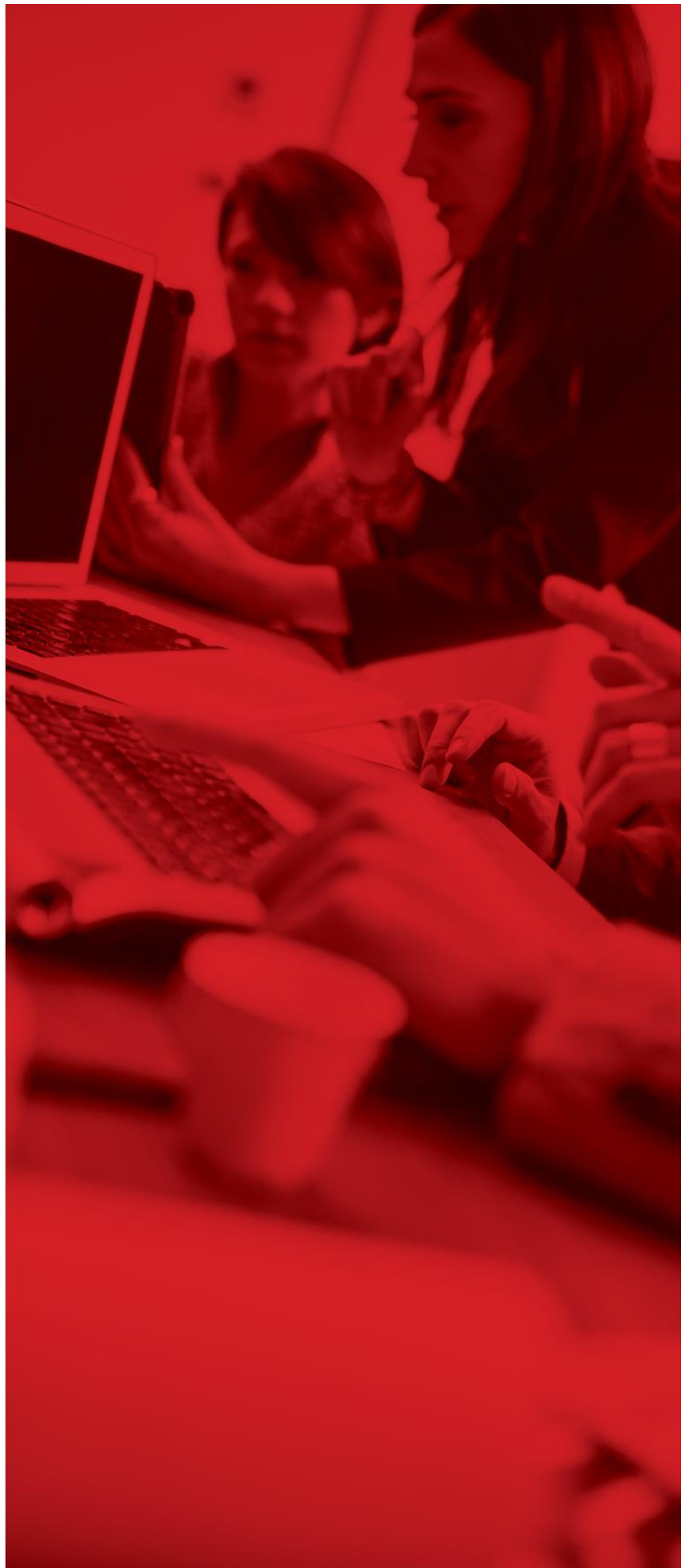


# Q4

2019

*itera*  
MAKE A DIFFERENCE



# HIGHLIGHTS Q4 AND FULL YEAR 2019

## OCTOBER – DECEMBER 2019

- Operating revenue NOK 146.0 million (NOK 141.3 million), representing growth of 3%
- Gross profit NOK 127.2 million (NOK 117.9 million), representing growth of 8%
- EBITDA NOK 28.0 million (NOK 22.3 million) and an EBITDA margin of 19.2% (15.8%). For comparison, EBITDA without the accounting change (IFRS 16 Leases) would have been NOK 24.4 million, giving an EBITDA margin of 16.7%
- EBIT NOK 18.6 million (NOK 16.9 million) and an EBIT margin of 12.7% (12.0%)
- Cash flow from operations NOK 43.1 million (NOK 42.0 million)
- Cash and cash equivalents NOK 53.1 million (NOK 55.3 million)
- Treasury shares valued at NOK 8.9 million (NOK 6.2 million)
- Equity ratio 19% (24%)

## JANUARY – DECEMBER 2019

- Operating revenue NOK 560.3 million (NOK 531.3 million), representing growth of 5%
- Gross profit NOK 483.0 million (NOK 444.0 million), representing growth of 9%
- EBITDA NOK 92.0 million (NOK 64.0 million) and an EBITDA margin of 16.4% (12.0%)
- EBIT NOK 56.2 million (NOK 42.8 million) and an EBIT margin of 10.0% (8.1%)

## HIGHLIGHTS OF THE FOURTH QUARTER

- Itera experienced a high level of demand for its consulting services, the revenue from which grew by 13%, while subscription revenue increased by 7%.
- The fourth-quarter EBIT margin for Itera's core digital business was 14.4% (16.8%), while Itera's data centre operations achieved an EBIT margin of 7.9% (-2.6%) as the Managed Cloud Service offerings gained success in the market.
- Itera had a strong order intake for its core digital business with a book-to-bill ratio of 1.2. Itera entered into new or extended contracts with customers such as Pelagia, Kredinor, BKK, Santander, DNV GL, Gjensidige, KLP and Cognite.
- There was significant interest in information security among both customers and the market in general. Itera held a fully booked customer seminar that consisted of a panel debate featuring the Minister of Public Security, which was recorded and released as a podcast.
- Itera made some key appointments to strengthen its management team in order to achieve faster growth, including a Chief Delivery & Performance Officer, an HR Director, a Chief Information Security Officer, and a Head of Architecture.
- An additional dividend of NOK 0.30 per share was paid on 1 November 2019. The Board has proposed an ordinary dividend of NOK 0.30 per share for payment on 4 June 2020.

# KEY FIGURES

Amounts in NOK million	2019 10-12	2018 10-12	change	change %	2019 1-12	2018 1-12	change %
Sales revenue	146.0	141.3	4.7	3 %	560.3	531.3	5 %
Gross profit	127.2	117.9	9.3	8 %	483.0	444.0	9 %
EBITDA	28.0	22.3	5.7	26 %	92.0	64.0	44 %
EBITDA margin	19.2 %	15.8 %	3.4 pts	3.4 pts	16.4 %	12.0 %	4.4 pts
Operating profit (EBIT)	18.6	16.9	1.7	10 %	56.2	42.8	31 %
EBIT margin	12.7 %	12.0 %	0.8 pts	0.8 pts	10.0 %	8.1 %	2 pts
Profit before tax	17.6	17.3	0.3	2 %	53.6	41.4	29 %
Profit for the period	14.2	13.4	0.8	6 %	41.6	31.7	31 %
Profit margin	9.7 %	9.5 %	0.2 pts	0.2 pts	7.4 %	6.0 %	1.5 pts
Net cash flow from operating activities	43.1	42.0	1.1	3 %	80.0	56.8	41 %
No. of employees at the end of the period	512	486	26	5 %	512	486	5 %

# GROUP PERFORMANCE IN THE FOURTH QUARTER AND FULL YEAR 2019

## FINANCIAL PERFORMANCE

The comments below relate to Itera's performance in the fourth quarter of 2019 compared to the fourth quarter of 2018 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2018. Please refer to Note 5 for a description of the alternative performance measures used.

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

### Summary for the fourth quarter of 2019

Itera achieved organic revenue growth of 3% in the fourth quarter of 2019 relative to the fourth quarter of 2018. This was driven by an increase in revenue from Itera's nearshore delivery centres in Ukraine and Slovakia. The growth in overall gross profit was significantly stronger at 8% as less use was made of subcontractors and sales of hardware and software.

The Group's operating profit (EBIT) for the fourth quarter of 2019 was NOK 18.6 million (NOK 16.9 million), giving an EBIT margin of 12.7% (12.0%). The fourth quarter of 2019 contained the same number of working days as the fourth quarter of 2018.

### Accounting principles

These interim condensed consolidated financial statements for the quarter ending 31 December 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Group's annual report for 2018. The accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, with the exceptions stated below. The interim financial information contained in this report has not been audited or reviewed.

### IFRS 16 Leases

IFRS 16 Leases (effective from 1 January 2019) establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. Implementing IFRS 16 increased lease liabilities and right of use assets by NOK 54 million as at 1 January, this having a corresponding dilutive effect on the equity ratio. In addition, lease principal repayments have been reclassified from operating expenses to depreciation. This increase reported EBITDA compared to the previous standard. Please refer to Note 3 for further information.

### Operating revenue

Itera reports operating revenue of NOK 146.0 million (NOK 141.3 million) for the fourth quarter of 2019, which represents growth of 3%. Revenue from Itera's own services grew by 13% and subscription services grew by 7%. Third-party services were down by 49% following the completion of a significant engagement in Denmark.

Operating revenue for 2019 as a whole was NOK 560.3 million (NOK 531.3 million), equivalent to growth of 5%.

Gross profit (revenue minus cost of goods sold) was NOK 127.2 million (NOK 117.9 million) in the fourth quarter, an increase of 8%. This growth was driven by a particularly strong increase in new customers. Gross profit from the Core Digital Business increased by 9% in the fourth quarter. Total gross profit for 2019 as a whole was NOK 483.0 million (NOK 444.0 million), which represents growth of 9% relative to 2018.

### Operating expenses

Itera's total operating expenses in the fourth quarter of 2019 were 2% higher at NOK 127.4 million (NOK 124.4 million). Operating expenses for 2019 as a whole totalled NOK 504.1 million (NOK 488.5 million).

Cost of sales was NOK 18.8 million (NOK 23.4 million) in the fourth quarter of 2019 and NOK 77.3 million (NOK 87.3 million) for the year as a whole. Cost of sales principally consists of services purchased from sub-contractors, costs related to Itera's data centres, and third-party software licences and hardware that form part of larger deliveries. Cost of sales can vary significantly from quarter to quarter.

Personnel expenses were NOK 87.9 million (NOK 83.7 million) in the fourth quarter of 2019, which represents an increase of 5%. This compares to an increase of 4% in the average number of employees. Personnel expenses for 2019 as a whole were NOK 348.3 million (NOK 327.8 million), which represents an increase of 6%.

Other operating expenses were NOK 11.3 million (NOK 11.9 million) in the fourth quarter of 2019. The decrease was due to leasing costs totalling NOK 3.6 million being reclassified due to the adoption of IFRS 16, with the majority of this amount reclassified to depreciation expense. Other operating expenses for 2019 as a whole were NOK 42.7 million (NOK 52.3 million).

Depreciation and amortisation totalled NOK 9.5 million (NOK 5.4 million) in the fourth quarter, with NOK 3.4 million of this amount due to the impact of IFRS 16. The corresponding figure for 2019 as a whole was NOK 35.8 million (NOK 21.1 million).

### Operating results

The operating result before depreciation and amortisation (EBITDA) for the fourth quarter of 2019 was a profit of NOK 28.0 million (NOK 22.3 million), which corresponds to an EBITDA margin of 19.2% (15.8%). These figures were positively impacted by the adoption of IFRS 16 with effect from 1 January 2019 (see note 3 for further details). Excluding the effect of the adoption of IFRS 16, EBITDA for the fourth quarter of 2019 was NOK 24.5 million, which corresponds to an EBITDA margin of 16.8%. The operating result (EBIT) for the fourth quarter was a profit of NOK 18.6 million (NOK 16.9 million). The EBIT margin for the fourth quarter of 2019 was 12.7% as compared to 12.0% in the fourth quarter of 2018.

EBIT for 2019 as a whole was NOK 56.2 million as compared to NOK 42.8 million in 2018, which corresponds to an EBIT margin of 10.0% (8.1%).

Itera's operating profit from its core digital business was NOK 15.7 million (NOK 17.8 million), giving an EBIT margin of 14.4% (17.0%). Itera's earnings from its traditional data centre operations were NOK 2.9 million (NOK -0.9 million), giving an EBIT margin of 7.9% (-2.6%). The transformation program to shift Itera's data centre operations to cloud offerings is progressing in line with the plan and the Managed Cloud Services business will be reported as part of the core digital business from 2020.

The result before tax for the fourth quarter of 2019 was a profit of NOK 17.6 million (NOK 17.3 million). Tax expense accrued for the fourth quarter totalled NOK 3.5 million (NOK 3.9 million), giving a profit for the period of NOK 14.2 million (NOK 13.4 million). For 2019 as a whole the result before tax was a profit of NOK 53.6 million (NOK 41.4 million) and the accrued tax expense was NOK 12.0 million (NOK 9.7 million). In 2019 Itera's profit for the year was NOK 41.6 million (NOK 31.7 million).

### Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 43.1 million (NOK 42.0 million) in the fourth quarter of 2019 and NOK 80.0 million (NOK 56.8 million) in 2019 as a whole.

There was a net cash outflow from investing activities of NOK 5.7 million (NOK 4.9 million) in the fourth quarter of 2019, of which NOK 3.2 million (NOK 2.1 million) was for office equipment, furniture and fittings. An additional NOK 3.4 million (NOK 0.6 million) of investment was financed through leasing, which primarily related to capacity increases and equipment renewal at Itera's data centres. Investment in intangible assets, including investment in intellectual property rights, totalled NOK 1.8 million (NOK 2.0 million). The net cash outflow from investing activities in 2019 as a whole was NOK 18.8 million (NOK 20.7 million).

The net cash flow from financing activities was NOK -29.9 million (NOK -1.4 million) in the fourth quarter of 2019 and NOK -63.5 million (NOK -40.7 million) for 2019 as a whole.

Work in progress at 31 December 2019 was NOK 3.5 million lower than at 31 December 2018, while capitalised contract costs were NOK 4.8 million lower. The capitalised contract costs relate to revenue the recognition of which is deferred under IFRS 15. Accounts receivable and other receivables were NOK 4.8 million and NOK 0.5 million higher respectively than at 31 December 2018.

Accounts payable at 31 December 2019 were NOK 0.1 million lower than at 31 December 2018. Public duties payable was NOK 0.4 million lower than at the end of the fourth quarter of 2018, while tax payable was NOK 10.9 million, which is NOK 1.3 million higher than at 31 December 2018. Contract liabilities at 31 December 2019 were NOK 2.9 million lower at NOK 21.3 million.

Cash and cash equivalents amounted to NOK 53.1 million at 31 December 2019, compared to NOK 55.3 million at 31 December 2018. At the end of the period, Itera had an undrawn credit facility of NOK 21.5 million.

Itera had lease liabilities totalling NOK 55.0 million (NOK 8.7 million) at 31 December 2019, which represents a net increase of NOK 46.2 million. NOK 41.4 million of the lease liabilities relates to the capitalisation of the present value of future lease and rental obligations under the new IFRS 16 Leases standard, while the rest relates to financial lease agreements entered into to finance investments related to IT hosting contracts. NOK 19.4 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 35.6 million are classified as non-current liabilities.

At 31 December 2019 Itera held 769,891 own shares, valued at NOK 8.9 million.

Equity at 31 December 2019 totalled NOK 46.4 million (NOK 47.4 million at 31 December 2018). The equity ratio was 19.2% (24.3%). The equity ratio was negatively impacted by 3.9 percentage points as a result of the adoption of IFRS 16 with effect from 1 January 2019.

### Dividend

At its meeting on 24 February 2020, the Board of Directors passed a resolution to propose an ordinary dividend of NOK 0.30 per share at the Annual General Meeting on 25 May 2020. In addition, the Board will ask for renewal of its authorisation to approve possible additional dividends. If the resolution is adopted by the Annual General Meeting, the share will trade excluding the right to receive the

ordinary dividend starting on 26 May 2020 and the dividend will be paid on 4 June 2020.

## BUSINESS REVIEW

The market demand for the Group's services is strong, with this driven by digitalisation and cloud transformation in all the industries in which the Group is involved. Artificial intelligence (AI), the internet of things, analytics and cloud platforms are seeing significant interest and demand, both from the private and public sectors. The Group is finding that its position as specialist in creating sustainable digital business is growing strongly, and that the range of services it offers is both unique and in demand from the market.

### Market and customer development

In the fourth quarter of 2019, Itera had a strong order intake for its core digital business with a book-to-bill ratio of 1.2 and it entered into new or extended contracts with customers such as Pelagia, Kredinor, BKK, Santander, DNV GL, Gjensidige, KLP and Cognite.

### New use cases for machine learning and data analytics

In the fourth quarter, the Group continued its strategic focus on technology platforms and concepts for making use of large amounts of data to create new services together with the Group's most data-intensive customers. An example of such an organisation from Itera's customer portfolio is the utility company Glitre Energi, where Itera has been involved in different projects over a long period, including in the fourth quarter.

Itera's contribution was focused on the initiation, establishment and management of Glitre Energi's new digital electricity retailer, which has been branded "Oss Norge". This digital start-up company has been set up to make data from new smart meters (AMS) available and to provide new services based on this data. This enables completely new service opportunities, both for Glitre Energi's electricity customers and for third-party organisations that can connect to a new data platform provided by Oss Norge.

Through a pilot collaboration with insurance companies and other industries, new, innovative and end-user-relevant services are being developed on the basis of data analytics and machine learning. Itera and Oss Norge are working closely together to identify and realise various ways of using the data to build a nationally dominant platform as quickly as possible. Itera and Oss Norge are also working closely with Microsoft to ensure that the solution can scale internationally.

### Certifications and strategic competence development

Technology platforms, such as public clouds, are the only option for modern organisations, as traditional data centres were not designed to handle the continuous and massive growth in IoT devices and sensors. According to Gartner Research, public cloud services will be essential for 90% of business innovation in 2022. Companies in all industries therefore need to use cloud platforms to succeed in creating sustainable digital business.

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

During the year, Itera employees completed more than 200 platform certifications and courses across a wide range of features and functionalities, such as machine learning, security, artificial intelligence (AI), natural language processing and new user experiences. The certifications and training courses being undertaken by Itera's employees are not limited to technology but cover all disciplines at Itera, including business consulting, design, user experience, content, project management, agile coaching, security and testing.

## Platforms for making efficient use of data in business ecosystems

Legacy infrastructure is often an obstacle to the ability to make efficient use of data. Industries such as oil and gas, shipping and energy already have large amounts of data, but are often unable to contextualise it effectively enough to extract valuable and value-creating information, for example for fast decision-making.

Many of Itera's customers are building their own business platforms 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. An example of this is one of Itera's customers, the fast-growing start-up company Cognite, which was set up by Aker ASA, and which has developed Cognite Data Fusion (CDF) with the aim of transforming several heavy asset industries, such as oil & gas, energy and shipping. CDF visualises and creates digital representations of physical objects, for example through digital twins, and contextualises and analyses huge amounts of data, transforming it into useful information.

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

CDF and similar business platforms represent major opportunities in several respects. As data is made available in real time, operating processes can be monitored and optimised without delay. Real time, contextualised data is also valuable for maintenance optimisation, as physical objects can be repaired or replaced on the basis of actual data and not simply based on predefined maintenance plans.

## DevSecOps for high security in software development

In a world where everything connects to the internet and applications and data are an essential part of any business, security has become an absolute necessity.

However, the old security models can no longer provide the required speed to market. In a worst-case scenario, they can turn into an organisational bottleneck. At Itera, we base the development of new solutions on continuous delivery models and DevSecOps, which is a model that is intended to bridge the gap between DEVELOPMENT, SECURITY and OPERATIONS while ensuring effective and safe delivery of code to production.

DevSecOps is not just about tools and automation, it is also about culture. By making security a collective responsibility for all team members and integrating it into the early stages of the development lifecycle, we develop secure solutions for complex software development processes within an agile framework.

## Significant interest in information security

There is a growing interest in information security among customers and in society at large. Itera has solid expertise in the area and hosted a breakfast seminar on the topic in the fourth quarter. The seminar was fully booked and consisted of a panel debate featuring the Minister of Public Security, which was recorded live and released as a podcast.

## Nordic strategy and larger, long-term customer relationships

A key part of Itera's strategy is to maintain and develop its largest and most strategic relationships across national borders and areas of expertise. Itera has a strong customer portfolio in the Nordic region, where many customers are served from more than one of Itera's various locations.

The revenue from Itera's 30 largest customers accounted for 75% of its operating revenue, down from 79% in the fourth quarter of 2018, as Itera expanded into new industries and attracted new customers.

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

international borders. Nearshoring and cloud services are natural drivers of this, but we are also seeing a greater tendency for personnel resources to be mobile and for project teams to be distributed across international borders in the Nordic region. This is making local presence less critical.

## Organisation

Itera's headcount at the end of the fourth quarter of 2019 was 512 as compared to 486 at the end of the fourth quarter of 2018. Itera has nearshore development centres in Slovakia and Ukraine. The proportion of Itera's capacity that is located in these locations (its nearshore ratio) was 49% (45%) at the end of the fourth quarter.

## Significant risks and uncertainties

Itera's activities are influenced by several different factors, both within and outside of the company's control. As a service company, Itera faces business risks associated with competition and pressure on prices, project overruns, recruitment, loss of key employees, customers' performance and bad debts. Market-related risks include risks related to the business cycle. Financial risks include currency fluctuations against the Norwegian krone (NOK), principally in relation to the Danish krone (DKK), the US dollar (USD) and the euro (EUR). In addition, interest rate changes will affect the returns earned by Itera on its bank deposits, as well as leasing costs and the cost of credit facilities.

Itera is exposed through its nearshore activities in Ukraine to additional risk factors such as country risk, data security and corruption. Itera has a zero-tolerance policy on corruption and therefore does not deliver services to the public or private sectors in Ukraine.

More information about risks and uncertainties can be found in Itera's annual report for 2018.

## Outlook

The company's overall strategy of developing large, long-term customer relationships, increasing the number of project deliveries which involve the full range of Itera's services, using hybrid teams of Nordic and nearshore resources and focusing on operational efficiency remains unchanged.

Itera develops its range of services to meet customers' requirements, and its services are based on combining business, communication and technology.

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

## Next interim report

The interim report for the first quarter of 2020 will be published and presented on 5 May 2020.

# STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We hereby confirm that, to the best of our knowledge, the summarised financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with IFRS as adopted by the EU and IAS 34 Interim Financial Accounting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole.

## Disclaimer

This report contains statements regarding the future in connection with Itera's growth initiatives, profit figures, outlook, strategies and objectives. The forward-looking statements are based on the current group structure and accounting standards as of 31 December 2019. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

Oslo, 24 February 2020

The Board of Directors of Itera ASA

Morten Thorkildsen  
Chairman

Mimi K. Berdal  
Board Member

Jan-Erik Karlsson  
Board Member

Gyrid Skalleberg Ingerø  
Board Member

Erik Berg Solheim  
Board Member (employee elected)

Charlotte Bech Blindheim  
Board Member (employee elected)

Arne Mjøs  
CEO

# INTERIM CONDENSED FINANCIAL INFORMATION

## Consolidated statement of comprehensive income

	2019 10-12	2018 10-12	change	change %	2019 1-12	2018 1-12	change
All figures in NOK 1000 except earnings per share							
<b>Sales revenue</b>	<b>145 987</b>	<b>141 289</b>	<b>4 698</b>	<b>3 %</b>	<b>560 318</b>	<b>531 323</b>	<b>5 %</b>
<b>Operating expenses</b>							
Cost of sales	18 800	23 406	(4 606)	(20 %)	77 310	87 275	(11 %)
<b>Gross Profit</b>	<b>127 187</b>	<b>117 883</b>	<b>9 304</b>	<b>8 %</b>	<b>483 008</b>	<b>444 048</b>	<b>9 %</b>
<i>Gross Margin</i>	87 %	83 %		3.7 pts	86 %	84 %	2.6 pts
Personnel expenses	87 862	83 670	4 192	5 %	348 317	327 769	6 %
Depreciation and amortisation	9 458	5 382	4 076	76 %	35 798	21 141	69 %
Other operating expenses	11 279	11 907	(628)	(5 %)	42 676	52 322	(18 %)
<b>Total operating expenses</b>	<b>127 399</b>	<b>124 365</b>	<b>3 034</b>	<b>2 %</b>	<b>504 101</b>	<b>488 507</b>	<b>3 %</b>
<b>Operating profit</b>	<b>18 588</b>	<b>16 924</b>	<b>1 664</b>	<b>10 %</b>	<b>56 218</b>	<b>42 816</b>	<b>31 %</b>
Other financial income	817	548	269	49 %	2 514	1 234	104 %
Other financial expenses	1 761	167	1 594	955 %	5 143	2 631	96 %
<b>Net financial income (expenses)</b>	<b>(944)</b>	<b>381</b>	<b>(1 325)</b>	<b>(348 %)</b>	<b>(2 629)</b>	<b>(1 397)</b>	<b>(88 %)</b>
<b>Profit before taxes</b>	<b>17 645</b>	<b>17 305</b>	<b>340</b>	<b>2 %</b>	<b>53 589</b>	<b>41 419</b>	<b>29 %</b>
Income taxes	3 453	3 922	(468)	(12 %)	11 979	9 742	23 %
<b>Net income</b>	<b>14 191</b>	<b>13 383</b>	<b>808</b>	<b>6 %</b>	<b>41 609</b>	<b>31 677</b>	<b>31 %</b>
Earnings per share	0.17	0.17	0.01	5 %	0.51	0.39	31 %
Fully diluted earnings per share	0.17	0.16	0.01	6 %	0.51	0.39	32 %
Translation differences on net investment in foreign operations	(246)	625	(871)	(139 %)	459	260	76 %
<b>Total comprehensive income</b>	<b>13 945</b>	<b>14 008</b>	<b>(63)</b>	<b>(0 %)</b>	<b>42 068</b>	<b>31 937</b>	<b>32 %</b>
Total comprehensive income attributable to:							
Shareholders in parent company	13 945	14 008	(63)	(0 %)	42 068	31 937	32 %

# Consolidated statement of financial position

All figures in NOK 1000	2019 31 Dec	2018 31 Dec	change	change %
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax assets	2 901	3 630	(729)	(20 %)
Other intangible assets	21 864	22 954	(1 090)	(5 %)
Property, plant and equipment	35 989	23 477	12 512	53 %
Right-of-use assets	40 821	-	40 821	
<b>Total non-current assets</b>	<b>101 575</b>	<b>50 061</b>	<b>51 514</b>	<b>103 %</b>
<b>Current assets</b>				
Work in progress	732	4 188	(3 456)	(83 %)
Contract costs	11 571	16 407	(4 835)	(29 %)
Accounts receivable	57 075	52 267	4 808	9 %
Other receivables	17 193	16 665	527	3 %
Cash and cash equivalents	53 085	55 279	(2 195)	(4 %)
<b>Total current assets</b>	<b>139 656</b>	<b>144 807</b>	<b>(5 151)</b>	<b>(4 %)</b>
<b>TOTAL ASSETS</b>	<b>241 231</b>	<b>194 868</b>	<b>46 363</b>	<b>24 %</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	24 656	24 656	-	0 %
Other equity	(19 894)	(8 890)	(11 004)	(124 %)
Net income for the period	41 609	31 677	9 932	31 %
<b>Total equity</b>	<b>46 371</b>	<b>47 443</b>	<b>(1 072)</b>	<b>(2 %)</b>
<b>Non-current liabilities</b>				
Other provisions and liabilities	1 077	871	206	24 %
Lease liabilities - long-term portion	35 577	4 741	30 836	650 %
<b>Total non-current liabilities</b>	<b>36 655</b>	<b>5 613</b>	<b>31 042</b>	<b>553 %</b>
<b>Current liabilities</b>				
Accounts payable	23 838	23 941	(103)	(0 %)
Tax payable	10 880	9 537	1 344	14 %
Public duties payable	32 779	33 130	(351)	(1 %)
Contract liabilities	21 264	24 146	(2 882)	(12 %)
Lease liabilities	19 400	4 001	15 399	385 %
Other current liabilities	50 044	47 057	2 987	6 %
<b>Total current liabilities</b>	<b>158 205</b>	<b>141 812</b>	<b>16 393</b>	<b>12 %</b>
<b>Total liabilities</b>	<b>194 860</b>	<b>147 425</b>	<b>47 435</b>	<b>32 %</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>241 232</b>	<b>194 868</b>	<b>46 364</b>	<b>24 %</b>
<b>Equity ratio</b>	<b>19.2 %</b>	<b>24.3 %</b>		<b>-5.1 pts</b>

# Consolidated statement of cash flows

All figures in NOK 1000	2019 10-12	2018 10-12	change	2019 1-12	2018 1-12	change
Profit before taxes	17 645	17 304	340	53 589	41 419	16 965
Income taxes paid	(92)	(1 959)	1 867	(9 995)	(9 844)	(3 826)
Depreciation and amortisation	9 458	5 382	4 076	35 798	21 141	1 306
Change in work in progress	1 137	1 364	(227)	3 456	5 489	1 591
Change in accounts receivable	3 338	1 863	1 475	(4 808)	1 780	388
Change in accounts payable	9 431	1 749	7 682	(103)	3 232	(5 933)
Change in other accruals	3 123	15 921	(12 799)	3 867	(6 124)	28 720
Effect of changes in exchange rates	(909)	362	(1 271)	(1 797)	(283)	1 633
<b>Net cash flow from operating activities</b>	<b>43 132</b>	<b>41 988</b>	<b>1 144</b>	<b>80 007</b>	<b>56 809</b>	<b>40 845</b>
Investment in fixed assets	(3 912)	(2 897)	(1 015)	(11 861)	(12 547)	(1 882)
Investment in intangible assets	(1 815)	(2 027)	212	(6 938)	(8 137)	(2 239)
<b>Net cash flow from investing activities</b>	<b>(5 726)</b>	<b>(4 924)</b>	<b>(802)</b>	<b>(18 799)</b>	<b>(20 684)</b>	<b>(4 121)</b>
Purchase of own shares	-	-	-	(96)	(22 556)	-
Sales of own shares	-	1 100	(1 100)	2 125	11 075	2 200
Principal elements of lease payments	(1 901)	-	(1 901)	(10 001)	-	1 901
Instalment of lease liabilities	(1 901)	(2 475)	574	(9 128)	(8 721)	(3 049)
Dividends paid to equity holders of Itera ASA	(24 424)	-	(24 424)	(44 660)	(20 493)	24 424
<b>Net cash flow from financing activities</b>	<b>(28 226)</b>	<b>(1 375)</b>	<b>(26 851)</b>	<b>(61 761)</b>	<b>(40 695)</b>	<b>25 476</b>
Effects of exchange rate changes on cash and cash equivalents	(115)	9	(124)	50	(5)	134
<b>Net change in cash and cash equivalents</b>	<b>9 065</b>	<b>35 699</b>	<b>(26 633)</b>	<b>(503)</b>	<b>(4 576)</b>	<b>62 332</b>
Cash and cash equivalents at the beginning of the period	45 713	19 581	26 132	55 279	59 854	(6 552)
<b>Cash and cash equivalents at the end of the period</b>	<b>54 777</b>	<b>55 279</b>	<b>(502)</b>	<b>54 777</b>	<b>55 279</b>	<b>55 781</b>
<b>New borrowings related to leasing</b>	<b>3 410</b>	<b>640</b>	<b>2 770</b>	<b>11 493</b>	<b>3 689</b>	<b>(2 130)</b>

# Consolidated statement of changes in equity

All figures in NOK 1000	Share capital	Own shares	Other paid in equity	Cumulative translation differences	Other equity	Total equity
<b>Equity as of 1 January 2018</b>	<b>24 656</b>	<b>(64)</b>	<b>1 014</b>	<b>(235)</b>	<b>25 268</b>	<b>50 638</b>
Implementation of IFRS 15	-	-	-	-	(3 005)	<b>(3 005)</b>
Net income for the period	-	-	-	-	31 678	<b>31 678</b>
Other comprehensive income for the period	-	-	-	260	-	<b>260</b>
Share option costs	-	-	(466)	-	-	<b>(466)</b>
Employee share purchase programme	-	-	312	-	-	<b>312</b>
Purchase of own shares	-	(750)	(21 806)	-	-	<b>(22 556)</b>
Sale of own shares	-	442	10 634	-	-	<b>11 075</b>
Dividends	-	-	-	-	(20 493)	<b>(20 493)</b>
<b>Equity as of 31 December 2018</b>	<b>24 656</b>	<b>(373)</b>	<b>(10 312)</b>	<b>25</b>	<b>33 448</b>	<b>47 443</b>
Net income for the period	-	-	-	-	41 609	<b>41 609</b>
Other comprehensive income for the period	-	-	-	459	-	<b>459</b>
Share option costs	-	-	(1 106)	-	-	<b>(1 106)</b>
Employee share purchase programme	-	4	594	-	-	<b>598</b>
Purchase of own shares	-	(5)	(90)	-	-	<b>(96)</b>
Sale of own shares	-	143	1 982	-	-	<b>2 125</b>
Dividends	-	-	-	-	(44 661)	<b>(44 661)</b>
<b>Equity as of 31 December 2019</b>	<b>24 656</b>	<b>(232)</b>	<b>(8 933)</b>	<b>483</b>	<b>30 396</b>	<b>46 371</b>

# NOTES

## NOTE 1: TRANSACTIONS WITH RELATED PARTIES

There have been no material transactions with related parties during the reporting period 1 January 2019 to 31 December 2019.

## NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 December 2019 that would have a material effect on the interim accounts.

## NOTE 3: IFRS 16 LEASES

Itera adopted the accounting standard IFRS 16 Leases on 1 January 2019. This has resulted in almost all leases being recognised on the statement of financial position, as IFRS 16 removes the distinction between operating and finance leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental costs are recognised in the statement of financial position. Itera has applied exceptions allowed by the standard for short-term and low-value leases.

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

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

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

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

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

All figures in NOK 1000

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

**Impact for the period**

The table below summarises the impact of adopting IFRS 16 on the group's interim statement of income for the period ended 31 December 2019.

**Condensed interim income statement**

	IFRS 16	Impact	IAS 17	IFRS 16	Impact	IAS 17
	10-12 2019	IFRS 16	10-12 2019	1-12 2019	IFRS 16	1-12 2019
All figures in NOK 1000						
Sales revenue	145 987	-	145 987	560 318	-	560 318
Cost of sales	18 800	-	18 800	77 310	-	77 310
Personnel expenses	87 862	-	87 862	348 317	-	348 317
Depreciation	9 458	3 387	6 071	35 798	13 332	22 466
Other operating expenses	11 279	(3 593)	14 872	42 676	(14 118)	56 794
<b>Operating profit</b>	<b>18 588</b>	<b>206</b>	<b>18 382</b>	<b>56 218</b>	<b>786</b>	<b>55 432</b>
Net financial income (expenses)	(944)	(324)	(620)	(2 629)	(1 411)	(1 218)
<b>Profit before taxes</b>	<b>17 645</b>	<b>(118)</b>	<b>17 762</b>	<b>53 589</b>	<b>(625)</b>	<b>54 213</b>
Income taxes	3 453	(26)	3 479	11 979	(137)	12 117
<b>Net income</b>	<b>14 191</b>	<b>(92)</b>	<b>14 283</b>	<b>41 609</b>	<b>(487)</b>	<b>42 097</b>

**NOTE 4: ALTERNATIVE PERFORMANCE MEASURES**

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

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

EBITDA is short for earnings before interest, tax, depreciation and amortisation. It is calculated as profit for the period before (i) tax expense, (ii) financial income and expenses and (iii) depreciation and amortisation.

EBITDA margin is calculated as EBITDA as a proportion of operating revenue.

EBIT is short for earnings before interest and tax and is calculated as profit for the period before (i) tax expense and (ii) financial income and expenses.

EBIT margin is calculated as EBIT as a proportion of operating revenue.

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

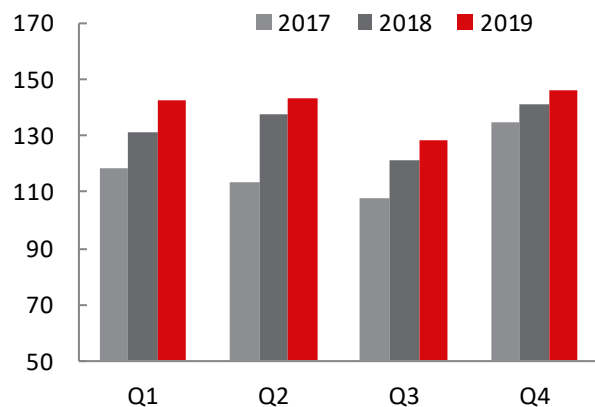
# KEY FIGURES

	2019 10-12	2018 10-12	change %	2019 1-12	2018 1-12	change %
All figures in NOK 1000 except earnings per share						
<b>Profit &amp; Loss</b>						
Sales revenue	145 987	141 289	3 %	560 318	531 323	5 %
Gross profit	127 187	117 883	8 %	483 008	444 048	9 %
EBITDA	28 047	22 306	26 %	92 016	63 957	44 %
EBITDA margin	19.2 %	15.8 %	3.4 pts	16.4 %	12.0 %	4.4 pts
Operating profit (EBIT)	18 588	16 924	10 %	56 218	42 816	31 %
EBIT margin	12.7 %	12.0 %	0.8 pts	10.0 %	8.1 %	2 pts
Profit before taxes	17 645	17 305	2 %	53 589	41 419	29 %
Profit for the period	14 191	13 383	6 %	41 609	31 677	31 %
<b>Balance sheet</b>						
Non-current assets	101 575	50 061	103 %	101 575	50 061	103 %
Bank deposits	53 085	55 279	(4 %)	53 085	55 279	(4 %)
Other current assets	86 571	89 528	(3 %)	86 571	89 528	(3 %)
Total assets	241 231	194 868	24 %	241 231	194 868	24 %
Equity	46 371	47 443	(2 %)	46 371	47 443	(2 %)
Total non-current liabilities	36 655	5 613	553 %	36 655	5 613	553 %
Total current liabilities	158 205	141 812	12 %	158 205	141 812	12 %
Equity ratio	19.2 %	24.3 %	-5.1 pts	19.2 %	24.3 %	-5.1 pts
Current ratio	0.88	1.02	(14 %)	0.88	1.02	(14 %)
<b>Cash flow</b>						
Net cash flow from operating activities	43 132	41 989	3 %	80 007	56 809	41 %
Net cash flow	9 064	35 699	(75 %)	(504)	(4 574)	89 %
<b>Share information</b>						
Number of shares	82 186 624	82 186 624	0 %	82 186 624	82 186 624	0 %
Weighted average basic shares outstanding	81 416 733	80 944 459	1 %	81 244 074	81 086 951	0 %
Weighted average diluted shares outstanding	82 132 266	82 089 234	0 %	82 052 944	82 222 212	(0 %)
Earnings per share	0.17	0.17	5 %	0.51	0.39	31 %
Diluted Earnings per share	0.17	0.16	6 %	0.51	0.39	32 %
EBITDA per share	0.34	0.28	25 %	1.13	0.79	44 %
Equity per share	0.57	0.59	(3 %)	0.57	0.59	(2 %)
Dividend per share	0.30	0.00	0 %	0.55	0.25	120 %
<b>Employees</b>						
Number of employees at the end of the period	512	486	5 %	512	486	5 %
Average number of employees	508	489	4 %	498	488	2 %
Operating revenue per employee	287	289	(1 %)	1 126	1 089	3 %
Gross profit per employee	250	241	4 %	970	910	7 %
Personnel expenses per employee	173	171	1 %	700	672	4 %
Other operating expenses per employee	22	24	(9 %)	86	107	(20 %)
EBITDA per employee	55	46	21 %	185	131	41 %
EBIT per employee	37	35	6 %	113	88	29 %

# QUARTERLY DEVELOPMENT 2017-2019

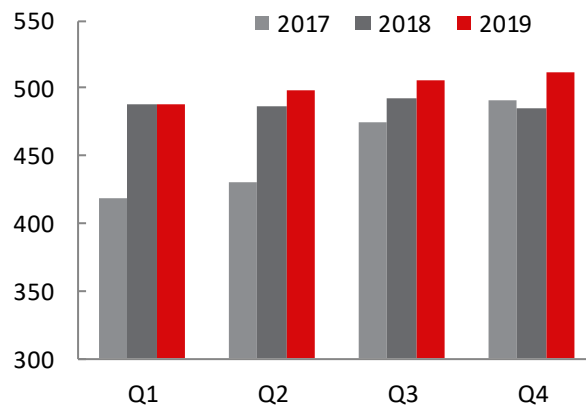
## Revenues

NOK million



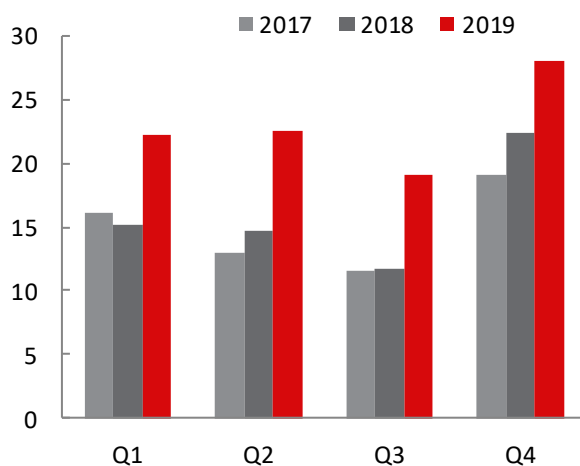
## Employees

End of period



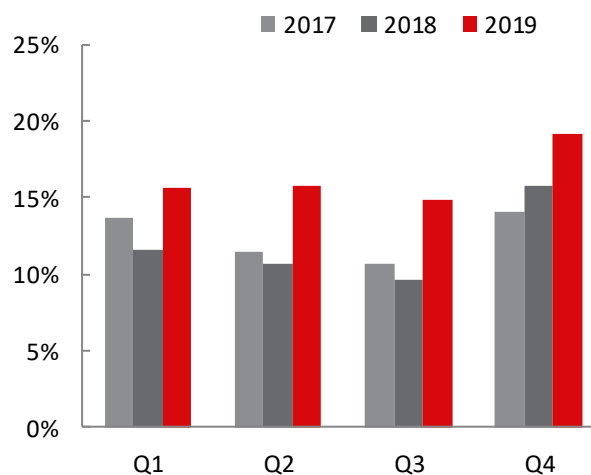
## EBITDA

NOK million



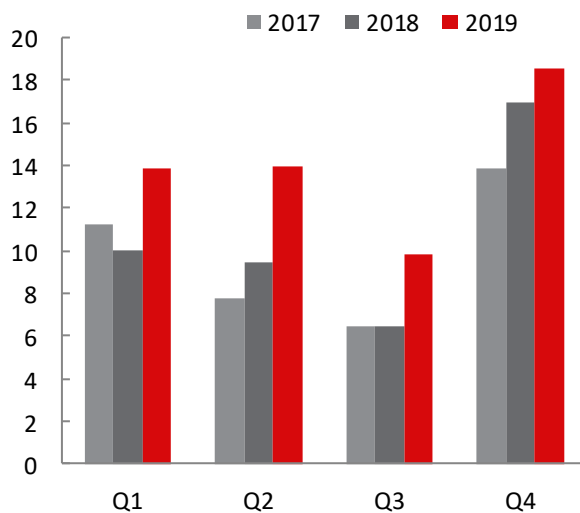
## EBITDA margin

%



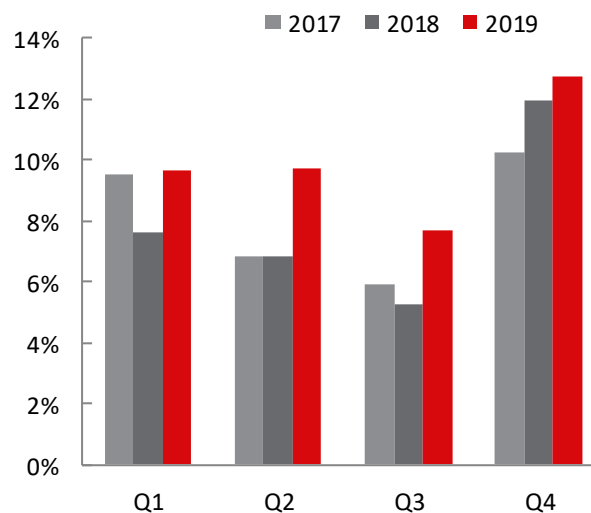
## EBIT

NOK million



## EBIT margin

%







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