK 250 plus value-added tax per month. The scheme applies retroactively to the last time the employee purchased a phone.

If an employee uses his or her phone for the entire third year, the additional entitlement amounts to NOK 3,000 plus value-added tax, meaning the total entitlement for a replacement mobile phone would be NOK 9,000 plus value-added tax. If the employee purchases a telephone that is cheaper than his/her total entitlement, the difference can be put toward the next telephone he/she purchases.

SUMMER INTERNSHIPS

To contribute to recruitment in a sector where the demand for employees exceeds the supply, Itera runs an annual summer internship program targeted at students at major universities. This program is a strategic tool intended to help Itera to build 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.

The students are tasked with solving strategic problems in a variety of eight-week customer projects, each led by one of Itera's experienced project managers.

Summer internships

2019:	24 students
2020 target:	30 students

DIGITAL SIGNING OF CONTRACTS

To make life easier for our customers and also to contribute to sustainability, Itera has introduced a solution that allows contracts to be signed digitally. Instead of having to print, sign, scan and return contracts, customers can receive their documents by email and then choose whether to sign them on their mobile, tablet or PC.

HUMAN RIGHTS

Itera is committed to ensuring internationally recognised human rights such as those defined in the United Nation's Universal Declaration of Human Rights and other UN conventions. Itera has operations in countries outside Scandinavia, specifically Ukraine and Slovakia, and considers that the establishment of these workplaces has contributed to increasing the living standards of its employees in these countries.

ANTICORRUPTION

Itera does not tolerate any form of corruption.

The Group is exposed through its nearshore activities in Ukraine to a certain level of corruption risk as the country has a low score on the Transparency International Corruption Index. Itera has therefore decided to protect the Group from this risk by not delivering services to the public or private sectors in Ukraine where the problem of corruption is principally found, and by only exporting its services to countries where western business standards are the norm.

The Group has guidelines for all employees concerning the acceptance of gifts and other benefits or advantages.

BOARD OF DIRECTORS' REPORT

THE COMPANY

Itera (the Group) is a specialist in creating digital business. It utilises its strong, multi-disciplinary skills to design, develop and operate innovative digital solutions for Nordic companies and organisations. Norway, Sweden, Denmark and Iceland constitute the Group's main markets. Itera has a strong customer portfolio across a range of sectors, but its centre of gravity is in banking and insurance, which represent more than 50% of the Group's annual revenue.

The Group also owns two niche companies: Cicero Consulting, which provides advisory services and solutions to the banking and finance sector, and Compendia, which specialises in products and services for the HR, quality and management areas.

The Group is headquartered in Nydalen in Oslo. The Group also has offices in Bryne, Bergen, Stockholm, Copenhagen, Reykjavik, Kiev and Bratislava.

MARKET CONDITIONS

Itera experienced strong market demand for its services in 2019 and has continued to build its solid position as specialist in creating sustainable digital business. Cloud-based technology platforms open vast opportunities in all industries the Group are engaged in, and Itera is correspondingly experiencing demand for expertise in all areas of the Group's range of services, from consulting, architecture, development, design to operations and security. Itera experiences that the range of services is both unique and in demand from the market as a result of digitalisation in all industries, both in the private and public sectors.

Customers and projects

Itera helps its customers to digitalise their business to achieve higher efficiency, improved customer satisfaction through new and personalised products and services, greater customer loyalty, a stronger brand, a better reputation and stronger barriers against competitors, which in turn contribute to additional sales and increased profitability.

A central part of Itera's strategy is to maintain and develop its largest, strategic customer relationships. In 2019, several new, exciting relationships were developed with customers such as BKK, Visavi Technology, Loomis, Össur, Bits, Nets, Sharecat Solutions, OBOS and Pelagia. These add to the strong brands that have continued their long-lasting relationship with Itera, including Santander Consumer Bank, Gjensidige, Storebrand, KLP and If. The share of revenue from Itera's top 30 customers was 74% in 2019, down from 79% in 2018. The reduction reflects the high growth in new customers. A large part of the new assignments involves consulting and development of concepts and solutions for making use of large amounts of data to create new services together with some of the market's most data-intensive customers and industries. Itera is well positioned to be the customers' advisor in this area, as partner with the three technology platforms that currently have the strongest footprint in the market, namely Microsoft Azure, Google Cloud and Amazon Web Services (AWS).

Sustainability

Itera delivers services and solutions in many markets and sectors. Its vision – "Make a difference" states an obligation to contribute positively, both in the solutions it develops together with the customers, but also in society at large. From 2019, sustainability is integrated into the company's commercial strategy with binding and measurable KPIs. The company's sustainability focus has been systematised through the three UN Sustainable Development Goals that Itera has adopted (Goal 9: Industry, Innovation and Infrastructure, Goal 11: Sustainable Cities and Communities and Goal 12: Responsible Consumption and Production), which are relevant to ensuring that its services can make the best possible contribution through the deliveries to customers.

FINANCIAL RESULTS

Itera's core digital business experienced strong growth and margins. During 2019, the Group successfully invested in the transformation of its traditional data centre operations into managed cloud services. This transformation

will continue the next couple of years as the customers migrate existing applications onto cloud platforms to enable further digitalisation of their customers business.

The Group's consolidated operating revenue for 2019 totalled NOK 560 million as compared to NOK 531 million in 2018. The growth came first and foremost from Itera's success in hybrid deliveries, where it combines customer proximity with highly scalable and cost-efficient deliveries from the Group's nearshore centres in Ukraine and Slovakia. The investment made over the past decade to build a common culture and operating model across shores has enabled the Group to run agile and innovative digitalisation projects for Nordic customers with as much as 70–100% of the consultants delivering remotely from the nearshore centres.

Operating revenue in Norway was NOK 510 million as compared to NOK 473 million in 2018, representing an increase of 8%. Operating revenue in Denmark decreased by 11% to NOK 50.4 million from NOK 56.6 million in 2018.

The Group's operating result before depreciation and amortisation (EBITDA) was a profit of NOK 92.0 million as compared to a profit of NOK 64.0 million in 2018. This represents an operating profit margin before depreciation and amortisation of 16.4%, as compared to 12.0% in 2018. Payroll and personnel expenses were NOK 348 million in 2019, which represents an increase of 6% from 2018. The increase was mainly due to growth in average number of employees compared to 2018. Other operating expenses amounted to NOK 42.6 million in 2019 as compared to NOK 52.3 million in 2018. Total depreciation, amortisation and write-downs were NOK 35.8 million, an increase of 69% from 2018. The increase was mainly due to implementation of IFRS 16 in 2019.

The Group's operating result was a profit of NOK 56.2 million in 2019 as compared to a profit of NOK 42.8 million in 2018.

Net financial items were NOK -2.6 million as compared to NOK -1.4 million in 2018. The Group's result before tax was a profit of NOK

53.6 million as compared to a profit of NOK 41.4 million in 2018.

Tax expense totalled NOK 12.0 million in 2019 as compared to NOK 9.7 million in 2018. Tax paid in 2019 was NOK 9.5 million as compared to NOK 9.8 million in 2018.

The result for the year was a profit of NOK 41.6 million as compared to a profit of NOK 31.7 million in 2018.

The Board of Directors is satisfied with the progress achieved by Itera in 2019 in terms of its financial results. Its core digital business is delivering at a higher growth and with better profitability than many of its peers. The traditional data centre operations have embarked on a transformation to cloud services which will be an important strategic asset in the future.

It is the opinion of the Board of Directors that the annual accounts provide a true and fair view of the Group's activities in 2019 and its financial position at the end of the year.

RESEARCH AND DEVELOPMENT

Expenditure of NOK 8.2 million relating to the development of new solutions was capitalised in 2019 as compared to NOK 7.9 in 2018. There was less spending on the Cicero Financial System (CFS) as this is in a mature stage, whereas NOK 1.5 million of the effort to build the Itera Managed Cloud Foundation was capitalised. Further development effort was made to the ComPublish solution and the embedded chat-bot functionality that has spurred significant customer interest.

The expenditure on research and development was capitalised as it was incurred since it was considered that the requirements for capitalisation were met. The solutions principally relate to contracts entered into that have fixed future revenue associated with them or with demonstrated commercial interest.

CASH FLOW AND FINANCIAL POSITION

Itera generated cash flow from operating activities of NOK 80.0 million in 2019 as compared to NOK 56.8 million in 2018. The Group paid

shareholders a dividend totalling NOK 44.7 million in 2019. At 31 December 2019, Itera had a cash balance of NOK 53.1 million as compared to NOK 55.3 million at 31 December 2018. The difference between cash flow from operating activities and the Group's operating profit is primarily due to depreciation costs that have no effect on cash flow, but also reflects tax payments and financing costs.

In addition to the investment made in research and development, NOK 12.1 million was invested in 2019 in hardware, software and fixtures etc. as compared to NOK 12.4 million in 2018.

Total assets at 31 December 2019 amounted to NOK 241.2 million (NOK 194.9 million). Non-current assets were NOK 101.6 million (NOK 50.1 million). Accounts receivable were at NOK 57.1 million (NOK 52.3 million).

The Group's equity at 31 December 2019 was NOK 46.4 million as compared to NOK 47.4 million at the same point in 2018. This represents an equity ratio of 19.2% as compared to 24.3% at the same point in 2018. Long-term interest-bearing liabilities totalled NOK 35.6 million (NOK 4.7 million). The increase in liabilities is due to the implementation of IFRS 16 in 2019. Other current liabilities were NOK 53.5 million (NOK 51.1 million).

Itera held 769,891 of its own shares at the end of 2019, while at the end of 2018 it held 1,242,165 own shares.

FINANCIAL RISK

The Group is exposed to currency risk, liquidity risk and credit risk. The Group's executive management team and the Board of Directors monitor these risk factors continually and take action as required.

The revenues and expenses associated with Itera's activities in the Nordic region are denominated in Norwegian kroner (NOK), Danish kroner (DKK), and Swedish kronor (SEK). Changes in the exchange rate of the Norwegian krone against the Danish krone and the Swedish krona therefore affect the Group's results. This risk is limited by the fact that

the majority of associated expenses are also incurred in these currencies. The Group is also exposed through its nearshoring activities in Ukraine and Slovakia to expenses in American dollars (USD) and euros (EUR). The currency risk associated with this is limited by the fact that the prices Nordic customers are charged for these services are largely adjusted on a monthly basis in accordance with changes in the exchange rates.

The Board of Directors considers the Group's liquidity situation to be satisfactory and does not regard it as necessary to take further measures to reduce the Group's liquidity risk.

The Group has historically incurred very low losses on receivables. This trend continued in 2019.

BUSINESS RISK

The Group has deliveries world wide and offices in multiple locations in Europe and assess and manage risk per country and deliveries. Itera closely monitors and manage country risks, local financial and social regulations and development, and has zero-tolerance policy on corruption. It does not carry out any domestic activities in countries where the problem of corruption is at its greatest. Best practice data security procedures and checks have been implemented at the Group together with a legal framework that safeguards data security and intellectual property across national borders.

The recent outbreak of the Covid-19 virus has at the current moment an unprecedented impact on society and business, which longer-term impacts are still unclear. Itera is used to operating with a distributed work force and was quickly able to shift modus operandi to home offices. So far, the impact on the company's business has been limited. The Group has developed contingency plans to mitigate any major reduction in business volume or availability of delivery personnel.

As a related consequence of the virus outbreak, the NOK has experienced a significant deterioration against USD and EUR, which may impact the competitiveness of the company's near-

shore deliveries. On the other hand, customers that now experience for the first time that working with distributed teams can be effective, may be more inclined to utilise Itera's acclaimed hybrid (onshore/nearshore) delivery model.

Quality policies and approach support Itera to achieve high levels of customer satisfaction, employee engagement and profitable growth. Itera applies a quality management framework combining world-class standards with its business models. Certificates and authorisations as ISO 27001 and BCR-P (Binding Corporate Rules for Processors) are examples of these. Itera's quality assurance team conduct internal audits of appliance and value of framework practices to continuously develop the Group's capabilities. Management of non-conformities and quality improvement process is part of Itera's quality approach.

Corporate risk management is performed on Group level. This includes assessment, risk approval and reports on risk management and mitigation to the Board of Directors. Risk management is also performed for deliveries to customers and internal projects.

ORGANISATION

The Group has a strong portfolio of customers in the Nordic region, where many customers are served from more than one of Itera's locations. Itera strengthened its progress in this area in 2019 by making good use of its nearshore delivery units and resources across the entire Group.

The Group's headcount at 31 December 2019 was 512 as compared to 486 at the end of 2018. The average number of full-time equivalent positions at the Group in 2019 was 498 as compared to 488 in 2018.

The proportion of Itera's capacity that is located nearshore (its nearshore ratio) was 49% at the end of 2019 as compared to 45% at the end of 2018. The Group's delivery centres in Kiev and Bratislava provides significant scalability and cost effectiveness in a heated market for digital business.

Absence due to sickness in 2019 was 2.8%, which the Board considers satisfactory. No accidents or injuries occurred during the course of the year. The Board considers the working environment to be good. Surveys are regularly carried out to assess the Group's working environment.

The Board wishes to thank all the Group's employees for their efforts in 2019.

SOCIAL RESPONSIBILITY

Itera recognises that it has a responsibility to the society of which it is part and seeks to contribute to the positive development of those areas of society which are most related to its activities.

The Group's ethical guidelines describe the standards that apply to the Group's relationships with customers, suppliers, the public authorities and its own employees.

Further information on Itera's ethical guidelines – The Itera Business Code of Ethics – is available at www.itera.no/en/investor-relations/the-share/

Corruption

Itera does not tolerate any form of corruption.

The Group is exposed through its nearshore activities in Ukraine to a certain level of corruption risk as the country has a low score on the Transparency International Corruption Index. Itera has therefore decided to protect the Group from this risk by not delivering services to the public or private sectors in Ukraine where the problem of corruption is principally found, and by only exporting its services to countries where western business standards are the norm.

The Group has guidelines for all employees concerning the acceptance of gifts and other benefits or advantages. The Group's ethical guidelines can be consulted for further information.

Information security

based on Itera security strategy and policy, the Group has implemented a security framework

applicable for all subsidiaries. Security as a subject area comprises the aspects of; privacy, information security, data protection, and cyber-security. Our security framework forms the basis for both our deliverables for clients and our own operation. This includes, but is not limited to, processes, technology and organisation to be compliant with GDPR and to comply with our unique status with approval of EU Bindings Corporate Rules for Processors (BCR-P). BCR-P is designed and was provided by EU Article 29 Management Group in 2017 and executed locally by the three Scandinavian Data Protection Authorities. BCR-P gives Itera the authority to manage our own personal data, and personal data on behalf of the Group's customers, from Itera locations outside EU borders (Ukraine).

Itera's nearshore activities are fully integrated with its Nordic activities, and the entire Group therefore follows the same procedures and ethical standards. The Group operates a common IT infrastructure with all customer data stored on servers located in the Nordic region. Financial processes are carried out by a central function.

All employees that are part of the Group's nearshore activities have signed confidentiality agreements that include undertakings in respect of data processing and other security arrangements.

Integrity and general legislation

itera complies with the national legislation and regulations of all the countries in which it operates. All its employees are encouraged to disclose internally any cases in which they have concerns with regard to the Group's integrity or where they are aware that laws or regulations are being breached. Employees can make such disclosures confidentially if they so wish, and the Group will not take adverse action against whistle-blowers, regardless of whether the content of the disclosure is found to be true or false.

HUMAN RESOURCES

Equality

itera regards gender equality as important. It believes that women and men should be given the same remuneration and the same personal

and professional development opportunities. The Group seeks to ensure employees of both genders are able to combine their work and private lives, and therefore offers maternity and paternity leave arrangements, home office solutions and part-time positions to support this.

33% of the Group's employees in 2019 were women as compared to 31% in 2018. The Group's management team consisted of six men and three women in 2019. The shareholder-elected Board members are two women and two men, while the employee-elected representatives and observers are two women and two men.

There are large differences in the proportion of women employed in the Group's various areas of expertise. The proportion of women is lower in technology-focused areas in development and operations, while the proportion of women is higher in areas that are more specialised in consultancy, communication, content and testing. More than half the parent company's employees are women. There is an uneven distribution of men and women in management positions. The Group has a goal of improving this balance in its management groups.

Diversity

Itera regards diversity at the Group as important, and seeks to recruit, develop and retain the best employees regardless of gender, ethnicity or disability. The Group's ethical guidelines also serve to promote diversity and prevent discrimination. For more information, see www.itera.no/en/investor-relations/the-share/.

Human rights

itera is committed to ensuring internationally recognised human rights, such as those defined in the United Nation's Universal Declaration of Human Rights and other UN conventions, are respected. No-one shall in any way contribute to an individual's human rights being breached or circumvented. The Group places special emphasis on ensuring that employees' fundamental rights are respected. Itera has operations in countries outside

Scandinavia, specifically Ukraine and Slovakia, and considers that the establishment of these workplaces has contributed to increasing the living standards of its employees in these countries.

Employee engagement

In 2018, Itera implemented a new methodology for continuously measuring and improving the employee engagement, which Itera sees as a key indicator of well-being. The engagement is measured every 2 weeks in the form of a digital survey with about 10 questions each time. Over time, each employee has had the opportunity to give his/her score and feedback within a wide range of relevant topics, such as experience of work-life balance, professional development, workload and adherence to Itera's values. Employees are given the opportunity to share their opinion on which areas and measures should be prioritized for improving the results. Measures that are assumed to have effect for several parts of the organization are implemented under the guidance of the Group's HR function. Measures that are more locally targeted are carried out by the department in question under the direction of the relevant manager.

The overall result of the 2019 surveys shows that employees find Itera a good place to work

Skills and expertise development

A high level of skills and expertise is crucial to the Group's competitiveness. Itera works in a targeted way to develop the skills and expertise of all its employees with regard to both specific technical disciplines and management. The skills and expertise programs run at Itera together constitute the "Itera Academy", which is the overall structure for all training. The training available through the "Itera Academy" is closely linked with the Group's strategy and with the various requirements of the business areas, and ranges from courses on the role of the consultant for new graduates, through courses of varying levels on project management, system development and user experience, to management skills training for both new and experienced managers.

ENVIRONMENT

Itera's activities only pollute the external environment to a limited extent. The Group's environmental impact is principally a result of its use of energy, business travel and the waste created by its office activities. The Group is Eco-Lighthouse certified (re-certified for another three years in 2018), which means it operates environmentally friendly and sustainable procedures in areas including business travel, procurement and waste management.

The Group is headquartered in a BREEAM-NOR certified building. BREEAM is the world's longest-established (1990) and Europe's leading environmental assessment tool for buildings, and BREEAM certification is based on a building's documented environmental performance across nine sustainability categories: management, health and well-being, energy, transport, water, materials, waste, land use and ecology, and pollution. The office part of the building has received an assessment rating of "Very good".

Other environmental initiatives at the Group seek to promote the use of organised recycling schemes for obsolete IT equipment, to reduce travel by ensuring video meetings are used as effectively as possible and to encourage responsible waste management.

All employees have a duty to consider the environmental impact of work-related activities and to favour solutions, products and methods that impact the environment as little as possible. Details of this can be found in the Group's ethical guidelines (www.itera.no/en/investor-relations/the-share).

SHARES AND SHAREHOLDER RELATIONS

The share capital of Itera ASA is NOK 24,655,987 divided into 82,186,624 shares each with a face value of NOK 0.30 per share.

Itera held 769,891 own shares at the end of 2019. The Group has three ongoing share options programs, and the exercise price for all of these programs was below the share price at the end of 2019. In 2017, Itera introduced an annual Employee Share Purchase Programme,

where employees could purchase shares up to a market value of NOK 20,000 at a 20% discount. The key objectives of these programmes are to align the interest of employees and shareholders, and to give employees an opportunity to take part in the value creation and long-term development of the Group. In total, 69 employees purchased a total of 67,362 shares through the offering in 2019.

Itera had 1,824 shareholders at the close of 2019. The 20 largest shareholders owned 59.2 million shares, which represents 72% of the share capital.

A dividend totalling NOK 20.5 million was paid in 2019 based on the Group's 2018 results, which is equivalent to NOK 0.25 per share. In addition, a supplementary dividend totalling NOK 24.6 was paid in November 2019. The Board of Directors proposes the payment of a dividend of NOK 0.30 per share based on the Group's 2019 results and will also request from the General Meeting an authorisation to pay an additional dividend later in the year.

CORPORATE GOVERNANCE

Itera applies corporate governance that is based on the requirements of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The separate section on corporate governance provides more information on how Itera complies with Section 3-3(b) paragraph 2 of the Norwegian Accounting Act and the provisions of the Norwegian Code of Practice for Corporate Governance. The Board of Directors of Itera ASA held 7 board meetings in 2019.

The Board of Directors has two subcommittees, namely the Audit Committee and the Compensation Committee. The Audit Committee consists of two board members and held four meetings in 2019. The Compensation Committee consists of two board members and held three meetings in 2019. The Compensation Committee prepares and makes recommendations to the Board regarding the CEO's remuneration. The Compensation Committee acts as an advisory body for the CEO on compensation-related issues and other significant

personnel questions related to the executive management.

Further information on this area is provided in the corporate governance report at the end of this report.

Parent company

FINANCIAL RESULTS

Internal support processes and shared solutions are structured as Group Functions in the parent company Itera ASA in areas where this facilitates significant economies of scale and synergies. The scope of Group Functions is managed in line with the Group's requirements, and covers areas such as accounting/finance, HR, communication, marketing and internal IT. The parent company's operating revenue of NOK 32.6 million (NOK 31.3 million) was related to sales of these services to other Group companies.

The parent company's operating result was a loss of NOK 5.7 million (NOK 5.3 million). Its operating loss reflects the costs of owning the subsidiary companies.

As the owner, the parent company receives group contributions and dividends from the subsidiary companies. In 2019, the parent company received group contributions and dividends totalling NOK 51.2 million (NOK 44.6 million). The parent company's profit before tax was NOK 44.5 million (NOK 33.6 million) and the profit after tax was NOK 44.5 million (NOK 33.6 million).

PROFIT ALLOCATION

The Board of Directors proposes that the profit of NOK 44,517k recorded by the parent company Itera ASA is allocated as follows:

- NOK 16,437k to ordinary dividend
- NOK 24,565k to supplementary dividend paid in 2019
- NOK 3,424k to other equity

The book value of the parent company's investments in the subsidiary companies is NOK 114.9 million. The parent company administers the Group bank account system. The Group's

positive cash flow also appears as an increase in the liquid assets held by the parent company as this shows the combined bank deposits held in the Group bank account system. The parent company reports the bank deposits held by the subsidiary companies in the Group bank account system as liabilities to Group companies. The Norwegian companies are also jointly VAT registered, and the parent company is responsible for paying VAT on behalf of all these companies. The total VAT liability is reported as a liability on the parent company balance sheet but is offset by intragroup receivables due from subsidiaries.

The parent company's headcount at the end of 2019 was 18 as compared to 17 as at end of 2018. 13 of the 18 employees are women. Absence due to sickness in 2019 was 2.6% as compared to 4.1% in 2018. No accidents or injuries occurred during the course of the year. The Board considers the working environment to be good.

It is the opinion of the Board of Directors that the annual accounts provide a true and fair view of the parent company's activities in 2019 and its financial position at the end of the year.

GOING CONCERN ASSUMPTION

In accordance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the going concern assumption is applicable and that the annual accounts have been prepared on this basis. The forecast for 2020 and the Group's equity situation and liquidity situation provide the basis for the going concern assumption.

OUTLOOK

Itera has a well-founded strategy and it continues to work in a targeted way. Its overall strategy of developing larger, long-term customer relationships, achieving greater operational efficiency and using delivery models that combine resources from across the Nordic region and its nearshore locations remains unchanged. The Group is seeing satisfactory levels of activity in all the markets in which it is represented and is keeping a close watch on how market trends are developing. The longer-term impact of the Covid-19 virus outbreak is still unclear, but Itera is positive that it is well positioned to take a comparative advantage of the situation.

Oslo, April 21, 2020
The Board of Directors of Itera ASA



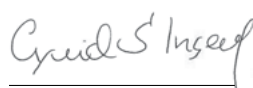
Morten Thorkildsen
Chairman of the board



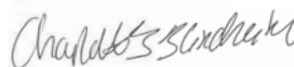
Mimi K. Berdal
Board member



Jan-Erik Karlsson
Board member



Gyrid Skalleberg Ingerø
Board member



Charlotte Bech Blindheim
Board member



Erik Berg Solheim
Board member



Arne Mjøs
Chief Executive Officer

CORPORATE GOVERNANCE

The Board of Directors and executive management of Itera ASA carry out an annual review of the principles for corporate governance and how they function within the Group. Itera provides here an account of its principles and practice for corporate governance pursuant to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (NUES) as issued on 17 October 2018.

The Norwegian Code of Practice for Corporate Governance is available on www.nues.no/en/.

A description of how Itera complies with the 15 recommendations set out in the Code of Practice for Corporate Governance is provided below.

1. Implementation and reporting on corporate governance

Itera ASA's principles for corporate governance ensure an appropriate division of roles and good collaboration between the company's owners, its Board of Directors and its executive management as well as satisfactory control of its activities. This helps to ensure the greatest possible value creation over time in the best interests of owners and other stakeholders.

The company's ethical guidelines address conflicts of interest, relationships with customers, suppliers and the media, inside information issues and other relevant financial interests of a personal nature. The ethical guidelines apply to all employees of the Itera Group.

Itera's employees increasingly regard non-financial incentives as important. Itera's management principles therefore contain a clear set of values for employees to identify with. Itera also focuses on making social and moral considerations part of its business processes. This means that customers or projects may be rejected on account of their being in conflict with the Group's set of values and vision, which is: "Make a difference". This applies to all the contexts in which Itera is present; the aspiration is for Itera's employees to view working at Itera as more than just a job, for its customers to find real value in collaborating with Itera, for its owners to receive a greater return from their investment than would be the case with other comparable investments, and for the company to make a positive contribution to economic and social development the local environments in which it operates.

Itera complies with the Norwegian Code of Practice for Corporate Governance with no material deviations from the Code's recommendations, with the exception of the deviations set out in sections 6 and 14.

2. Business (No deviation from the Code)

Itera is a specialist in creating digital business, with communication, technology and innovation as the core competency tools. Itera delivers projects and services in cross-functional teams to Nordic organisations that see the instrumental contribution that innovation, efficient communication and smart utilization of technology can make to achieving their goals. Itera's core sectors are banking and insurance, public, healthcare, the service industry, energy and utility. The company's Articles of Association are available on its website (www.itera.no).

The annual report contains details of the company's goals and strategies, and the financial markets are provided with continual updates by the company's quarterly presentations.

3. Equity and dividends (No deviation from the Code)

The company's capital situation is kept under constant review in relation to its objectives, strategy and desired risk profile.

The company's objective is to generate a competitive return for its shareholders through dividends and increases in the share price that is in line with comparable investments. Itera's dividend policy is

intended to strike a balance between capital adequacy and providing shareholders with a reasonable return. The company's current dividend policy is to distribute at least 50% of the Group's adjusted annual profit after tax. Payment of the annual dividend is dependent on the company's financial situation, its working capital requirements and investment/acquisition opportunities. The Annual General Meeting approves the annual dividend based on a proposal from the Board of Directors. For 2018, the Board of Directors proposes the payment of an ordinary dividend of NOK 0.25 per share. The Board of Directors has also resolved to ask the Annual General Meeting to renew its authorisation to pay a supplementary dividend for 2018 if the Group's financial situation makes this possible.

At the Annual General Meeting in 2018, the Board of Directors was granted authorisation to increase the company's share capital by up to NOK 1,232,799 by issuing for subscription up to 4,109,331 new shares with a nominal value of NOK 0.30. The authorisation is effective until 1 July 2019 and replaced the authorisation approved by the Annual General Meeting held on 22 May 2017. The Board is authorised to waive the preferential rights of shareholders pursuant to Section 10-4 of the Norwegian Public Limited Companies Act. The authorisation also covers capital increases for non-cash payment or other special subscription terms pursuant to Section 10-2 of the Norwegian Public Limited Companies Act. The authorisation also covers resolutions in connection with mergers pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.

At the same Annual General Meeting, the Board of Directors was granted authorisation to buy back own shares up to a nominal value of NOK 1,725,919, equivalent to 5,753,064 shares each of a face value of NOK 0.30. The authorisation is effective until 1 July 2019 and replaced the authorisation granted at the Annual General Meeting held on 22 May 2017. The authorisation was used to buy back 2,500,000 shares in June 2018 for the purpose of implementing employee share purchase programmes.

The Board of Directors as part of its preparations for the Annual General Meeting carries out an annual review of whether it should ask for authorisation from the Annual General Meeting to increase the company's share capital and/or to be allowed to buy back own shares. Any authorisation is normally granted for one year, and the basis for such authorisation must be clearly communicated at the Annual General Meeting.

4. Equal treatment of shareholders and transactions with close associates (No deviation from the Code)

The company is committed to treating all shareholders equally. There is only one class of shares. The Articles of Association do not impose any restrictions on voting rights. Treating all shareholders equally is regarded as important. All information liable to influence the company's share price is published through the Oslo Stock Exchange's information system and on the company's website.

The company's transactions in its own shares (share buy-backs) are carried out through the stock exchange at market rates. The Board will normally obtain independent valuations for any material transactions involving the company and its shareholders, members of the Board, executive personnel or close associates of such parties.

5. Shares and negotiability (No deviation from the Code)

Itera shares are listed on the Oslo Stock Exchange and are freely negotiable. Itera has one class of shares, and each share equals one vote at the General Meeting. The shares have no trading restrictions in the form of Board consent or ownership limitations. The Articles of Association of Itera ASA contain no restrictions on negotiability or voting rights and all shares have equal rights.

According to the conditions in Share Purchase Programme offered to the Group's managers and key personnel in 2018, a three-year lock-in period applies to ownership of the shares purchased under this programme. Itera considers that such trading limitation does not cause disturbances in the market due to limited scope and thus is not in violation of the NUES recommendation.

6. Annual General Meeting

All shareholders are entitled to participate in the Annual General Meeting. Arrangements have been made that allow shareholders to vote in accordance with their ownership through a legal representative or proxy. All shares in the company carry equal voting rights. There are no ownership restrictions, and the company is not aware of any shareholder agreements.

Minutes from the Annual General Meeting are made available using the Oslo Stock Exchange's information system and on the company's website (www.itera.no).

NUES recommends that the Annual General Meeting should vote separately on each individual candidate for any corporate bodies to which members are elected. Itera's practice is for the entire Board to be elected.

7. Committees (No deviation from the Code)

Nomination Committee

The Annual General Meeting has established a Nomination Committee in accordance with Itera's Articles of Association. The Annual General Meeting issues the mandate for the work of the Nomination Committee. The Nomination Committee nominates candidates for appointment to the Board of Directors for consideration by the Annual General Meeting. The nominations are required to provide relevant information about the candidates' background and independence. The Nomination Committee also makes proposals regarding the remuneration paid to members of the Board. The remuneration paid to the Nomination Committee is determined by the Annual General Meeting.

The members of the Nomination Committee are Bjørn Wicklund, Fredrik Thoresen and Olav Werner Pedersen.

The Nomination Committee publishes an invitation to submit proposals for candidates for election to the Board on the company's website. The Nomination Committee will also send a letter to the largest shareholders inviting their proposals.

Audit Committee

The Board has established an Audit Committee in accordance with Itera's Articles of Association. The Audit Committee has two members. Its mandate is to supervise the company's reporting procedures and to assess the effectiveness of internal control and risk management activities. The Audit Committee is in regular contact with the auditor and ensures the auditor is independent. The Audit Committee reports to the Board. Members of the Board have access to all relevant documentation as well as to the minutes of all Audit Committee meetings.

The members of the Audit Committee are Mimi K. Berdal (chair) and Gyrid Skalleberg Ingerø.

Compensation Committee

The Board has established a Compensation Committee to develop and coordinate the Group's compensation systems. The Compensation Committee has two members - Jan-Erik Karlsson (chair) and Morten Thorkildsen.

8. Board of Directors: Composition and Independence (No deviation from the Code)

Itera does not have a corporate assembly. Itera's Articles of Association state that the company is to have a Board of between four and six members. The Board currently has six members, four of whom are elected by shareholders at the Annual General Meeting. Itera's employees are represented by two employee electives and two observers. Fifty percent of the shareholder and employee elected board members and observers are women.

It is regarded as important for the Board to be balanced in terms of its members' expertise, experience and backgrounds in relation to areas that are of relevance to the company's activities. It is also desir-

able for the composition of the Board to reflect both the company's ownership structure and the need for independent representatives. The current Board includes four members elected by shareholders at the company's Annual General Meeting, and its composition satisfies the independence requirements set out in the Norwegian Code of Practice for Corporate Governance. No member of the executive management is a member of the Board.

The Board of Directors held 7 board meetings in 2018 with an attendance rate of 86%.

9. The Work of the Board of Directors (No deviation from the Code)

The Board prepares an annual plan for its work with an emphasis on targets, strategy and implementation. In addition, the Board has a formal mandate that regulates its areas of responsibility, its duties and the allocation of roles between the Board, the Chairman of the Board and the CEO. The Board receives monthly financial reports for the Group as a whole and for the subsidiary companies, in which the executive management comments on financial performance and financial position. The Board discusses the company's strategy and budgets at extended board meetings.

The Board will normally obtain independent valuations for any material transactions involving the company and its shareholders, members of the Board, executive personnel or close associates of such parties.

The Board holds 7-10 meetings a year and assesses its own work on an annual basis. In addition, the Nomination Committee make an annual assessment of each Board member's performance and contribution.

10. Risk management and internal control (No deviation from the Code)

Risk management and internal control are carried out by the Group using a range of processes, both at Board level and by the Group's executive management. The Audit Committee monitors risk management and internal control on behalf of the Board in ways that are additional to the reports and discussions on the issue at Board meetings.

Risk management

The Board is regularly updated on risk management at its meetings, by routine financial reports and by the reports produced by the executive management on the Group's business activities. The Board also assesses the need for measures to be taken in response to risk factors.

The basis of risk management at Itera is that the CEOs of the companies that form the Group are responsible for risk within their individual companies and must therefore have necessary knowledge and understanding of their companies' risk profiles, so that these companies can be managed in a financially and administratively responsible way.

The CEO and CFO continually assess the financial results of the various business areas, the extent to which they are meeting the objectives that have been set, critical situations and events that might influence the future performance of the company, and whether optimal use is being made of resources. The CEO and CFO carry out this work in close cooperation with the management of the individual units.

Internal control

The Board assesses the internal control systems and considers the most important risk factors facing the company as part of the budget planning and budget approval process. The Group has in recent years pursued a growth strategy and the Board is committed to ensuring that all the Group's activities are covered at all times by internal control systems.

The senior management of the subsidiary companies is responsible for ensuring there are appropriate and effective internal controls that meet all applicable requirements, and is responsible for ensuring compliance with the internal control requirements.

Accounting & Finance, HR, IT and Communications are organized as common Group Functions across the Group. This ensures there is internal control across the companies and across national borders. Accounting/Finance has implemented shared accounting procedures for the Group where it has proved efficient to do so, including in relation to charts of accounts and reporting. The companies in the Group all use the same accounting system, Maconomy. A specific approval authority matrix has been implemented that determines the authorisation routines for expenditure, and the approval of two individuals is required for payments to be made. The Group Finance Function has a separate finance/accounting function that manages accounting in the subsidiary companies. This function is also responsible for quality control of accounting information by performing reconciliations and other checks. Some accounting work is carried out by the Group's accounting department in Ukraine, which currently has four employees. There were also the equivalent of three full-time positions in the accounting department in Norway in 2017. In addition to the accounting department, there are separate Business Controllers that assist the companies with financial reporting, analysis, forecasting and budgets. There is a separate accounting function in Ukraine and an external accounting firm servicing the Slovakian branch. The CFO and the head of accounting are responsible for continually assessing whether the accounting routines are functioning as required, including controlling reconciliations and analysing and monitoring a range of KPIs. The reports produced by the subsidiary companies are consolidated on a monthly basis, and analyses are carried out as part of the reporting process, with action taken as required. Reporting is carried out using the Group's standard reporting template, with consolidation being carried out using spreadsheets.

The CEO and CFO continually assess the financial results of the various business areas, the extent to which they are meeting the objectives that have been set, critical situations and events that might influence the future performance of the company, and whether optimal use is being made of resources. Meetings are held with the subsidiary companies every quarter to review these topics and others, and also to consider the risks related to financial reporting, over both the short and long term. The CEO, the CFO, the management of the subsidiary companies and relevant experts participate in these meetings, which are led by the CEO. The Group CEO proposes any risk-reduction measures that are required on the basis of the companies' financial reports and any follow-up meetings that are held.

11. Remuneration of the Board of Directors (No deviation from the Code)

The Nomination Committee makes recommendations to the Annual General Meeting regarding the remuneration paid to the Board of Directors. The remuneration paid to the members of the Board is determined by the Annual General Meeting once it has considered the proposals of the Nomination Committee. The remuneration paid to the Nomination Committee is determined by the Annual General Meeting once it has considered the proposals of the Board. Information on the remuneration paid to the members of the Board and their shareholdings can be found in the notes to the accounts in the annual report.

NUES recommends that members of Board of Directors should not participate in any incentive or share option programme. Employee elected Board members in Itera may be part of incentive and/or share option programmes in their capacity as employees. Inclusion in such programme may occur prior to or after the employee's election to the Board. Itera considers such inclusion to be independent of and unrelated to the employee's Board position and thus not in violation of the NUES recommendation.

12. Remuneration of executive personnel (No deviation from the Code)

The Board has produced guidelines on the remuneration of executive personnel in accordance with the rules set out in Section 6-16a of the Public Limited Liability Companies Act. The Company's Compensation Committee is involved in the process of determining the remuneration paid to executive personnel. Details of the Board's guidelines on the remuneration of executive personnel are set out in Note 9 'Remuneration of senior employees'.

13. Information and communications (No deviation from the Code)

The company strives to provide accurate and sufficiently comprehensive information every quarter, and to be quick to publish it. The company normally publishes quarterly figures within six weeks of the end of a quarter. The company's provisional annual accounts are published in February. Open quarterly presentations are held with a webcast made available so that they can be viewed either live or subsequently.

The notice calling the Annual General Meeting and the annual report are made available on the company's website three weeks prior to the date of the Annual General Meeting.

The company strives to publish information in a non-discriminatory and simultaneous manner. The company maintains regular dialogue with shareholders, analysts and other parties. The company takes a cautious approach in its contacts with these parties. The company limits its communication with investors and analysts in the two weeks prior to the publication of an interim report. In addition, the company does not issue comments to the media or any other parties about the Group's results during this period. This is to ensure all market participants concerned are treated equally.

14. Take-overs

The Board of Directors is committed to equal treatment of shareholders and will ensure openness with respect to any potential take-over of the company. In the event of a takeover bid for Itera, the Board of Directors and executive management will seek to ensure all shareholders have access to sufficient information for them to be able to form a position on the bid. The Board has not issued separate guidelines on how it would operate in the event of a formal takeover bid, but it would conduct itself in accordance with the relevant provisions and recommendations set out by legislation and the Norwegian Code of Practice for Corporate Governance. The Board regards this as sufficient to ensure that shareholders' interests are safeguarded in an equal and proper manner.

The Board will inform shareholders of its opinion of any bid, and the Board will in connection with this inform shareholders about whether they themselves wish to accept the offer should they have taken a position on it.

15. Auditor (No deviation from the Code)

The company has elected PwC as its external auditor. PwC audits all the companies in the Group that are subject to statutory audit.

The auditor participates in all meetings of the Audit Committee.

The auditor prepares reports for the Audit Committee and the Board. These reports include an audit plan, an assessment of internal control at the company and a review of significant accounting principles and estimates. The auditor participates in the Board meeting at which the annual accounts are considered. The auditor participates in the Annual General Meeting. Information about the fees paid to the auditor can be found in the annual report.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME GROUP

NOK 1000, except earnings per share	Note	2019	2018
Revenues	1	560 318	531 323
Cost of goods and services		77 310	87 275
Salaries and personnel expenses	7,8,9,10	348 317	327 769
Depreciation and amortisation	13	35 798	21 141
Other operating and administrative expenses	9	42 676	52 322
Total operating expenses		504 101	488 507
Operating profit		56 218	42 816
Financial income	11	2 514	1 234
Financial expense	11	5 143	2 631
Net financial income (expenses)		(2 629)	(1 397)
Profit before taxes		53 589	41 419
Income taxes	15	11 979	9 742
Net income		41 609	31 677
Earnings per share	3	0,51	0,39
Diluted earnings per share	3	0,51	0,39
Consolidated statement of comprehensive income			
Net income		41 609	31 677
Other comprehensive income			
Translation differences on net investment in foreign operations		459	260
Total comprehensive income		42 068	31 937
Total comprehensive income attributable to:			
Shareholders in parent company		42 068	31 937

CONSOLIDATED STATEMENT OF FINANCIAL POSITION GROUP

NOK 1 000	Note	2019	2018
ASSETS			
Deferred tax assets	15	2 901	3 630
Intangible assets	13	21 864	22 954
Property, plant and equipment	13, 14	76 809	23 477
Total non-current assets		101 575	50 061
Current assets			
Work in progress	2	732	4 188
Contract costs	2	11 571	16 407
Accounts receivable	12	57 075	52 267
Other current assets	4	17 193	16 665
Cash and cash equivalents	17	53 085	55 279
Total current assets		139 656	144 807
Total assets		241 231	194 868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION GROUP

NOK 1 000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital		24 656	24 656
Other equity		21 715	22 788
Total equity		46 371	47 443
Other provisions and liabilities		1 077	871
Non-current interest-bearing liabilities	14	35 577	4 741
Total non-current liabilities		36 655	5 613
Accounts payable		23 838	23 941
Tax payable	15	10 880	9 537
Public fees payable		32 779	33 130
Contract liabilities	2	37 176	24 146
Other current liabilities	5	53 532	51 058
Total current liabilities		158 205	141 812
Total liabilities		194 860	147 425
Total equity and liabilities		241 231	194 868

Oslo, April 21, 2020
The Board of Directors of Itera ASA



Morten Thorkildsen
Chairman of the board



Mimi K. Berdal
Board member



Jan-Erik Karlsson
Board member



Gryd Skalleberg Ingerø
Board member



Charlotte Bech Blindheim
Board member/
Employee Representative



Erik Berg Solheim
Board member/
Employee Representative



Arne Mjøs
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOW GROUP

NOK 1000	Note	2019	2018
Profit before taxes		53 589	41 419
Income taxes paid	15	(9 995)	(9 844)
Depreciation and amortisation	13	35 798	21 141
Change in work in progress		3 456	5 489
Change in accounts receivable	12	(4 808)	1 780
Change in accounts payable		(103)	3 232
Change in other accruals		3 867	(6 124)
Effect of changes in exchange rates		(1 797)	(283)
Net cash flow from operating activities		80 006	56 809
Receipts on sales of fixed assets	13	0	0
Investment in fixed assets	13	(11 861)	(11 395)
Investment in intangible assets	13	(6 938)	(9 289)
Net proceeds from disposal of subsidiary company		0	0
Net cash flow from investing activities		(18 799)	(20 684)
Change in non-current interest-bearing liabilities			
Payments for purchase of own shares		(96)	(22 556)
Proceeds from sale of own shares		2 125	11 075
Principal elements of lease payments		(14 118)	
Payments of finance lease liabilities	14	(6 704)	(8 721)
Dividends paid to equity holders of Itera ASA		(44 660)	(20 493)
Share capital pay back		0	0
Net cash flow from financing activities		(63 453)	(40 695)
Effects of exchange rate changes on cash and cash equivalents		50	(5)
Net change in cash and cash equivalents		(2 196)	(4 575)
Cash and cash equivalents as of 1 January		55 279	59 854
Cash and cash equivalents as of 31 December		53 084	55 279

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY GROUP

NOK 1000	Note	Total paid in 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		0	0	0	0	(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	8	-	-	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	47 444
Net income for the period		-	-	-	-	41 609	41 609
Other comprehensive income for the period		-	-	-	459	-	459
Share option costs		-	-	(1 106)	-	-	(1 106)
Employee share purchase programme	8	(1)	4	594	-	-	597
Purchase of own shares		-	(5)	(90)	-	-	(96)
Sale of own shares		-	143	1 982	-	-	2 125
Dividends		-	-	-	-	(44 661)	(44 661)
Equity as of 31 December 2019		24 655	(231)	(8 933)	483	30 396	46 371

CORPORATE INFORMATION AND BASIS OF PREPARATION GROUP

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

CORPORATE INFORMATION

Itera ASA (the Company) including its subsidiaries (the Group) is a specialist in creating digital business, with design, technology and innovation as its core competency tools. Itera provides solutions and services to customers in industries where change and innovation are central to adapt rapid changes, such as insurance, banking and finance, high tech, energy, media and public sector. Itera has offices in Norway, Sweden, Denmark, Ukraine and Slovakia.

Itera ASA is a public limited company registered and domiciled in Norway. The office address is Nydalsveien 28, 0422 Oslo, Norway. Itera ASA is listed on Oslo Stock Exchange (ticker ITE).

The consolidated financial statements for Itera ASA were approved by the Board of Directors on 4 May 2020 and are subject to approval by the Annual General Meeting on 24 May 2020..

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations as approved by the EU as in effect at 31 December 2019, and with all additional disclosure requirements pursuant to the Norwegian Accounting Act as in effect at 31 December 2019. The consolidated financial statements have been prepared on the historical cost principle.

The consolidated financial statements are presented in Norwegian Kroner (NOK). Amounts are rounded to the nearest thousand, unless otherwise stated. As a result of rounding adjustments, amounts and percentages may not add up to the total.

The most important accounting principles applied by the Group in the preparation of the consolidated financial statements are described below. These principles have been applied identically to all the periods that are presented, unless otherwise stated.

CONSOLIDATION PRINCIPLES

Subsidiaries are companies where the Group has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A controlling interest is normally achieved when the Group owns, directly or indirectly, more than 50% of the voting shares in the target company. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the date when control is obtained and until the date when control ceases. All intercompany transactions, outstanding balances and unrealised group internal profits or losses are eliminated.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in NOK, which is Itera ASA's functional currency. Transactions in foreign currencies are initially recognised in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognised in the income statement with the exception of exchange differences on a net investment in a foreign entity. These exchange differences are recognised as a separate component of other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Non-monetary items measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. The date of initial transaction for non-monetary assets on which the Group has paid an advance consideration is the date of the payment of the advanced consideration. The Group has foreign entities with functional currency other than NOK. At the reporting date, the assets and liabilities of foreign entities with func-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

tional currencies other than NOK are translated into NOK at the rate of exchange at the reporting date and their income statements are translated at the average exchange rates for the year. The translation differences arising from the translation are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement.

KEY SOURCES OF ESTIMATION UNCERTAINTY – CRITICAL ACCOUNTING ESTIMATES

A critical accounting estimate is one which is both important to the presentation of the Group's financial position and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make important estimates based on assumptions about the outcome of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultations with experts, trends and other methods which management considers reasonable under the circumstances, as well as forecasts as to how these might change in the future. Areas of significant estimation uncertainty include:

Revenue recognition

Itera delivers most of its non-subscription services on Time & Material agreements. However, it may occasionally enter into fixed or target price agreements for development work. In such cases, the revenue is recognised proportionately to its estimated completion rate and contract value. Completion is measured as incurred hours relative to the estimate to complete the project. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. As of the end of 2019, there were no fixed or target price projects outstanding which may have represented any significant estimation uncertainty.

Impairment of capitalised development costs

Itera has capitalised development costs related to its Intellectual Property Rights (IPR). The IPR generate monthly subscription revenues over the length of the customer contracts, and the capitalised development costs are amortised over their estimated useful life. Significant technological changes or loss of major customer contracts may impact the remaining useful life or the fair value of the asset, respectively. The Group conducts impairment tests on the assets to assess whether there is a need to write down or accelerate the amortisation of the assets when such triggering factors occur. The current carrying value of the assets are low compared to the associated revenue generated from this. The Group thus considers the risk of impairment to be limited.

SHARE CAPITAL, SHARE PREMIUM AND OTHER EQUITY

Payments for the purchase of own shares are recognised as a reduction in equity and proceeds from any sales as an increase. Transaction costs directly related to equity transactions less taxes are recognised against equity as a reduction in the proceeds.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised at acquisition cost, less accumulated depreciation and accumulated impairment losses. Acquisition cost includes expenses directly attributable to purchasing the asset. Acquisition cost for assets developed in-house includes direct salary costs, other costs directly attributable to ensuring that the assets function as intended, and the costs of dismantling and removing the assets. Gains and losses on disposals of tangible fixed assets are presented as part of the operating profit/loss and calculated as the difference between the consideration received and the carrying value of the asset..

DEPRECIATION OF FIXED ASSETS

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and estimated useful life, unless it is reasonably certain that the Group will obtain ownership after the end of the lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

The estimated useful lives for the current and comparison periods are:

Fixtures and fittings: 5-10 years

Other fixed assets: 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

INTANGIBLE ASSETS

Development activities relate to significant new concepts or solutions. Development costs are capitalised only to the extent that they can be measured reliably, the product or process is technically or commercially viable, the future economic benefits are likely, and the Group intends and has sufficient resources to complete its development as well as to sell or make use of it. Capitalised expenses include costs for materials, direct salary costs, and directly attributable overhead costs. Other development costs are expensed as incurred. Capitalised development expenditure is carried at cost minus amortisation and impairment.

Expenses relating to the acquisition of new software are capitalised on the balance sheet as intangible fixed assets. Expenses incurred to maintain or extend the future usefulness of software are directly expensed unless the changes to the software increase its future economic usefulness.

AMORTISATION OF INTANGIBLE ASSETS

Intangible assets are amortized on a straight-line basis over their estimated useful life from the date they become available for use. The estimated useful lives for the current and comparison periods are:

Capitalised development costs: 3–5 years

Software and IT equipment: 3–5 years

LEASES

The Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Itera ASA agreements consists of buildings, cars, equipment used in the operating activities and office machines. Cars usually have a lease period of 5 years, while several of the buildings have a longer time frame. The office machines are leased in a 3-5 year period. Some of the building leases have extension options and this has been taken into account.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. For leases which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.72 %.

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet at 31 December 2018.

In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

- the exclusion of operating leases of low value, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet.

Refer to note 18 for a reconciliation between the operating lease commitments from applying IAS 17 as at 31 December 2018 and the lease liabilities recognized as at 1 January 2019.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable are recognised in the balance sheet at their nominal value, less a provision for expected losses. The interest element is disregarded if it is not material. The expected credit loss on trade receivables and work in progress is measured using a simplified lifetime model.

PENSION

The Itera Group finances its pension arrangements for employees through collective defined contribution-based schemes. A defined contribution pension scheme is a plan under which an entity pays fixed contributions into a separate fund or pension fund and has no legal or constructive obligation to pay any further amounts. Contribution obligations are recognised as personnel expenses in the profit and loss account when due. Prepaid contributions are recognised as an asset to the extent that they entail cash refunds or that future payments to the scheme are reduced.

SHARE-BASED REMUNERATION

Employee share options at the Group give employees the right to subscribe for shares in Itera ASA at a future point at a predetermined price (exercise right). This right as a rule is dependent on the Group achieving concrete targets and the employee still being employed at the time of exercise.

Employee share options are valued at fair value on the grant date. Their calculated value is recognised as a personnel expense, with a counter entry to other paid-in equity. The cost of share options is divided over the period until the employee becomes unconditionally entitled to exercise the options. The expensed amounts are adjusted to reflect the actual amount of stock options exercised if the associated service and non-market conditions are met.

The social security tax costs associated with employees' taxable benefits are expensed as incurred over the accrual periods on the basis of the accrual rates and values at the balance sheet date.

PROVISIONS

Provisions are recognised when the Group has incurred a legal or constructive obligation as a result of a previous event and it is likely that this will lead to it making a payment or transferring other assets in order to settle the obligation, and the size of the obligation can be measured reliably. Provisions are measured at the present value of the expected future cash flows, discounted using a market-based discount rate before tax.

REVENUE RECOGNITION

Revenue arising from subscriptions is recognised over the course of the contract period. Revenue from a transition project that is an integral part of a subsequent operating services contract is recognised on a linear basis over the period of the latter contract. Revenue from services is recognised when the hours are delivered. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Revenue is measured based on the consideration specified in a contract with a customer.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

Revenue from the sale of goods is measured based on the consideration specified in a contract with a customer. Where the consideration covers multiple sub-deliveries, it is broken down and recognised when the various components are delivered.

COST OF GOODS AND SERVICES

Cost of goods and services is the costs paid to external suppliers for goods or services directly related to Itera's delivery of goods and services. Cost of goods and services includes costs due to third-party contractors, the rental of software, purchases of software and hardware for resale, travel expenses for consultants and other costs.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses are based on management's estimates of residual value, depreciation and amortisation method and the useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortisation or depreciation charges. Technological developments are difficult to predict and the Group's views on the trends and pace of development may change over time. Critical estimates in the evaluations of useful lives for tangible and intangible assets include, but are not limited to, expected developments in technology and markets. The useful lives of property, plant and equipment and intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets. A change in estimated useful life is a change in accounting estimate, and depreciation and amortisation plans are adjusted prospectively.

IMPAIRMENT

The Group has made investments in property, plant and equipment, as well as intangible assets including both development costs and software.

Intangible assets not yet in use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors that indicate impairment which trigger impairment testing include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; significant loss of market share; significant unfavourable regulatory and court decisions and significant cost overruns in the development of assets.

FINANCIAL INCOME AND FINANCIAL EXPENSE

Financial income comprises interest income from financial investments and bank deposits. Interest income is recognised using the effective interest rate method. Dividends are recognised in profit and loss when they are approved by the annual general meeting of the company from which they will be received. Financial expense comprises interest expense on borrowings and changes in the fair value of financial assets. All borrowing costs are recognised in profit and loss using the effective interest rate method. Financial income and financial expense also comprise foreign currency gains and losses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

TAX EXPENSE

Tax expense comprises both tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between the accounting values and tax values of assets and liabilities.

Deferred tax assets are capitalised on the balance sheet when it is probable that the individual company will have sufficient taxable profits in subsequent periods to be able to use the tax asset. The individual companies recognise previously non-capitalised tax assets to the extent that it has become probable that they will make use of them. Likewise, the individual companies reduce the value of their deferred tax assets to the extent that they no longer regard it as probable that they will be able to make use of their deferred tax assets.

STATEMENT OF CASH FLOWS

The statement of cash flow is prepared using the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments. Interest paid is presented as part of operating activities.

ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of new accounting standards as described below.

IFRS 16 Leases

The Group implemented IFRS 16 Leases on 1 January 2019. This 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. The Group has applied exceptions allowed by the standard for short-term and low-value leases. The accounting for lessors will not significantly change.

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

From 1 January 2019, the Group 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, and recognises depreciation on its right-of-use assets separately from interest on lease liabilities in the income statement.

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

Implementing IFRS 16 in 2019 has increased lease liabilities and right of use assets by NOK 43.4 million, see note 18 for further details.

1 SEGMENTS

The business activities of the Group are carried out by 6 operational companies in 5 countries. Each company has its own management team and a CEO who is responsible for the company's financial results. Each company also has its own internal structure for management, budgeting and financial reporting, including reporting to the Group CEO. The Chief Operating Decision-Maker (CODM), who is responsible for allocating resources and assessing performance of operating units, has been identified as the steering committee consisting of the CEO and the CFO. The activities carried out by all the subsidiaries are for all practical purposes related to delivering IT and communication solutions to customers. In particular, the Group utilises its nearshore delivery capabilities seamlessly across its various operating units and locations. The reported revenue in 4 reporting segments, from both external customers and intragroup sales, is less than 10 % of the combined revenue. The reporting segments in Norway are aggregated into a single segment since the segments have similar economic characteristics. As such, the CODM examines the Group's performance as a single reporting segment.

Transactions and transfers between the companies are carried out on normal commercial terms.

Revenues from transactions with the largest external customer in Norway amount to NOK 61.5 million.

Geographical information:

NOK 1000

2019	Norway	Sweden	Denmark	Ukraine	Slovakia	Group
Sales revenue	677 530	-	50 428	11 964	23 561	763 483
Intragroup eliminations	(167 652)	-	-	(11 964)	(23 549)	(203 165)
Net sales revenue	509 878	-	50 428	-	12	560 318
Services	341 800	-	31 272	-	12	373 084
Services 3rd Party	21 627	-	7 038	-	-	28 665
Subscriptions	136 822	-	6 614	-	-	143 437
Other revenue	9 629	-	5 503	-	-	15 132
	509 878	-	50 428	-	12	560 318
Operating profit	45 996	63	8 010	1 055	1 094	56 218
Investments	24 354	-	207	6 926	359	31 847
Total assets	206 298	254	16 785	15 705	2 188	241 231
Total liabilities	178 165	1	12 853	1 718	2 123	194 860
2018	Norway	Sweden	Denmark	Ukraine	Slovakia	Group
Sales revenue	619 553	1 699	57 463	7 779	23 016	709 510
Intragroup eliminations	(146 675)	-	(847)	(7 779)	(22 886)	(178 188)
Net sales revenue	472 878	1 699	56 615	-	130	531 323
Services	302 940	1 699	30 429	-	130	335 198
Services 3rd Party	25 057	-	14 028	-	-	39 084
Subscriptions	128 651	-	6 203	-	-	134 854
Other revenue	16 231	-	5 955	-	-	22 186
	472 878	1 699	56 615	-	130	531 323
Operating profit	32 852	299	8 618	(64)	1 111	42 816
Investments	16 157	-	42	7 570	213	23 982
Total assets	170 074	285	13 077	9 228	2 203	194 868
Total liabilities	127 200	91	16 516	1 646	1 971	147 425

2 WORK IN PROGRESS, CONTRACT COSTS AND CONTRACT LIABILITIES

Services revenue is generated from rendering of services to customers by Itera's own consultants. The service contracts are with a few exceptions Time & Material agreements where the invoicing is based on hours performed at agreed rates.

Services 3d party revenue is generated from rendering of services to customers performed by sub-contractors.

Subscriptions revenue is generated from services provided on regular basis with fees based on fixed amounts or volumes.

Other revenue includes sale of hardware and software from Itera's web shop and re-invoicing of travel costs and materials purchased on behalf of customers. The Itera web shop was closed down during the first quarter of 2019.

Work in progress is a Group internal definition and comprises earned and recognised revenue that has not yet been invoiced. Work in progress is transferred to receivables when the rights to payment become unconditional, which usually occurs when invoices are issued to the customers.

Significant changes in work in progress

NOK 1000	2019	2018
Balance, beginning of period	4 188	15 794
Net additions arising from operations in the period	1 332	4 906
Amounts billed in period and thus reclassified to accounts receivables	(4 906)	(7 078)
Implementation of IFRS 15	-	(9 240)
Changes in impairment allowances	118	(194)
Balance, end of period	732	4 188

Contract costs comprise expenses related to fulfilling a contract, typically implementation costs in the initial stage of a contract, capitalised and expensed over the expected contract periods.

Contract liabilities comprise prepayments from customers for delivering services.

Both contract costs and contract liabilities are recognised in the statement of financial position from 2018 following implementation of IFRS 15.

Significant changes in contract costs

NOK 1000	2019	2018
Balance, beginning of period	16 407	17 728
Costs capitalised in the period	-	4 786
Amortisation	(4 835)	(4 879)
Impairment losses	-	(1 228)
Balance, end of period	11 571	16 407

Significant changes in contract liabilities

NOK 1000	2019	2018
Balance, beginning of period	24 146	28 357
Increases due to cash received, excluding amounts recognised as revenue during the period	29 629	15 404
Revenue recognised that was included in the contract liability balance at the beginning of the period	(16 600)	(19 615)
Balance, end of period	37 176	24 146

Management expects that approximately 79% of the transaction price allocated to the unsatisfied contract obligations as of 31.12.2019 will be recognised as revenue in the 2020 fiscal year. Another 10% will be recognised as revenue in the 2021 fiscal year, and the remaining 12% will be recognised in the fiscal years 2022–2023.

Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers is based on the principle of recognising revenue when control of goods or services transfers to a customer. Itera mostly derives its revenue from the transfer of services over time as opposed to point in time.

Revenue from consulting services rendered that relate to subscription contracts will in some cases be recognised over the contract period for the subscription contract and not at point in time when the services are delivered. The costs of fulfilling a contract, such as costs related to delivering the services mentioned are capitalised as contract costs if the amortisation period is more than 12 months. The amortisation period is the expected contract period, including renewals. Payments from customers for delivering these services are under IFRS considered prepayments and classified as contract liabilities under current liabilities.

NOK 1000, except earnings per share	2019	2018
Profit for the year	41 609	31 677
Average number of outstanding shares	81 244	81 087
Outstanding employee share options	1 834	2 618
Dilution effect of outstanding share options	809	1 135
Average number of shares including dilution	82 053	82 222
Basic earnings per share	0,51	0,39
Diluted earnings per share	0,51	0,39

The average share price for 2019 is calculated on the basis of the market closing price for the Itera share on each trading day (except for days when no shares were traded when the bid price has been used) was NOK 8.32.

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period.

The share option exercise prices are NOK 10.29, NOK 6.42 and NOK 3.89 for the 2019, 2017 and 2016 programmes, respectively.

NOK 1000	2019	2018
Prepaid expenses	12 457	10 168
Other current receivables	4 735	6 497
Total	17 193	16 665

3 EARNINGS AND DILUTED EARNINGS PER SHARE

4 OTHER CURRENT ASSETS

5 OTHER CURRENT LIABILITIES

NOK 1000	2019	2018
Holiday pay	21 379	22 085
Accrued wages and bonuses	16 420	19 987
Current lease payments	6 548	4 205
Accrued other expenses	9 186	4 780
Total	53 532	51 058

Customer prepayments were reclassified as Contract liabilities in the statement of financial position following the implementation of IFRS 15 from 2018.

6 FINANCIAL RISK MANAGEMENT

The Itera Group is exposed to financial risks such as: credit risk, liquidity risk, currency risk and interest rate risk. The Group's exposure to these risks is considered to be low. The Group has established guidelines to manage its exposure to these risks. The main principle is to minimize exposure to financial risks, and the Group accordingly holds no financial assets or liabilities for speculative purposes.

The Group's nearshore operations in Ukraine and Slovakia exposes it to new risks, such as country risk, IT security risks and the risk of corruption. Itera has a zero-tolerance policy on corruption.

Credit risk

Credit risk is the risk of financial loss to the Group's receivables due from customers and other short-term receivables. In order to manage this risk, the Group has established credit approval procedures to evaluate the creditworthiness of all material counterparties. The Group's exposure to credit risk is not dependent on individual customers but customers as a group. Unless an agreement for delayed settlement has been made with a counterparty, an accounting provision is made for all receivables older than 90 days. Information on the Group's risk exposure in respect of accounts receivable is provided in note 12. The Group's customers are private and public companies. The Group assesses the credit worthiness of all new customers and periodically for existing customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its liquidity in such a way as to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. The Group has established an overdraft facility with its banking partner. See note 17 for further information.

In order to accommodate growth in the Group's operational companies, lease financing contracts have been entered into for major investments in software and hardware.

Currency risk

The Group is exposed to currency risk through its businesses in Sweden, Denmark, Ukraine and Slovakia. The exposure to currency risk is limited by the fact that businesses in Sweden and Denmark have revenue and costs in the same currency, and in addition most borrowing is arranged within the Group. Of the Group's total revenue, 9% is in Danish kroner (DKK). A 10% change in the NOK exchange rate against SEK and DKK would have a 0.9% effect on the Group's revenue. The effect of currency deviation on financial assets and liabilities denominated in non-functional currency is not material.

The Group's nearshore companies operate in three different currencies: USD, Euro and Ukrainian Hryvna. The main exposure is in USD. The Group has to a large extent currency adjustment mechanisms in its agreements with customers to counteract its exposure to the US dollar, where service fees are regulated in accordance to currency exchange rates USD/NOK or EUR/NOK.

7 SALARIES AND PERSONNEL COSTS

8 SHARE-BASED REMUNERATION

Interest rate risk

The Group is exposed to interest rate risk in relation to its bank deposits. The Group is also exposed in connection with lease financing contracts and when drawing against the overdraft facility. The Group does not hold any financial securities or other assets that have an inherent interest rate risk. The effect on profit and loss of change in interest rate is insignificant.

Fair value

Itera does not have significant differences between fair value and book value in respect of financial instruments, which for all practical purposes comprise accounts receivable and accounts payable, other current receivables and other current liabilities and lease liabilities.

NOK 1000	2019	2018
Salaries	298 943	278 501
Share option costs	311	614
Social security taxes	29 963	30 465
Pension costs	9 929	9 913
Other benefits	13 189	15 956
Salaries and personnel expenses capitalised	(4 018)	(7 680)
Total payroll and personnel expenses	348 317	327 769
Average number of employees	498	488

Share option programmes

The Group had four share option programmes running in 2019. All schemes are settled by the granting of shares. The oldest of the current share option programmes was established in 2015. The options were targeted at key employees in the Group. The financial targets for 2015 were not achieved, so 80% of the options lapsed. The remaining 20% of the options was exercised at the end of the programme in 2019.

Other share option programmes were approved in 2016 and 2017 with the similar conditions as the previous programmes, with options granted to key employees at the Group. The financial targets for these programmes were achieved for 2016 and partly for 2017. 80% of the options can be exercised between 2017 and 2020 for the 2016 programme and between 2018 and 2021 for the 2017 programme, with up to 25% of these options available for exercise each year. Any options not exercised in a year may be carried forward to subsequent years. The remaining 20% of the options can be exercised at the end of the programme in 2020 and 2021, respectively. Another share option programme was launched at the end of 2019. This programme has no financial targets attached, and up to one-third of the options are exercisable at the end of 2022 and the remaining at the end of 2023.

The fair value of the options was calculated on the date they were granted, and the options granted are being expensed over the accrual periods of four years in accordance with the graded vesting principle. Fair value is calculated using the Black-Scholes-Merton option pricing model.

The calculation of fair value assumes that historical volatility is an indication of future volatility. Expected volatility is therefore set equal to historical volatility. The interest rate is based on rates obtained from Norges Bank for the same period as the life of the options.

For the option programmes, an annual staff departure rate of 10–20% were assumed. For calculation purposes, an annual dividend of NOK 0.30, NOK 0.45 and NOK 0.65 were assumed for the 2016, 2017 and 2019 programmes, respectively.

Share option costs (including employer's social security contributions) of NOK 1.106k were expensed in 2019 (NOK 614k in 2018).

Programme	Outstanding 31.12.2018	Expired in 2018	Exercised in 2019	Outstanding 31.12.2019	Fair value when issued	Exercise price ¹⁾	Share price when issued ²⁾	Date of issue	Exercise period
2015	268 000	-	268 000	-	NOK 0.25	NOK 2.58	NOK 2.58	07.09.2015	2016-2019
2016	1 151 000	18 000	291 000	842 000	NOK 0.26	NOK 3.89	NOK 3.89	08.07.2016	2017-2020
2017	1 199 080	66 640	140 720	991 720	NOK 0.60	NOK 6.42	NOK 6.42	28.06.2017	2018-2021
2019	440 000	-	-	440 000	NOK 1.66	NOK 10.29	NOK 10.29	17.12.2019	2020-2023
Total	3 058 080	84 640	699 720	2 273 720					

¹⁾ The exercise price is the average share price over the 30 days prior to the date the option is granted.

²⁾ The exercise price is set at fair value on the date the option is granted. The company works on the basis that the exercise price is the same as the share price on the date the option is granted and that the options do not have any intrinsic value on this date.

Programme	Number	Interest rate	Volatility	Lifetime
2016	842 000	0,49 %	25.0%	3.94 YEARS
2017	991 720	0,90 %	28.9%	3.96 YEARS
2019	440 000	0,99 %	37,8%	3.98 YEARS
Total	1 833 720			

Employee share purchase programme

In 2017, Itera introduced an annual Employee Share Purchase Programme, where employees could purchase shares up to a market value of NOK 20,000 at a 20% discount. The programme was repeated in 2018 and 2019. In 2019, a total of 69 employees purchased a total of 167,362 shares. The discount is recognised against the equity.

Share purchase programme for managers and key personnel

In 2018, a Share Purchase Programme was offered to the Group's managers and key personnel in order to foster alignment of interests between executives and shareholders, as well as contribute to retention of key people. The programme was in lieu of a Share Option Programmes that have been used in previous years.

Under the programme, the invitees were offered to purchase up to a defined number of shares at a valuation discount of NOK 2.78 per share. The discount was related to a three-year lock-in period of the shares. The Company has an option to re-purchase all or some of the shares with the same discount in the event the shareholder terminates his or her employment in the Group within the lock-in period. 22 key employees and executives showed their long-term commitment by purchasing a total of 972,377 shares for a total investment of NOK 8.2 million under this programme.

9 EXECUTIVE PERSONNEL

Pursuant to Section 6–16a of the Norwegian Public Limited Companies Act, the Board of Directors has presented the following remuneration guidelines to the Annual General Meeting:

The Board of Directors' statement on the remuneration of senior management

The objective for the Itera Group's guidelines for the remuneration of the chief executive officer (CEO), senior employees and other key employees is to support the Group's strategy and corporate values and to promote the achievement of the Group's objectives. The purpose of remuneration is to encourage conduct that builds the desired corporate culture in terms of performance and focus on profitability. In preparing this statement, the Board has not found it necessary to make any changes to its earlier statements on the principles for the remuneration of senior employees.

The CEO's total remuneration is made up of a fixed salary, normal employment benefits, and bonus, together with pension and insurance benefits. The CEO will also participate in the Group's share option programmes. The CEO's total remuneration will be determined on the basis of a comprehensive evaluation, with the variable element of remuneration primarily based on the Group's financial performance. The CEO's remuneration is subject to annual evaluation and is determined by the Board.

The CEO determines the remuneration of senior employees in collaboration with the Board. The Board has set up a separate subcommittee to advise on the guidelines for the remuneration of senior employees and other key employees. The total remuneration of senior employees is made up of a fixed salary, normal employment benefits and bonus, together with pension and insurance benefits. Senior employees will also be considered for inclusion in the Group's share option programmes. The total remuneration of senior employees is determined on the basis of the need to offer competitive terms. It is intended that the level of remuneration should ensure that the Group is competitive in the relevant labour market, and should promote the Group's profitability, taking into account the desired trend in income and costs. However, the level of total remuneration must not be such as to damage the Group's reputation or to be market leading but should be sufficient to ensure that Itera attracts and retains senior employees with the desired expertise and experience.

Bonuses earned in 2019 were based on results achieved by the companies for which senior employees were responsible, together with their performance relative to their personal targets for the year. Senior employees may also be eligible for normal employment benefits to the extent that such benefits are relevant in relation to the employee's function or are in line with market practice.

Senior employees are members of the defined contribution pension schemes of the respective companies.

The company established share option programmes in 2015, 2016, 2017 and 2019.

As a general rule, the Group will not enter into termination payment agreements with employees. However, the Group will honour existing agreements.

The Board confirms that the remuneration of senior employees in 2019 was in accordance with the statement on the remuneration of senior employees submitted to the Annual General Meeting held on 22 May 2018. The guidelines for the remuneration of senior employees were unchanged from 2018 to 2019.

Remuneration is subject to annual evaluation and will be determined on the basis of general salary levels in the labour market in general and the IT industry in particular.

Executive management remuneration

NOK 1 000

2019 Name	Position	Salary	Bonus	Other benefits	Total remune- ration	Pension cost	Options reported
Arne Mjøs	Chief Executive Officer	2 348	409	27	2 784	86	805
Bent Hammer	Chief Financial Officer	1 543	283	17	1 843	83	-
Total 2019		3 891	692	44	4 627	169	805

2018 Name	Position	Salary	Bonus	Other benefits	Total remune- ration	Pension cost	Options reported
Arne Mjøs	Chief Executive Officer	2 252	847	21	3 120	83	588
Bent Hammer	Chief Financial Officer	1 467	605	16	2 088	79	-
Total 2018		3 719	1 452	36	5 207	162	588

The company has not entered into agreements with any members of the executive management on termination payments or any other form of compensation upon termination of employment.

Bonus presented are the amounts earned in the financial year which may deviate from amounts paid out in the fiscal year.

The business activities of the Itera group are carried out by six operational companies. Each company has its own management team and a CEO who is responsible for the company's financial results. In addition to the Chief Executive Officer and the Chief Financial Officer, the executive management of Itera ASA is made up of the heads of the individual Business Units, together with the Group's Chief Technical Officer and the Chief Communications Officer.

Board of Directors remuneration

NOK 1000

Name	Position	2019	2018	2017
Morten Thorkildsen	Chairman of the Board	335	335	336
Mimi K. Berdal	Board member	225	225	225
Jan Erik Karlsson	Board member	215	230	200
Gyrid Skalleberg Ingerø	Board member	220	220	100
Erik Berg Solheim	Board member	20	10	-
Charlotte Bech Blindheim	Board member	20	10	-
Total		1 035	1 050	1 001

Election Committee remuneration

NOK 1 000

Name	Position	2019	2018
Bjørn Wicklund	Chairman	30	-
Olav W. Pedersen	Member	15	15
Fredrik Thoresen	Member	15	-
Erik Sandersen	Chairman 2018 (resigned)	-	30
Total		60	45

Shares and share options held by members of the Board at 31 December 2019

Name	Position	Stocks	Options
Jan Erik Karlsson	Board member	320 376	-
Mimi K. Berdal*	Board member	137 298	-
Gyrid S. Ingerø	Board member	38 000	-
Erik Berg Solheim	Board member	45 511	42 000
Charlotte Bech Blindheim	Board member	766	-
Total		541 951	42 000

* Mimi K. Berdal holds all her shares through MKB Invest AS.

Shares (held directly or indirectly) and share options held by members of Executive Management at 31 December 2019

Navn	Stilling	Stocks	Options
Arne Mjøs *	Chief Executive Officer	22 831 318	279 920
Bent Hammer	Chief Financial Officer	278 222	303 840
Ane Gjennestad **	Chief Communications Officer	136 992	81 280
Total		23 246 532	665 040

* Arne Mjøs Invest AS holds a future contract expiring 20 March 2020 on 3.350.000 shares at an average price of NOK 9,1907 per share. The total controlling interest of Arne Mjøs is thus 26.181.318 shares (31,9%)

** Ane Gjennestad holds shares privately and through Triceps AS.

Fees to the auditors

NOK 1000, excluding VAT	2019	2018
Statutory audit of Itera ASA	332	148
Statutory audit of subsidiaries in Norway	364	188
Statutory audit of international subsidiaries	132	39
Audit fees	828	375
Tax advisory services	-	-
Fees for other certification services	-	44
Other services provided to subsidiaries in Norway	140	328
Other services provided to international subsidiaries	-	37

All of the Group's pension schemes are defined contribution schemes. The Group's pension expense is represented by the premiums paid, and is included in payroll and personnel expenses in the Statement of Comprehensive Income. The Group's pension schemes in Norway comply with the Norwegian Mandatory Occupational Pension Act (OTP).

Pension cost

NOK 1000	2019	2018
Norway	14 004	14 058
Denmark	1 955	1 832
Total	15 959	15 890

10 PENSIONS

11 FINANCIAL INCOME AND EXPENSES

NOK 1000	2019	2018
Interest income	553	317
Foreign currency gains	1 900	917
Other financial income	61	
Net financial income	2 514	1 234
Interest expense	514	619
Foreign currency losses	4 296	1 412
Other financial expense	333	600
Total financial expenses	5 143	2 631

12 ACCOUNTS RECEIVABLE

NOK 1000	2019	2018
Gross accounts receivable at Dec. 31	57 225	52 449
Provision for bad debts	(150)	(182)
Net accounts receivable at Dec. 31	57 075	52 267

Aging of receivables	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
Accounts receivable 2019	57 075	45 616	8 771	1 906	506	276
Accounts receivable 2018	52 267	44 329	7 570	230	110	29

Accounts receivable by currency					
	2019	%	2018	%	
NOK	47 869	84 %	39 773	76 %	
SEK	0	0 %	0	0 %	
DKK	8 898	16 %	12 494	24 %	
UAH	309	1 %	0		
Sum	57 075	100 %	52 267	100 %	

Losses on accounts receivable are classified as operating expenses in the Consolidated Income Statement. A loss of NOK 200k was recognised in 2019, NOK 32k in 2018. Maximum credit risk is equivalent to the figure for net accounts receivable shown in the table above.

13 NON-CURRENT ASSETS

Intangible assets

Intangible assets (capitalised development costs) are primarily related to the development of new concepts. These concepts are primarily related to contracts entered into with fixed future income.

In 2019, costs of NOK 8.2 million (NOK 7.9 million) incurred in connection with the development of products were capitalised. Expenditure incurred in connection with development work relates principally to the salaries and personnel costs of the employees involved in developing the concepts.

NOK 1000	2019		
	Development costs	Software	Sum
Acquisition cost			
Accumulated at 1 January	73 140	2 778	75 918
Additions	8 278	187	8 465
Disposals	-	(390)	(390)
Accumulated at 31 December	81 418	2 575	83 993
Amortisation			
Accumulated at 1 January	51 443	1 521	52 964
Amortisation for the year	8 917	638	9 555
Amortisation on disposals in the year	-	(390)	(390)
Accumulated at 31 December	60 360	1 769	62 128
Book value			
Book value at 1 January	21 697	1 257	22 955
Book value at 31 December	21 058	805	21 865
Estimated useful life	3-5 Years	3-5 Years	
Amortisation plan	Linear	Linear	

NOK 1000	2018		
	Development costs	Software	Sum
Acquisition cost			
Accumulated at 1 January	74 082	4 423	78 505
Additions	7 871	1 418	9 289
Disposals	(8 814)	(3 062)	(11 876)
Accumulated at 31 December	73 140	2 778	75 918
Amortisation			
Accumulated at 1 January	52 178	4 055	56 233
Amortisation for the year	8 079	567	8 645
Amortisation on disposals in the year	(8 814)	(3 101)	(11 915)
Accumulated at 31 December	51 443	1 521	52 964
Book value			
Book value at 1 January	21 905	367	22 272
Book value at 31 December	21 697	1 257	22 954
Estimated useful life	3-5 Years	3-5 Years	
Amortisation plan	Linear	Linear	

Property, plant and equipment

NOK 1000	2019			Sum
	Office machin- ery & equipment	Fixtures and fittings	Leased IT equipment	
Acquisition cost				
Accumulated at 1 January	18 891	11 592	27 376	57 859
Additions	11 151	739	11 493	23 382
Disposals	(306)	(422)	-	(728)
Translation differences	1 973	-	-	1 973
Accumulated at 31 December	31 708	11 909	38 869	82 486
Depreciation				
Accumulated at 1 January	12 930	2 473	18 978	34 381
Depreciation	5 748	748	6 415	12 911
Depreciation on disposals	(307)	(422)	-	(729)
Translation differences	(64)	-	-	(64)
Accumulated at 31 December	18 307	2 798	25 393	46 499
Book value				
Book value at 1 January	5 961	9 119	8 398	23 478
Book value at 31 December	13 401	9 111	13 476	35 988
Estimated useful life	3 years	5-10 years	3 years	
Depreciation plan	linear	linear	linear	

NOK 1000	2018			Sum
	Office machin- ery & equipment	Fixtures and fittings	Leased IT equipment	
Acquisition cost				
Accumulated at 1 January	14 208	8 317	55 082	77 607
Additions	3 779	7 224	3 689	14 693
Disposals	908	(3 950)	(31 395)	(34 437)
Translation differences	(5)	-	-	(5)
Accumulated at 31 December	18 891	11 592	27 376	57 858
Depreciation				
Accumulated at 1 January	8 919	4 696	42 756	56 371
Depreciation	4 262	617	7 617	12 496
Depreciation on disposals	(106)	(2 840)	(31 395)	(34 340)
Accumulated at 31 December	12 929	2 473	18 978	34 381
Book value				
Book value at 1 January	5 289	3 621	12 325	21 235
Book value at 31 December	5 961	9 119	8 398	23 477
Estimated useful life	3 years	5-10 years	3 years	
Depreciation plan	linear	linear	linear	

14 FINANCIAL LEASES

The Group has entered into leasing contracts in connection with investments in IT equipment related to its major IT hosting contracts.

Assets leased on financial lease contracts are as follows:

NOK 1000	2019	2018
IT equipment	38 869	27 376
Accumulated depreciation	(25 393)	(18 978)
Book value at 31 December	13 476	8 398

Future minimum lease payments are as follows

	2019	2018
Up to 1 year	6 548	4 205
1 to 5 years	7 393	4 871
Over 5 years	-	-
Future minimum lease payments	13 941	9 076

Interest	409	334
Discounted present value of future minimum lease payments	13 532	8 742

Of which

- current liabilities	6 297	4 001
- non-current liabilities	7 235	4 741

Changes in discounted present value of future lease payments

	2019	2018
Discounted present value of future lease payments 01.01	8 742	13 774
New finance lease liabilities	11 493	3 689
Payments of lease liabilities	(6 703)	(8 721)
Discounted present value of future minimum lease payments 31.12	13 531	8 742

15 TAXES

NOK 1000	2019	2018
Tax expense		
Tax payable	11 362	9 652
Change in deferred tax	600	90
Correction of previous years	17	-
Total tax expense	11 979	9 742

NOK 1000	2019	2018
Tax payable in the balance sheet:		
Profit before tax	53 589	41 419
Permanent tax differences	7 677	3 378
Changes in temporary differences	(3 457)	2 782
Implementation of IFRS 15	-	(643)
Tax losses carried forward	(63)	(298)
Group contribution	(6 676)	(3 558)
Total basis for tax payable	51 070	43 081
Tax payable in the balance sheet	11 235	9 536
Tax paid in advance	(354)	(2 120)
Net tax payable Dec. 31	10 880	7 416

Taxes paid in advance is included in other current receivables.

Specification of the basis for deferred tax		
Fixed assets	(10 168)	(13 060)
Current assets	(150)	(150)
Other temporary differences	(93)	(124)
Implementation of IFRS 15	(2 586)	(3 168)
Tax losses carried forward	(190)	-
Total	(13 187)	(16 502)
Deferred tax	(2 901)	(3 630)
Deferred tax recognised in the balance sheet	(2 901)	(3 630)

NOK 1000	2019	2018
Reconciliation of tax rate		
Profit before tax	53 589	41 419
Tax calculated at the nominal corporation tax rate of 22% (23%)	11 790	9 526
Effect of change in the tax rate	-	128
Effect of tax from previous year	(14)	(69)
Effect of differing tax rates for foreign subsidiaries	-	(473)
Effect of permanent differences	1 689	777
Effect of implementation of IFRS 15	-	(148)
Effect of group contribution	(1 469)	-
Effect of change in tax calculation previous years	(17)	-
Tax expense in profit and loss	11 979	9 742
Effective tax rate	(22.4%)	(23.5%)

16 EXCHANGE RATES

Information on the exchange rates applied by the Itera Group in 2019.

	Jan 1	Average	Dec 31
SEK	0.9701	0.9305	0.9442
DKK	1.3322	1.3193	1.3202
EUR	9.9483	9.8502	9.8638
USD	8.6885	8.8003	8.7803
UAH	0.3145	0.3397	0.3730

17 CASH AND CASH EQUIVALENTS

NOK 1 000	2019	2018
Cash and bank deposits	53 085	55 279
Restricted cash	(8 586)	(8 824)
Unrestricted cash and cash equivalents	44 499	46 455
Undrawn credit facilities	25 000	25 000
Cash reserve	69 499	71 455

Restricted cash include the employees tax withholdings.

The Group has a multi-currency cash-pool agreement with Danske Bank.

The overdraft facility agreement with Danske Bank has the following financial covenant:

* NIBD / EBITDA (net interest bearing debt ratio) shall not be more than 2.25.

This key ratio is assessed as at December 31st each year, and at the latest 120 days after year-end.

The Group did not use the overdraft facility during 2019 and had no borrowings from Danske Bank as at 31 December 2019.

As collateral for the line of credit, the bank has a pledge on the customer receivables of the Norwegian subsidiaries.

18 OPERATING LEASES AND CAPITAL COMMITMENTS

The Group had a liability for rent of premises totalling NOK 43.4 million at 31 December 2019. This amount includes rental agreement for Itera's head office premises at Nydalen in Oslo that runs until 30 June 2023, as well as rental agreement for office premises in Kiev (Ukraine) that runs until 5 December 2022.

NOK 1000		
Analysis of minimum future leasing payments:	31.12.2019	31.12.2018
Up to 1 year	15 617	16 436
1 to 5 years	27 757	40 951
Over 5 years	-	-
Total payments	43 374	57 388

Reconciliation of the operating lease expenses to the implementation effect of IFRS 16.

NOK 1000

Operating leases commitments disclosed as at 31 December 2019	43 374
Discounted using the Group's incremental borrowing rate	(1 926)
Finance lease liabilities recognised as at per 31 December 2019	43 374
Short term leases recognised on a straight-line basis as expense	-
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 01 January 2020	41 447

19 SHAREHOLDERS

Share capital

Itera ASA's share capital on December 31st 2019 was NOK 24,655,987 made up of 82,186,624 fully paid shares each with nominal value of NOK 0.30.

Ownership structure

At the close of 2019, Itera ASA had 1,824 (1,870) shareholders. Of these 6% (5%) were foreign shareholders. The company's 20 largest shareholders owned 72 % (71%) of the company's shares at year-end.

Holdings of own shares

The Itera Group held 1,242,165 own shares at the start of 2019. The Group purchased 17,773 own shares in 2019. 490,047 own shares were used in connection with share option programme and employee share purchase programme. The Itera Group held 769,891 own shares at the end of 2019.

Dividend

A dividend of NOK 0.20 per share is proposed, totalling NOK 16.4 million.

20 largest shareholders in Itera ASA at 31 December 2019	Shares	%
ARNE MJØS INVEST AS	22 831 318	27.8%
OP CAPITAL AS	4 435 853	5.4%
EIKESTAD AS	3 915 000	4.8%
GIP AS	3 735 500	4.5%
DnB NOR Bank ASA	3 345 807	4.1%
SEPTIM CONSULTING AS	2 865 000	3.5%
BOINVESTERING AS	2 630 000	3.2%
VERDIPAPIRFONDET STOREBRAND VEKST	2 361 761	2.9%
GAMST INVEST AS	2 225 499	2.7%
JØSYRA INVEST AS	2 200 000	2.7%
MARXPIST INVEST AS	2 031 588	2.5%
FRAMAR INVEST AS	1 000 000	1.2%
AANESTAD PANAGRI AS	900 000	1.1%
ITERA ASA	769 891	0.9%
SÆTRANG	662 566	0.8%
ALTEA PROPERTY DEVELOPMENT AS	660 377	0.8%
NYVANG	655 000	0.8%
HØGBERG	640 166	0.8%
JENSEN	625 300	0.8%
SOBER KAPITAL AS	620 000	0.8%
Total 20 largest	59 110 626	71.9%
Other shareholders	23 075 998	28.1%
Total all issued	82 186 624	100.0%

* Arne Mjøs Invest AS holds a future contract expiring 20 March 2020 on 3,350,000 shares at an average price of NOK 9.1907 per share. The total controlling interest of Arne Mjøs is thus 26,181,318 shares (31.9%) of which 3,350,000 shares on future contracts.

There were no other transactions between the Group and related parties in the period from 1 January to 31 December 2019 other than those described in note 9.

After the reporting period ended on 31 December 2019 and up to the date these consolidated financial statements have been approved for issue, no events, including the recent Covid-19 virus outbreak, have been identified that have any material impact on the financial statements for 2019.

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

20 TRANSACTIONS WITH RELATED PARTIES

21 SUBSEQUENT EVENTS

22 ALTERNATIVE PERFORMANCE MEASURES

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.

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

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STATEMENT OF INCOME PARENT

NOK 1 000	Note	2019	2018
Sales revenue		32 559	31 343
Operating revenue	11	32 559	31 343
Salaries and personnel expenses	1,2,3	22 245	20 540
Depreciation and amortisation	4	1 519	1 345
Other operating expenses	1	14 534	14 752
Total operating expenses		38 298	36 637
Operating profit (loss)		(5 739)	(5 295)
Income from investments in subsidiaries	8	51 221	44 596
Interest income from companies in the same group		109	80
Other financial income		275	122
Interest expense to companies in the same group		890	5 577
Other financial expense		431	353
Net financial income		50 284	38 868
Profit before income tax		44 545	33 573
Income taxes	7	28	4
Net profit for the year		44 517	33 570
Allocation of profit/loss:			
To supplemental dividend	6	24 656	-
To ordinary dividend	6	16 437	20 547
To/from other equity	6	3 424	13 023
Total allocation		44 517	33 570

STATEMENT OF FINANCIAL POSITION PARENT

NOK 1 000	Note	2019	2018
ASSETS			
Deferred tax assets	7	217	245
Intangible assets	4	1 320	1 524
Property, plant and equipment	4	3 688	2 664
Investment in subsidiaries	5	114 858	107 881
Total non-current assets		120 083	112 314
Receivables from group companies	9	5 545	60 433
Other receivables		4 168	2 822
Cash and cash equivalents	9, 10	29 442	45 535
Total current assets		39 155	108 790
TOTAL ASSETS		159 238	221 103

STATEMENT OF FINANCIAL POSITION PARENT

NOK 1 000	Note	2019	2018
EQUITY AND LIABILITIES			
Share capital	6	24 656	24 656
Other paid-in capital	6	(7 545)	(8 544)
Own shares	6	(231)	(373)
Total paid-in capital		16 880	15 739
Other equity	6	59 816	55 851
Total retained earnings		59 816	55 851
Total equity		76 696	71 590
Accounts payable		6 515	3 437
Tax payable	7	-	-
Public fees payable	12	15 439	14 737
Liabilities to group companies	9	37 576	104 968
Proposed dividend	6	16 437	20 547
Other current liabilities		6 575	5 824
Total current liabilities		82 542	149 513
Total liabilities		82 542	149 513
TOTAL EQUITY AND LIABILITIES		159 238	221 103

Oslo, April 21, 2020
The Board of Directors of Itera ASA



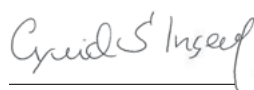
Morten Thorkildsen
Chairman of the board



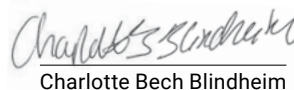
Mimi K. Berdal
Board member



Jan-Erik Karlsson
Board member



Gryd Skalleberg Ingerø
Board member



Charlotte Bech Blindheim
Board member



Erik Berg Solheim
Board member



Arne Mjøs
Chief Executive Officer

STATEMENT OF CASH FLOW PARENT

NOK 1000	NOTE	2019	2018
Cash flow from operating activities			
Profit before tax		44 545	33 573
Dividend and group contribution recognised but not paid	8	(51 221)	(44 596)
Share option costs		(1 245)	126
Depreciation and amortisation	4	1 519	1 345
Change in accounts payable		(3 078)	1 918
Change in other accruals		(994)	(1 987)
Net cash flow from operating activities		(10 474)	(9 622)
Cash flow from investment activities			
Purchases of property, plant and equipment and intangible assets	4	(2 339)	-
Payments from group contributions and dividends from subsidiaries		44 596	52 805
Payments of liabilities to group companies		(1 352)	(707)
Payments of receivables from group companies		964	1 356
Net cash flow from investment activities		41 870	51 990
Cash flow from financing activities			
Net change in group cash pool		(4 858)	(14 937)
Payments of purchases of own shares	6	(96)	(22 556)
Proceeds from sales of own shares	6	2 125	11 075
Dividend paid		(44 660)	(20 493)
Net cash flow from financing activities		(47 489)	(46 911)
Net change in cash and cash equivalents		(16 093)	(4 543)
Cash and cash equivalents as at 1 January		45 535	50 078
Cash and cash equivalents as at 31 December		29 442	45 535

GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES PARENT

General information

The accounts for Itera ASA have been prepared in accordance with the Accounting Act of 1998 and the generally accepted accounting principles in Norway (NGAAP). In cases where the notes for the parent company are significantly different from the notes for the Group, these are provided below. Reference is otherwise made to the information in the notes for the Group.

Estimates and judgment

Preparing accounts in accordance with Norwegian Generally Accepted Accounting Principles involves management making judgments, estimates and assumptions that influence the accounting principles that are applied and the amounts that are reported for assets, liabilities, revenue and costs. Actual amounts may vary from the estimated amounts. The estimates and underlying assumptions used are evaluated continuously. Changes in accounting estimates are recognised in the period in which the estimates are changed and in all future periods that are affected by the changes.

Subsidiaries

Investments in subsidiaries are valued at acquisition cost less any write downs. Investments are written down when impaired unless the impairment is regarded as temporary. Impairment losses are reversed if the basis for the impairment loss is no longer present. Dividends, group contributions and other distributions from subsidiaries are recognised in profit and loss on the same date as they are recognised in the accounts of subsidiaries. If the distributions paid by a subsidiary exceed the profit earned by the company during any given ownership period, these are regarded as repayments of the investment and the carrying value of the investment is reduced.

Currency

Transactions involving foreign currencies are translated into functional currency using the exchange rates that are in effect at the time of the transactions. Gains and losses that arise from the payment of such transactions and the translation of monetary items in foreign currencies at the rates in effect on the date of the balance sheet are recognised in the income statement. The Company uses the Norwegian kroner (NOK) as both its functional and presentation currency.

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Purchase of own shares

Where the Company purchases its own shares, the consideration paid, including any directly attributable costs, is recognised as a change in equity. Own shares are presented as a reduction in equity, net of any tax effects. When the Company sells or reissues its own shares, the consideration received is recognised as an increase in equity, and gains or losses arising from such transactions are applied to retained earnings.

Intangible assets

Intangible assets are recognised on the balance sheet if it can be shown to be probable that there will be future economic benefits attributable to the assets and their cost price can be estimated reliably. Intangible assets are carried at cost price.

Tangible fixed assets

Tangible fixed assets are carried at acquisition cost less accumulated depreciation and accumulated impairment losses. If the fair value of a tangible fixed asset is lower than its carrying value and the impairment is not temporary, the asset is written down to fair value.

GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES PARENT

Impairment

At each balance sheet date, the Company assesses whether there are objective indications that assets may be impaired. Assets that are individually significant are tested for impairment on an individual basis. The remaining assets are assessed collectively or in groups of assets that share similar credit risk characteristics. All impairment losses are charged to profit and loss. Impairment losses are reversed if the reversal can be objectively linked to an event that occurs after the loss was recognised.

Pension plan

The Company has a defined contribution pension plan. The contributions are recognised as salaries and personnel cost in the income statements as they incur.

Share-based remuneration

Employee share options at Itera give employees the right to subscribe to shares in Itera ASA at a future point at a predetermined price (exercise right). This right as a rule is dependent on the employee achieving concrete targets and still being employed at the time of exercise. The value of share options is calculated at grant date and expensed as a personnel cost over the vesting period. Options are normally granted with a subscription price equal to the average share price over the thirty days prior to the grant date. The social security tax costs associated with employees' taxable benefits are expensed as incurred over the accrual periods on the basis of the accrual rates and values at the balance sheet date.

Operating revenue

The parent company's operating revenue arises from the shared services it delivers through its Group Functions in the accounting/finance, HR, IT and information/communication areas. Its revenue is based on a cost-plus model and is recognised when the services are delivered.

Financial income and expense

Financial income comprises interest income from financial investments and group contributions or dividends from subsidiaries. Group contributions and dividends are recognised in profit and loss on the same date that they are recognised by the company from which they are received. Financial expense comprises interest expense on borrowings.

Tax expense

Tax expense comprises both tax payable and changes in deferred tax. Tax expense is recognised in the profit and loss account. Deferred tax assets and liabilities are calculated using the liability method on a non-discounted basis and are calculated for all differences arising between accounting values and tax values of assets and liabilities as well as for losses carried forward. Deferred tax assets on net tax-reducing differences that have not been eliminated and tax losses that are to be carried forward are recognised on the basis of expected future earnings.

1 SALARIES, PERSONNEL EXPENSES AND OTHER REMUNERATION

NOK 1000	2019	2018
Salaries	18 103	16 545
Share option costs	187	344
Social security tax	2 775	2 733
Pension costs	742	661
Other personnel costs	438	257
Total salaries and personnel expenses	22 245	20 540
Average number of employees	19	17

For information on salaries and other remuneration of the executive management, see note 9 to the consolidated accounts.

Auditor

Analysis of remuneration paid to the auditor:	2019	2018
Statutory audit	332	298
Tax advice	-	-
Other services	60	258
Total fees paid to the auditor	392	556

2 PENSIONS

Itera ASA operates a defined contribution pension scheme. The Company's pension expense is represented by the premiums paid, and totalled NOK 742K in 2018 (NOK 661K). The Company's pension scheme complies with the Norwegian Mandatory Occupational Pension Act (OTP).

3 SHARE-BASED REMUNERATION

Share option costs (including employer's social security contributions) of NOK 187k were expensed in 2019 (NOK 277k in 2018). See note 8 in the consolidated financial statements for further information on share-based remuneration.

Programme	Out-standing 31.12.2017	Issued 2018	Expired in 2018	Exercised in 2018	Outstanding 31.12.2018	Fair value when issued	Exercise price ¹⁾	Share price when issued ²⁾	Date of issue	Exercise period
2015	86 000	-	-	86 000	-	NOK 0.25	NOK 2.58	NOK 2.58	07.09.2015	2016-2019
2016	520 000	-	-	100 000	420 000	NOK 0.26	NOK 3.89	NOK 3.89	08.07.2016	2017-2020
2017	267 000	-	-	21 960	245 040	NOK 0.60	NOK 6.42	NOK 6.42	28.06.2017	2018-2021

1) The exercise price is the average share price over the 30 days prior to the date the option is granted.

2) The exercise price is set at fair value on the date the option is granted. The company works on the basis that the exercise price is the same as the share price on the date the option is granted and that the options do not have any intrinsic value on this date.

Programme	Number	Interest rate	Volatility	Lifetime
2015	0.77%	30.0%	3.77 YEARS	3.77 years
2016	0.49%	25.0%	3.94 YEARS	3.94 years
2017	0.90%	28.9%	3.96 YEARS	3.96 years
Total				

4 NON-CURRENT ASSETS

NOK 1000	2019						Total non-current assets
	Research and development	Software	Total intangible assets	Office machinery & equipment	Fixtures and fittings	Total property, plant and equipment	
Acquisition cost							
Accumulated at 1 January	1 918	1 071	2 989	344	3 768	4 112	7 101
Additions	-	449	449	1 891		1 891	2 339
Disposals	-	(390)	(390)			-	(390)
Accumulated at 31 December	1 918	1 130	3 048	2 234	3 768	6 002	9 051
Depreciation and amortisation							
Accumulated at 1 January	959	506	1 465	191	1 258	1 448	2 913
Depreciation and amortisation	384	269	653	191	675	866	1 519
Depreciation and amortisation on disposals	-	(390)	(390)			-	(390)
Accumulated at 31 December	1 343	385	1 728	382	1 933	2 314	4 042
Book value							
Book value at 1 January	959	565	1 524	153	2 511	2 664	4 188
Book value at 31 December	575	745	1 320	1 853	1 836	3 688	5 008
Estimated useful life	3-5 years	3-5 years		3-5 years	3-5 years		
Depreciation plan	linear	linear		linear	linear		

5 SHARES IN SUBSIDIARIES

NOK 1000	Registered office	Share capital*	Shareholding	Book value 1 Jan.	Change	Book value 31 Dec.	Profit/loss 2019	Equity 2019
Itera Norge AS	Oslo	1 000	100 %	50 616	190	50 806	21 909	28 520
Itera Offshoring Services AS	Oslo	200	100 %	7 500		7 500	8 361	7 185
Cicero Consulting AS	Oslo	200	100 %	16 451	23	16 474	5 098	10 257
Compendia AS	Bryne	182	100 %	14 364		14 364	6 401	10 350
Itera Sverige AB ¹⁾	Stockholm	100	100 %	-		0	63	1 669
Itera ApS	Copenhagen	1 424	100 %	16 559	28	16 587	6 212	9 814
Itera Consulting UA	Kiev	7 125	100 %	2 390	6 737	9 127	625	9 644
Total				107 880	6 978	114 858	48 670	77 439

* Share capital is reported in the local currency (1,000).

¹⁾ Itera Sverige AB is owned by Itera Norge AS, with book value of NOK 1.3 million.

6 ADDITIONAL EQUITY INFORMATION

NOK 1 000	Share capital	Own shares	Other paid-in capital	Other equity	Total equity
Equity at 01 January 2018	24 656	(65)	2 191	42 774	69 557
Net income for the period	-	-	-	33 570	33 570
Share option costs	-	-	126	-	126
Employee share purchase programme	-	-	312	-	312
Purchase of own shares	-	(750)	(21 806)	-	(22 556)
Sale of own shares	-	442	10 634	-	11 076
Dividends				(20 493)	(20 493)
Equity at 31 December 2018	24 656	(373)	(8 544)	55 851	71 591
Net income for the period				44 517	44 517
Share option costs			(1 297)		(1 297)
Employee share purchase programme		4	404		408
Purchase of own shares		(5)	(90)		(95)
Sale of own shares		143	1 982		2 125
Ordinary dividend				(16 437)	(16 437)
Supplementary dividend				(24 114)	(24 114)
Equity at 31 December 2019	24 656	(231)	(7 545)	59 817	76 696

See note 8 and 19 in the consolidated financial statements for further information on share-based remuneration and share capital.

7 INCOME TAXES

NOK 1 000	2019	2018
Tax expense for the year		
Current tax on profit for the year	-	-
Change in deferred tax	28	4
Total tax expense for the year	28	4
Tax payable		
Profit before tax	44 545	33 573
Permanent differences	(44 417)	(33 606)
Change in temporary differences	(318)	32
Utilisation of losses carried forward	-	-
Basis for current tax, taxable revenue	(190)	-
Tax payable in the balance sheet	-	-
Specification of the basis for deferred tax		
Fixed assets	(518)	(759)
Other temporary differences	(277)	(355)
Total temporary differences	(795)	(1 114)
Losses carried forward	(190)	-
Basis for deferred tax	(985)	(1 114)
Deferred tax asset (-) / Deferred tax liability (+)	(217)	(245)

8 INCOME FROM INVESTMENTS IN SUBSIDIARIES

Itera ASA has recognised the following income in its annual accounts from its investment in its subsidiaries:

NOK 1000		Group	
Company name	Dividend	contribution	TOTAL
Itera Norge AS	23 000	1 403	24 403
Itera Offshoring Services AS	6 000		6 000
Compendia AS	5 000		5 000
Itera Aps	5 545		5 545
Cicero Consulting AS	5 000	5 273	10 273
Total income from investment in subsidiaries	44 545	6 676	51 221

9 BALANCES BETWEEN COMPANIES IN THE SAME GROUP, INCLUDING CASH POOL

NOK 1000 Receivables from Group companies		
Company name	2019	2018
Itera Norge AS	-	40 286
Itera ApS	5 545	6 927
Cicero Consulting AS	-	1 854
Compendia AS	-	7 819
Itera Offshoring Services AS	-	3 546
Total	5 545	60 433

Receivables from group companies consist of group accounts receivables, receivables from group companies relating to the group's joint value added tax registration (see Note 12) and receivables in relation to group contributions and dividends.

NOK 1000 Liabilities to Group companies		
Company name	2019	2018
Itera Norge AS	21 607	78 900
Compendia AS	9 448	16 212
Cicero Consulting AS	4 153	-
Itera ApS	-	9 554
Itera Offshoring Services AS	2 368	302
Total	37 576	104 968

Cash Pool

In the group's cash pool, Itera ASA is responsible both for its own deposits/drawings and for deposits/drawings made by the subsidiaries. The figures reported for bank deposits held by Itera ASA in the balance sheet include deposits paid into the cash pool by the subsidiaries, which are netted against the parent company's drawings. The bank deposits held by the subsidiaries in the cash pool are reported in the parent company accounts as liabilities to group companies.

Itera ASA holds NOK 29.4 million (45.5 million) in cash and bank deposits, of which NOK 0.8 million (NOK 0.6 million) is on restricted accounts for payment of payroll tax deductions.

Itera has structured internal support processes in the areas of accounting/finance, HR, internal IT, and information and communication as Group Functions. These functions are part of Itera ASA and work with the subsidiaries. The parent company invoices these subsidiaries on a cost-plus model. In 2019 Itera invoiced NOK 32.5 million (NOK 31.3 million) in respect of these services.

The Norwegian companies in the group are jointly registered for value added tax and other taxes and duties, and accordingly the figures reported for official taxes and duties payable include value added tax payable by the other Norwegian companies in the group. The total VAT liability is included in the parent company accounts but is offset by intragroup receivables due from subsidiaries.

10 RESTRICTED DEPOSITS

11 TRANSACTIONS WITH RELATED PARTIES

12 OFFICIAL TAXES AND DUTIES PAYABLE

13 FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks, such as credit risk, liquidity risk, currency risk and interest rate risk. These risks are regarded as low. The Group has established procedures for managing these risks. The main principle is to minimise the level of financial risk, and the Group on this basis holds no assets or liabilities for speculative purposes. See note 6 to the group accounts for further information on financial risk management.

STATEMENT BY THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO have today approved the annual report and annual accounts of the Itera ASA group and the parent company for the 2019 calendar year and as at 31 December 2019 (2019 Annual Report).

We confirm that, to the best of our knowledge:

- The consolidated accounts have been prepared in accordance with the IFRS and related interpretations as approved by the EU and with the additional Norwegian disclosure requirements pursuant to the Norwegian Accounting Act as in effect at 31 December 2019.
- The annual accounts of the parent company have been prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles as in effect at 31 December 2019.
- The annual report of the group and the parent company, including the statements on corporate governance and on corporate social responsibility, has been prepared in accordance with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard No. 16 as in effect at 31 December 2019.
- The information contained in the accounts provides a true and fair view of the group's and the parent company's assets, liabilities, financial position and earnings taken as a whole at 31 December 2019.
- The annual report of the group and the parent company provides a true and fair view of:
 - the developments, earnings and financial position of the group and the parent company
 - the principal risk and uncertainty factors facing the group and the parent company

Oslo, April 21, 2020

The Board of Directors and the CEO of Itera



Morten Thorkildsen
Chairman of the board



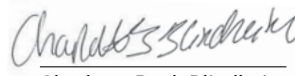
Mimi K. Berdal
Board member



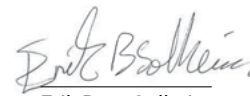
Jan-Erik Karlsson
Board member



Gryld Skalleberg Ingerø
Board member



Charlotte Bech Blindheim
Board member



Erik Berg Solheim
Board member



Arne Mjøs
Chief Executive Officer

AUDITOR'S REPORT



To the General Meeting of Itera ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Itera ASA, which comprise:

- The financial statements of the parent company Itera ASA (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Itera ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - Itera ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Recognition of revenue</i></p> <p>The Group's revenue for the year ended 31 December 2019 amounted to NOK 560 million. Revenues are related to subscription and service to customers. Most contracts are recognized as point of time contracts. A portion of revenues relates to transition projects to customers. These revenues are accounted for as subsequent services to a contract under IFRS 15.</p> <p>Income is the most material amount in the financial statement, and the number of transactions and data involved in recognizing income can be quite significant and sometimes complex, making revenue an area where errors could occur.</p>	<p>We obtained an understanding of the revenue recognition process based on interviews with management and reviews of the group's process and policy documentation.</p> <p>We evaluated management's application of revenue recognition principles and whether they were in accordance with relevant accounting regulations. We assessed the Group's revenue recognition accounting policies by testing the application for a sample of contracts.</p> <p>We identified, assessed and tested the design and operating effectiveness of management's controls over revenue recognition which includes approval of booked hours and change of data in the company's billing system to ensure accuracy and validity of revenues.</p> <p>We tested a sample of sales transactions to supporting documentation to verify accuracy validity and cut-off of revenues. We further performed analytical procedures to identify non-standard revenue streams or abnormalities in manual journal entries. These procedures include reconciling payments throughout the year with booked revenue.</p> <p>We considered the Group's disclosures about revenue recognition in note 2 and found them to be appropriate.</p>

We have determined that there are no other key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

(2)



Independent Auditor's Report - Itera ASA

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(3)



Independent Auditor's Report - Itera ASA

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

(4)



Independent Auditor's Report - Itera ASA

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 April 2020

PricewaterhouseCoopers AS


Jone Bauge

State Authorised Public Accountant

SHARES AND SHAREHOLDERS

The objective of Itera ASA (the Company) is to ensure its shareholders a competitive return in the form of dividends and higher share price in comparison with alternative investments.

Shareholder policy

Itera endeavours to ensure shareholders a competitive return on their investment in the form of a higher share price and dividends. The share price shall reflect the Company's earnings and underlying values. Open communication and equally treatment of the shareholders shall contribute to increased shareholder values and trust among investors.

Investor information

Itera ASA was listed on the Oslo Stock Exchange (OSE) on 27 January 1999 under the ticker code ITE. The Company shall treat all shareholders equally concerning information which may affect the market value of the shares. All information of relevance for the share price is published via the notification system of the Oslo Stock Exchange as well as on the Company's website www.itera.no, to ensure such information is made available to all stakeholders simultaneously. The quarterly reports are also made available on Itera's website in the form of online webcasts. The shares have been assigned the ISIN NO 0010001118, and the Company's organisation number at the Norwegian Brønnøysund Register Centre is NO 980 250 547.

Share capital

Itera ASA's share capital at 31 December 2019 was NOK 24,655,987 made up of 82,186,624 fully paid shares each with nominal value of NOK 0.30.

All shares have the same voting rights at the General Meeting.

Shareholders

As of 31 December 2019, Itera had 1 824 (1 870) shareholders. At year-end, 4% (5%) of the Company's shares were owned by foreign investors. The Company's twenty largest investors owned 72% (71%) of the Company's shares.

Dividend

During 2019, dividends of NOK 0.55 (0.25) per share were paid, for a total of NOK 44.7 (20.5) million.

Share price

The Itera share price opened the year at NOK 8.40 and closed at NOK 11.50, corresponding to a change of 37% (18%), 43% including dividend payments in the period. The highest share price during the year was NOK 13.90 and the lowest price was NOK 7.04. Itera had a market value corresponding to MNOK 945 (679) million at 31 December 2019.

Stock option schemes

The Company has established option programmes for key personnel. An option programme was implemented in 2015, 2016, 2017 and 2019. The 2015 programme expired in June of 2019. There were 2,273,720 outstanding stock options at year-end. Reference is also made to Note 8 to the Consolidated Financial Statements.

Major shareholders

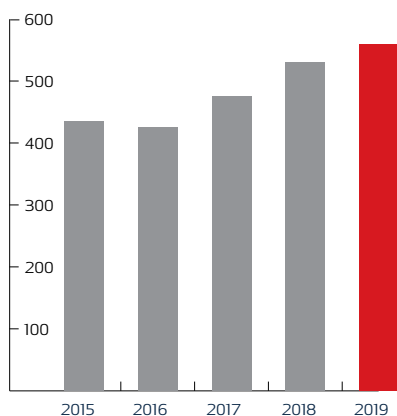
For major shareholders, see note 19 in the consolidated accounts.

DEVELOPMENT 2015–2019

(after adjustment for non-recurring costs)

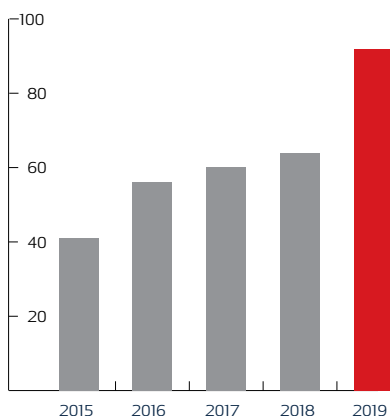
REVENUES

NOK million



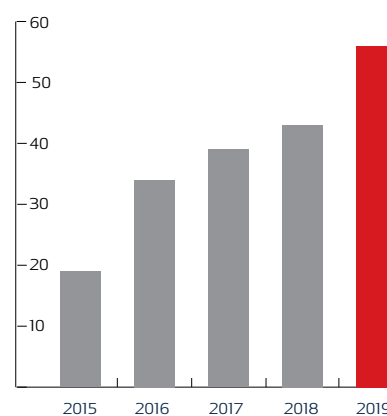
EBITDA

NOK million



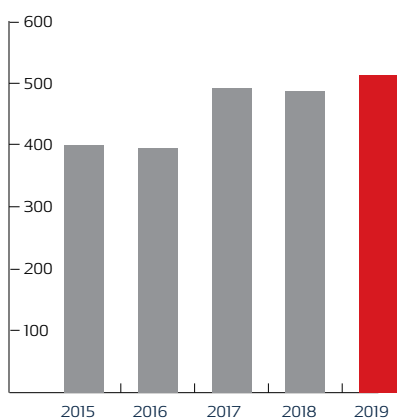
EBIT

NOK million



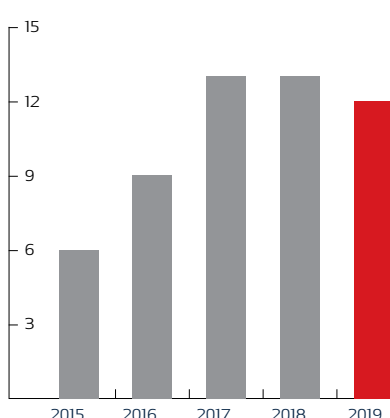
EMPLOYEES

Number



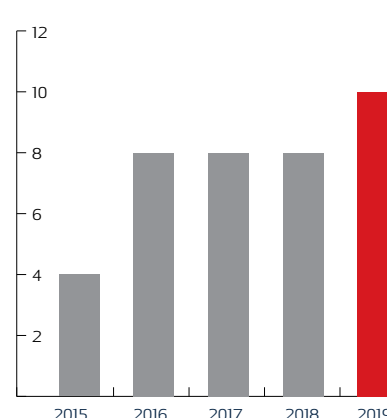
EBITDA-MARGIN

%



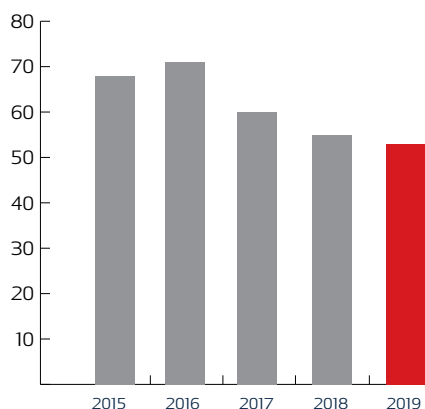
EBIT-MARGIN

%



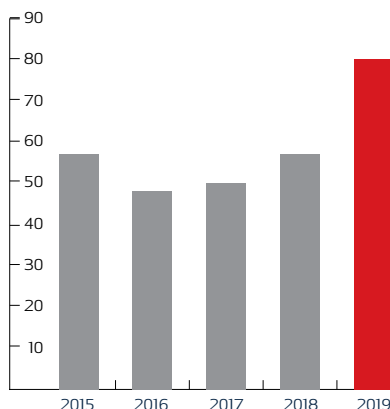
BANK DEPOSITS

NOK million



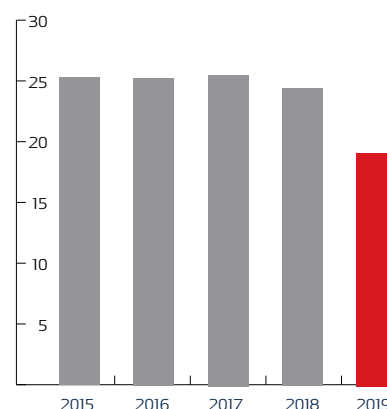
CASH FLOW from operations

NOK million



EQUITY RATIO

%

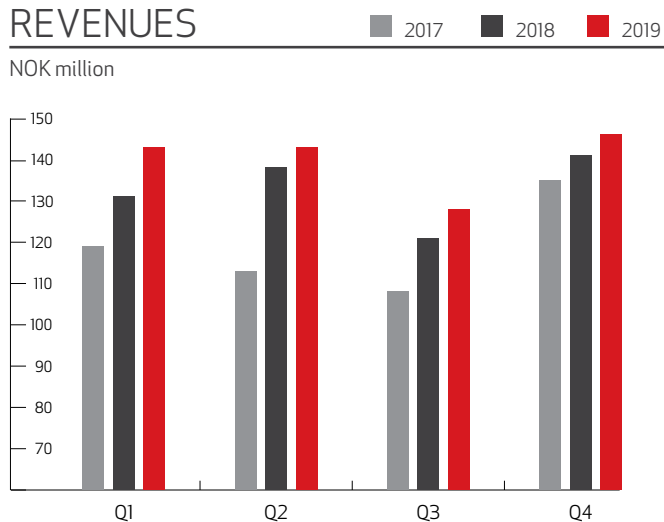


DEVELOPMENT 2017-2019

(after adjustment for non-recurring costs)

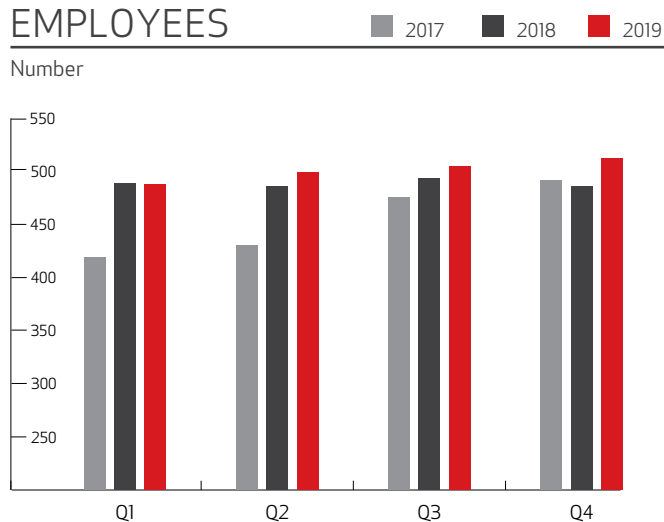
REVENUES

NOK million



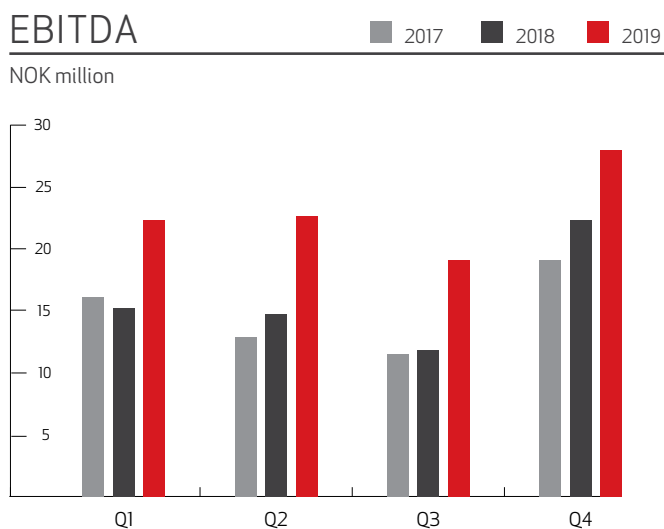
EMPLOYEES

Number



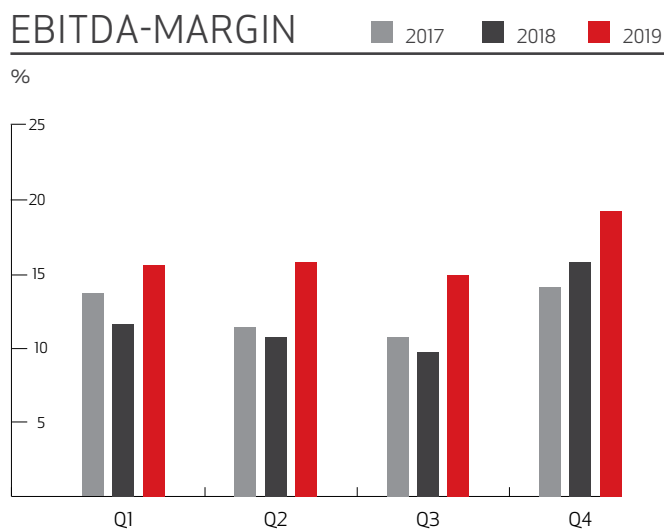
EBITDA

NOK million



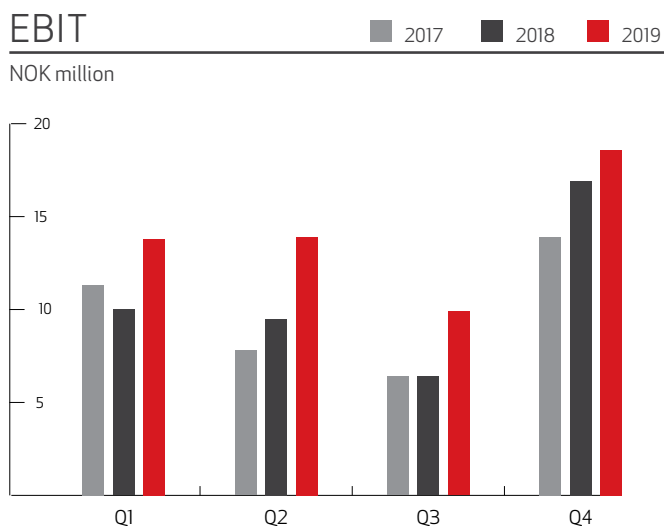
EBITDA-MARGIN

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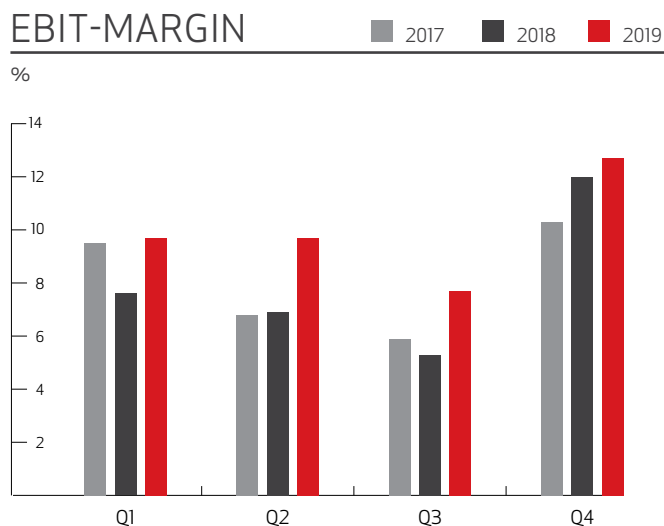
EBIT

NOK million



EBIT-MARGIN

%



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