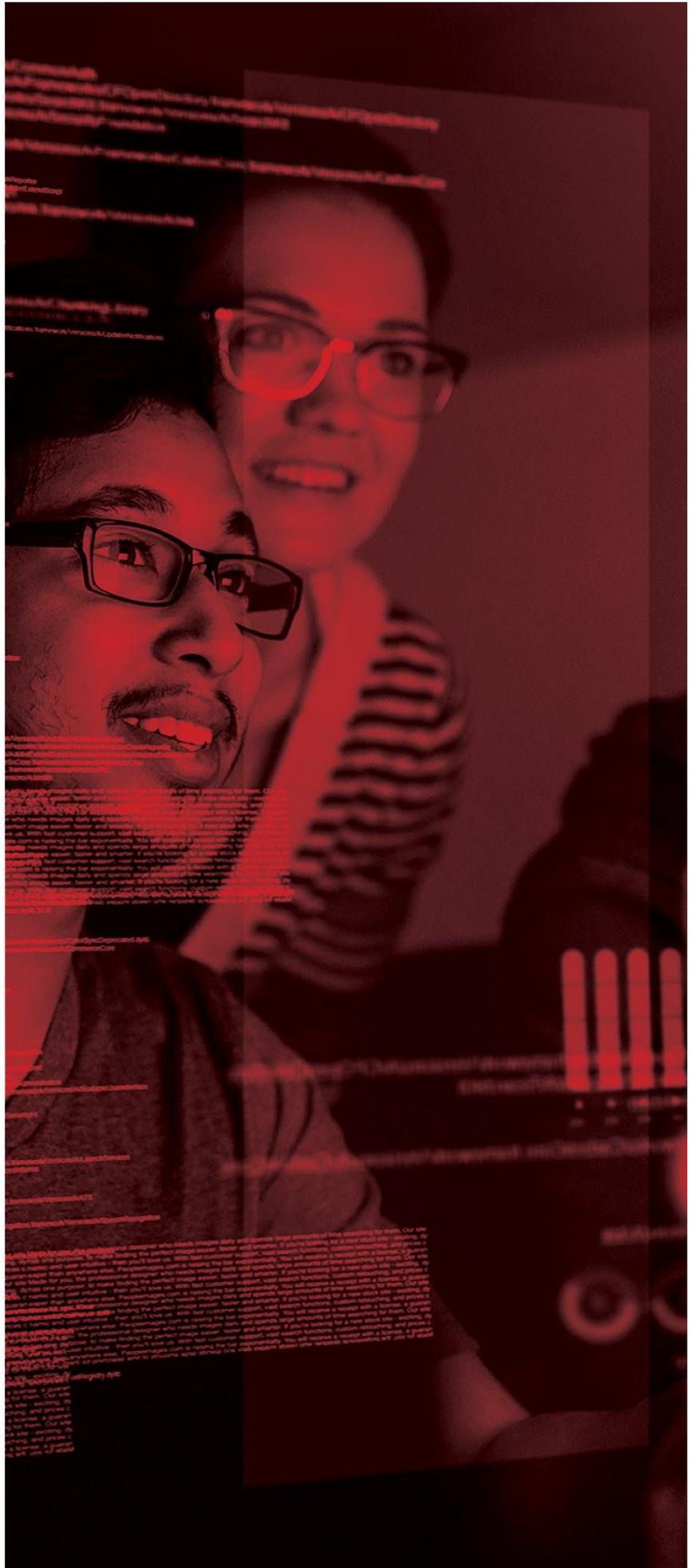


Q3

2018

itera
MAKE A DIFFERENCE



HIGHLIGHTS Q3

JULY – SEPTEMBER 2018

- Operating revenue NOK 121.3 million (NOK 108.0 million), representing growth of 12%
- EBITDA NOK 11.8 million (NOK 11.5 million) and an EBITDA margin of 9.7% (10.7%)
- EBIT NOK 6.4 million (NOK 6.4 million) and an EBIT margin of 5.3% (5.9%)
- Cash flow from operations NOK 1.5 million (NOK 11.9 million)
- Bank deposits NOK 19.6 million (NOK 59.1 million)
- Treasury shares valued at NOK 14.2 million
- Equity ratio 18% (30%)

ACTIVITIES AND SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- Third-quarter operating revenue was up 12% compared with the same period last year.
- Cash flow from operations was negatively affected by significant receivables falling due on the last weekend of September.
- Itera entered into new or extended contracts with customers such as Gjensidige, If, Santander, Össur, Strand Unikorn, Traftsys and the City of Oslo.
- Itera will set up a new Managed Cloud Services unit and lift and shift its own low-margin data centres to the cloud while divesting itself of its traditional assets. Excluding Itera's own data centre business, year-to-date revenue shows a growth of 23% with an EBIT margin of 10.5%.
- Our scalable hybrid model attracted significant interest, including from the Norwegian Minister of Trade and Industry, Torbjørn Røe Isaksen, who visited Itera's office in Kiev.
- 22 key employees bought a total of 972,377 shares with a three-year lock-in period. This is in addition to the 98 employees that bought a total of 199,633 shares at the end of the second quarter. The Share Purchase Programme is a long-term incentive scheme and replaces the Share Option Programmes that have been run over the last few years.

KEY FIGURES

All figures in NOK million	2018 7-9	2017 7-9	change	change %	2018 1-9	2017 1-9	change %	2017 1-12
Sales revenue	121.3	108.0	13.3	12 %	390.0	340.0	15 %	475.0
Gross profit	102.1	92.8	9.3	10 %	326.2	291.3	12 %	401.7
EBITDA	11.8	11.5	0.2	2 %	41.7	40.6	3 %	59.7
EBITDA margin	9.7 %	10.7 %		-1 pts	10.7 %	11.9 %	-1.3 pts	12.6 %
Operating profit (EBIT)	6.4	6.4	0.0	0 %	25.9	25.5	2 %	39.3
EBIT margin	5.3 %	5.9 %		-0.6 pts	6.6 %	7.5 %	-0.9 pts	8.3 %
Profit before tax	6.3	6.0	0.3	5 %	24.1	24.4	-1 %	38.3
Profit for the period	4.8	4.5	0.3	6 %	18.3	18.5	-1 %	29.6
Profit margin	3.9 %	4.2 %		-0.2 pts	4.7 %	5.4 %	-0.7 pts	6.2 %
Net cash flow from operating activities	1.5	11.9	-10.5	-88 %	14.8	16.7	-11 %	49.7
No. of employees at the end of the period	493	475	17	4 %	493	475	4 %	491

The figures for 2018 have been prepared in accordance with IFRS 15, while the 2017 figures are based on IAS 18.

REPORT FOR THE THIRD QUARTER

FINANCIAL PERFORMANCE

Summary for the third quarter of 2018

Itera achieved organic revenue growth of 12% in the third quarter of 2018 relative to the third quarter of 2017. This was driven by growth in the revenue earned for services provided by Itera's own consultants from both its onshore and nearshore locations.

The Group's operating profit (EBIT) for the third quarter of 2018 was NOK 6.4 million (NOK 6.4 million), giving an EBIT margin of 5.3% (5.9%).

Accounting principles

This consolidated interim financial report includes Itera ASA and its subsidiaries, and was prepared in accordance with IAS 34, which covers interim reporting, and the Securities Trading Act. The report has not been audited and does not contain all the information required in an annual financial report. More information about the accounting principles used can be found in Itera's annual report for 2017.

The figures given in brackets in this report refer to the equivalent period in 2017. The comparable figures for balance sheet items are the figures reported at 30 September 2017.

See Note 4 on alternative performance measures.

IFRS 15 Revenue from Contracts with Customers

Itera adopted the new IFRS 15 Revenue from Contracts with Customers standard with effect from 1 January 2018. The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to Itera's opening balance sheet as at 1 January 2018, reflecting the introduction of contract assets and liabilities in relation to open contracts for trade and other receivables and trade and other payables respectively, with the costs of obtaining and fulfilling a contract capitalised as other current assets. The comparison figures have not been restated, and the financial statements for Q3 2018 as they would have been had they been prepared on the basis of the accounting policies applied in 2017 have been included in note 3, together with the effect of the new standard on the opening balance sheet as at 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (effective from 1 January 2018) replaces the old incurred loss model with an expected loss model. Implementing IFRS 9 did not have a significant impact on Itera's financial statements.

IFRS 16 Leases

A new accounting standard relating to leasing (IFRS 16) has not yet come into force for the Group and has consequently not been applied when preparing the consolidated accounts for the second quarter of 2018. Itera's assessment of the impact on its financial statements of implementing this standard remains unchanged from that set out in its annual report for 2017.

Operating revenue

The Group reports operating revenue of NOK 121.3 million (NOK 108.0 million) for the third quarter of 2018, which represents growth of 12%. Revenue from services delivered by Itera's own consultants grew by 11%, while third-party service revenue was up by 93%. Subscription-related revenue grew by 5%.

Gross profit (revenue – cost of goods sold) was NOK 102.1 million (NOK 92.8 million) in the third quarter. This represents growth of 10% relative to the third quarter of 2017.

Operating revenue for the first nine months of 2018 was NOK 390.0 million, 15% higher than in the same period last year. Gross profit grew by 12% to NOK 326.2 million. This growth was predominantly from Itera's core digital business from NOK 212.3 million to NOK 244.5 million (+15%), while traditional data centre operations grew by 3% to NOK 81.6 million.

Operating expenses

The Group's total operating expenses in the third quarter of 2018 were 13% higher at NOK 114.9 million (NOK 101.6 million).

Cost of sales was NOK 19.2 million (NOK 15.1 million) in the third quarter of 2018. Cost of sales principally consists of services purchased from sub-contractors, costs related to the Group'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 75.8 million (NOK 70.3 million) in the third quarter of 2018, which represents an increase of 8%. This is primarily explained by an increase of 7% in the average number of employees.

Other operating expenses were NOK 14.5 million (NOK 11.1 million) in the third quarter of 2018, which was NOK 3.5 million higher than the same period last year. This was related to increased facility costs and higher spending on competence development and professional services.

Depreciation and amortisation totalled NOK 5.3 million (NOK 5.1 million) in the third quarter.

Operating result

The operating result before depreciation and amortisation (EBITDA) for the third quarter of 2018 was a profit of NOK 11.8 million (NOK 11.5 million), while the operating result (EBIT) was a profit of NOK 6.4 million (NOK 6.4 million). The EBIT margin for the third quarter of 2018 was 5.3% as compared to 5.9% in the third quarter of 2017.

EBIT for the first nine months of 2018 was NOK 25.9 million as compared to NOK 25.1 million in the same period last year. Itera's earnings from its core digital business were NOK 10.1 million higher than in the first nine months of 2017 at NOK 30.0 million, giving an EBIT margin of 10.5% (8.5%). The Group's earnings from its traditional data centre operations were NOK 9.6 million lower at NOK -4.1 million, giving an EBIT margin of -3.9% (5.2%). A transformation programme to shift the data centre operations to cloud offerings has been launched.

Net financial items were NOK -0.2 million (NOK -0.4 million) in the third quarter of 2018.

The result before tax for the third quarter of 2018 was a profit of NOK 6.3 million (NOK 6.0 million). Accrued tax expense for the third quarter totalled NOK 1.5 million (NOK 1.5 million).

Cash flow, liquidity and equity

Cash flow from operating activities was NOK 1.5 million (NOK 11.9 million) in the third quarter of 2018. Significant receivables fell due over the last weekend of September and were received in the first couple of days of October. Cash flow from financing activities was positive NOK 5.0 million (NOK -1.4 million) in the third quarter of 2018 as the company sold own shares to key employees as part of a long-term incentive programme.

Work in progress at 30 September 2018 was NOK 16.8 million lower

than at 30 September 2017. The decrease was due to the effect of implementing IFRS 15 and was more than offset by the introduction of contract assets of NOK 17.5 million. Accounts receivable from customers and other receivables were NOK 14.4 million and NOK 1.4 million higher respectively than at 30 September 2017.

Accounts payable at 30 September 2018 were NOK 3.3 million higher than at 30 September 2017. Public duties payable were NOK 4.1 million higher than at the end of the third quarter of 2017, while tax payable was NOK 6.5 million, which is NOK 4.4 million lower than at 30 September 2017. Contract liabilities totalling NOK 10.3 million were added due to Itera adopting IFRS 15 in 2018. Other current liabilities were NOK 0.3 million lower.

Bank deposits totalled NOK 19.6 million (NOK 59.1 million) at 30 September 2018, and the Group had an undrawn credit facility of NOK 25 million. The credit facility was used within the quarter.

The Group had interest-bearing liabilities totalling NOK 10.6 million (NOK 15.3 million) at 30 September 2018 related to financial lease agreements entered into in order to finance investments related to IT hosting contracts, with NOK 5.2 million of this amount representing current liabilities and NOK 5.4 million being non-current liabilities.

Itera sold 972,377 own shares in the third quarter as part of employee share and option programmes. At 30 September 2018 Itera held 1,242,165 own shares, valued at NOK 14.2 million.

Equity at 30 September 2018 totalled NOK 33.0 million (NOK 59.6 million). The significant decrease is due to the dividends paid during the last twelve months and the net purchase of 1,028,230 own shares. The equity ratio was 18.1% (30.0%).

Investment

The Group invested a total of NOK 2.3 million (NOK 4.0 million) in the third quarter of 2018.

Investment in Itera's IT hosting activities amounted to NOK 1.4 million (NOK 0.1 million) in the third quarter of 2018. Leasing accounted for NOK 1.4 million (NOK 0.0 million) of this amount. Investment in intangible assets (including software developed in-house for ongoing yearly agreements) totalled NOK 0.8 million (NOK 2.9 million) in the third quarter.

BUSINESS REVIEW

The Group's position as a specialist at creating digital business is strong. The range of services it offers is both unique and in demand from the market as a result of digitalisation in all industries. Artificial intelligence (AI), big data and cloud platforms are seeing significant interest and demand not only from small and medium-sized companies with the ability to move fast, but also from large organisations in both the private and public sectors.

Market and customer development

In the third quarter of 2018, the Group entered into new or extended agreements with strong brands including Gjensidige, If, Santander, Össur, Strand Unikorn, Trafsys and the City of Oslo.

The contract Itera has entered into with the City of Oslo is a framework agreement. The background to the announcement of the framework agreement is the municipality's need to undergo a radical digital transformation to ensure it reflects the technological development of society. The City of Oslo's stated goal for the work that will be undertaken is to use technology to ensure it works more holistically and provides citizens with easier and better municipal services.

Visit from the Minister of Trade and Industry

Itera's hybrid delivery model is attracting political interest, and in the third quarter Itera was proud to receive a visit from the Norwegian Minister of Trade and Industry, Torbjørn Røe Isaksen, who was accompanied by the Norwegian Ambassador to Ukraine, Ole Terje

Horpestad. The occasion of their visit was the ten-year anniversary of Itera's Kiev office. Itera was given the opportunity to discuss the substantial lack of IT expertise in the Norwegian market and to show how the Group's hybrid delivery model that features cross-functional teams and offers substantial scalability across borders can represent a good solution for Norwegian companies. Furthermore, Itera's employees also took the opportunity to demonstrate state-of-the-art technology and solutions in the areas of voice recognition, virtual reality and the IoT.

Following the visit, the Minister commented: "Itera's model helps to remedy the lack of digital expertise in Norway and the Nordic region, while value and jobs are created in Ukraine and the talent remains in the home country. Itera also shows how important cultural understanding is to succeeding in cooperation with other countries. I'm sure this is one of the reasons for Itera's success in Ukraine".

Cloud transformation of Itera data centres

Global data centres are rapidly gaining market share at the expense of smaller, local data centres. To respond to the increasing market demand for cloud services, Itera will invest in a "lift and shift" process in order to move Itera's own data centres to the cloud. The majority of customers will be transitioned to modern cloud services, while traditional operations activities will still be delivered to customers who need to plan and prepare for such a move. The organization is well prepared to deliver a spectrum of cloud-related services, ranging from architecture and consultancy through to development & operations (DevOps).

Digital platforms as strategic focus areas

Digital platforms and DevOps are strategic focus areas at Itera. In the third quarter, the Group continued its work on building a strong team of trained and certified consultants in order to be at the forefront of designing and developing innovative solutions based on advanced services within AI, big data and IoT that are available on new digital platforms.

The Group is focusing both on horizontal digital platforms like Microsoft Azure, Amazon Web Services (AWS) and Google Cloud as well as on new industry-specific platforms dominated by major companies with the strengths and abilities to change industries.

"Predict the future by creating it" at Oslo Innovation Week

Oslo Innovation Week (OIW) is an annual event in Oslo that brings together more than 10,000 people from all over the world. OIW is a collaboration between leading international and local start-ups, corporates, and other key industry players dedicated to creating viable business solutions to the UN's Sustainable Development Goals through entrepreneurship, technology and innovation. Oslo Innovation Week is organised by the City of Oslo and Innovation Norway.

In September, OIW took place for the fourteenth time, with the programme featuring hundreds of seminars, talks, pitches and workshops. Itera hosted an event which OIW highlighted as one of the most interesting in its international marketing. The title of the event was "Predict the future by creating it – using moonshot thinking to change your business" and it focused on how exponential technologies represent business opportunities. The event was fully booked several months in advance.

International award in customer experience

The international industry organization Global Sourcing Association (GSA) selected Itera as winner of the category "Customer Experience Provider of the Year" in its annual awards ceremony. Itera won in competition with international players like Capita and Marks & Spencer, 60K and Programista.

GSA was started more than 30 years ago and is a non-profit industry organisation for the global sourcing industry. GSA collects and shares the industry's best practices and creates a network for

providers and buyers of cross-border services. GSA has local organisations all over the world, including in Norway.

The jury's assessment was based on "the supplier's ability to bring lasting value to its customers through best practice and service innovation." Furthermore, the following criteria was evaluated: strategic vision, strategy for partnerships and talent development, communication practices, customer references, governance, certifications and proven results in innovation.

Nordic strategy and larger, long-term customer relationships

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

The revenue from Itera's 30 largest customers grew by 13% in the third quarter of 2018 and accounted for 82% of the Group's operating revenue, up from 79% in the third quarter of 2017.

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

The Group's headcount at the end of the third quarter of 2018 was 493 as compared to 475 at the end of the third quarter of 2017. The proportion of Itera's capacity that is located nearshore (its nearshore ratio) was 43% (42%) at the end of the third quarter. The Group has development centres in Slovakia and Ukraine, and is approaching its long term strategic target of achieving a nearshore ratio of more than 50%.

Significant risks and uncertainties

Itera's activities are influenced by a number of 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 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 the Group on its bank deposits, as well as leasing costs and the cost of credit facilities.

The Group 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 2017.

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 the Group's services, using nearshore resources and focusing on operational efficiency remains unchanged.

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

Next interim report

The interim report for the fourth quarter of 2018 will be published and presented on 15 February 2019.

STATEMENT OF CONSOLIDATED INCOME

All figures in NOK 1000	2018 7-9	2017 7-9	change	change %	2018 1-9	2017 1-9	change %	2017 1-12
Sales revenue	121 312	107 971	13 341	12 %	390 034	340 037	15 %	475 025
Operating expenses								
Cost of sales	19 202	15 123	4 079	27 %	63 869	48 749	31 %	73 360
Gross Profit	102 110	92 848	9 262	10 %	326 165	291 288	12 %	401 666
<i>Gross Margin</i>	84 %	86 %		-1.8 pts	84 %	86 %	-2 pts	85 %
Personnel expenses	75 848	70 284	5 564	8 %	244 099	214 503	14 %	294 316
Depreciation	5 331	5 100	231	5 %	15 759	15 127	4 %	20 335
Other operating expenses	14 505	11 051	3 453	31 %	40 415	36 191	12 %	47 682
Total operating expenses	114 885	101 558	13 327	13 %	364 142	314 570	16 %	435 692
Operating profit	6 427	6 413	14	0 %	25 892	25 467	2 %	39 333
Financial items								
Other financial income	468	104	364	351 %	686	538	28 %	713
Other financial expenses	627	549	78	14 %	2 464	1 594	55 %	1 721
Net financial items	-159	-445	287	64 %	-1 777	-1 056	-68 %	-1 008
Ordinary profit before tax	6 268	5 967	301	5 %	24 114	24 411	-1 %	38 325
Tax expense	1 482	1 462	20	1 %	5 820	5 924	-2 %	8 691
Profit for the period	4 786	4 505	281	6 %	18 294	18 487	-1 %	29 635
Earnings per share	0.06	0.05	0.00	8 %	0.23	0.23	0 %	0.36
Fully diluted earnings per share	0.06	0.05	0.00	8 %	0.22	0.22	-1 %	0.36
Statement of other income and costs								
Currency translation differences	28	-127	155	122 %	-365	212	-273 %	693
Profit for the period	4 786	4 505	281	6 %	18 294	18 487	-1 %	29 635
Total profit	4 814	4 378	436	10 %	17 929	18 698	-4 %	30 328
Attributable to:								
Shareholders in parent company	4 814	4 378	436	10 %	17 929	18 698	-4 %	30 328

STATEMENT OF FINANCIAL POSITION

All figures in NOK 1000	Note	2018 30 Sep	2017 30 Sep	change	change %	2017 31 Dec
ASSETS						
Non-current assets						
Deferred tax assets		3 346	3 370	-24	-1 %	3 023
Other intangible assets		22 901	18 476	4 425	24 %	22 272
Fixed assets		23 607	21 603	2 003	9 %	21 235
Total non-current assets		49 854	43 449	6 404	15 %	46 530
Current assets						
Work in progress		5 553	22 323	-16 770	-75 %	15 794
Accounts receivable		70 447	56 030	14 418	26 %	70 364
Contract assets	3	17 488	0	17 488	0 %	0
Other receivables		19 487	18 097	1 390	8 %	21 230
Bank deposits		19 581	59 065	-39 484	-67 %	59 854
Total current assets		132 557	155 514	-22 958	-15 %	167 241
TOTAL ASSETS		182 410	198 964	-16 553	-8 %	213 771
EQUITY AND LIABILITIES						
Equity						
Share capital		24 656	24 656	0	0 %	24 656
Other equity		-9 977	16 488	-26 465	-161 %	-3 653
Net profit for the period		18 294	18 487	-192	-1 %	29 635
Total equity		32 974	59 630	-26 657	-45 %	50 638
Non-current liabilities						
Non-current interest bearing liabilities		5 336	8 208	-2 872	-35 %	6 799
Total non-current liabilities		5 336	8 208	-2 872	-35 %	6 799
Current liabilities						
Accounts payable		22 192	18 932	3 261	17 %	20 710
Tax payable		6 533	10 972	-4 439	-40 %	8 531
Public duties payable		28 009	23 875	4 134	17 %	33 041
Contract liabilities	3	10 276	0	10 276	0 %	0
Other short-term liabilities		77 090	77 346	-256	0 %	94 052
Total current liabilities		144 101	131 125	12 976	10 %	156 334
Total liabilities		149 437	139 333	10 104	7 %	163 133
TOTAL EQUITY AND LIABILITIES		182 410	198 964	-16 553	-8 %	213 771
Equity ratio		18.1 %	30.0 %		-11.9 pts	23.7 %

STATEMENT OF CASH FLOW

All figures in NOK 1000	2018 7-9	2017 7-9	change	2018 1-9	2017 1-9	change	2017 1-12
Cash flow from operating activities							
Profit before taxes	6 269	5 967	302	24 114	24 411	-296	38 325
Tax paid	-21	-40	19	-7 885	-3 139	-4 746	-8 708
Depreciation	5 331	5 100	231	15 759	15 127	632	20 335
Change in work in progress	-1 208	-8 604	7 396	4 124	-8 011	12 136	-1 482
Change in accounts receivable	569	14 396	-13 827	-83	-91	8	-14 425
Change in accounts payable	-2 338	-1 907	-431	1 483	-5 510	6 992	-3 732
Change in other accruals	-6 794	-2 187	-4 607	-22 045	-5 368	-16 677	18 713
Effect of currency changes	-331	-782	450	-645	-749	104	639
Net cash flow from operating activities	1 477	11 943	-10 466	14 822	16 669	-1 847	49 664
Cash flow from investment activities							
Investment in fixed assets	-797	-1 067	270	-9 651	-2 080	-7 571	-6 041
Investment in intangible assets	-1 456	-2 888	1 433	-6 110	-8 073	1 963	-13 418
Net cash flow from investment activities	-2 253	-3 955	1 702	-15 760	-10 153	-5 607	-19 458
Cash flow from financing activities							
Purchase of own shares	0	0	0	-22 556	-1 590	-20 966	-1 590
Sales of own shares	7 107	0	7 107	9 975	3 643	6 332	3 298
Borrowings repaid	-2 082	-1 448	-635	-6 246	-5 991	-255	-8 114
Dividend	0	0	0	-20 493	-14 620	-5 873	-35 113
Net cash flow from financing activities	5 024	-1 448	6 472	-39 320	-18 557	-20 763	-41 519
Currency effect on cash	-3	32	-35	-15	14	-29	75
Net cash flow	4 245	6 571	-2 326	-40 273	-12 027	-28 246	-11 238
Bank deposits at the beginning of the period	15 336	52 493	-37 158	59 854	71 092	-11 238	71 092
Bank deposits at the end of the period	19 581	59 065	-39 484	19 581	59 065	-39 484	59 854
New borrowing related to leasing	1 399	0	1 399	3 050	1 027	2 022	1 577

STATEMENT OF CHANGES IN EQUITY

All figures in NOK 1000	Share capital	Own shares	Other equity	Translation differences	Other equity	Total equity
Shareholders' equity as of 31 Dec 2016	24 656	-290	480	-928	30 397	54 315
Comprehensive income for the year 2017	0	0	0	693	29 635	30 328
Option costs	0	0	216	0	-1 134	-918
Employee share purchase programme	0	0	318	0	0	318
Purchase of own shares	0	-75	0	0	-1 515	-1 590
Sale of own shares	0	300	0	0	2 998	3 298
Dividend	0	0	0	0	-35 113	-35 113
Shareholders' equity as of 31 Dec 2017	24 656	-64	1 014	-235	25 268	50 638
Implementation of IFRS 15	0	0	0	0	-2 961	-2 961
Comprehensive income year to date 2018	0	0	0	-365	18 294	17 929
Option and employee share purchase programmes	0	150	2 718	0	0	2 868
Purchase of own shares	0	-750	0	0	-21 806	-22 556
Sale of own shares	0	292	0	0	7 256	7 548
Dividend	0	0	0	0	-20 493	-20 493
Shareholders' equity as of 30 Sep 2018	24 656	-373	3 733	-601	5 559	32 974

NOTES

NOTE 1: TRANSACTIONS WITH RELATED PARTIED

There have been no material transactions with related parties during the reporting period 1 January 2018 to 30 September 2018.

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 30 September 2018 that would have a material effect on the interim accounts.

NOTE 3: IMPLEMENTATION OF IFRS 15 – “REVENUE FROM CONTRACTS WITH CUSTOMERS”

The IASB has issued a new standard on the recognition of revenue, IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces IAS 18, which covers contracts for goods and services, and IAS 11 (Construction Contracts). Itera adopted IFRS 15 with effect from 1 January 2018.

The new standard is based on the principle of recognising revenue when control of goods or services transfers to a customer. The notion of control replaces the existing notion of risks and rewards. The most important change to current practice is that revenue from consulting services rendered that relate to subscription contracts in some cases will be recognised over the contract period for the subscription contract and not at point in time when the services are delivered as was previously the case. Under IFRS 15, control is considered to have been transferred when the subscription contracts are fulfilled, not when the services are rendered. The costs of fulfilling a contract, such as costs related to delivering the services mentioned, were under the previous accounting policy expensed as incurred. IFRS 15 requires such costs to be capitalised as contract assets 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. Itera has reconsidered its approach and will use the prospective approach in adopting the standard, which means that the cumulative impact of adopting the standard has been recognised in retained earnings at 1 January 2018. The new accounting standard will have some impact on the timing of when Itera recognises revenue, the cost of resources and tax. In addition, certain line items in the statement of financial position have changed, mainly in relation to contract assets and liabilities.

The tables below show the impact of IFRS 15 on the statement of consolidated income for 2018 and on the statement of financial position as at 30 September 2018. The impact on retained earnings at 1 January 2018 from the change in accounting principles has been estimated to be NOK -3.0 million.

Condensed statement of income

All figures in NOK 1000	Old Principles 7-9 2018	Effect of IFRS 15	New Principles 7-9 2018	Old Principles 1-9 2018	Effect of IFRS 15	New Principles 1-9 2018
Sales revenue	119 267	2 045	121 312	388 488	1 546	390 034
Cost of sales	18 986	216	19 202	64 231	-362	63 869
Personnel expenses	74 821	1 026	75 848	243 497	602	244 099
Depreciation	5 331	-	5 331	15 759	-	15 759
Other operating expenses	14 505	-	14 505	40 415	-	40 415
Operating profit	5 624	803	6 427	24 585	1 306	25 892
Net financial items	-146	-13	-159	-1 592	-186	-1 777
Ordinary profit before tax	5 478	790	6 268	22 994	1 121	24 114
Tax expense	1 301	182	1 482	5 562	258	5 820
Profit for the period	4 178	608	4 786	17 431	863	18 294

Condensed statement of financial position

All figures in NOK 1000	Old Principles 30 Sep 2018	Effect of IFRS 15	New Principles 30 Sep 2018
ASSETS			
Deferred tax assets	2 719	627	3 346
Other intangible assets	22 901	0	22 901
Fixed assets	23 607	0	23 607
Total non-current assets	49 227	627	49 854
Work in progress	15 226	-9 673	5 553
Accounts receivable	70 447	0	70 447
Contract assets	0	17 488	17 488
Other receivables	19 487	0	19 487
Bank deposits	19 581	0	19 581
Total current assets	124 742	7 815	132 557
TOTAL ASSETS	173 969	8 442	182 410
EQUITY AND LIABILITIES			
Equity			
Share capital	24 656	0	24 656
Other equity	6 237	-16 214	-9 977
Net profit for the period	4 178	14 116	18 294
Total equity	35 071	-2 098	32 974
Non-current interest bearing liabilities	5 336	0	5 336
Total non-current liabilities	5 336	0	5 336
Accounts payable	22 192	0	22 192
Tax payable	6 533	0	6 533
Public duties payable	28 009	0	28 009
Contract liabilities	0	10 276	10 276
Other short-term liabilities	76 827	263	77 090
Total current liabilities	133 562	10 539	144 101
TOTAL EQUITY AND LIABILITIES	173 969	8 442	182 410
Equity ratio	20.2 %	-2.1 pts	18.1 %

NOTE 4: ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

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

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

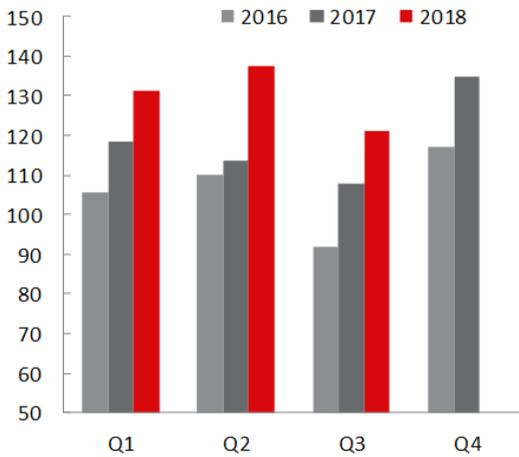
KEY FIGURES

Condensed statement of financial position

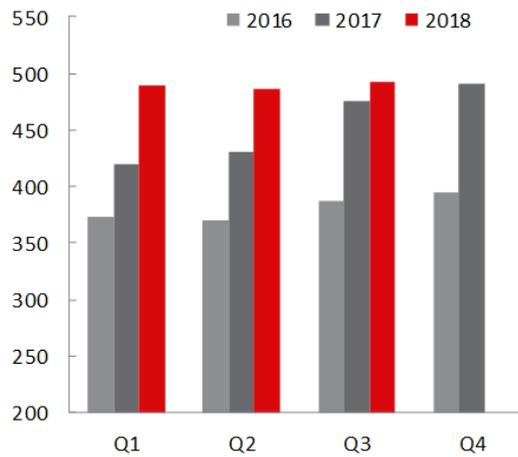
All figures in NOK 1000	Old Principles 30 Sep 2018	Effect of IFRS 15	New Principles 30 Sep 2018
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QUARTERLY DEVELOPMENT 2015-2018

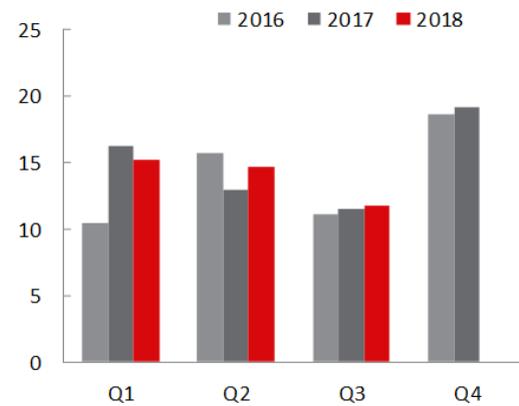
Revenues
NOK million



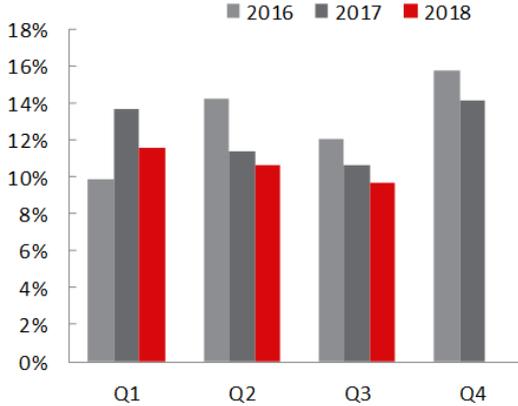
Employees
End of period



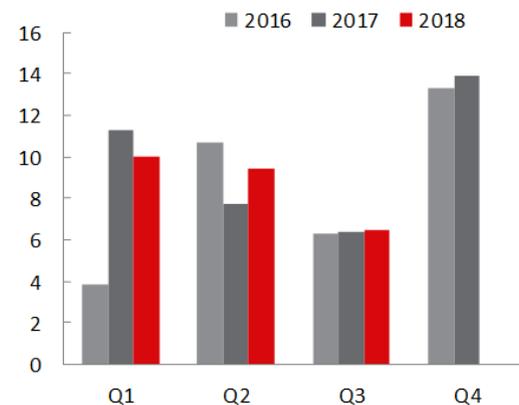
EBITDA
NOK million



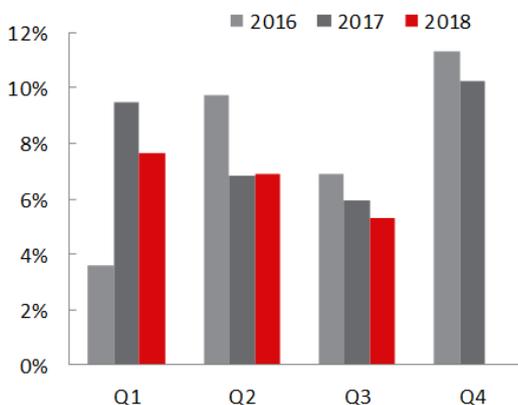
EBITDA margin
%



EBIT
NOK million



EBIT margin
%





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