



2015

Q 1

HIGHLIGHTS Q1/2015

JANUARY – MARCH 2015

- Operating revenue NOK 113.9 million (112.4)
- EBITDA NOK 7.7 million (7.8)
- EBIT before non-recurring items NOK 2.8 million (2.4)
- Cash flow from operations NOK -8.1 million (-10.7)
- Bank deposits NOK 54.0 million (53.1)

ACTIVITIES AND SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- Itera returned to revenue growth (+1%) in the first quarter of 2015. As in the fourth quarter of 2014, the revenue generated by Itera's own consultants grew. There was a slight decrease in the revenue generated by Itera's nearshore activities.
- Significant improvements were seen in the profitability of Itera's consulting activities in Norway and Denmark, while weaker figures were generated by Itera's consulting activities in Sweden. The restructuring planned for Itera's IT hosting activities in Norway was carried out, and has had the desired effect on profitability. A restructuring provision of NOK 2 million was recognised in the first quarter in connection with this, in line with the amount announced earlier.
- The process to sell Itera's IT hosting activities in Sweden is underway. Discussions are being held with a number of interested parties.
- Central delivery agreements were signed with customers including PRA Group, Advokatfirmaet Hjort, Simonsen Vogt Wiig, Selvaag, the Norwegian Defence Estates Agency, the Municipality of Ski, OBOS and Østfold Energi, with a combined total contract value of NOK 170 million.

KEY FIGURES

	2015	2014	ending	2014
	1-3	1-3	%	1-12
All figures in NOK 1000				
Profit & Loss				
Sales revenue	113 937	112 405	1 %	439 845
Gross profit 1	95 729	94 577	1 %	363 919
EBITDA	7 734	7 843	-1 %	25 233
EBITDA margin	6,8 %	7,0 %		5,7 %
Operating profit (EBIT) before non-recurring items	2 838	2 445	16 %	
EBIT margin before non-recurring items	2,5 %	2,2 %		
Operating profit (EBIT)	872	2 445	-64 %	158
EBIT margin	0,8 %	2,2 %		0,0 %
Profit before taxes	91	2 326	-96 %	-1 554
Profit for the period	67	1 698	-96 %	-4 947

FIRST QUARTER REPORT

FINANCIAL PERFORMANCE

Summary

The company reports revenue growth of 1% for the first quarter of 2015. The revenue generated by Itera's own consultants grew in the first quarter of 2015 relative to the same period in 2014, and the utilisation rate showed a steady increase in the quarter. The revenue generated by Itera's nearshore activities decreased slightly.

There was a small decrease in the revenue generated by the company's IT hosting activities, but the decrease was in line with what the company had planned for.

The operating result before non-recurring items for the first quarter of 2015 was a profit of NOK 2.8 million (2.4). Improvements were seen in the profitability of Itera's IT hosting and consulting activities in Norway and Denmark, while an improvement was seen in the profitability of Itera's IT hosting activities in Sweden. Itera's consulting activities in Sweden produced weaker results than in the same quarter of 2014.

There were 1.25 fewer working days in the first quarter of 2015 than in the first quarter of 2014. One working day represents an impact on earnings of approximately NOK 1 million.

In accordance with the figures announced in the fourth quarter report for 2014, non-recurring costs of NOK 2.0 million were recognised in the first quarter of 2015 as a result of the decision to close down an unprofitable department in Itera's IT hosting activities in Norway.

Accounting principles

This consolidated interim financial report includes Itera ASA and its subsidiaries, and was prepared in accordance with IAS 34, which covers interim reporting, and the Securities Trading Act. The report has not been audited, and does not contain all the information required in an annual financial report. More information about the accounting principles used can be found in Itera's annual report for 2014.

The figures given in brackets in this report refer to the first quarter of 2014.

Operating revenue

The Group reports operating revenue of NOK 113.9 million (112.4) for the first quarter of 2015, representing growth of 1%. The revenue generated by Itera's own consultants grew in the first quarter of 2015 relative to the same period in 2014, and the utilisation rate showed a steady increase in the quarter. The revenue generated by Itera's nearshore activities decreased slightly in the first quarter of 2015, but the decrease was less than that seen in the previous quarters. There was also a small decrease in the revenue generated by the company's IT hosting activities, but the decrease was in line with what the company had planned for.

"Gross profit 1" (revenue – cost of goods sold) was NOK 95.7 million (94.6) in the first quarter of 2015, representing growth of 1%.

Operating costs

The Group's operating costs totalled NOK 111.1 million (110.0) in the first quarter of 2015, representing an increase of 1%.

Cost of goods sold was NOK 18.2 million (17.8) in the first quarter of 2015. Cost of goods sold principally consists of services purchased from sub-consultants, costs related to the Group's data centre, and third party software licences and hardware that form part of larger deliveries. Cost of goods sold can vary significantly from quarter to quarter. The increase in the cost of goods sold in the first quarter of 2015 was due to onward sales of hardware and software constituting a slightly larger share of total sales.

Personnel costs were NOK 74.7 million (75.0) in the first quarter of 2015. Personnel costs per employee increased by 4%, in part due to growth in salaries, but the increase also reflects the company having a lower nearshore ratio than during the first quarter of 2014.

Total depreciation and amortisation was NOK 4.9 million (5.4) in the first quarter of 2015. The decrease relates primarily to intangible assets becoming fully amortised by 31 December 2014.

Other operating costs in the first quarter of 2015 totalled NOK 13.9 million (11.8). The increase relates to a liability to Itera Consulting Group Ltd (Ukraine) being recognised.

Operating result

The operating result before depreciation (EBITDA) for the first quarter of 2015 was a profit of NOK 7.7 million (a profit of NOK 7.8 million in Q1 2014)

The operating result before non-recurring items (EBIT) for the first quarter of 2015 was a profit of NOK 2.8 million (a profit of NOK 2.4 million in Q1 2014)

Non-recurring costs totalling NOK 2.0 million were recognised in the first quarter of 2015 due to an unprofitable department in Itera's IT hosting activities in Norway being closed down.

Net financial expenses were NOK 0.8 million (0.1) in the first quarter of 2015. The increase was due to exchange rate effects arising from changes in the USD exchange rate.

The operating result after tax for the first quarter of 2015 was a profit of NOK 0.1 million (a profit of NOK 1.7 million in Q1 2014). Tax expenses totalled NOK 0.0 million (0.6), and tax paid was NOK 0.0 million (0.4).

The Group had deferred tax assets of NOK 9.6 million (8.5) at 31 March 2015, NOK 5.8 million of which is capitalised on the balance sheet.

Cash flow and equity

Itera's cash flow from operations in the first quarter of 2015 was negative by NOK 8.1 million (negative by NOK 10.7 million in Q1 2014). The negative cash flow from operations in the first quarter of 2015 can be attributed to seasonal variations.

Accounts receivable from customers were NOK 1.4 million higher at 31 March 2015 than at the end of 2014. The increase can be attributed to the growth in revenue.

Accounts payable at 31 March 2015 were NOK 9.6 million lower than at the end of 2014, and public duties payable increased by NOK 2.1 million. Other current liabilities were approximately in line with the end of 2014.

Bank deposits totalled NOK 54.1 million (53.1) at 31 March 2015. The Group has a credit facility of NOK 25 million.

The Group has net interest-bearing liabilities totalling NOK 13.9 million (18.4) related to financial lease agreements entered into in order to finance investments related to IT hosting contracts.

Itera did not purchase any of its own shares in the first quarter of 2015 and did not hold any own shares at 31 March 2015.

Equity at 31 March 2015 totalled NOK 53.1 million (87.3). This represents an equity ratio of 28% (41%). The decrease in the equity ratio is due to the dividend paid in the second quarter of 2014.

Investments

The Group invested NOK 3.0 million (6.7) in total in the first quarter of 2015.

Investment in Itera's IT hosting activities amounted to NOK 0.4 million (4.4) in the first quarter of 2015. Leasing accounted for NOK 0.0 (4.4) million of this amount. Investment in intangible assets (including software developed in-house for ongoing yearly agreements) totalled NOK 2.2 million (0.7).

BUSINESS REVIEW

The revenue generated by Itera's consulting services continued to grow in the first quarter of 2015, while the IT hosting activities experienced a lower level of activity, as was expected. The planned actions to improve the profitability of Itera's IT hosting activities in Norway were carried out in the first quarter of 2015, and have had the desired effect on earnings. As previously announced, it has been decided that Itera's IT hosting activities in Sweden are to be sold, and the sales process is underway.

Market and customer development

The Group experienced good order inflows in the first quarter of 2015. Central delivery agreements were signed with customers such as PRA Group, Hjort, Simonsen Vogt Wiig, Selvaag, the Norwegian Defence Estates Agency, the Municipality of Ski, OBOS and Østfold Energi. These contracts have a combined total value of NOK 170 million. With the exception of OBOS and Østfold Energi, these contracts constitute extensions or enlargements of existing

relationships. The majority of these agreements run for between three and five years.

The public sector is a special focus area for Itera, and it is a sector to which Itera delivers a broad range of communication and technology services. A good example from the first quarter of 2015 is provided by the Norwegian Agriculture Agency, which awarded Itera a two-year framework agreement for graphic design following competitive tendering. The Agency is relatively newly created, and the agreement will involve Itera in helping to raise its profile and create a strong reputation.

Another important focus area is digitisation, both in the public and private sectors. The market is changing due to the fact that the traditional disciplines of communication and technology are becoming combined. New business models are emerging, and customer behaviours and the competitive picture are changing. This is true in all industries, and the majority of companies need to adapt their strategies and operations to maintain or strengthen their position in the market. As Itera is a communication and technology company, the Group is in a position to provide sound consulting advice to companies undergoing change processes of this type. An example of this is that Itera provided consultancy services to a large agricultural organisation in the first quarter of 2015. This organisation has extensive, long-term ambitions in relation to e-commerce in its sector, and hired Itera as a consultant. We assisted the organisation in the first quarter with digital strategy at an overall level as well as with evaluating the suitability of currently available e-commerce solutions in relation to their long-term targets. The project is an example of how Itera is able to work innovatively to solve customers' challenges: the Group also secured the involvement of one of Norway's largest e-commerce companies in order to provide both the customer and Itera with logistics expertise. The project also exemplifies how the entire range of Itera's expertise can be deployed on a single assignment.

Larger, long-term customer relationships

Itera has a strong customer portfolio in the Nordic region, and many customers have the potential to purchase the whole range of services offered by the Group. A key part of Itera's strategy is to maintain and develop the Group's largest and most strategic relationships across national borders and areas of expertise.

The revenue from Itera's 30 largest customers grew by 9% in the first quarter of 2015 and accounted for 66% of the Group's operating revenue, up from 64% in the first quarter of 2014.

Organisation

The Group's headcount at the end of the first quarter of 2015 was 437 as compared to 464 at the end of March 2014. This represents a decrease of approximately 6%. Some of the reduction is due to an unprofitable department in Itera's IT hosting activities in Norway being closed down, while the rest is a result of natural departures that have not been replaced with new resources.

The proportion of Itera's capacity that is located nearshore (its nearshore ratio) was 28% (34%) at the end of the first quarter of 2015. The Group's development centre in Bratislava provides flexibility with regard to meeting the target of achieving a nearshore ratio of 50% in the future.

Significant risks and uncertainties

Itera's activities are influenced by a number of different factors, some of which are within the company's control, and some of which are not. As a service company, Itera faces business risks associated with competition and pressure on prices, project overruns, recruitment, loss of key resources, customers' performance and bad debts. Market-related risks include risks related to the business cycle. Financial risks include currency fluctuations, principally in relation to the Swedish krona (SEK) and the Danish krone (DKK), as well as in relation to the US dollar (USD) against the Norwegian krone (NOK). In addition, interest rate changes will affect the returns earned by the Group on its bank deposits, as well as leasing costs and the cost of credit facilities.

The Group is exposed through its nearshore activities in Ukraine to new risk factors such as country risk, data security and corruption. Itera has a zero tolerance policy on corruption and has therefore decided not to deliver services to the public or private sector in Ukraine.

More information about risks and uncertainties can be found in Itera's annual report for 2014.

Outlook

The Group expects to see a speedy resolution to the sale of the IT hosting activities in Sweden.

In general, the company's overall strategy of developing larger, long-term customer relationships, increasing the number of project deliveries which involve the full range of the Group's services, using nearshore resources and focusing on operational efficiency remains unchanged.

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

Interim report Q2 2015

The interim report for the second quarter of 2015 will be published and presented on 27 August 2015.

STATEMENT OF COMPREHENSIVE INCOME

All figures in NOK 1000	2015 1-3	2014 1-3	ending %	2014 1-12
Sales revenue	113 937	112 405	1 %	439 845
Operating expenses				
Cost of sales	18 208	17 828	2 %	75 926
Personnel expenses	74 676	74 979	0 %	288 639
Depreciation	4 896	5 398	-9 %	21 407
Other operating expenses	13 319	11 755	13 %	50 047
Total operating expenses	111 099	109 959	1 %	436 019
Operating profit before non-recurring items	2 838	2 445	16 %	3 826
Non-recurring items	1 966	0		3 668
Operating profit after non-recurring items	872	2 445	-64 %	158
Financial items				
Other financial income	110	183	-40 %	1 462
Other financial expenses	891	302	195 %	3 174
Net financial items	-781	-119	-556 %	-1 712
Profit before tax	91	2 326	-96 %	-1 554
Tax	25	628	-96 %	3 394
Profit for the period	67	1 698	-96 %	-4 947
Earnings per share	0,00	0,02	-96 %	-0,06
Fully diluted earnings per share	0,00	0,02	-96 %	-0,06
Statement of other income and costs				
Currency translation differences	-408	-751	46 %	266
Unrealized net effect on investments in foreign subsidiaries	-474	-540	12 %	279
Profit for the period	67	1 698	-96 %	-4 947
Total profit	-815	407	-300 %	-4 402
Attributable to:				
Shareholders in parent company	-815	407	-300 %	-4 402

STATEMENT OF FINANCIAL POSITION

All figures in NOK 1000	2015 Mar 31	2014 Mar 31	change %	2014 31 Dec
ASSETS				
Non-current assets				
Deferred tax assets	5 786	8 514	-32 %	5 810
Other intangible assets	16 016	15 969	0 %	15 871
Fixed assets	24 813	30 325	-18 %	26 922
Total non-current assets	46 615	54 809	-15 %	48 604
Current assets				
Work in progress	13 240	6 905	92 %	12 228
Accounts receivable	61 130	81 377	-25 %	59 692
Other receivables	17 547	19 022	-8 %	17 221
Bank deposits	54 046	53 052	2 %	67 189
Total current assets	145 964	160 356	-9 %	156 331
Total assets	192 579	215 165	-10 %	204 935
EQUITY AND LIABILITIES				
Equity				
Share capital	24 656	24 656	0 %	24 656
Other equity	28 330	60 989	-54 %	34 159
Net profit for the period	67	1 698	-96 %	-4 947
Total equity	53 052	87 343	-39 %	53 868
Non-current liabilities				
Non-current interest bearing liabilities	13 948	18 398	-24 %	16 032
Total non-current liabilities	13 948	18 398	-24 %	16 032
Current liabilities				
Accounts payable	17 673	22 934	-23 %	27 245
Tax payable	5	139	-97 %	5
Public duties payable	32 852	32 668	1 %	30 801
Other short-term liabilities	75 050	53 683	40 %	76 984
Total current liabilities	125 579	109 424	15 %	135 035
Total liabilities	139 527	127 822	9 %	151 066
Total equity and liabilities	192 579	215 165	-10 %	204 935
Equity ratio	28 %	41 %		26 %

STATEMENT OF CASH FLOW

All figures in NOK 1000	2015 1-3	2014 1-3	ending %	2014 1-12
Cash flow from operating activities				
Profit before taxes	91	2 326	-96 %	-1 554
Tax paid	0	-389	100 %	-749
Depreciation	4 896	5 398	-9 %	21 407
Change in work in progress	-1 012	8 752	-112 %	3 429
Change in accounts receivable	-1 438	-11 695	88 %	9 990
Change in accounts payable	-9 572	-4 237	-126 %	73
Change in other accruals	-212	-9 713	98 %	13 745
Effect of currency changes	-846	-1 176	28 %	
Net cash flow from operating activities	-8 093	-10 734	25 %	45 846
Cash flow from investment activities				
Investment in fixed assets	-797	-1 652	52 %	-6 063
Investment in intangible assets	-2 169	-636	-241 %	-5 589
Net cash flow from investment activities	-2 966	-2 288	-30 %	-11 652
Cash flow from financing activities				
Purchase of own shares	0	0		-67
Borrowings repaid	-2 083	-1 884	-11 %	-7 215
Dividend	0	0		-28 765
Net cash flow from financing activities	-2 083	-1 884	-11 %	-36 047
Currency effect on cash	0	0		1 084
Net cash flow	-13 142	-14 906	12 %	-770
Bank deposits at the beginning of the period	67 189	67 958	-1 %	67 958
Bank deposits at the end of the period	54 046	53 052	2 %	67 189
New borrowing related to leasing	0	4 455	-100 %	7 420

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 2013	24 656	0	138	-1 140	63 280	86 935
Comprehensive income for the year	0	0	0	545	-4 947	-4 402
Option costs	0	0	168	0	0	168
Purchase of own shares	0	315	0	0	-315	0
Sale of own shares	0	-315	0	0	248	-67
Dividend	0	0	0	0	-28 765	-28 765
Shareholders' equity as of 31 Dec 2014	24 656	0	306	-595	29 500	53 868
Comprehensive income year to date 2015	0	0	0	-882	67	-815
Shareholders' equity as of 31 March 2015	24 656	0	306	-1 477	29 566	53 052

NOTES

NOTE 1: TRANSACTIONS WITH RELATED PARTIES

There have been no material transactions with related parties during the reporting period 31 December 2014 to 31 March 2015.

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

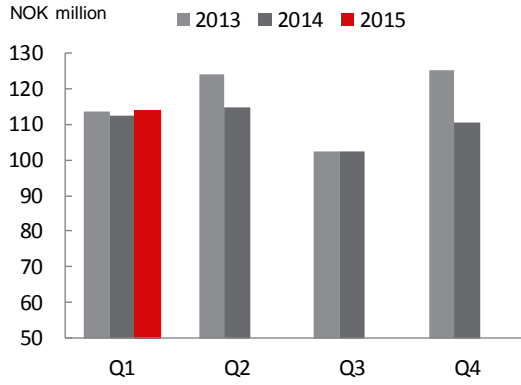
There have been no events after 31 March 2015 that would have an effect on the interim accounts.

KEY FIGURES

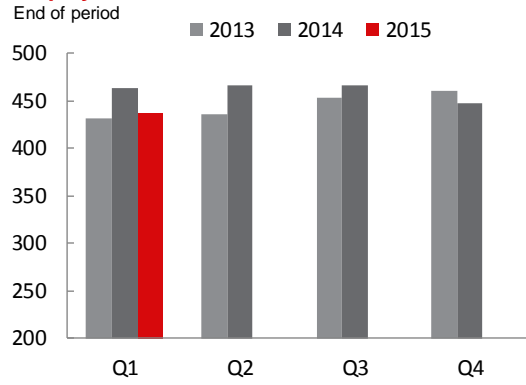
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Profit & Loss				
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Profit before taxes	91	2 326	-96 %	-1 554
Profit for the period	67	1 698	-96 %	-4 947
Balance sheet				
Non-current assets	46 615	54 809		48 604
Bank deposits	54 046	53 052		67 189
Current assets	145 964	160 356		156 331
Total assets	192 579	215 165		204 935
Equity	53 052	87 343		53 868
Total current liabilities	125 579	109 424		135 035
Equity ratio	27,5 %	40,6 %		26,3 %
Current ratio	1,16	1,47		1,16
Cash flow				
Net cash flow from operating activities	-8 093	-10 734		45 846
Net cash flow	-13 142	-14 906		-770
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	0,00	0,02	-96 %	-0,06
Diluted EBIT per share	0,00	0,02	-96 %	-0,06
EBITDA per share	0,09	0,10	-1 %	0,31
Equity per share	0,65	1,06	-39 %	0,66
Dividend per share	0,00	0,06	-100 %	0,35
Employees				
Number of employees at the end of the period	437	464	-6 %	447
Average number of employees	442	462	-4 %	458
Operating revenue per employee	258	243	6 %	960
Gross profit 1 per employee	217	205	6 %	795
Personnel expenses per employee	169	162	4 %	630
Other operating expenses per employee	30	25	18 %	109
EBITDA per employee	17	17	3 %	55
EBIT per employee	2	5	-63 %	0

QUARTERLY DEVELOPMENT 2013-2015

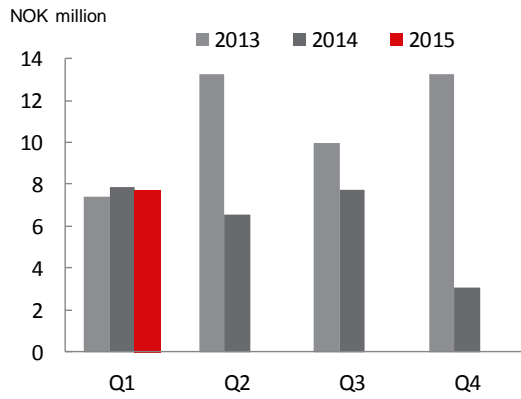
Revenues



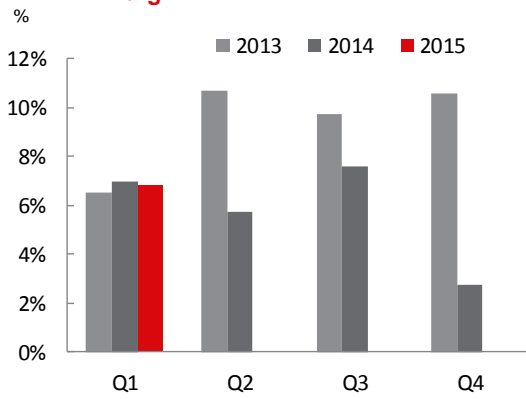
Employees



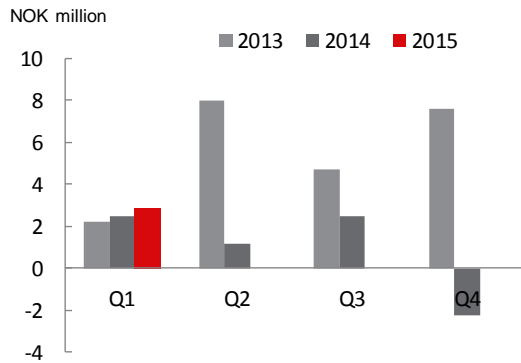
EBITDA



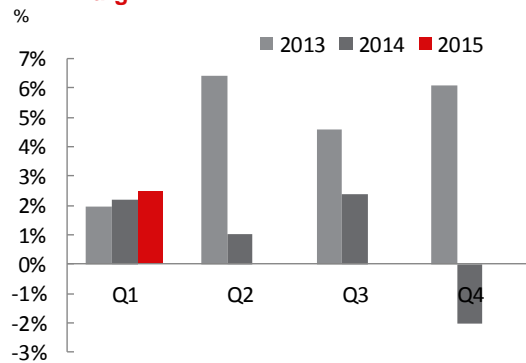
EBITDA margin



EBIT



EBIT margin



IT'S OUR
DIVERSITY THAT MAKES
THE DIFFERENCE.

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