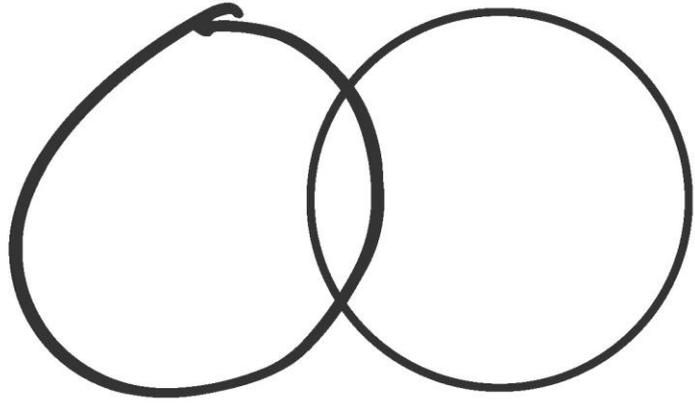




Q1 2014

humanizing technology



HIGHLIGHTS Q1/2014

JANUARY – MARCH 2014

- Revenue NOK 112.4 million (113.6).
- EBITDA NOK 7.8 million (7.4) og EBITDA margin 7.0 % (6.5 %).
- EBIT NOK 2.4 million (2.2) og EBIT margin 2.2 % (1.9 %).
- Cash flow from operations NOK -10.7 million (4.8).
- Equity ratio 41 % (41 %).
- Bank deposits NOK 53.0 million (30.8).
- Nearshore ratio 34 % (24 %).
- Stable organization with low attrition rate.

ACTIVITIES AND SIGNIFICANT EVENTS DURING THE PERIOD

- Revenue and profit at the same level as last year. However, revenue and profit were affected by several larger projects with later start than planned. New nearshore development center within the EU is being established to be able to distribute tasks to several countries.
- Per Gauffin is appointed EVP to build a unified and solid Itera in Sweden, with large and long-term customer relations, full range of services and a strong brand.
- Top 10 customers grew by 19 % in the first quarter.
- Signed agreements with existing and new customers such as Santander, Storebrand, YaBank, the Police Security Service (PST), Lemminkäinen, FØYEN, KLP, If and Oslo Municipality.

KEY FIGURES

	2014	2013	change	2013
All figures in NOK million	1-3	1-3	%	1-12
Sales revenue	112.4	113.6	-1 %	465.2
Gross profit	94.6	91.3	4 %	374.6
EBITDA	7.8	7.4	5 %	43.9
EBITDA margin	7.0 %	6.5 %		9.4 %
EBIT	2.4	2.2	10 %	22.5
EBIT margin	2.2 %	1.9 %		4.8 %
Profit before tax	2.3	2.0	15 %	20.4
Profit for the period	1.7	1.5	16 %	15.8
Net cash flow from operating activities	-10.7	4.8	-326 %	22.5
Number of employees at the end of the period	464	432	7 %	460

FIRST QUARTER REPORT

FINANCIAL PERFORMANCE

Revenue and profit are affected by the slow start of new projects due to the geopolitical tension in Ukraine in the first quarter. This has resulted in a lower utilization level than expected. Revenues in the first quarter are unchanged from the corresponding quarter in 2013, while there is a slight increase in both EBITDA and EBIT.

Accounting principles

The consolidated interim report includes Itera ASA and its subsidiaries. The interim financial statements were prepared in accordance with IAS 34, which covers interim financial reporting and the Securities Trading Act. The Interim report has not been audited and does not include all information required for a complete annual report. For further information about the accounting principles, please see Itera's annual report 2012.

Figures in brackets apply to the first quarter of 2013.

Operating Revenue

Operating revenue amounted to NOK 112.4 million (113.6) in the first quarter. This is a decrease of -1 percent compared to the same period last year.

Gross profit 1 amounted to NOK 94.6 million (91.3) in the first quarter, representing an increase of 4 percent compared to the same period in 2013.

Operating expenses

The operating expenses in the first quarter amounted to NOK 110.0 million (111.4). This is a decrease of -1 percent.

Cost of sold goods amounted to NOK 17.8 million (22.3) in the first quarter. Cost of sold goods consists mainly of purchase of services from sub consultants, expenses related to the Group's hosting operation in addition to third party SW-licences as part of larger deliveries. Cost of sold goods could fluctuate substantially from quarter to quarter, showing a reduction of -20 percent in the first quarter compared to the corresponding period of 2013.

The personnel expenses for the first quarter amounted to NOK 75.0 million (71.4). This represents an increase of 5 percent compared to the same period in 2013. Itera continued to increase its ratio of employees in Ukraine, where the cost base is lower. Average personnel cost per full time employee (FTE) decreased by 3 percent compared to the same period of 2013.

Other operating expenses amounted to NOK 11.8 million (12.6) in the first quarter. This represents a decrease of -6 percent.

Profit

Operating profit before depreciation (EBITDA) amounted to NOK 7.8 million (7.4) in the first quarter, corresponding to a margin of 7.0 (6.5) percent. Depreciations amounted to NOK 5.4 million (5.2) in the first quarter. This is mainly related to the Group's hosting operation.

Depreciation amounted to NOK 5.4 million (5.2) in the first quarter. The depreciation is mainly related to the Group's hosting operation.

Operating profit (EBIT) amounted to NOK 2.4 million (2.2) in the first quarter, which corresponds to a margin of 2.2 (1.9) percent.

Net financial items amounted to NOK -0.1 million (-0.2) in the first quarter.

Profit after tax amounted to NOK 1.7 million (1.5) in the first quarter. Estimated cost of tax amounted to NOK 0.6 million (0.6), of which NOK 0.4 million (0.0) is payable.

At the end of the first quarter, Itera has NOK 8.5 million (14.6) in deferred tax assets, of which NOK 8.5 (12.9) million are recognized in the statement of financial position. The deferred tax assets will ensure that the Group will not pay tax in the near future.

Cash flow and equity

The cash flow from operations amounted to NOK -10.7 million (4.8) in the first quarter. The increase in customer receivables of NOK 11.7 million is due to some large invoices which were paid after due date.

Changes in work in progress amounted to NOK 8.8 million in the first quarter. The decrease is mainly due to invoicing of a larger project which was completed in February. The increase in other short term receivables is accounting related, and the corresponding entry is listed in short term debt. Debt to suppliers in the first quarter is reduced with NOK 4.2 million.

At the end of the first quarter, bank deposits amounted to NOK 53.0 million (30.8). The Group has a credit facility of NOK 25 million. The Group has interest-bearing debts of NOK 18.4 million (12.7) related to lease agreements, implemented to finance investments related to new customer contracts for the hosting operation.

Itera has not re-purchased own shares during the first quarter.

The equity by the end of the first quarter was NOK 87.3 million (74.3). This corresponds to an equity ratio of 41 (41) percent.

Investments

The total investments in the first quarter amounted to NOK 6.7 million (3.6).

Investments in the hosting operation amounted to NOK 4.4 million (2.3) in the first quarter.

Investments in intangible assets, such as own developed software with annual running agreements, amounted to NOK 0.7 million (0.4) in the first quarter.

Proposal for dividend

The Board has in meeting of 25th of February 2014 decided to propose to the Annual General Meeting a dividend of NOK 0,35 pr. share for 2013.

If the proposal is agreed on in the General Meeting on Thursday 22nd of May 2014, the share will be listed exclusive of dividend from Friday 23rd of May 2014.

BUSINESS REVIEW

Despite the turbulent situation which developed in Ukraine from autumn 2013, Itera's activity was normal and several large projects were completed and delivered by the end of last year. The turmoil has, however, led to delayed start up of some larger planned projects in the first quarter. This has resulted in a lower utilization level than expected.

The geopolitical tensions between the West and the East have made it more difficult to get new customers to buy our nearshore services in Ukraine. Physical security is generally not a problem as the conflict takes place in very limited areas in a large country. However, the media attention makes customers concerned, awaiting the further development of the situation.

As Itera's projects are conducted by teams with both Nordic and Ukrainian resources, postponing of projects results in lower utilization both in Ukraine and in other parts of the Group. This is particularly relevant in Denmark, where more than 50 percent of the capacity is delivered by nearshore resources.

Although the quarter as a whole was characterized by the situation in Ukraine, the activity and the utilization rate improved in the quarter's last month.

The next step in the nearshoring strategy

To reduce the country risk in Ukraine, Itera has worked to accelerate the next step of its nearshoring strategy, with nearshore development centers (NDC) in several countries. Itera is in the process of opening a new nearshore development center within the EU, specifically in Bratislava in Slovakia. The travel time from the Nordic countries is short, the country shares a border with Ukraine and is a member of NATO. It gives the Group the opportunity to distribute tasks between the Nordic countries, EU and Ukraine in a seamless manner.

The nearshore development center in Bratislava will be built and operated in the same way as the development centers in Ukraine. This will ensure the same working methods and culture throughout the Group regardless of location. Key personnel and management from the Group's development center in Kiev will have active roles, and, for a shorter or longer period move to Bratislava in order to ensure continuity and rapid establishment.

Organization

By the end of the quarter, the number of employees was 464 compared to 432 in the corresponding quarter last year. This represents an increase of 7 percent.

The nearshore ratio was 34 (24) percent by the end of the first quarter.

The availability of highly qualified resources nearshore is good, and it is much easier to increase staffing quickly nearshore than in the Nordic labour markets.

In the first quarter, two of Itera's units - Itera in Sweden and the subsidiary Compendia in Bryne - were awarded Great Place to Work in Norway and Sweden, respectively. In addition, Itera is awarded as Top 2 best employer in the IT-industry in Ukraine. The Group experiences that Itera is an attractive employer and has a strong 'employer brand'.

In the first quarter, Itera has implemented a new ERP system, consolidated all customer data in a common CRM-system and developed a common system for employee variable compensation. These are critical elements in the Group control system to increase profitability. A new website was launched in the first quarter, covering all countries in the Group.

ONE Itera in Sweden

The next step in Itera's Nordic strategy is to build a solid and unified Itera in Sweden, with large and long-term customer relations, a full range of services and a strong brand. In March, Per Gauffin was appointed Executive Vice President in Itera Sweden in order to execute the next steps.

Per Gauffin has strong experience from the industry and a large customer network with more than 20 years in different management positions in large, international companies. Mr. Gauffin's mandate is to strengthen the customer centric strategy, digital position and holistic range of services within communication and technology in Sweden, where nearshore in the future should represent more than half of the capacity delivered from Itera in the Swedish market.

Market and customer development

Both the Norwegian, Swedish and Danish markets for communication and technology services remained strong in the fourth quarter.

When omitting the hesitant attitude to purchasing nearshore projects in the first quarter, the overall demand for the Group's services is strong, especially among the larger clients which enter into contracts with a broader range of the Group's services.

The labour market is in general tight, especially in the technology areas. However, the Group experiences that the Itera brand has increased its influence and thus its appeal in the labour market.

The Group has a very strong customer portfolio in flourishing branches where the ability to implement rapid restructuring and innovation typifies the market leaders. Itera experiences that the customers find the range of services, competence, attractive.

During the first quarter, Itera entered into agreements for delivery of services and project for both new and existing customers, including Santander, Storebrand YaBank, the Police Security Service (PST), Lemminkäinen, FOYEN, KLP, If and Oslo Municipality.

The range of services in the agreements serves to illustrate the extent of the Group's expertise in communications and technology: user testing, games development, system development, integration, communication strategy, service design, project management, collaboration solutions, web, digital magazines, annual reports, testing, information security, management and operations.

Deliveries

During the first quarter, Itera's cooperation with Syd Energi (SE) in Denmark was highlighted by Microsoft as a case study. SE has a goal of providing fiber coverage to 96 percent of all households in South Jutland by the end of 2016. Itera was engaged to develop a management system for projects and subcontractors. Previously, the follow-up was manual and paper based, which led to a lot of administration, slow processes and unnecessary mistakes.

Microsoft states that the solution that was developed in collaboration between SE and Itera provides high business value in terms of improved project and financial management as well as increased productivity among employees. They further state that they expect the ROI of the solution to be repaid in eighteen months.

During the quarter, the solution developed in Itera's cooperation with Reitan Group in Sweden was named "Breakthrough Solution of the Year" by IBM. The solution is a Business Intelligence / Big Data solution that provides local merchants decision support in terms of analysis of transaction data. The reports are presented on mobile devices, providing quick insight into the effects of various sales campaigns in the stores.

Itera has delivered an internal marketing concept to If, which in the first quarter won one of the categories in the industry competition MMM (Max Marketing Mix). The competition aims "to promote and reward strategic, creative and measurable marketing communications."

Larger, long-term customer relations

Itera has a strong Nordic customer portfolio, where many of the customers already buy or have the potential to apply the full range of Itera's services.

The 10 largest customers accounted for 44 percent of the Group's revenue in the first quarter, up from 35 percent in the corresponding quarter last year.

Significant risks and uncertainties

Itera's business is affected by a number of different factors, some of which are within the company's control while others are beyond our control. As a consulting firm, the business is affected by business-related risks such as competition and price pressure, project overruns, recruitment, loss of key personnel and our customer's development and bad debts. Market risks include risks related to the business cycle.

Financial risks include exchange risks, mainly related to Swedish (SEK) and Danish kroner (DKK), and US dollar (USD) against Norwegian kroner (NOK). Further, the Group is exposed to interest risks related to return on the bank deposits and financial expenses related to the external financing by changes in the interest rate.

Itera's nearshore operations in Ukraine exposes the Group to new risks, included country risk, data security and corruption. Itera has zero tolerance for corruption and does not conduct domestic activities where the problem of corruption is greatest.

Outlook

The Group keeps its focus on the main strategy, creating large, long term customer relationships, increasing share of project deliveries involving the full range of services, increasing use of nearshore resources and improving efficiency within the organization.

The range of services is developed in line with customer needs, and has its base in the combination of communication and technology.

The Group monitors the development in Ukraine very closely, and expect that the establishment of a new development center in the EU will lead to increased activity and that the projects that have been postponed in the first quarter commence.

The Group is properly positioned for profitable growth.

Interim Report Q2

The second quarter interim report will be presented on the 22nd of August 2014.

STATEMENT OF COMPREHENSIVE INCOME

All figures in NOK 1000	2014 1-3	2013 1-3	change %	2013 1-12
Sales revenue	112 405	113 634	-1 %	465 194
Operating expenses				
Cost of sales	17 828	22 285	-20 %	90 630
Personell expenses	74 979	71 356	5 %	279 400
Depreciation	5 398	5 223	3 %	21 376
Other operating expenses	11 755	12 557	-6 %	51 266
Total operating expenses	109 959	111 421	-1 %	442 671
Operating profit	2 445	2 213	10 %	22 523
Financial items				
Other financial income	183	205	-10 %	383
Other financial expenses	302	390	-23 %	2 467
Net financial items	-119	-186	36 %	-2 084
Profit before taxes	2 326	2 028	15 %	20 439
Income tax	628	568	11 %	4 639
Profit for the period	1 698	1 460	16 %	15 800
Earnings per share	0.02	0.02	16 %	0.19
Fully diluted earnings per share	0.02	0.02	16 %	0.19
Statement of other income and costs				
Currency translation differences	-751	-226	-232 %	2 323
Unrealized net effect on investments in foreign subsidiaries	-540	614	-188 %	1 622
		0		-459
Profit for the period	1 698	1 460	16 %	15 800
Total profit	407	1 848	-78 %	19 286
Attributable to:				
Shareholders in parent company	407	1 848	-78 %	18 783

STATEMENT OF FINANCIAL POSITION

All figures in NOK 1000	2014 Mar 31	2013 Mar 31	change %	2013 31 Dec
ASSETS				
Non-current assets				
Deferred tax asset	8 514	12 850	-34 %	9 146
Other intangible assets	15 969	19 042	-16 %	17 216
Fixed assets	30 325	26 689	14 %	27 858
Total non-current assets	54 809	58 580	-6 %	54 221
Current assets				
Work in progress	6 905	10 153	-32 %	15 657
Accounts receivable	81 377	71 782	13 %	69 682
Other receivables	19 022	9 635	97 %	12 574
Bank deposits	53 052	30 834	72 %	67 958
Total current assets	160 356	122 403	31 %	165 872
Total assets	215 165	180 983	19 %	220 092
EQUITY AND LIABILITIES				
Equity				
Share capital	24 656	24 656	0 %	24 656
Other equity	60 989	48 175	27 %	46 479
Net profit for the period	1 698	1 460	16 %	15 800
Total equity	87 343	74 291	18 %	86 935
Non-current liabilities				
Non-current interest bearing liabilities	18 398	12 702	45 %	15 827
Total non-current liabilities	18 398	12 702	45 %	15 827
Current liabilities				
Accounts payable	22 934	18 401	25 %	27 171
Public duties payable	32 668	23 569	39 %	24 576
Other short-term liabilities	53 683	52 021	3 %	65 431
Total current liabilities	109 424	93 991	16 %	117 330
Total liabilities	127 822	106 692	20 %	133 157
Total equity and liabilities	215 165	180 983	19 %	220 092
Equity ratio	41 %	41 %		39 %

STATEMENT OF CASH FLOW

All figures in NOK 1000	2014 10-12	2013 10-12	change %	2013 1-12
Cash flow from operating activities				
Profit before taxes	2 326	2 028	15 %	20 439
Income tax	-389	0		-1 152
Depreciation	5 398	5 223	3 %	21 376
Change in work in progress	8 752	-4 261	305 %	-9 765
Change in account receivables	-11 695	2 395	-588 %	4 494
Change in account payables	-4 237	687	-717 %	9 458
Change in other accruals	-9 713	-1 321	-635 %	10 640
Effect of currency changes	-1 176	0		
Net cash flow from operating activities	-10 734	4 750	-326 %	57 726
Cash flow from investments activities				
Investment in fixed assets	-1 652	-1 094	-51 %	-5 146
Investment in intangible assets	-636	-397	-60 %	-3 670
Net cash flow from investments activities	-2 288	-1 491	-53 %	-8 816
Cash flow from financing activities				
Borrowings repaid	-1 884	-1 282	-47 %	-6 131
Dividend	0	0		-4 931
Net cash flow from financing activities	-1 884	-1 282	-47 %	-11 062
Currency effect on cash	0	33	-100 %	1 286
Net cash flow	-14 906	2 010	-842 %	39 134
Bank deposits at the beginning of the period	67 958	28 824	136 %	28 824
Bank deposits at the end of the period	53 052	30 834	72 %	67 958
New borrowing related to leasing	4 455	2 094	113 %	

STATEMENT OF CHANGES IN EQUITY

All figures in NOK 1000	Share capital	Own shares	Other equity	Translation differences	Other equity	Total equity
Shareholders' equity as of 31 Dec 2012	24 656	0	0	-4 626	52 412	72 442
Comprehensive income for the year	0	0	0	3 486	15 800	19 286
Option costs	0	0	138	0	0	138
Dividend	0	0	0	0	-4 931	-4 931
Shareholders' equity as of 31 Dec 2013	24 656	0	0	-1 140	63 280	86 935
Comprehensive income for the year	0	0	0	-1 291	1 698	407
Shareholders' equity as of 31 Mar 2014	24 656	0	0	-2 431	64 978	87 343

NOTES

NOTE 1: TRANSACTION WITH RELATED PARTIES

There have been no material transactions with related parties during the reporting period 1st of January to 31st of March.

NOTE 2: EVENTS AFTER BALANCE SHEET DATE

There have been no material events after 31st of March 2014 of significance for this quarterly report.

KEY FIGURES

All figures in NOK 1000	2014 1-3	2013 1-3	change %	2013 1-12
Profit & Loss				
Sales revenue	112 405	113 634	-1 %	465 194
Gross profit 1	94 577	91 349	4 %	374 564
EBITDA	7 843	7 436	5 %	43 899
EBITDA-margin	7.0 %	6.5 %		9.4 %
Operating profit (EBIT)	2 445	2 213	10 %	22 523
EBIT-margin	2.2 %	1.9 %		4.8 %
Profit before taxes	2 326	2 028	15 %	20 439
Profit for the period	1 698	1 460	16 %	15 800
Balance sheet				
Non-current assets	54 809	58 580		54 221
Bank deposits	53 052	30 834		67 958
Current assets	160 356	122 403		165 872
Total assets	215 165	180 983		220 092
Equity	87 343	74 291		86 935
Total current liabilities	109 424	93 991		117 330
Equity ratio	40.6 %	41.0 %		39.5 %
Liquidity factor	1.47	1.30		1.41
Cash flow				
Net cash flow from operating activities	-10 734	4 750		57 726
Net cash flow	-14 906	2 010		39 134
Share information				
Number of shares	82 186 624	82 186 624		82 186 624
Weighted average basic shares outstanding	82 186 624	82 186 624		82 186 624
Weighted average diluted shares outstanding	82 186 624	82 186 624		82 186 624
EBIT per share	0.02	0.02	16 %	0.19
Diluted EBIT per share	0.02	0.02	16 %	0.19
EBITDA per share	0.10	0.09	5 %	0.53
Equity per share	1.06	0.90	18 %	1.06
Dividend per share	0.00	0.00		0.06
Employees				
Number of employees at the end of the period	464	432	7 %	460
Average number of employees	462	428	8 %	443
Operating revenue per employee	243	265	-8 %	1 050
Gross profit 1 per employee	205	213	-4 %	846
Personell expenses per employee	162	167	-3 %	631
Other operating expenses per employee	25	29	-13 %	116
EBITDA per employee	17	17	-2 %	99
EBIT per employee	5	5	2 %	51

QUARTERLY DEVELOPMENT 2012-2014

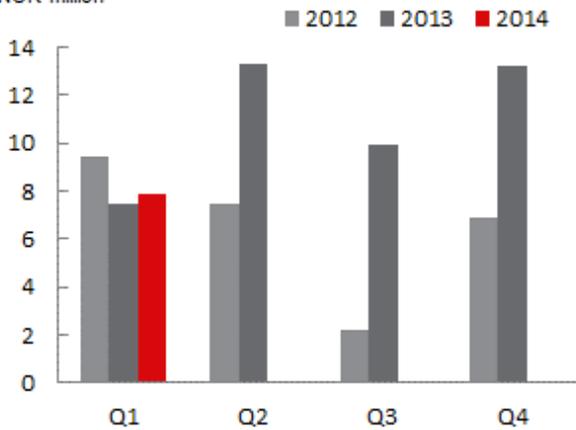
Revenues
NOK million



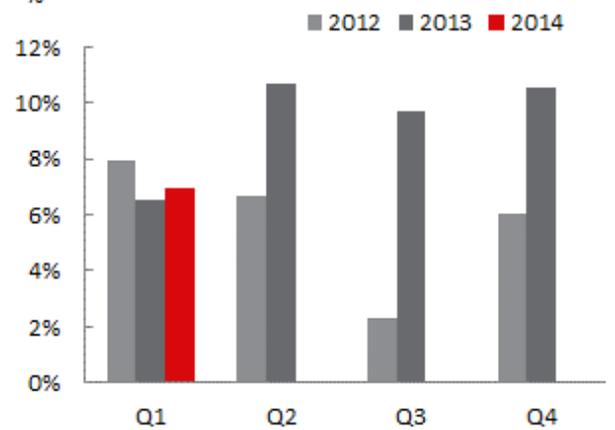
Employees
End of period



EBITDA
NOK million



EBITDA margin
%



EBIT
NOK million



EBIT margin
%



IT'S OUR
DIVERSITY THAT MAKES
THE DIFFERENCE.

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