SPECIALISTS IN CREATING DIGITAL BUSINESS

CONTENTS

STORIES

Platform first

The platform model underlies the success of many of today's biggest, fastest-growing and most powerfully disruptive companies, from Google, Amazon and Microsoft to Airbnb, Uber and eBay. Platforms are beginning to transform a range of economic and social arenas, from healthcare and education to energy and government.

Text: Arne Mjøs, CEO

The opportunities offered by the platform model are now opening up to every company in every industry. Finn.no (a marketplace), Vipps (a mobile payment solution) and Veracity (DNV GL's industry platform) are three examples from Norway.

There are two parts to the platform model, namely platform business models and intelligent technology platforms, with platform business models enabled by intelligent technology platforms.

PLATFORM BUSINESS MODELS

A platform business model brings together consumers and producers and allows them to exchange information, goods or services on the one hand and money on the other. Such a platform creates communities and markets with network effects that allow users to interact and transact.

Investors value platforms more highly than traditional businesses. Seven of the ten largest companies by market capitalization are platform organizations. About 60% of today's billion-dollar "unicorn" startups are platform businesses. The digital economy will represent 25% of the world's entire economy by 2020.

Business leaders across all industries are recognizing the opportunities presented by platforms in terms of generating new kinds of growth, and they are rethinking the traditional roles their companies play from a platform perspective.

INTELLIGENT TECHNOLOGY PLATFORMS

Cloud-based technology platforms are key enablers for platform businesses. In fact, many companies are accelerating their adoption of

This democratization of technology is ensuring that any business – whether a startup or a small or large business – can take advantage of sophisticated technology due to the products and services being more affordable and user-friendly.

intelligent cloud technologies as a crucial first step towards breaking into the platform world.

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

These products and services include massive data analytics, the Internet of Things (IoT), machine learning, artificial intelligence (AI) and natural language processing. New voice user interfaces such as Google's Assistant, Apple's Siri and Amazon's Alexa are all based on cloud technology.

According to predictions from Cisco, cloud data centres will virtually replace traditional data centres within a few years. Cloud technology is disrupting the IT-industry itself, and it offers far higher levels of virtualization, standardization, automation and security than traditional data centres.

In addition, the processing power inside IoT devices is accelerating as a result of recent innovations in edge computing. Rather than data having to go to the cloud to be processed and then sent back out to a device, data can also be collected and analysed on and between devices. For instance, an autonomous car and a set of traffic lights can communicate with each other directly, rather than via the cloud.

Technology platforms comply with every international security standard and are enabling edge computing and the massive growth of IoT devices and sensors. To become a digital business, new technology platforms are the only option as no traditional data centres are designed for this new digital world.

DIGITAL MODELS OF THE PHYSICAL WORLD: ONLY THE BEGINNING

The IoT is transforming one industry after another, driving massive growth in the adoption of connected and intelligent devices as a strong foundation for new use cases. We are now reaching a tipping point where digital twin solutions can be created securely and at scale to model both the digital and physical worlds.

Digital twins provide a digital model of the relationships and interactions that exist between people, places and devices and can be applied to any physical environment. Using platforms with sophisticated digital models and AI capabilities, we can improve our work and personal lives across industries.

Once a digital model is in place, the technology platform connects the IoT devices and sensors that keep everything up-to-date with the physical world. The concept of digital twins can be used to make all types of environment smarter, e.g. offices, electric cars, electric grids, schools, hospitals, banks, stadiums, warehouses, factories, parking lots, streets, etc. – and even entire cities.

SMART ENERGY, SMART BUILDINGS AND DIGITAL HEALTH

We are using platforms to create breakthrough applications for a variety of industries. One example is that we have combined IoT, digital twins and AI to create a smart building platform that helps building owners and operators to manage their buildings with greater efficiency

New platforms are driving the most profound change since the industrial revolution. Itera is playing its role in delivering this change.

and to organise space in the way that best suits people's needs. The new solutions include predicting maintenance needs, analysing energy requirements, optimizing how the available space is used and creating more efficient processes to improve employee satisfaction and productivity.

A second example is that we are leveraging a new smart energy platform that is digitizing the whole utility value chain, from energy generation through to transmission, distribution and consumption. Massive volumes of data collected from many sensors throughout the value chain are informing how new products are designed, are facilitating better decisions and are enabling better customer service for a lower price. In addition, technology advances in rooftop solar, electric cars and smart metering technology have allowed consumers to become producers of electricity too, supplying energy back to the electric grid through the platform.

A third example is how digital health platforms are democratizing the healthcare industry. New digital health solutions are enabling people to access their fitness and health data from wearable technology like smart watches, to interact with their data and to access fitness and health services. We have partnered with the global startup Validic to access the health and fitness data generated by devices with the highest level of security. Using AI, experts are training algorithms to analyse large quantities of data and to extract insights to improve predictive capabilities, to enable greater personalization and to democratize access to enhanced care.

A HUGE OPPORTUNITY

Platforms are no longer just being used by tech and born-digital organizations. Companies across all industries are recognizing the opportunities in terms of the new kinds of growth and rewards they offer. Organizations with adaptability at their core that succeed in making strategic use of digital technologies to build successful platform business models will become winners. Those who do not will miss their chance and lose out.

At Itera, Platform first is at the core of our business, and this applies to both business platforms and technology platforms. We collaborate with customers in new ways to define new business platforms and to develop, deliver and scale up disruptive, leading-edge solutions on intelligent technology platforms.

Our projects are carried out by a DevOps team that brings together expertise in business analysis, design, development, testing and operations. We combine our specialist capabilities with the capabilities of providers of business or technology platforms. Through strong partnership with the tech giants Microsoft, Google and Amazon, we are tapping into their global research labs, innovation centres and delivery centres. Our solutions are based on advanced analytics, IoT, AI and machine learning capabilities that are available in the platforms.

New platforms are driving the most profound change since the industrial revolution. Itera is playing its role in delivering this change.

Cloud-based solutions offer major commercial opportunities

The IT industry is currently going through one of the biggest changes ever seen in its history.

Text: Niko Nyström, Transformation

Virtually all new IT solutions used to run on dedicated infrastructure (servers, storage, security solutions etc.) in small, local server rooms or data centres. Over the course of just a few years, about 50% of global computing power has been moved to enormous data centres, a phenomenon that has primarily been driven by a small number of major providers (Amazon, Google and Microsoft).

These providers offer cloud-based platforms that are radically changing the way in which our customers work. Our impression is that Norwegian companies largely have a good understanding of the advantages of cloud-based solutions and are making increasing use of them. Companies in industries such as tech and media have already made a lot of progress in this regard. Other industries, such as banking and insurance, undertook a lot of small test projects in 2018, and are now in the process of significantly expanding their use of such solutions.

The major providers of cloud services are currently investing enormous sums in improving their cloud platforms. Existing services are being developed further and new, cloud-based services are being launched at a rapid pace. Organizations in Norway and elsewhere can use these platforms to continuously offer their customers new services without having to invest significant resources in developing them on their own. The major providers also ensure such services are stable and secure, as the standards of operational security and security routines they offer are superior to those that all but a very few of their customers could achieve on their own.

> ***In general, we can see that almost all of our customers are planning to start using or to increase their use of cloud-services in 2019.***

PARTICULARLY INTERESTING AREAS OF USE

We are seeing a marked increase in the use of cloud-based solutions in many traditional areas in IT architecture. These areas include software solutions in areas such as CRM, HR, finance, co-operation and communication. Many companies are also working on further developing their existing solutions and the IT infrastructure that they use. Operations for a significant number of such solutions, but obviously not all, can be moved to the cloud.

When we at Itera develop new services for our customers, the testing and development environments we use are normally set up as cloud-based services. This also applies to the production environments in which the services are further developed over time. The reason for this is that it makes it easier for us to develop new services quickly and enables us to scale them up or down depending on usage and costs in line with our customers' needs.

GROWING RAPIDLY IN CLOUD SERVICES

At Itera, we are now engaged in the biggest employee competence development program we have undertaken, and we are working to develop the cloud services expertise of all our employees, whether they are a manager, a digital designer, a service designer, a developer or an architect, or are focused on operations or management. We think that this is absolutely critical if we are to strengthen our position as a specialist at creating digital business and our role as our customers' preferred implementation partner.

In 2018 we started building a new organizational unit, Managed Cloud Services, which has specialist expertise in cloud-based solutions. This unit is growing rapidly and undertakes projects involving creating new, cloud-based solutions, moving existing solutions to the cloud and operating them over time.

Over the last year the Itera team has delivered high-quality, future-oriented cloud-based solutions to customers such as BITS, E-Nettet, Gjensidige, Home and Nets. The use of cloud-based solutions will increase significantly over the next few years, creating exciting growth opportunities for both Itera and its customers. In general, we can see that almost all of our customers are planning to start using or to increase their use of cloud-services in 2019. We want to be their preferred partner on this journey.

Artificial Intelligence (AI) will affect every business

Several industries have already been facing a seismic shift because of AI. In the near future, far more industries will face the same, sooner than they expect. AI is a very broad term that represents huge possibilities – both for your company, your competitors and every possible new player in the market.

Text: Tom Kr Foosnæs, Senior Consultant

In general, smart digitalization will be the end of many businesses but also the beginning of many others.

THINGS ARE STARTING TO HAPPEN IN NORWAY

Despite the fact that Europe is far behind the United States and especially China, in Norway we are adapting to the new reality as well. About a year ago, Amazon Go opened its first fully automated store in Seattle, and it now has eight stores in the United States. These stores use cameras, computer vision algorithms, sensor fusion, machine learning, image analysis and radio frequency identification to make physical shopping easier than ever before. Upon entering the shop, you simply scan your phone, grab everything you need and then walk out. No cashier points are needed. You get the receipt on your phone as soon as you leave the shop.

Before the start of summer this year, the Coop Extra in Bogstadveien, Oslo, will implement a similar type of system. In short, once the shop's employees have left at 11pm, technology will take over until the following morning. Customers will be able to log themselves into the store using their mobile phone. This exemplifies how new technology is being used to make shopping easier. The extent to which the Coop will use AI remains a company secret. What is

An understanding of the opportunities and threats any given technology brings is important but not sufficient; what is more crucial is knowing how it will affect people, brands and markets.

clear is that the system will not be as complex as Amazon Go's. However, it shows us that what happens abroad soon affects us in Norway.

The same applies in the area of viewing recommendations. Netflix uses AI, or more specifically machine learning, to make recommendations for what to watch. RiksTV in Norway now does the same.

Norwegian banks are also starting to be affected by what is happening beyond our borders. A recent trend report published by Cicero Consulting, Mito and Itera showed that AI will become increasingly important for the Norwegian banking industry in the years to come. Norway's largest banks have already started projects in the fraud prevention area and developed their own chatbots. Initiatives such as cognitive surveillance, intelligent savings, robotic accounting, voice assistants and automatic text analysis have also been undertaken. Automatic text analysis has been used by JP Morgan Chase to reduce the amount of time spent on a particular task from 360,000 hours to seconds. Churn analysis can be used to predict which customers are about to leave you. This information enables you to implement proactive measures.

Itera has previously carried out churn analysis for other industries. We believe we will see this used by the banking industry as well as by other industries within a short space of time.

WHY CHANGE IS HAPPENING MORE QUICKLY

The use of AI is developing at a far greater pace than before. Today AI assists us in every area of our lives, whether we are trying to read our emails, Google something, use social media, get driving directions, or start a new business. We are also seeing smart buildings and smart cities emerge around us.

The reason why the use of AI is increasing much more quickly now is that we now have access to far greater computing power. Machines are everywhere, and the amount of data we can feed into computers is endless. In addition, Microsoft, Google and Amazon Web Services now all include AI as an integral part of their cloud platforms. This means that it is much easier than before to get projects started.

WE WILL BE HAPPY TO HELP

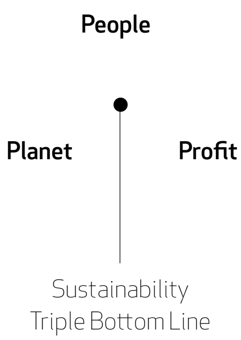
Technology-driven innovation and digitisation are changing industries overnight. Itera has consultants that can take care of all aspects of your AI initiatives, from business consulting, content, service and interaction design through to development, testing and operations through managed cloud services.

Which projects you test out first should be based on commercial considerations, not technology. This increases the likelihood of you getting the most out of your investment. We use the digital and technological changes taking place in the market to create good business models and thus ensure our customers continue to be competitive in the market of tomorrow. Using our insight, we conduct analysis work to identify business opportunities and their value. New technology is central to this. Cloud platforms are revolutionising the possibilities that are available in terms of creating smart services that use large amounts of data, artificial intelligence, machine learning, AR, VR, digital twins and other new technologies. However, an understanding of the opportunities and threats any given technology brings is important but not sufficient; what is more crucial is knowing how it will affect people, brands and markets. We combine insights such as these to create digital strategies and change programs that provide short-term gains and long-term results. Welcome to the future of creating digital business. Welcome to Itera.

Sustainability is business

2018 will forever be the year when a whale stranded on an Asian beach with a stomach full of plastic opened people's eyes. This was a graphic illustration of the challenges we are facing as a species and was impossible to overlook.

Text: Line Svingen, Digital Business & Experience



The trickle of consumers demanding sustainable products, of employees choosing sustainable employers and of investors seeking sustainable investments is turning into a flood. Sustainability is a core component of the future of business and businesses that are able to integrate sustainability into their operations will be attractive. Sustainability is no longer about charitable giving and sponsorship; it is fundamental to business itself. To deliver long-term business value, companies need to ensure that they have a positive social, environmental and financial bottom line.

Used in the right way, design and technology have the potential to play a key role in relation to many of the environmental challenges we are facing. This last year, we have seen new mobility solutions that reduce fossil-fuel vehicles, smart building solutions that reduce energy consumption, a massive shift to cloud data centres and consumer solutions that raise awareness about food, consumption and health.

What, then, are the benefits of initiatives such as these? Research shows that 1,000 cloud servers produce about 50% less carbon emissions than traditional servers, which is equivalent to the carbon emissions produced by 261 homes, taking 444 cars off the roads or planting 5,810 trees to offset carbon emissions (Medium Corporation, 2018). A 2016 study by the UC Berkeley's Transportation Sustainability Research Center found that for every car-sharing car that is introduced, up to 11 privately owned cars off are taken off the road. We need initiatives such as these and many, many more if we are to create a sustainable future.

SUSTAINABILITY AT ITERA

At Itera, we are highly conscious of the opportunity that we have to contribute to sustainable

When undertaking innovation projects, we seek to find solutions that are of value to consumers, businesses and the environment.

solutions thanks to our expertise in business, design and technology. With our committed employees working in collaboration with some of the largest organizations in the Nordics, we can and will make a difference.

Our specialists in sustainability work with clients to develop strategies that are good for business and the environment. When undertaking innovation projects, we seek to find solutions that are of value to consumers, businesses and the environment. And our cloud services are ready to welcome businesses that want to reduce the carbon emissions of their IT operations.

We are ready to live by our "Make a difference" vision. Are you?

"The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice."

www.un.org/sustainabledevelopment/sustainable-development-goals/

Going Digital

CEO Comment Arne Mjøs, CEO

Itera delivered solid financial results in 2018, reflecting strong demand for our services as the specialist in creating digital business, as well as the continued success of our strong customer-centric strategy that puts innovation at the heart of how we serve our customers.

In 2018, we delivered organic revenue growth of 12% and an operating profit (EBIT) margin of 8.1%. Itera shares produced a total return, including dividends, of 21% in 2018, which compares with a return of -2% for the Oslo Stock Exchange Benchmark index (OSEBX). Our strong performance in 2018 - on top of our outstanding total return of 75% over the previous two years and of 167% over the previous three years - clearly demonstrates that we are executing our strategy in a durable and sustainable way.

We remain the partner of choice for a range of selected leading companies and public-sector organizations in the Nordics. We deliver services to international businesses in more than 15 countries. We also continue to build strong, long-term relationships with our customers, and most of our 30 largest customers have been with us for ten or more years.

CLOUD TRANSFORMATION

A key component of our growth strategy is the investments we have made in new, high growth areas to drive our differentiation and competitiveness. In 2018, we invested in a new managed cloud services unit that has clearly set us apart from traditional hosting providers. The new unit was created by bringing together talented employees from all disciplines to create a DevOps (Development and Operations) environment for our customer with our full range of services.

The use of cloud computing services and applications continues to increase at a rapid rate, leading to the rise of vast 'hyperscale' cloud data centers. According to Cisco's Global Cloud Index, cloud data centres account for over 50% of all data centre processing power

Today, we are focused on providing a full range of services and capabilities to help create digital business while giving customers access to a large pool of digital talents.

in 2018, and this will increase to 70% in 2021, with traditional data centres virtually replaced within three years.

We have therefore created a sunset strategy for our own data centres that will run in parallel with a program to lift and shift our data centre customers to the cloud. We will further strengthen our position in the fast-growth cloud market in 2019 while downscaling investments in own data centres.

The revenue generated by our core digital business excluding the sunset business grew by about 18% in 2018 – approximately 74% of our total revenue – and delivered a profit (EBIT) margin of 11.7%. The revenue generated by the sunset business decreased by -3% in 2018, with an EBIT margin of -2.1%.

PLATFORM FIRST

Today, we are focused on providing a full range of services and capabilities to help create digital business while giving customers access to a large pool of digital talents. Our customers see us as their realization partner for creating digital business.

At Itera, we focus on taking a Platform first approach across all disciplines. The platform model is the basis of the success for many of today's biggest, fast-growing and most powerfully disruptive companies, from Google and Amazon to Airbnb, Uber and eBay. These new business platforms are driving the most profound change since the industrial revolution.

In this context, a platform is a business platform or a technology platform. A business platform is a business model that brings together consumers and producers and allow them to exchange information, the goods or service, and currency. The platform creates communities and markets with network effects that allow users to interact and transact. Finn.no (market place), Vipps (mobile payment) and Veracity (DNV GLs industry platform) are three local examples.

Business platforms are enabled by new cloud-based technology platforms, including Microsoft Azure, Google Cloud and Amazon Web Services (AWS). The technology platforms incorporate advanced analytics, Internet of things (IoT), artificial intelligence, machine learning and many other capabilities. Today, new solutions based on cloud-enabled continuous delivery and cloud-native application architecture enable much faster innovation and much greater business agility.

We collaborate with customers in new ways to develop, deliver and scale up disruptive, leading-edge solutions. We combine our specialist capabilities with the capabilities of providers of major business and technology platforms – from research labs to innovation centres and delivery centres. We also engage with start-ups in areas like artificial intelligence, block chain and digital health.

We are highly relevant to senior executives, deliver great experiences for our customers' customers, create new concepts and revenue streams, and operate services on behalf of customers in DevOps environments.

FAST AND HYBRID

Leveraging intelligent insights from data across customers, products, and employees is critical to be able to stay competitive and keep up with digital transformation in any industry. In the data-driven world we live in today, our Fast and hybrid delivery model enables our customers to drive innovation at speed and scale.

Building on a strong Nordic heritage, we com-

We are particularly proud that Itera was awarded the title of "Customer Experience Provider of the year 2018" by the Global Sourcing Association (GSA).

bine local presence with nearshore capabilities into a hybrid delivery model with interdisciplinary teams, 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 the Nordic region. We are tapping into the world's fourth largest pool of digitally talented people, after the USA, India and Russia, a pool which is only a few hours away from the Nordic region by plane.

We have a world-class business framework for managing customers, data, processes and employees across borders. We really help customers adapt their IT sourcing model, so they can respond quickly and harness new opportunities with high quality and security. We can provide a full range of services and capabilities to help create digital business including information security, GDPR and EU data protection laws.

We are particularly proud that Itera was awarded the title of "Customer Experience Provider of the year 2018" by the Global Sourcing Association (GSA). This global award is evidence that our fast and hybrid delivery model is one of the best sourcing models in the world, which is thanks to our agile Nordic business culture and interdisciplinary, cross-border teams.

THE NORDIC REGION IS LEADING THE WAY

Our vision is to make a difference. We solve challenges differently because we combine our multidisciplinary strengths to gain deeper insight and explore new opportunities.

We focus on the Nordics, which are among the world's most advanced digital economies. Our ambition is always to turn a great experience for our customer's customer into a competitive differentiator. This is possible through our sincere commitment to multidisciplinary teams, a design thinking mindset and our promise to ensure technology is human at every interaction, through all touchpoints, every single day.

We also serve customers that are based in the Nordics in 15 different countries elsewhere in Europe and the rest of the world. Our fast and hybrid delivery model and cloud solutions are improving the scalability of our business model, which involves turning our local presence into partnerships with our customers. In 2018 we strengthened our position in Iceland and in Western Norway and expect the good development to continue.

We also continue to build strong, long-term relationships with our customers. Our 30 largest customers accounted for 79% of our total revenue in 2018, an increase of 1 percentage point from 2017. The amount of revenue we earn from our largest customers is increasing steadily year by year, with several of our customers now spending more than NOK 50 million per year.

OUR PEOPLE AND COMMUNITIES

As a talent and innovation-led organization, it is ultimately our employees who make the difference in terms of driving innovation and delivering high-quality services to customers. One of Itera's top priorities is to attract the best people and to invest in further developing our employees and their specialist skills.

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

We are continuing to leverage our position as the leading partner to key providers in the technology platform ecosystem. In 2018, more than 200 staff from Itera attended training and certification programs in technology platforms such as Microsoft Azure, Google Cloud and Amazon Web Services (AWS). We are leveraging continuous learning paths that are customized for the individual, including in IoT, analytics, machine learning and artificial intelligence.

Itera also attends leading conferences and events around the world to ensure it captures the next drivers of growth. In 2018, we worked to make Itera even more relevant to its customers by focusing on new smart industries such as digital health, smart energy and smart buildings. We are especially proud that Itera was recognized for the third year in a row as one of the 25 most innovative companies across all industries in Norway by Innovasjonsmagasinet.

Our employees work across disciplines on

Together with our partners and our first-mover customers in digital health, smart energy and smart buildings, we are innovating to improve people's lives in accordance with the United Nation's Sustainable Development Goals.

game-changing initiatives to innovate new solutions and services. Regular social events called MAD ("Make A Difference") Nights are held for all employees in all our locations in order to build a strong ONE Itera culture guided by our core values: Innovative, Passionate, Skilled.

Itera is deeply committed to inclusion and diversity. We embrace diversity as 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.

We also remain focused on reducing the environmental impact of our offices and operations and on fostering sustainable growth for Itera and our customers. Together with our partners and our first-mover customers in digital health, smart energy and smart buildings, we are innovating to improve people's lives in accordance with the United Nation's Sustainable Development Goals.

OUR JOURNEY CONTINUES

We head into 2019 with excellent momentum in our business and are very well-positioned in the marketplace. With our specialized capabilities, our talented people, our ONE Itera culture and our management of the business, I am very confident that we will take our platform-first strategy to the next-level of execution and will continue to deliver value for all our stakeholders.

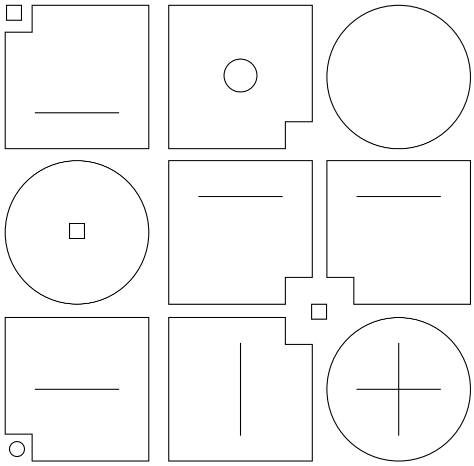
In closing, I would like to warmly thank everyone at Itera for their continued hard work and dedication to our customers and our business. I would also like to thank our customers, strategic partners and shareholders for their support on our journey.

AWARDS & RECOGNITIONS

TOP 25

TOP 25 MOST INNOVATIVE COMPANY IN NORWAY

For the third consecutive year, Itera was recognized as one of the 25 most innovative companies across all industries in Norway. Awarded 2016, 2017 and 2018 by Innovasjonsmagasinet, the leading innovation publication in Norway with more than 25.000 readers and wide-spread national distribution.



CUSTOMER EXPERIENCE PROVIDER OF THE YEAR

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.

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

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.

BEST TEST AUTOMATION PROJECT

(EUROPEAN SOFTWARE TESTING AWARD)

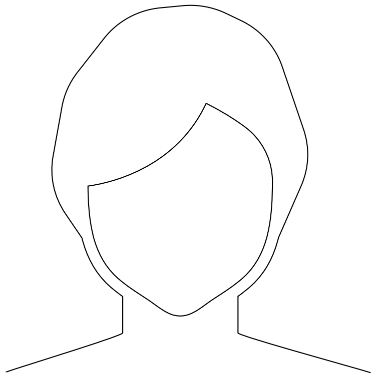
Finalist with the Itera customer Íslandsbanki.

BEST OVERALL TESTING PROJECT – FINANCE

(EUROPEAN SOFTWARE TESTING AWARD)

Finalist with the Itera customer Íslandsbanki.

FACTS 2018



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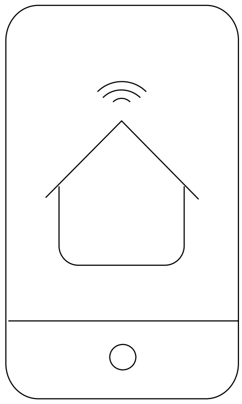
**WITH COLLEAGUES FROM
20 NATIONALITIES,
OUR DIVERSITY IS UNIQUE**



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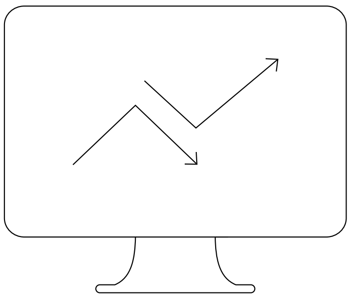
**WITH 30 YEARS OF EXPERIENCE,
WE ARE SPECIALISTS IN CREATING
DIGITAL BUSINESS**



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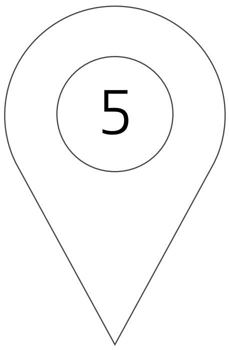
**HOURS SPENT ON TRAINING
TO SECURE
WORLD-CLASS COMPETENCE**



**PRESENT IN 5 COUNTRIES:
NORWAY, SWEDEN, DENMARK,
UKRAINE AND SLOVAKIA**

IN BRIEF 2018

Itera executed well against its strategy in 2018, resulting in new and larger customers, high employee engagement, a strengthened brand and solid financial results, with a shareholder return of 21 percent.

Itera delivered a total annual return to shareholders (including dividends) of 21% in 2018, which compares with -2% for the Oslo Stock Exchange Benchmark Index (OSEBX).

Operating revenue for 2018 was NOK 531.3 million, equivalent to a growth of 12%.

The revenue from Itera's 30 largest customers grew by 17% in 2018 and accounted for 79% of the Group's operating revenue, up from 71% in 2017.

Itera increased its presence in Bergen to better serve the Western Norway region with hybrid (onshore/nearshore) deliveries and continued to expand in the Icelandic market. By the year-end, more than 60 full-time employees were engaged in projects based in the country.

Q1

Itera achieved an organic revenue growth of 11% in the first quarter of 2018 relative to the same period in 2017. Denmark almost doubled its revenue. The Group entered into agreements that significantly expanded and extended existing relationships with customers including KLP, Gjensidige, Santander, RiksTV, Íslandsbanki and APCOA Parking.

Q2

Itera was named as one of Norway's top 25 most innovative companies across all industries for the third consecutive year. Operating revenue was up 21% compared with the same period in 2017. An ordinary dividend of NOK 0.25 per share was paid to the shareholders based on the Group's 2017 results.

Q3

The Group's 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. Due to the high growth of hyperscale cloud, Itera established a new Managed Cloud Services unit to lift and shift its data centers to the cloud. Itera was named "Customer Experience Provider of the Year" by the international industry organization Global Sourcing Association (GSA).

Q4

Itera finished 2018 with an EBIT margin of 12.0% in the fourth quarter, fuelled by 9% growth in its core digital business. 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.

KEY FIGURES

531
OPERATING REVENUES (MNOK)

21%
SHAREHOLDER RETURN

45%
NEARSHORE RATIO

486
NUMBER OF EMPLOYEES

64%
BANKING & INSURANCE

15%
PUBLIC, HEALTHCARE AND ORGANIZATIONS

4%
PROFESSIONAL SERVICES

5%
RETAIL & CONSUMER PRODUCTS

4%
ENERGY AND MARINE

9%
OTHER

KEY FIGURES

	Definitions	2018	2017
Profit and loss			
Operating revenue		531 323	475 025
EBITDA		63 957	59 668
EBITDA Margin		12.0 %	12.6 %
EBIT		42 816	39 333
EBIT Margin		8.1 %	8.3 %
Profit before taxes		41 419	38 325
Result for the year		31 677	29 635
Cash Flow from Operations		56 809	49 664
Financial position			
Total fixed assets		50 061	46 530
Total bank deposits		55 279	59 854
Total current assets		144 807	150 925
Total assets		194 868	197 454
Shareholder's equity		47 443	50 638
Total liabilities		147 425	146 816
Equity ratio	1	24 %	26 %
Current ratio	2	1.02	1.08
Share information			
Number of shares		82 186 624	82 186 624
Average number of outstanding shares		81 086 951	81 690 873
Equity per share outstanding	3	0.59	0.62
EBITDA per share outstanding	4	0.79	0.73
Earnings per share outstanding	5	0.39	0.36
Dividend per share outstanding	6	0.25	0.45
Employees			
Number of employees at year end		486	491
Average number of employees		488	443

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 numner of outstanding shares
5. Net profit/loss for the year divided by average number of outstanding shares
6. Dividend divided by average number of outstandig shares

BOARD OF DIRECTORS' REPORT

THE COMPANY

Itera (the Group) is a specialist in creating digital business. It utilises its strong, multidisciplinary 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, Kiev and Bratislava.

MARKET CONDITIONS

Itera experienced strong market demand for its services in 2018 and has continued to build its solid position as a specialist in creating digital business. Emerging technologies, like artificial intelligence (AI), machine learning (ML) and Internet of Things (IoT) are leading to changes in all industries, and there is substantial demand for services and products to be digitalised. Itera is correspondingly experiencing demand both for its strategic advisory services as well as for its concept development, technical development and application management services. Many of the Group's customers have transitioned from having a one-track focus on optimising their existing business to running one or more additional parallel tracks in order to continuously explore new ideas and business models. Itera's delivery methodologies are well suited for handling both perspectives, and its range of services is well adapted to market demand.

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. The revenue from Itera's 30 largest customers grew by 17% in 2018 and accounted for 79% of the Group's operating revenue, up from 71% in 2017. New agreements were entered into or existing agreements were extended with strong industry brands including Gjensidige, Santander, If, Storebrand, Nets, BITS, APCOA Parking, Össur, Íslandsbanki and UEFA. These agreements span the whole range of services offered by the Group, from consultancy and strategy via design and development through to IT operations and application management. The design and development projects cover both businesscritical core systems and communications solutions for Itera's customers to use with their own customers, existing as well as potential. The IT hosting and management services to an increasing degree involve setting up and hosting cloud-based platforms and applications rather than more traditional technology.

One area in which Itera is strongly positioned is banking and insurance, which are, like a number of other sectors, being strongly affected by new technology and undergoing extensive upheaval. Itera is finding the market position it has created in collaboration with its customers to be solid, and the Group strengthened its position in 2018 in this area thanks to its deep insight into advanced technology, its good commercial understanding, and its strong focus on creating good user experiences.

Awards and recognition

In order to be a professional, relevant and value-adding partner to customers, Itera emphasises innovation in both its development of new and relevant services and in its deliveries to customers. Considerable effort is put into continuous competency development and the development of processes relating to deliveries, quality assurance and efficiency, and Itera's work in these areas is delivering results: for the third consecutive year, Itera was recognised as one of Norway's 25 most innovative companies in any industry in 2018 by Norway's leading innovation news magazine, Innovasjonsmagasinet, in collaboration with Innovation Forum Norway.

FINANCIAL RESULTS

Itera's core digital business experienced strong growth and improved margins, especially from its nearshore locations and in Denmark. Its traditional data centre operations are experiencing negative growth and profitability. Itera is investing into its cloud service offering to migrate the data centre customers into the cloud. This supports Itera's strategy of using the cloud platforms to digitalise our customers' business.

The Group's consolidated operating revenue for 2018 totalled NOK 531 million as compared to NOK 475 million in 2017. Deliveries out of the Group's nearshore centres in Ukraine and Slovakia accounted for almost 60% of this growth, half of which was to customers on Iceland. Denmark also contributed to a significant part of the growth.

Operating revenue in Norway was NOK 473 million as compared to NOK 433 million in 2017, representing an increase of 9%. Operating revenue in Denmark increased by 50% to NOK 56.6 million from NOK 37.8 million in 2017.

The Group's operating result before depreciation and amortisation (EBITDA) was a profit of NOK 64.0 million as compared to a profit of NOK 59.7 million in 2017. This represents an operating profit margin before depreciation and amortisation of 12.0%, as compared to 12.6% in 2017. Payroll and personnel expenses were NOK 328 million in 2018, which represents an increase of 11% from 2017. The increase was mainly due to growth in average number of employees compared to 2017, as well as to the effect of adopting IFRS 15 and the consequent reduction in capitalised personnel expenses. Other operating expenses amounted to NOK 52.3 million in 2018 as compared to NOK 47.7 million in 2017. Total depreciation, amortisation and write-downs were NOK 21 million, an increase of 4% from 2017.

The Group's operating result was a profit of NOK 42.8 million in 2018 as compared to a profit of NOK 39.3 million in 2017.

Net financial items were NOK -1.4 million as compared to NOK -1.0 million in 2017. The Group's result before tax was a profit of NOK 41.4 million as compared to a profit of NOK 38.3 million in 2017.

Tax expense totalled NOK 9.7 million in 2018 as compared to NOK 8.7 million in 2017. Tax paid in 2018 was NOK 9.8 million as compared to NOK 8.7 million in 2017.

The result for the year was a profit of NOK 31.7 million as compared to a profit of NOK 29.6 million in 2017.

The Board of Directors is satisfied with the progress achieved by Itera in 2018 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 2018 and its financial position at the end of the year.

RESEARCH AND DEVELOPMENT

Expenditure of NOK 7.9 million relating to the development of new solutions was capitalised in 2018 as compared to NOK 13.4 million in 2017. There was significantly less spending on the Cicero Financial System (CFS) after the large extensions and improvements implemented in 2017. The ComPublish solution was extended with a chatbot functionality named "HR Henry". This new functionality has peeked a lot of interest among new as well as prospective subscription customers. 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 56.8 million in 2018 as compared to NOK 49.7 million in 2017. The Group paid shareholders a dividend totalling NOK 20.5 million in 2018. At 31 December 2018, Itera had a cash balance of NOK 55.3 million as compared to NOK 59.9 million at 31 December 2017. 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 12.4 million was invested in 2018 in hardware, software and fixtures etc. as compared to NOK 6.0 million in 2017.

Total assets at 31 December 2018 amounted to NOK 194.9 million (NOK 197.5. million). Non-current assets were NOK 50.1 million (NOK 46.5 million). Accounts receivable were at NOK 52.3 million (NOK 54.0 million).

The Group's equity at 31 December 2018 was NOK 47.4 million as compared to NOK 50.6 million at the same point in 2017. This represents an equity ratio of 24.3% as compared to 25.6% at the same point in 2017. Long-term interest-bearing liabilities totalled NOK 4.7 million (NOK 6.8 million). Other current liabilities were NOK 51.1 million (NOK 60.3 million).

Itera held 1,242,165 of its own shares at the end of 2018, while at the end of 2017 it held 213,935 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 2018.

BUSINESS RISK

The Group's nearshore activities in Ukraine and Slovakia mean it is exposed to risk factors such as country risk, data security risk and corruption. This is typical for new markets in which the business climate, laws and society are less developed or less familiar to us. Breaches of legal requirements or of business ethics standards can significantly harm the Group, hinder its ability to do business and damage its reputation. Changes to legislation, tax systems and other regulations can also lead to significant changes in how the Group implement its services and solutions, and to higher costs that would affect the profitability. Itera closely monitors country risk, and has a 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.

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 2018 by making good use of its nearshore delivery units and resources across the entire Group.

The Group's headcount at 31 December 2018 was 486 as compared to 491 at the end of 2017. The average number of full-time equivalent positions at the Group in 2018 was 488 as compared to 443 in 2017.

The proportion of Itera's capacity that is located nearshore (its nearshore ratio) was 45% at the end of 2018 as compared to 43% at the end of 2017. 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 2018 was 3.4%, 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 2018.

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/investor/ir/policies.

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

Itera has implemented an information security framework applicable for all subsidiaries. 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 Providers (BCR-P). BCR-P is designed and provided by EU Article 29 Management Group and executed locally by the three Scandinavian Data Protection Authorities. BCR-P gives Itera the authority to manage 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.

31% of the Group's employees in 2018 were women as compared to 32% in 2017. The Group's executive management team consisted of six men and two women in 2018. 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/investor/ir/policies.

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 2018 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, see www.itera.no/investor/ir/policies.

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 1,242,165 own shares at the end of 2018. 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 2018. 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, 85 employees purchased a total of 199,633 shares through the offering in 2018.

Itera had 1,870 shareholders at the close of 2018. The 20 largest shareholders owned 58.0 million shares, which represents 70.63 % of the share capital.

A dividend totalling NOK 20.5 million was paid in 2018 based on the Group's 2017 results, which is equivalent to NOK 0.25 per share. The Board of Directors proposes the payment of a dividend of NOK 0.25 per share based on the Group's 2018 results.

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 2018.

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 2018. The Compensation Committee consists of two board members and held two meetings in 2018. 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 31.3 million (NOK 27.1 million) was related to sales of these services to other Group companies.

The parent company's operating result was a loss of NOK 5.3 million (NOK 6.9 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 2018, the parent company received group contributions and dividends totalling NOK 44.6 million (NOK 52.8 million). The parent company's profit before tax was NOK 33.6 million (NOK 45.8 million) and the profit after tax was NOK 33.6 million (NOK 45.1 million).

PROFIT ALLOCATION

The Board of Directors proposes that the profit of NOK 33,570k recorded by the parent company Itera ASA is allocated as follows:

- NOK 20,547k to ordinary dividend
- NOK 13,023k to other equity

The book value of the parent company's investments in the subsidiary companies is NOK 110.0 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 2018 was 17 as compared to 16 as at end of 2017. 11 of the 17 employees are women. Absence due to sickness in 2018 was 4.1% as compared to 4.8% in 2017. 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 2018 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 budgets for 2019 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.

Oslo, April 25, 2019
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 desirable 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 note 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.

CONTENT
GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
GROUP

NOK 1000, except earnings per share	Note	2018	2017
Revenues	1, 19	**531 323**	475 025
Cost of goods and services	19	**87 275**	73 360
Salaries and personnel expenses	7,8,9,10,19	**327 769**	294 316
Depreciation and amortisation	13	**21 141**	20 335
Other operating and administrative expenses	9,21	**52 322**	47 682
Total operating expenses		**488 507**	435 692
Operating profit		**42 816**	39 333
Financial income	11	**1 234**	713
Financial expense	11	**2 631**	1 721
Net financial income (expenses)		**(1 397)**	(1 008)
Profit before taxes		**41 419**	38 325
Income taxes	15	**9 742**	8 691
Net income		**31 677**	29 635
Earnings per share	3	**0,39**	0,36
Diluted earnings per share	3	**0,39**	0,36
Consolidated statement of comprehensive income			
Net income		**31 677**	29 635
Other comprehensive income			
Translation differences on net investment in foreign operations		**260**	693
Total comprehensive income		**31 937**	30 328
Total comprehensive income attributable to:			
Shareholders in parent company		**31 937**	30 328

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
GROUP

NOK 1 000	Note	2018	2017
ASSETS			
Deferred tax assets	15, 19	**3 630**	3 023
Intangible assets	13	**22 954**	22 272
Property, plant and equipment	13, 14	**23 477**	21 235
Total non-current assets		**50 061**	**46 530**
Current assets			
Work in progress	2, 19	**4 188**	15 794
Contract costs	2, 19	**16 407**	-
Accounts receivable	12	**52 267**	54 047
Other current assets	4	**16 665**	21 230
Cash and cash equivalents	17	**55 279**	59 854
Total current assets		**144 807**	**150 925**
Total assets		**194 868**	**197 454**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
GROUP

NOK 1 000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital		**24 656**	24 656
Other equity		**22 788**	25 982
Total equity		**47 443**	**50 638**
Other provisions and liabilities		**871**	-
Non-current interest-bearing liabilities	14	**4 741**	6 799
Total non-current liabilities		**5 613**	6 799
Accounts payable		**23 941**	20 710
Tax payable	15	**9 537**	8 531
Public fees payable		**33 130**	33 041
Contract liabilities	2,19	**24 146**	17 396
Other current liabilities	5	**51 058**	60 339
Total current liabilities		**141 812**	**140 017**
Total liabilities		**147 425**	**146 816**
Total equity and liabilities		**194 868**	**197 454**

Oslo,25 April, 2019
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

CONSOLIDATED STATEMENT OF CASH FLOW GROUP

NOK 1000	Note	2018	2017
Profit before taxes		**41 419**	38 325
Income taxes paid	15	**(9 844)**	(8 708)
Depreciation and amortisation	13	**21 141**	20 335
Change in work in progress		**5 489**	(1 482)
Change in accounts receivable	12	**1 780**	(14 425)
Change in accounts payable		**3 232**	(3 732)
Change in other accruals		**(6 124)**	18 713
Effect of changes in exchange rates		**(283)**	639
Net cash flow from operating activities		**56 809**	49 664
Investment of fixed assets	13	**(11 395)**	(5 735)
Investment in intangible assets	13	**(9 289)**	(13 724)
Net cash flow from investing activities		**(20 684)**	(19 458)
Payments for purchase of own shares	20	**(22 556)**	(1 590)
Proceeds from sale of own shares	20	**11 075**	3 298
Payments of finance lease liabilities	14	**(8 721)**	(8 114)
Dividends paid to equity holders of Itera ASA		**(20 493)**	(35 113)
Net cash flow from financing activities		**(40 695)**	(41 519)
Effects of exchange rate changes on cash and cash equivalents		**(5)**	75
Net change in cash and cash equivalents		**(4 575)**	(11 239)
Cash and cash equivalents as of 1 January		**59 854**	71 092
Cash and cash equivalents as of 31 December		**55 279**	59 854

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 2017		**24 656**	**(290)**	**480**	**(928)**	**30 397**	**54 315**
Net income for the period		-	-	-	-	29 635	**29 635**
Other comprehensive income for the period		-	-	-	693		**693**
Share option costs		-	-	216	-	(1 134)	**(918)**
Employee share purchase programme		-	-	318	-	-	**318**
Purchase of own shares	8	-	(75)	-	-	(1 515)	**(1 590)**
Sale of own shares		-	300	-	-	2 998	**3 298**
Dividends		-	-	-	-	(35 113)	**(35 113)**
Equity as of 31 December 2017		**24 656**	**(64)**	**1 014**	**(235)**	**25 268**	**50 638**
Implementation of IFRS 15	2	-	-	-	-	(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**	**47 443**

CORPORATE INFORMATION AND BASIS OF PREPARATION 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 25 April 2019 and are subject to approval by the Annual General Meeting on 21 May 2019.

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 2018, and with all additional disclosure requirements pursuant to the Norwegian Accounting Act as in effect at 31 December 2018. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

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 functional 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

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 2018, 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

Leases are classified as either finance leases or operating leases at the time they are entered into on the basis of their content. If substantially all the financial risks and control of the underlying lease object is transferred to the lessee, the lease is classified as a finance lease, and the related assets and liabilities are capitalised. Operating lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
GROUP

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.

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 15 Revenue from Contracts with Customers

The Group 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 the Group's opening balance sheet as at 1 January 2018, reflecting the introduction of contract costs 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 for 2017 have not been restated. See note 19 for further details.

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 the Group's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES GROUP

IFRS 16 Leases

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

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

When applying the new model from 1 January 2019, the Group will recognise 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 will recognise 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 is expected to increase lease liabilities and right of use assets by NOK 54 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 56.5 million.

Geographical information:

NOK 1000

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**

2017	Norway	Sweden	Denmark	Ukraine	Slovakia	Group
Sales revenue	558 090	3 810	38 584	2 267	29 199	**631 951**
Intragroup eliminations	(124 694)	-	(765)	(2 267)	(29 199)	**(156 925)**
Net sales revenue	**433 396**	**3 810**	**37 819**	**-**	**-**	**475 026**
Services	273 833	3 810	24 650	-	-	**302 293**
Services 3rd Party	20 887	-	1 217	-	-	**22 104**
Subscriptions	123 484	-	5 756	-	-	**129 239**
Other revenue	15 192	-	6 197	-	-	**21 389**
	433 396	**3 810**	**37 819**	**-**	**-**	**475 026**
Operating profit	**33 581**	**754**	**3 596**	**99**	**1 303**	**39 333**
Investments	17 697	-	-	3 327	-	**21 024**
Total assets	179 499	1 991	10 041	3 548	2 376	**197 455**
Total liabilities	135 534	361	8 352	615	1 954	**146 816**

1 SALARIES, PERSONNEL EXPENSES AND OTHER REMUNERATION

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 subcontractors.

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 reinvoicing of travel costs and materials purchased on behalf of customers.

2 WORK IN PROGRESS, CONTRACT COSTS AND CONTRACT LIABILITIES

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	2018	2017
Balance, beginning of period	**15 794**	14 311
Net additions arising from operations in the period	**4 906**	16 318
Amounts billed in period and thus reclassified to accounts receivables	**(7 078)**	(15 224)
Implementation of IFRS 15	**(9 240)**	-
Changes in impairment allowances	**(194)**	389
Balance, end of period	**4 188**	15 794

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. Please refer to note 19 for further details. The balance value of contract liabilities in 2017 includes Customer prepayments earlier included in Other current liabilities.

Significant changes in contract costs

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

Significant changes in contract liabilities

NOK 1000	2018	2017
Balance, beginning of period	**28 357**	**29 373**
Increases due to cash received, excluding amounts recognised as revenue during the period	**15 404**	17 396
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(19 615)**	(29 373)
Balance, end of period	**24 146**	**17 396**

Management expects that approximately 40% of the transaction price allocated to the unsatisfied contracts as of 31.12.2018 will be recognised as revenue in the 2019 fiscal year. Another 40% will be recognised as revenue in the 2020 fiscal year, and the remaining 20% will be recognised in the fiscal years 2021-2023.

3 EARNINGS AND DILUTED EARNINGS PER SHARE

NOK 1000, except earnings per share	2018	2017
Profit for the year	**31 677**	29 635
Average number of outstanding shares	**81 087**	81 691
Outstanding employee share options	**2 618**	3 126
Dilution effect of outstanding share options	**1 135**	900
Average number of shares including dilution	**82 222**	82 591
Basic earnings per share	**0,39**	0,36
Diluted earnings per share	**0,39**	0,36

The average share price for 2018 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 9.18.

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 6.42, NOK 3.89 and NOK 2.58 for the 2017, 2016 and 2015 programmes, respectively.

4 OTHER CURRENT ASSETS

NOK 1000	2018	2017
Prepaid expenses	**10 168**	7 101
Other current receivables	**6 497**	14 129
Total	**16 665**	**21 230**

5 OTHER CURRENT LIABILITIES

NOK 1000	2018	2017
Holiday pay	**22 085**	21 713
Accrued wages and bonuses	**19 987**	25 297
Current lease payments	**4 205**	6 975
Accrued other expenses	**4 780**	6 354
Total	**51 058**	**60 339**

Customer prepayments were reclassified as Contract liabilities in the statement of financial position following the implementation of IFRS 15 from 2018. See notes 2 and 19 for further details.

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, 11% is in Danish kroner (DKK). A 10% change in the NOK exchange rate against SEK and DKK would have a 1.1% 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.

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.

7 SALARIES AND PERSONNEL COSTS

NOK 1000	2018	2017
Salaries	**278 501**	256 309
Share option costs	**614**	909
Social security taxes	**30 465**	28 506
Pension costs	**9 913**	9 070
Other benefits	**15 956**	12 701
Salaries and personnel expenses capitalised	**(7 680)**	(13 179)
Total payroll and personnel expenses	**327 769**	**294 316**
Average number of employees	**488**	443

8 SHARE-BASED REMUNERATION

Share option programme

The Group had three share option programmes running in 2018. 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 can be exercised at the end of the programme in 2019.

Other share option programmes were approved in 2016 and 2017 with the same conditions as the previous programs, 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.

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 all the option programmes an annual staff departure rate of 10% is assumed. For calculation purposes, an annual dividend of NOK 0.20, NOK 0.30 and NOK 0.45 is forecast for the 2015, 2016 and 2017 programmes, respectively.

Share option costs (including employer's social security contributions) of NOK 614k were expensed in 2018 (NOK 909k in 2017).

Programme	Outstanding 31.12.2017	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	268 000	-	-	268 000	NOK 0.25	NOK 2.58	NOK 2.58	07.09.2015	2016-2019
2016	1 477 000	-	326 000	1 151 000	NOK 0.26	NOK 3.89	NOK 3.89	08.07.2016	2017-2020
2017	1 380 800	68 800	112 920	1 199 080	NOK 0.60	NOK 6.42	NOK 6.42	28.06.2017	2018-2021
Total	**3 125 800**	**68 800**	**438 920**	**2 618 080**					

[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	268 000	0,77 %	30.0%	3.77 YEARS
2016	1 151 000	0,49 %	25.0%	3.94 YEARS
2017	1 199 080	0,90 %	28.9%	3.96 YEARS
Total	**2 618 080**			

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. In total, 85 employees purchased a total of 172,536 shares. The programme was repeated in 2018 where 98 employees purchased a total of 199,633 shares at the same conditions. 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 will present 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 2018 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 and 2017. In 2018, a share purchase programme was rolled out as an alternative long-term incentive programme for executives and key employees. Proposals for new share option and purchase programmes will be submitted for approval by the Annual General Meeting.

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 2018 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 2017 to 2018."

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

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	-
Ane Gjennestad	Chief Communications Officer	1 055	133	15	1 202	72	-
Merete Jordal	IT Director	1 049	121	12	1 182	69	-
Niko Nyström	Executive Vice President	1 544	450	12	2 005	75	240
Jon Erik Høgberg	Executive Vice President	1 635	324	13	1 972	76	419
Kristian Enger	Executive Vice President	1 582	539	13	2 135	74	240
Igor Mendzebrovski	Executive Vice President	1 728	-	-	1 728	-	-
John Aaling	CEO Itera Aps (DK)	1 321	212	16	1 549	152	-
Total 2018		**13 634**	**3 230**	**116**	**16 980**	**680**	**1 488**

2017 Name	Position	Salary	Bonus	Other benefits	Total remune-ration	Pension cost	Options reported
Arne Mjøs	Chief Executive Officer	2 160	847	23	3 030	81	1 866
Bent Hammer	Chief Financial Officer	1 353	605	15	1 973	77	-
Ane Gjennestad	Chief Communications Officer	1 019	133	15	1 167	68	187
Merete Jordal	IT Director	1 028	121	12	1 161	67	162
Niko Nyström	Executive Vice President	1 458	450	12	1 920	73	246
Jon Erik Høgberg	Executive Vice President	1 611	324	18	1 953	74	356
Kristian Enger	Executive Vice President	1 525	539	13	2 077	72	327
Igor Mendzebrovski	Executive Vice President	1 561	-	-	1 561	-	-
John Aaling	CEO Itera Aps (DK)	1 254	207	15	1 476	135	65
Total 2017		**12 970**	**3 226**	**122**	**16 318**	**648**	**3 208**

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	2018	2017
Morten Thorkildsen	Chairman of the Board	**335**	336
Mimi K. Berdal	Board member	**225**	225
Jan Erik Karlsson	Board member	**230**	200
Gyrid Skalleberg Ingerø	Board member	**220**	100
Eli Giske	Board member (resigned)	-	100
Erik Berg Solheim	Board member	**10**	-
Charlotte Bech Blindheim	Board member	**10**	-
Berit Klundseter	Board member (resigned)	**10**	20
Odd Khalifi	Board member (resigned)	**10**	20
Total		**1 050**	**1 001**

Election Committee remuneration

NOK 1 000

Name	Position	2018	2017
Erik Sandersen	Chairman (resigned)	**30**	30
Olav W. Pedersen	Member	**15**	15
Geir Moe	Member (resigned)	-	15
Total		**45**	60

Shares and share options held by members of the Board at 31 December 2018

Name	Position	Stocks	Options
Jan Erik Karlsson	Board member	303 076	-
Mimi K. Berdal*	Board member	111 000	-
Gyrid S. Ingerø	Board member	38 000	-
Erik Berg Solheim	Board member	34 896	20 000
Charlotte Bech Blindheim	Board member	766	-
Total		**487 738**	**20 000**

* 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 2018

Navn	Stilling	Stocks	Options
Arne Mjøs *	Chief Executive Officer	21 853 977	479 000
Jon Erik Høgberg	Executive Vice President	637 551	247 880
Niko Nyström	Executive Vice President	353 696	233 880
Kristian Enger	Executive Vice President	432 707	233 880
Bent Hammer	Chief Financial Officer	275 607	303 840
John Aaling	CEO Itera Aps (DK)	121 377	89 280
Ane Gjennestad **	Chief Communications Officer	125 000	87 280
Total		**23 799 915**	**1 675 040**

* Arne Mjøs holds all his shares through Arne Mjøs Invest AS, which also holds a future contract expiring 21 June 2019 on 3,350,000 shares at an average price of NOK 9.4689 per share. The total controlling interest of Arne Mjøs is thus 25,203,977 shares (30.7%).
** Ane Gjennestad holds shares privately and through Triceps AS.

Fees to the auditors

NOK 1000, excluding VAT	2018	2017
Statutory audit of Itera ASA	148	174
Statutory audit of subsidiaries in Norway	188	201
Statutory audit of international subsidiaries	39	26
Audit fees	**375**	**401**
Tax advisory services	-	-
Fees for other certification services	44	44
Other services provided to subsidiaries in Norway	328	506
Other services provided to international subsidiaries	37	64

Fees to the auditors include fees to audit firms KPMG and PwC.

10 PENSIONS

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).

NOK 1000	2018	2017
Norway	**14 058**	11 514
Denmark	**1 832**	1 643
Total	**15 890**	13 157

11 FINANCIAL INCOME AND EXPENSES

NOK 1000	2018	2 017
Interest income	**317**	423
Foreign currency gains	**917**	290
Net financial income	**1 234**	713
Interest expense	**619**	719
Foreign currency losses	**1 412**	946
Other financial expense	**600**	57
Total financial expenses	**2 631**	1 721
Net foreign currency losses	**(496)**	(656)

12 ACCOUNTS RECEIVABLE

NOK 1000	2018	2017
Gross accounts receivable at Dec. 31	**52 449**	54 197
Provision for bad debts	**(182)**	(150)
Net accounts receivable at Dec. 31	**52 267**	54 047

Aging of receivables	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
Accounts receivable 2018	**52 267**	**44 329**	**7 570**	**230**	**110**	**29**
Accounts receivable 2017	70 364	52 410	17 307	192	89	367

Accounts receivable by currency

	2018	%	2017	%
NOK	**39 773**	**76 %**	43 002	84 %
SEK	**0**	**0 %**	406	1 %
DKK	**12 494**	**24 %**	10 639	15 %
Sum	**52 267**	**100 %**	54 047	100 %

Losses on accounts receivable are classified as operating expenses in the Consolidated Income Statement. A loss of NOK 32k was recognised in 2018, NOK 8k in 2017. 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 2018, costs of NOK 7.9 million (NOK 13.4 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.

	2018		
NOK 1000	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	

	2017		
NOK 1000	Development costs	Software	Sum
Acquisition cost			
Accumulated at 1 January	65 395	4 263	**69 657**
Additions	13 418	306	**13 724**
Disposals	(4 730)	(146)	**(4 876)**
Accumulated at 31 December	**74 082**	**4 423**	**78 505**
Amortisation			
Accumulated at 1 January	49 788	3 746	**53 534**
Amortisation for the year	7 120	449	**7 568**
Amortisation on dispoals in the year	(4 730)	(139)	**(4 869)**
Accumulated at 31 December	**52 178**	**4 055**	**56 233**
Book value			
Book value at 1 January	15 607	517	**16 124**
Book value at 31 December	**21 905**	**367**	**22 272**
Estimated useful life	3-5 Years	3-5 Years	
Amortisation plan	Linear	Linear	

Property, plant and equipment

NOK 1000	2018 Office machinery & equipment	Fixtures and fittings	Leased IT equipment	Sum
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)**
Translation differences	(146)	-	-	**(146)**
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	

NOK 1000	2017 Office machinery & equipment	Fixtures and fittings	Leased IT equipment	Sum
Acquisition cost				
Accumulated at 1 January	13 320	8 060	53 516	**74 896**
Additions	5 478	257	1 566	**7 300**
Disposals	(4 615)	1	-	**(4 614)**
Translation differences	25	-	-	**25**
Accumulated at 31 December	**14 208**	**8 317**	**55 082**	**77 607**
Depreciation				
Accumulated at 1 January	9 849	4 081	34 239	**48 169**
Depreciation	3 635	615	8 517	**12 766**
Depreciation on disposals	(4 564)	-	-	**(4 564)**
Accumulated at 31 December	**8 919**	**4 696**	**42 756**	**56 372**
Book value				
Book value at 1 January	3 471	3 978	19 276	**26 726**
Book value at 31 December	**5 289**	**3 621**	**12 326**	**21 235**
Estimated useful life	3 years	5-10 years	3 years	
Depreciation plan	linear	linear	linear	

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

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	2018	2017
IT equipment	27 376	55 082
Accumulated depreciation	(18 978)	(42 756)
Book value at 31 December	8 398	12 326

Future minimum lease payments are as follows	2018	2 017
Up to 1 year	4 205	7 337
1 to 5 years	4 871	7 038
Over 5 years	-	-
Future minimum lease payments	9 076	14 374
Interest	334	600
Discounted present value of future minimum lease payments	8 742	13 774
Of which		
- current liabilities	4 001	6 975
- non-current liabilities	4 741	6 799

Changes in discounted present value of future lease payments	2018	2017
Discounted present value of future lease payments 01.01	13 774	20 311
New finance lease liabilities	3 689	1 577
Payments of lease liabilities	(8 721)	(8 114)
Discounted present value of future minimum lease payments 31.12	8 742	13 774

15 TAXES

NOK 1000	2018	2017
Tax expense		
Tax payable	9 652	8 839
Change in deferred tax	90	(148)
Total tax expense	9 742	8 691
Tax payable in the balance sheet:		
Profit before tax	41 419	38 325
Permanent tax differences	3 378	(2 500)
Changes in temporary differences	2 782	1 575
Implementation of IFRS 15	(643)	-
Tax losses carried forward	(298)	(439)
Total basis for tax payable	46 639	36 961
Tax payable in the balance sheet	9 536	8 531
Tax paid in advance	(2 120)	(925)
Net tax payable Dec. 31	7 416	7 606

Taxes paid in advance is included in other current receivables.

NOK 1000	2018	2017
Specification of the basis for deferred tax		
Fixed assets	**(13 060)**	(12 014)
Current assets	**(150)**	(150)
Other temporary differences	**(124)**	113
Implementation of IFRS 15	**(3 168)**	-
Tax losses carried forward	-	-
Total	**(16 502)**	(12 051)
Deferred tax	**(3 630)**	(3 023)
Deferred tax recognised in the balance sheet	**(3 630)**	(3 023)

NOK 1000	2018	2017
Reconciliation of tax rate		
Profit before tax	**41 419**	38 325
Tax calculated at the nominal corporation tax rate of 23% (24%)	**9 526**	9 198
Effect of change in the tax rate	**128**	133
Effect of tax from previous year	**(69)**	(105)
Effect of differing tax rates for foreign subsidiaries	**(473)**	65
Effect of permanent differences	**777**	(600)
Effect of implementation of IFRS 15	**(148)**	-
Tax expense in profit and loss	**9 742**	8 691
Effective tax rate	**(23,5%)**	(22,7%)

16 EXCHANGE RATES

Information on the exchange rates applied by the Itera Group in 2018.

	Jan 1	Average	Dec 31
SEK	0,9996	0,9363	0,9701
DKK	1,3218	1,2892	1,3322
EUR	9,8403	9,5996	9,9483
USD	8,2050	8,1338	8,6885
UAH	0.2946	0,2987	0,3145

17 CASH AND CASH EQUIVALENTS

NOK 1 000	2018	2017
Cash and bank deposits	**55 279**	59 854
Restricted cash	**(8 824)**	(8 531)
Unrestricted cash and cash equivalents	**46 455**	51 323
Undrawn credit facilities	**25 000**	25 000
Cash reserve	**71 455**	**76 323**

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 temporarily drew upon the overdraft facility in Q3 of 2018 but had no borrowings from Danske Bank as at 31 December 2018.

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 57.4 million at 31 December 2018. 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:	31.12.2018	31.12.2017
Up to 1 year	**16 436**	12 105
1 to 5 years	**40 951**	46 064
Over 5 years	-	3 862
Total payments	**57 388**	**62 030**

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

NOK 1000

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

19 IMPLEMENTATION OF IFRS 15

The new standard 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. The notion of control replaces the existing notion of risks and rewards. The most important change to earlier 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 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. Itera is applying 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. In addition, certain line items in the statement of financial position have changed, mainly in relation to contract costs 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 31 December 2018.

IFRS impact on consolidated statement of financial position

NOK 1000	Old Principles 31 Dec 2018	Effect of IFRS 15	New Principles 31 Dec 2018
ASSETS			
Deferred tax assets	2 981	650	3 630
Other intangible assets	22 954	-	22 954
Fixed assets	23 477	-	23 477
Total non-current assets	**49 411**	**650**	**50 061**
Work in progress	13 428	(9 240)	4 188
Accounts receivable	52 267	-	52 267
Contract costs	-	16 407	16 407
Other receivables	16 665	-	16 665
Bank deposits	55 279	-	55 279
Total current assets	**137 640**	**7 167**	**144 807**
TOTAL ASSETS	**187 052**	**7 816**	**194 868**
EQUITY AND LIABILITIES			
Equity			
Share capital	24 656	-	24 656
Other equity	11 546	(20 437)	(8 890)
Net income for the period	13 416	18 261	31 677
Total equity	**49 618**	**(2 175)**	**47 443**
Other provisions and liabilities	871	-	871
Non-current interest-bearing liabilities	4 741	-	4 741
Total non-current liabilities	**5 613**	**-**	**5 613**
Accounts payable	23 941	-	23 941
Tax payable	9 537	-	9 537
Public duties payable	33 130	-	33 130
Contract liabilities	14 443	9 703	24 146
Other current liabilities	50 769	288	51 058
Total current liabilities	**131 821**	**9 991**	**141 812**
Total liabilities	**137 433**	**9 991**	**147 425**
TOTAL EQUITY AND LIABILITIES	**187 052**	**7 816**	**194 868**

IFRS 15 impact on consolidated income statement

NOK 1000	Old Principles 2018	Effect of IFRS 15	New Principles 2018
Revenues	**528 658**	**2 665**	**531 323**
Cost of goods and services	87 768	(493)	87 275
Salaries and personnell expenses	325 955	1 814	327 769
Depreciation and amortisation	21 141	-	21 141
Other operating and administrative expenses	52 322	-	52 322
Total operating expenses	**487 186**	**1 321**	**488 507**
Operating profit	**41 472**	**1 343**	**42 816**
Financial income	1 234	-	1 234
Financial expenses	2 365	265	2 631
Net financial income (expenses)	**(1 131)**	**(265)**	**(1 397)**
Profit before taxes	**40 341**	**1 078**	**41 419**
Income taxes	9 494	248	9 742
Net income	**30 847**	**830**	**31 677**

20 SHAREHOLDERS

Share capital
Itera ASA's share capital on 31 December 2018 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 2018, Itera ASA had 1,870 shareholders. Of these, 5% were foreign shareholders. The company's 20 largest shareholders owned 71 % of the company's shares at year end.

Holdings of own shares
The Itera ASA held 213,935 own shares at the start of 2018. The Group purchased 2,500,000 own shares in 2018 and sold 1,471,770 own shares in connection with share option and employee share purchase programmes. The Itera Group held 1,242,165 own shares at the end of 2018.

Dividend
A dividend of NOK 0.25 per share is proposed, totalling NOK 20.5 million.

20 largest shareholders in Itera ASA at 31 December 2018	Shares	%
ARNE MJØS INVEST AS*	21 853 977	26,6 %
OP CAPITAL AS	4 358 001	5,3 %
EIKESTAD AS	4 000 000	4,9 %
GIP AS	3 570 000	4,3 %
DnB NOR Bank ASA EGENHANDELSKONTO DnB NOR Markets	3 327 360	4,0 %
SEPTIM CONSTULTING A	2 755 000	3,4 %
BOINVESTERING AS	2 620 000	3,2 %
GAMST INVEST AS	2 200 000	2,7 %
JØSYRA INVEST AS	2 200 000	2,7 %
STOREBRAND VEKST VER JPMORGAN EUROPE LTD,	2 179 855	2,7 %
MARXPIST INVEST AS c/o Børre Gammelsrud	2 031 588	2,5 %
ITERA ASA	1 242 165	1,5 %
FRAMAR INVEST AS	1 000 000	1,2 %
AANESTAD PANAGRI AS	900 000	1,1 %
ALTEA PROPERTY DEVEL	658 477	0,8 %
SÆTRANG MORTEN	605 814	0,7 %
HØGBERG JON ERIK	637 551	0,8 %
NYVANG JETMUND GUNNAR	655 000	0,8 %
JENSEN LARS PETER	619 900	0,8 %
BNP Paribas Securiti BPSS PAR/NO TREATY/U	605 814	0,7 %
Total 20 largest	**58 020 502**	**70,6 %**
Other shareholders	24 166 122	29,4 %
Total all issued	**82 186 624**	**100,0 %**

* Arne Mjøs Invest AS holds a future contract expiring 21 June 2019 on 3,350,000 shares at an average price of NOK 9.4689 per share. The total controlling interest of Arne Mjøs is thus 25,203,977 shares (30.7%) of which 3,350,000 shares on future contracts.

21 TRANSACTIONS WITH RELATED PARTIES

There were no other transactions between the Group and related parties in the period from 1 January to 31 December 2018 other than those described in note 9.

22 SUBSEQUENT EVENTS

After the reporting period ended on 31 December 2018 and up to the date these consolidated financial statements have been approved for issue, no events have been identified that require disclosure.

CONTENT
PARENT

STATEMENT OF INCOME PARENT

NOK 1 000	Note	2018	2017
Sales revenue		31 343	27 126
Operating revenue	11	**31 343**	**27 126**
Salaries and personnel expenses	1,2,3	20 540	19 471
Depreciation and amortisation	4	1 345	1 197
Other operating expenses	1	14 752	13 361
Total operating expenses		**36 637**	**34 029**
Operating profit (loss)		**(5 295)**	**(6 904)**
Income from investments in subsidiaries	8	44 596	52 805
Interest income from companies in the same group		80	50
Other financial income	5	122	513
Interest expense to companies in the same group		5 577	548
Other financial expense		353	101
Net financial income		**38 868**	**52 717**
Profit before income tax		**33 573**	**45 813**
Income taxes	7	4	702
Net profit for the year		**33 570**	**45 111**
Allocation of profit/loss:			
To supplemental dividend	6	-	20 319
To ordinary dividend	6	20 547	20 547
To/from other equity	6	13 023	4 245
Total allocation		**33 570**	**45 111**

STATEMENT OF FINANCIAL POSITION PARENT

NOK 1 000	Note	2018	2017
ASSETS			
Deferred tax assets	7	**245**	249
Intangible assets	4	**1 524**	1 486
Property, plant and equipment	4	**2 664**	2 584
Investment in subsidiaries	5	**107 881**	109 953
Total non-current assets		**112 314**	**114 272**
Receivables from group companies	9	**60 433**	66 977
Other receivables		**2 822**	2 227
Total receivables		**63 255**	**69 203**
Cash and cash equivalents	9, 10	**45 535**	50 078
Total current assets		**108 790**	**119 282**
TOTAL ASSETS		**221 103**	**233 553**

STATEMENT OF FINANCIAL POSITION PARENT

NOK 1000	Note	2018	2017
EQUITY AND LIABILITIES			
Share capital	6	**24 656**	24 656
Other paid-in capital	6	**(8 544)**	2 191
Own shares	6	**(373)**	(64)
Total paid-in capital		**15 739**	26 783
Other equity	6	**55 851**	42 774
Total retained earnings		**55 851**	42 774
Total equity		**71 590**	69 557
Accounts payable		**3 437**	1 501
Tax payable	7	**-**	483
Public fees payable	12	**14 737**	15 073
Liabilities to group companies	9	**104 968**	118 051
Proposed dividend	6	**20 547**	20 547
Other current liabilities		**5 824**	8 342
Total current liabilities		**149 513**	163 997
Total liabilities		**149 513**	163 997
TOTAL EQUITY AND LIABILITIES		**221 103**	233 553

Oslo, April 25, 2019
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

STATEMENT OF CASH FLOW
PARENT

NOK 1000	NOTE	2018	2017
Cash flow from operating activities			
Profit before tax		33 573	45 813
Dividend and group contribution recognised but not paid	8	(44 596)	(52 805)
Share option costs	6	126	(1 072)
Depreciation and amortisation	4	1 345	1 197
Change in accounts payable		1 918	(1 482)
Change in other accruals		(1 987)	3 183
Net cash flow from operating activities		(9 622)	**(5 165)**
Cash flow from investment activities			
Purchases of property, plant and equipment and intangible assets	4	(1 463)	(286)
Payments from group contributions and dividends from subsidiaries		52 805	13 946
Payments of liabilities to group companies		(707)	(972)
Payments of receivables from group companies		1 356	187
Net cash flow from investment activities		51 990	**12 876**
Cash flow from financing activities			
Net change in group cash pool		(14 937)	11 613
Payments of purchases of own shares	6	(22 556)	(1 590)
Proceeds from sales of own shares	6	11 075	3 643
Dividend paid	6	(20 493)	(35 113)
Net cash flow from financing activities		(46 911)	**(21 446)**
Net change in cash and cash equivalents		(4 543)	**(13 736)**
Cash and cash equivalents as at 1 January		50 078	63 814
Cash and cash equivalents as at 31 December		45 535	**50 078**

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 it 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.

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.

GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES PARENT

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.

NOK 1000	2018	2017
Salaries	**16 545**	15 680
Share option costs	**344**	344
Social security tax	**2 733**	2 323
Pension costs	**661**	642
Other personnel costs	**257**	482
Total salaries and personnel expenses	**20 540**	**19 471**
Average number of employees	**17**	16

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:	2018	2017
Statutory audit	148	174
Tax advice	-	-
Other services	265	355
Total fees paid to the auditor	**413**	**530**

2 PENSIONS

Itera ASA operates a defined contribution pension scheme. The Company's pension expense is represented by the premiums paid, and totalled NOK 661k in 2018 (NOK 642k). 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 277k were expensed in 2018 (NOK 344k in 2017). See note 8 in the consolidated financial statements for further information on share-based remuneration.

Programme	Outstanding 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	620 000	-	-	100 000	520 000	NOK 0.26	NOK 3.89	NOK 3.89	08.07.2016	2017-2020
2017	282 240	-	-	15 240	267 000	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	86 000	0,77 %	30.0%	3.77 years
2016	520 000	0,49 %	25.0%	3.94 YEARS
2017	267 000	0,90 %	28.9%	3.96 years
Total	873 000			

4
NON-CURRENT ASSETS

NOK 1000	Research and development	Software	Total intangible assets	Office machinery & equipment	Fixtures and fittings	Total property, plant and equipment	Total non-current assets
	2018						
Acquisition cost							
Accumulated at 1 January	1 918	3 317	**5 235**	479	3 123	**3 602**	**8 837**
Additions	-	681	**681**	102	680	**782**	**1 463**
Disposals	-	(2 927)	**(2 927)**	(238)	(35)	**(272)**	**(3 199)**
Accumulated at 31 December	**1 918**	**1 071**	**2 989**	**344**	**3 768**	**4 112**	**7 101**
Depreciation and amortisation							
Accumulated at 1 January	575	3 174	**3 749**	323	695	**1 018**	**4 767**
Depreciation and amortisation	384	259	**643**	105	597	**703**	**1 345**
Depreciation and amortisation on disposals	-	(2 927)	**(2 927)**	(238)	(35)	**(272)**	**(3 199)**
Accumulated at 31 December	**959**	**506**	**1 465**	**191**	**1 258**	**1 448**	**2 913**
Book value							
Book value at 1 January	1 343	143	**1 486**	156	2 428	**2 584**	**4 070**
Book value at 31 December	**959**	**565**	**1 524**	**153**	**2 511**	**2 664**	**4 188**
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 1 000	Registered office	Share capital*	Shareholding	Book value 1 Jan.	Change	Book value 31 Dec.	Profit/loss 2018	Equity 2018
Itera Norge AS	Oslo	1 000	100 %	49 730	886	50 616	22 307	30 376
Itera Offshoring Services AS	Oslo	200	100 %	7 500	-	7 500	2 521	4 823
Cicero Consulting AS	Oslo	200	100 %	21 438	(4 987)	16 451	(789)	13 597
Compendia AS[1)]	Bryne	182	100 %	14 237	127	14 364	5 353	9 384
Itera Sverige AB[2)]	Stockholm	100	100 %	-	-	-	298	1 649
Itera ApS	Copenhagen	1 424	100 %	16 559	-	16 559	6 647	3 630
Itera Consulting UA	Kiev	7125	100 %	489	1 901	2 390	(31)	1 500
Total				**109 953**	**(2 073)**	**107 880**	**36 306**	**64 961**

* Share capital is reported in the local currency (1,000).
[1)] Due to uncertainty in connection with the duration of contracts with customers, investment in Cicero has been impaired by NOK 5 milllion.
[2)] 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 2017	**24 656**	**(290)**	**2 097**	**38 180**	**64 643**
Net income for the period	-	-	-	45 111	**45 111**
Share option costs	-	-	62	(1 134)	**(1 072)**
Employee share purchase programme	-	-	32	-	**32**
Purchase of own shares	-	(75)	-	(1 515)	**(1 590)**
Sale of own shares	-	300	-	2 998	**3 298**
Dividends	-		-	(40 866)	**(40 866)**
Equity at 31 December 2017	**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**	**71 590**

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

7 INCOME TAXES

NOK 1 000	2018	2017
Tax expense for the year		
Current tax on profit for the year	-	483
Change in deferred tax	4	219
Total tax expense for the year	4	702
Tax payable		
Profit before tax	33 573	45 813
Permanent differences	(33 606)	(42 934)
Change in temporary differences	32	(427)
Utilisation of losses carried forward	-	(439)
Basis for current tax, taxable revenue	-	2 013
Tax payable in the balance sheet	-	483
Specification of the basis for deferred tax		
Fixed assets	(759)	(907)
Other temporary differences	(355)	(175)
Total temporary differences	(1 114)	(1 082)
Losses carried forward	-	-
Basis for deferred tax	(1 114)	(1 082)
Deferred tax asset (-) / Deferred tax liability (+)	(245)	(249)
Reconciliation from nominal to effective tax rate		
Expected tax at nominal corporation tax rate of 23% (24%)	7 722	10 995
Effect of permanent differences	(7 729)	(10 304)
Effect of change in the tax rate on calculation of deferred tax asset	11	11
Tax charge in the income statement	4	702
Effective tax rate	0,0 %	1,5 %

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 Company name	Dividend	Group contribution	TOTAL
Itera Norge AS	24 000	5 869	**29 869**
Itera Offshoring Services AS	2 500	-	**2 500**
Compendia AS	5 300	-	**5 300**
Itera Aps	6 927	-	**6 927**
Total income from investment in subsidiaries	38 727	5 869	**44 596**

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

NOK 1000

Receivables from Group companies

Company name	2018	2017
Itera Norge AS	**40 286**	49 817
Itera Consulting ApS	**6 927**	3 310
Cicero Consulting AS	**1 854**	1 753
Compendia AS	**7 819**	7 097
Itera Offshoring Services AS	**3 546**	5 000
Total	**60 433**	66 977

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	2018	2017
Itera Norge AS	**78 900**	91 970
Compendia AS	**16 212**	15 196
Cicero Consulting AS	**-**	3 813
Itera Consulting ApS	**9 554**	5 633
Itera Offshoring Services AS	**302**	1 438
Total	**104 968**	118 051

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.

10 RESTRICTED DEPOSITS

Itera ASA holds NOK 45.5 million (50.0 million) in cash and bank deposits, of which NOK 1.0 million (NOK 1.0 million) is on restricted accounts for payment of payroll tax deductions.

11 TRANSACTIONS WITH RELATED PARTIES

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 2018, Itera invoiced NOK 31.3 million (NOK 27.0 million in 2017) in respect of these services.

12 OFFICIAL TAXES AND DUTIES PAYABLE

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.

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 in the consolidated financial statements 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 2018 calendar year and as at 31 December 2018 (2018 Annual Report).

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 2018.
- 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 2018.
- 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 Nor¬wegian Accounting Act and Norwegian Accounting Standard No. 16 as in effect at 31 December 2018.
- 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 2018.
- 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 25, 2019
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

Gyrid 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 2018, the statement of income and statement of cash flow 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 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the financial statements, 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 2018, 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 2018, 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.

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.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue	
The Group's revenue for the year ended 31 December 2018 amounted to NOK 531 million. Revenues are related to subscriptions and services to customers. Most contracts are recognized as point of time contracts. A portion of revenues relates to transition projects for customers. These revenues are accounted for as subsequent services to a contract under IFRS 15. As of 1 January 2018, the Group implemented the new revenue recognition standard, revenues from contract with customers, IFRS 15, using the modified retrospective method. We focused on this area because there always is an inherent risk of errors in implementing a new accounting standard. Furthermore, 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.	We obtained an understanding of the revenue recognition process based on interviews with management and reviews of the group's process and policy documentation. We evaluated management's application of revenue recognition principles and whether they were in accordance with relevant accounting regulations. We assessed the Group's new revenue recognition accounting policies by testing the application for a sample of contracts. 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. 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. We considered the Group's disclosures about revenue recognition and implementation of IFRS 15 in note 2 and note 19 and found them to be appropriate.

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.

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 skepticism 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.
- 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.

Auditors Report - Itera ASA

- 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.

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, 25. April 2019

PricewaterhouseCoopers

Eivind Nilsen
State Authorised Public Accountant

(4)

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 2018 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 2018, Itera had 1 870 (1 700) shareholders. At year-end, 5% (11%) of the Company's shares were owned by foreign investors. The Company's twenty largest investors owned 71% (70%) of the Company's shares.

Dividend

During 2018, dividends of NOK 0.25 (0.43) per share were paid, for a total of NOK 20.5 (35.1) million.

Share price

The Itera share price opened the year at NOK 7.14 and closed at NOK 8.40, corresponding to a change of 18% (37%). The highest share price during the year was NOK 13.20 and the lowest price was NOK 6.60. Itera had a market value corresponding to MNOK 679 (585) million at 31 December 2018.

Stock option schemes

The Company has established option programmes for key personnel. An option programme was implemented in 2013, 2015, 2016 and 2017. There were 2,618,080 outstanding stock options at year-end. Reference is also made to Note 8 to the Consolidated Financial Statements.

Major shareholders

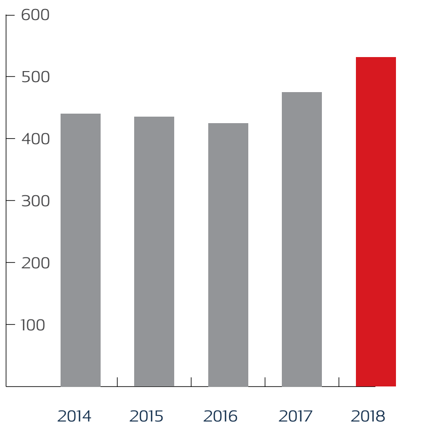
For major shareholders, see note 20 in the consolidated accounts.

DEVELOPMENT 2014–2018

(after adjustment for non-recurring costs)

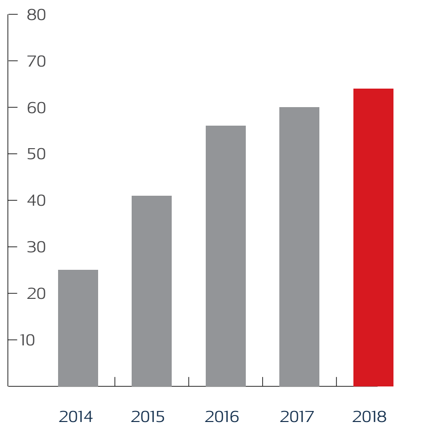
REVENUES

NOK million



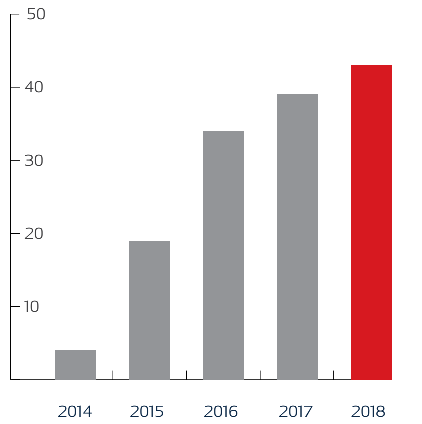
EBITDA

NOK million



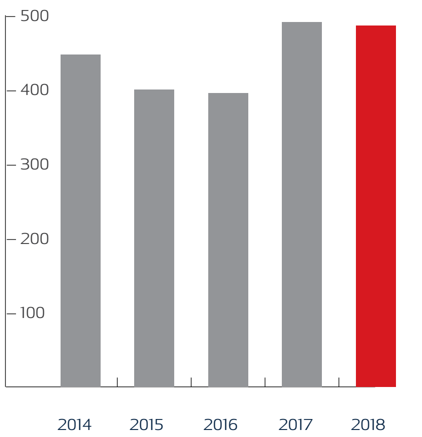
EBIT

NOK million



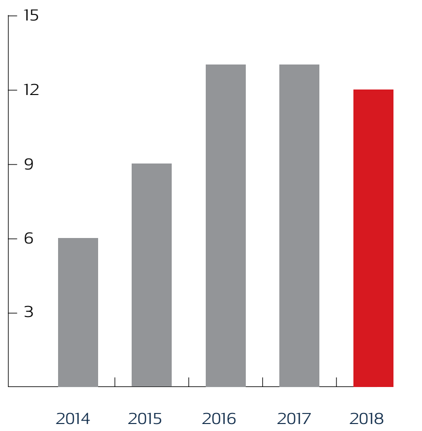
EMPLOYEES

Number



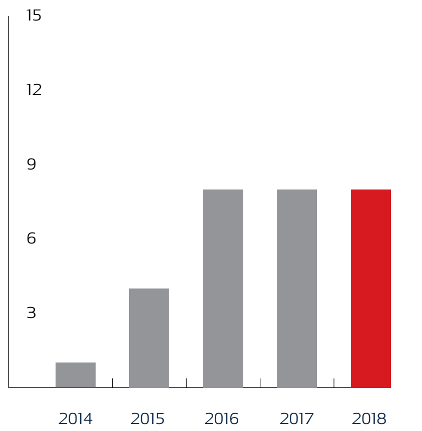
EBITDA-MARGIN

%



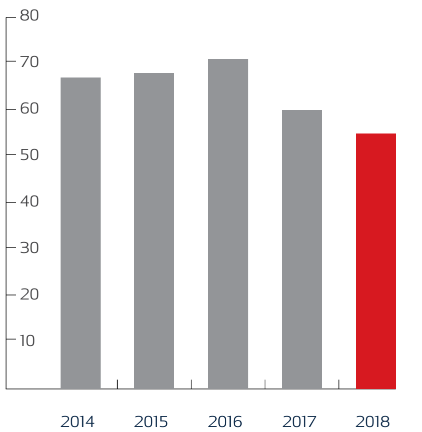
EBIT-MARGIN

%



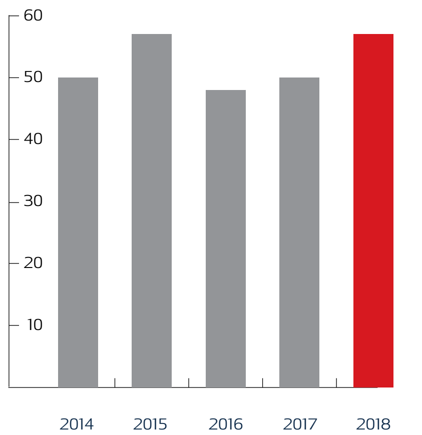
BANK DEPOSITS

NOK million



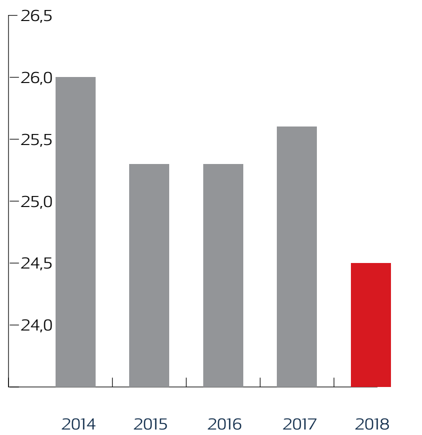
CASH FLOW from operations

NOK million



EQUITY RATIO

%



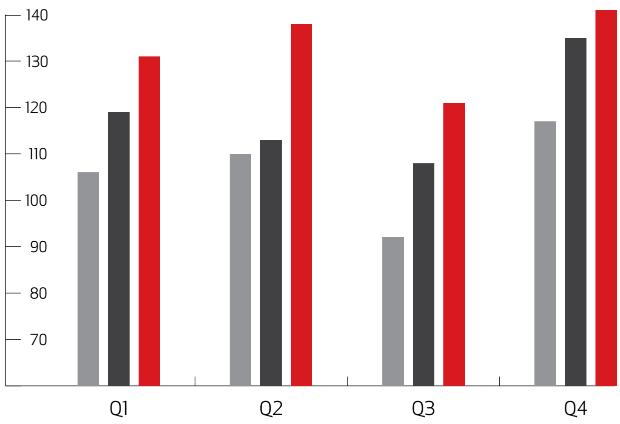
DEVELOPMENT 2016–2018

(after adjustment for non-recurring costs)

REVENUES

2016 2017 2018

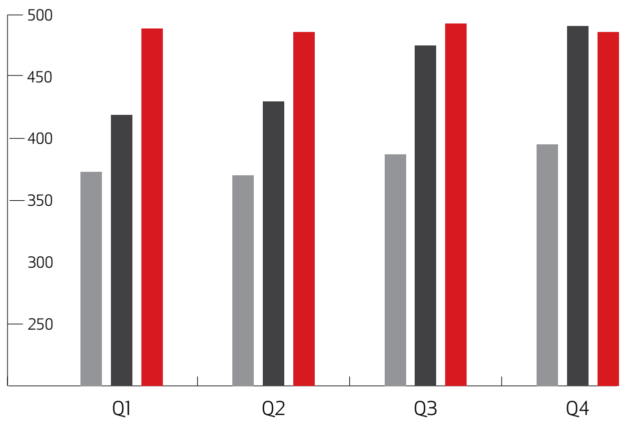
NOK million



EMPLOYEES

2016 2017 2018

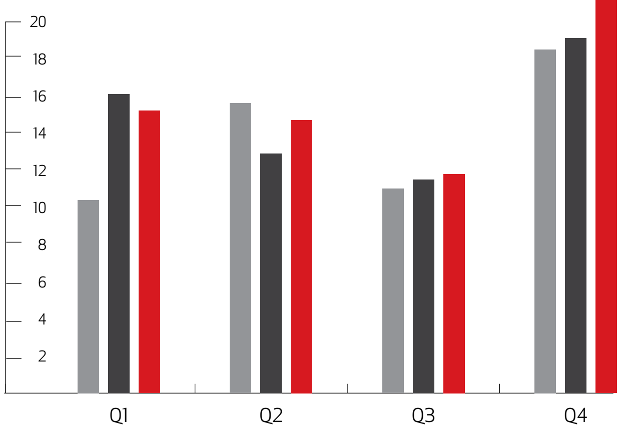
Number



EBITDA

2016 2017 2018

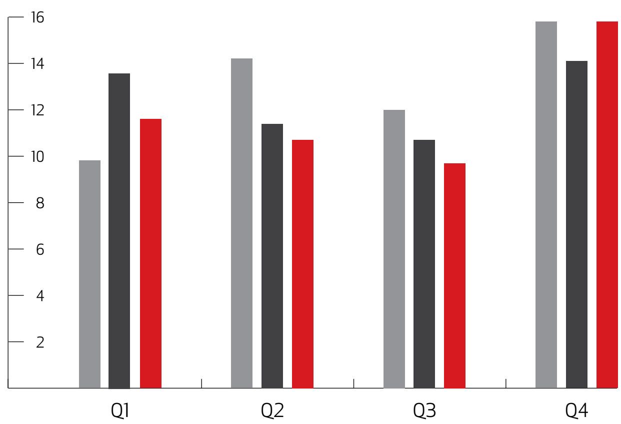
NOK million



EBITDA-MARGIN

2016 2017 2018

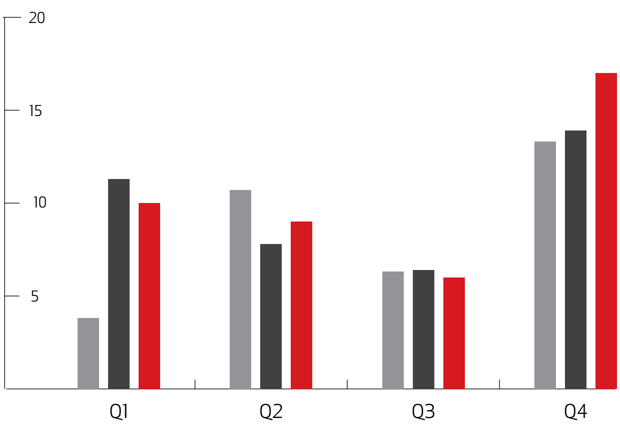
%



EBIT

2016 2017 2018

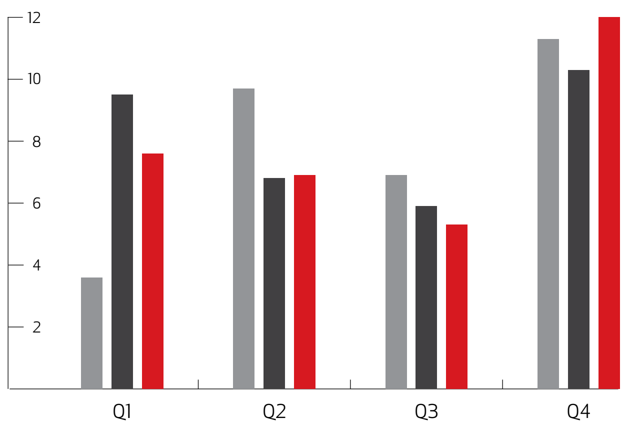
NOK million



EBIT-MARGIN

2016 2017 2018

%



MAKE A DIFFERENCE

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