SPECIALISTS IN CREATING DIGITAL BUSINESS

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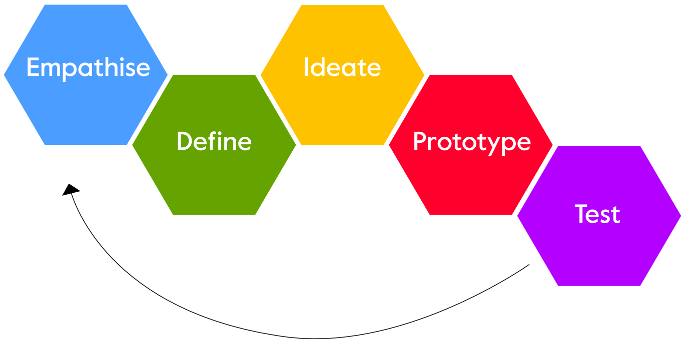
Design Thinking – a method for repeatable genius

Marlene Garred, Senior Designer, Itera



> **In practice, design thinking is a set of tools that can grow old with us. And I'd argue that in order to create sustained competitive advantage, businesses must be not just practitioners, but masters of the art.**
>
> **Tim Brown,** *CEO and President IDEO*

Embracing a proven method

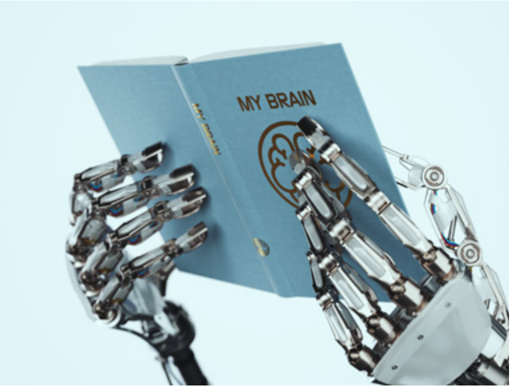
When a company embraces design thinking as a core value, it adopts the process of creating great human-centered user experiences and disruptive products, time and again. In today's increasing pace of digitalization, the design thinking method has proven to be valuable in creating growth and innovation. True competitive advantage requires non-obvious solutions executed in elegant ways. Itera has adopted a shared vocabulary and the design thinking toolset, and can confidently solve the thorniest of challenges with insightful solutions.

Becoming masters of the art

The design thinking-based framework popularized by the Stanford University's d.school includes five steps: empathise, define, ideate, prototype and test – it is an iterative process with numerous variations that are not necessarily linear. This practical and accessible approach is championed for its interdisciplinary and multi-faceted nature. In essence, design thinking says:

- We are going to do things differently from how we've always done them before.
- We are going to engage with people in their environment and in the proper context.
- We are going to study and dig into the right problem before we jump to solutions.
- We are going to challenge assumptions about how things "should be".
- We are going to explore our best ideas – go wide – and diverge before picking the one that matches the solution best.
- We are going to map the customer's journey to see what makes sense and what doesn't.
- We are going to build prototypes, watch users interact with them, get feedback and learn what's best.

At Itera, we are cultivating design thinking, practicing these skills into habit, making them a transparent instrument in order to gain the mastery needed to make the complex clear, the disordered ordered, the unusable usable, the unsolvable wicked problems solvable. In essence, we are on our way to mastering the art, and entering the realm for repeatable genius.



Artificial Intelligence – from a commercial perspective

Tom Kr. Foosnæs, Senior Advisor, Itera

Almost all sectors and industries are being affected by rapid technological advances. According to Google, 40% of today's businesses will have disappeared within 10 years. This is a scary prediction, but it also illustrates the opportunities for growth that exist for those businesses that can adapt. However, the level of adaption required will be fundamentally different from anything we have seen before. The changes will take place at a completely different speed because they are technical in nature, will take place at the same time and, importantly, will be exponential. To take artificial intelligence as an example, more has happened this past year in AI than in the 20 previous years, according to Darmesh Shah, Co-founder and CTO of Hubspot. Google has taken this onboard, and now refers to itself as a "machine learning and AI company", rather than a "mobile company".

Examples of uses of artificial intelligence

Spotify uses machine learning in order to recommend music to us. Google Pixel Buds are headphones that translate instantaneously and enable you to converse with someone who speaks a different language. In Seattle, the first Amazon Go store has recently opened to the public. All you have to do is to scan your mobile as you enter, pick up what you need, and leave. You have paid without passing any form of pay point. Forbes has predicted that this technology will be a game changer for the retail industry. In Norway, Gjensidige Forsikring is using image recognition and artificial intelligence to assess accident damage to cars automatically. This means that customers get their cars repaired more quickly, while the company saves money.

Furthermore, artificial intelligence can be used to predict influenza epidemics, the number of people expected to dine in restaurants, and the number of enquiries a given customer service centre will receive. Itera is in close contact with a team in Silicon Valley that can predict with an impressive level of accuracy how the price of oil will change, GDP figures for a number of countries, and the probability of strikes occurring several months before they actually take place. Our homes and cities are getting steadily smarter, and ever more things are being connected to the internet (the internet of things). Our health will increasingly be monitored continuously to enable proactive medical treatment, helping us to avoid a range of illnesses.

The opportunities – whether in terms of creating better customer experiences, increasing competitiveness or entering entirely new markets – are formidable.

The need for a competent board of directors and the right mix of employees

So, what should business leaders do? First, it is important to remember that the main thing is still to have the right people and good management. Ensure you have a competent board of directors. Too many people underestimate the need for a

> **The world is now full of examples of how small startups are turning established industry structures upside down using good ideas, enthusiasm and a significant dose of courage.**
>
> Tom Kr. Foosnæs

board to have strong expertise in the company's market, a good understanding of technology, and business development experience. Put AI on the agenda. Now. Think far beyond the next quarterly report, far into the future. Not doing so represents old-fashioned thinking based on the idea of linear progress, and this will hinder the changes that are needed and prevent exponential growth. Basing senior management's bonuses on last year's figures consequently also acts as a brake on innovation and progress. Furthermore, organisations need to ensure they are attracting the right people and developing a good level of diversity, both of which are crucial for innovation. The entire organisation needs to be permeated by a focus on innovation, digitalisation, and using AI. This does not, however, mean that the company itself needs to develop AI.

Put yourself in the driving seat

In future, restructuring the way in which we have worked until now will no longer be sufficient. We need to think entirely differently, and our ambition should be to think bigger. What will your business's moon-shot be in the next few years? Who do you want to help, and how? In what new ways will you solve challenges?

Technology is now enabling companies to enter markets that are completely different from those they operate in today. Very many industries will encounter new competitors with disruptive business models. How can you think disruptively in your own industry? Or, better still, identify the dream scenario for what the future looks like in a given area outside your industry, and then work backwards from that. This makes artificial intelligence into nothing more than a technology that can help you to make your dream scenario a reality. Whatever your level of ambition, the first phase is research. Do not restrict your thinking in any way and view everything as possible. Find out what information or data is available and how you can gather more. Remember that having a lot of data is beneficial when it comes to artificial intelligence. Finally, you need to consider the likely ROI for the various options you come up with in relation to the level of difficulty and effort they will involve.

Facebook, Google and Apple are currently engaged in all the battles taking place in those arenas that have previously been solely occupied by banks. There are many other examples of this. There are also many opportunities, including for you and for the company where you work. You do not need to work at a large organisation. The world is now full of examples of how small startups are turning established industry structures upside down using good ideas, enthusiasm and a significant dose of courage.

Business Design – creating something of value!

Andreas Almquist, Principal consultant, Itera

Many companies are finding that those business capabilities that used to produce sustainable value and competitive advantage no longer do. Today's competitive dynamics mean the need for customer centricity is being replaced by the need for customer obsession. "Time to value" is vital as ideas are in abundance, but execution is not. Organizations need to be faster, more collaborative and more innovative than ever before.

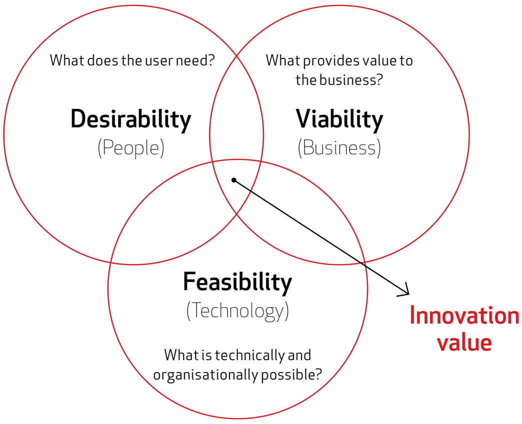
To succeed in this new imperative, the changes taking place need to be understood. How do current trends translate into concrete strategic options and how does your strategy need to change in response? How can you unify all the elements of your business into a seamless design, from how customers are served through to how you use technology and what business models you apply? How do you move from strategy to execution (and back again) to constantly stay strategically pragmatic? How can these changes be embedded deep within your business to achieve lasting impact?

Finding answers to these questions can be difficult, but our belief is that using a Business Design approach makes doing so simpler.

What is business design?

Business design is a human-centred approach to strategy, problem solving and business development that augments traditional approaches with the principles of design thinking. This provides a new approach and a new way of looking at challenges, solving problems and understanding how to create value. In practice, business design involves looking at the three central aspects of any given problem, namely its viability from a business perspective, its desirability from a customer/stakeholder perspective, and its feasibility from a technology perspective.

Exhibit 1 – Three aspects of any problem



Business design is about business agility; it encourages experimentation and rapid iterations – of everything from strategy through to solution development. It involves applying important elements of design, such as elegance, appreciation and desirability, within a business context, which helps managers to quickly understand the feasibility and implications of their strategic and operational decisions.

> **Business design is a human-centred approach to strategy, problem solving and business development that augments traditional approaches with the principles of design thinking.**
>
> Andreas Almquist

Exhibit 2 – Business design represents a radical departure from conventional problem solving

	Traditional problem-solving approach	Business design approach
We assume that …	Reality can be quantified	Reality must be understood
We start by thinking about …	What the company can do	What people need
We focus on …	Minimizing risks	Embracing opportunity
Primary inputs are …	Analytics (numbers)	Numbers + people + context + trends
The solution involves …	Analyzing data to get to the single best answer	Iterating actions, based on data to develop increasingly better answers
The role of the end-user is to …	Use and review	Co-create, consume and advocate
Finishing involves …	Completing and maintaining the solution	Evolving and enhancing the solutions

Research shows that Business Design is a sound investment that has a direct bearing on an organisation's financial results. Companies that have embraced a Business Design approach have outperformed companies that have not in the US S&P 500 by 219 % in recent years.

Business Design at Itera

Itera is an expert provider of consulting services in digital strategy, transformation and innovation. Our innovation mindset and desire to deliver continuous improvement have made us challenge existing practices within management consulting, and the result of this is our new Business Design approach, which involves combining business expertise and innovative thinking with a strong practical focus. Taken together with Itera's capabilities in experience design and technology, our Business Design approach means we are better suited than ever to assisting our clients with making the right strategic choices and creating digital business for the future.

Itera – experts in creating digital business

Matchmaking to make innovation a reality

Kristian Enger, EVP, Itera

Norway's big companies have learnt their lesson: it is not the biggest that survive but those that are the most adaptable, those companies that have the financial muscle and existing customer bases to really innovate.
Kristian Enger

2017 was the year in which everyone was supposed to become an entrepreneur or to work at a startup. We have seen an explosion in the number of startups that are ready to eat from the plate of traditional companies. Such companies are targeting more than just survival; they want to disrupt established industries and the usual value chains. We have seen more co-working spaces and a doubling in the number of accelerator programs, while Innovation Norway and angel investors are offering support in the form of both financing and expertise. However, will all this lead to more unicorn companies in Norway in the years ahead? Our prediction is that few will succeed, unless they are a natural part of an ecosystem.

Itera is a group built on innovation. Entrepreneurship is part of our DNA, and we champion and support entrepreneurs and startups. We invest time in partnerships with accelerators and work with a range of startup companies. We are mentors, providers of support, advisors, designers, tech partners and more besides. And we learn alongside both new and experienced entrepreneurs who really want to make a difference. We call this practice "co-creation".

Despite our positive approach to entrepreneurs, we predict that few startups from 2017 will succeed in a global context. The reason for this is relatively simple: the big beasts of Norwegian business and industry are by no means standing still. Møller-Gruppen, a traditional car importer, has recently changed its name to the Møller Mobility Group and has radically redefined its business concept. Norwegian banks have joined forces to develop Vipps into a digital platform and marketplace. And Schibsted has expanded its distribution ecosystem with entirely new services. Norway's big companies have learnt their lesson: it is not the biggest that survive but those that are the most adaptable, those companies that have the financial muscle and existing customer bases to really innovate. We call this phenomenon 'bigtech', and we predict that it is something we will see significantly more of in the years ahead.

We at Itera will continue to champion and help startups and early-phase businesses. We think they are a key driver for Norway to continue the trend of reducing its dependence on oil. However, in 2018 we will strengthen the efforts we have been making to use our network to connect startups with established organisations that want, can and need to innovate. We will facilitate the processes involved and ensure that new ideas are brought forward and become reality, making the most of the speed at which startups can operate and the delivery capabilities of established companies. We think this is one way in which Itera can make a difference.

A media student encounters the tech industry

Olav Løkke, Student at the University of Oslo, Department of Media and Communication, and intern in Itera

My generation grew up with the internet as part of our day-to-day lives and we were therefore practically born into a digital way of living.
Olav Løkke

The gap between being a student and having a full-time job is significant, but over the last month I have had the chance to explore the bridge connecting these realities. As a media science student undertaking an internship in the technology industry, I have found the bridge to be long and occasionally challenging, but nonetheless predictable and safe; the tech industry is, after all, the industry that delivers much of what I have grown up with.

My relationship with technology and my contact with the industry

As a "millennial", there have been three key phases to my contact with the world of technology.

The first phase was the internet. I was born after the internet was invented, but I have nonetheless largely seen how it has developed. In the early 2000s, I was both curious about and fascinated by the possibilities it offered, and to me it was the benchmark of how far technology had progressed. The second phase has consisted of smartphones and smartphone apps, from games to social media. This has affected my life since middle school and has been an important factor in shaping my social relationships. The latest phase is taking place today. My perspective has changed from that of a consumer to someone involved in the industry that is creating the world in which we live.

Technology involves more than just technology itself

What has surprised me most about my encounter with the tech industry? The first thing that struck me was the varied knowledge needed to address society's increasing digitalization needs. Meeting these needs does not just require programming skills but interdisciplinary processes as well. When every aspect of a society is being digitalized, you have to make use of more than just pure technology; it's a question of strategic change and the preparations needed to address future challenges. The second thing that has struck me is the extent to which Itera facilitates this varied knowledge. I was surprised by this realization which serves to illustrate how different industries are becoming more and more integrated into the world of technology, from design, strategy and development through to sales and communication. In order to deliver first-rate digital solutions, diversity is required.

Versatile knowledge in a complex industry

My generation grew up with the internet as part of our day-to-day lives and we were therefore practically born into a digital way of living. Indeed, we do not simply make use of the technology we have, rather we think digitally. Regardless of what you study, from computer science, sociology, and media science through to psychology, we have a basic understanding of how the technology that we are surrounded by works. We are, in a sense, digital.

With the tech industry shaping as much of society as it is today, focusing on interdisciplinary competence is the right thing to do. Future digitalization will require precisely this. My digital generation is knocking on the door of the world of work, and we are ready to contribute with digital knowledge from every possible angle.

CEO Comment

Arne Mjøs, CEO

... it's also about humanizing technology that will become even more valuable when technological advancement will alter the status quo as never before.
Arne Mjøs, *CEO*

Top 5 most innovative company

We are proud of Itera's nomination as one of the Top 5 most innovative companies across all industries in Norway in 2017. This nomination attests the success of the transformations carried out in recent years to become specialists in creating digital business.

In 2017, we delivered 12 % organic growth, and our operating profitability improved by 15%. Itera shares produced a total return, including dividends, of 46% in 2017, which compares with a return of 19% for the Oslo Stock Exchange Benchmark index (OSEBX). Our strong performance in 2017 – on top of our outstanding total return of 124% for the last two years and 166% for the last three years – clearly demonstrates that we are executing our strategy in a durable and sustained way.

We also reached an important milestone in 2017: the number of employees increased by close to 100 talents through recruitment, increasing our capacity by 24% organically. Our hybrid delivery capabilities are very scalable and provide access to a much larger workforce than available in the Nordic region.

The coming wave of intelligent technologies

We are witnessing the arrival of the most exciting and disruptive wave of technology humankind has experienced, including artificial intelligence (AI), mixed reality and quantum computing. Yet at its core, it's also about humanizing technology that will become even more valuable when technological advancement will alter the status quo as never before.

Of course, with every new technology, there are challenges, too. How do we help people whose jobs are replaced by AI agents and robotics? In the future, AI will help to care for people, diagnose illness, teach and consult.

At Itera we are making the most of the opportunities created by technology while also facing up to the hard questions. We should all be optimistic about what is to come faster than ever. However, humans and machines will work together – not against one another, to solve society's greatest challenges such as healthy life for everyone and eradication of diseases and poverty.

We are working with customers that apply innovation and intelligence at the core of their organizations. Several first mover customers are looking ahead to anticipate the next big waves of growth, in areas as artificial intelligence, blockchain and augmented and virtual reality. We are highly relevant to senior executives, deliver great experiences for our customers' customers, create new concepts and revenue streams, provide digital platforms and cutting-edge technologies, and operate services on behalf of customers in DevOps environment.

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 to explore new opportunities.

We focus on the Nordics that constitute the world's most advanced digital economies. Our ambition is to always turn great experiences for our customer's customer into a competitive differentiator. This is possible through our sincere commitment to multidisciplinary teams, design thinking mindset and our promises to humanizing technology in every interaction, seamlessly through all touchpoints, every single day.

We have implemented bold strategic measures over the last few years in order to become specialists in creating digital business. The full breadth of capabilities we now provide – we are a genuine end-to-end provider – is unique in the marketplace. In addition, our two niche companies, Cicero Consulting and Compendia, provide the marketplace with packaged solutions and services, of which 60–80% of their revenue is recurring.

We have a strong portfolio of customers from multiple locations in the Nordics. In 2017, Itera continued to expand in the Icelandic market. At year-end, more than 40 Itera consultants were working with projects for Icelandic customers after entering the country about one year earlier. We also serve Nordic based customers in over 15 countries elsewhere in Europe and the rest of the world. Our hybrid delivery and cloud solutions are improving the scalability of our business model, in which local presence is built into engagement in partnership with our customers.

We also continue to build strong, long-term relationships with our customers. Our 30 largest customers accounted for 78% of our total revenue in 2017, an increase of 4 percent points from 2016. The amount of revenue we earn from our largest customers is increasing steadily year by year, of which several customers are approaching more than NOK 50 million per year.

Fast and hybrid

Many companies have a complex technological landscape that prevents them from efficiently addressing this new world of innovation, which would allow them to gain new competitive advantages. In 2017, major organizations increasingly turned to Itera to help them achieve their digital transformation. We have built a unique Digital Business & Experience unit with more than 50 consultants to meet the increasing demand for advisory services within digital business.

In the new reality, customers need to move fast but also industrialized to ensure scalability, high quality and security. Our **Fast & Hybrid** delivery model helps our customers with the digital transformation in which emerging digital processes coexist with traditional ones. Fast evolution and adaption of a new IT-architecture based on microservices and cloud-based platforms enables agile product development and accelerated innovation in similar way as the digital natives.

As digitalization is turning practically all companies into tech companies, competition over talent is intensified. Building on a strong Nordic heritage, we combine local presence with nearshore capabilities into hybrid delivery with an attractive blended price tag. Our hybrid delivery capabilities are very scalable, and provide access to a much larger workforce than the one available in the Nordic region. We are tapping into the 4th largest IT pool in the world after USA, India and Russia, in proximity to the Nordics only a few hours flight away.

Our fast and hybrid delivery has become a key asset in creating digital business, built on a strong ONE Itera culture across borders. We have a world class business framework for managing our customers, data, processes and employees across borders, including information security, GDPR and EU data protection laws. We really help customers adapt their IT sourcing to respond quickly to harness the new opportunities.

Investing in our people and our communities

As a talent-led organisation, our employees ultimately make the difference in driving innovation and delivering high-quality services to customers.

One of Itera's highest priorities is attracting, developing and inspiring the very best people in the industry.

As soon as new employees arrive, we provide them with the necessary tools to engage and evolve through our concept covering all competence development, Itera Academy, skills training to continuously update their expertise, exciting projects and career paths. We are committed to creating conditions that help everyone develop new skills, regardless of position or mission.

We are dedicating our full attention to building top-notch skills in market leading cloud platforms such as Microsoft Azure, Amazon and Google, that provide a full range of capabilities for artificial intelligence, big data and Internet of things, as well as in virtual and augmented reality for the next generation of user interfaces. These global platforms have a central role to play in digitalization in every industry. Itera also attends leading communities and events around the world to engage with startups and disruptive technologies in areas such as blockchain.

Our social and sports activities are organised by Itera's Employee Culture Department, and regular social events called MAD nights (Make A Difference) are held for all employees in order to build a strong ONE Itera culture guided by our core values: Innovative, Passionate, Skilled.

Our customer experience and employee engagement surveys showed continual improvements in 2017, which confirms that Itera is making good progress. In 2017, we launched our "Itera Gamechanger" initiative where our employees across disciplines were invited to present ideas for innovative new solutions and services.

We are especially proud that Itera was recognized in 2017 as one of the top 5 most innovative companies in any sector in Norway by Innovasjonsmagasinet – the largest innovation news magazine in Norway. We were also nominated for several international awards, including the The Global Outsourcing 100 – the annual listing of the world's best outsourcing service providers.

Our commitment to diversity supports our spirit of innovation. We have an inclusive working environment and we work hard to increase the proportion of women in our technology teams. We think it is particularly important to promote women's interest in computer science and digital expertise, as this creates a more diverse pipeline of talent for our industry and beyond. One of the various initiatives we are involved in is the ODA talent and leadership program for women run by IKT Norge.

We also remain focused on reducing the environmental impact of our offices and operations, including our carbon emissions and waste. We are Eco-Lighthouse certified, which is the most widely used certification scheme for enterprises seeking to document their environmental efforts and to demonstrate social responsibility.

Our journey continues

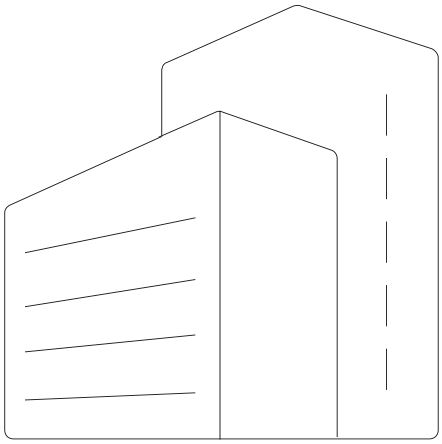
In conclusion, I would like to warmly thank everyone at Itera for their continued hard work and dedication to our customers and our business. I also would like to thank our customers, strategic partners and shareholders for their support on our journey.

From our strong foundation that we created in recent years, we step into 2018 with great excitement to shape the future of the Nordic businesses and society. Thanks to our full range of end-to-end services for creating digital business, I am very confident in our ability to continue to gain market share and to drive sustainable, profitable growth.

AWARDS

TOP 5

ONE OF NORWAY'S FIVE MOST INNOVATIVE COMPANIES ACROSS INDUSTRIES
(Innovasjonsmagasinet)



THE 2018 GLOBAL OUTSOURCING 100

Recognized among the world's 100 best outsourcing providers within the category "Rising Star"

GSA GLOBAL AWARDS 2018

Service Provider of the Year

Customer Experience Provider of the Year

Excellence in Skills Development

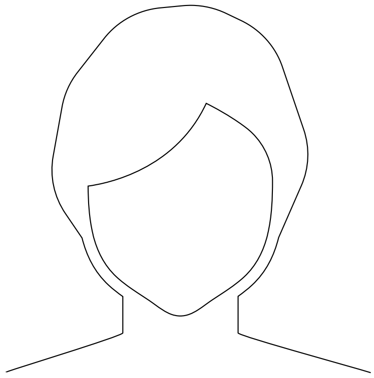
SSON EXCELLENCE AWARDS 2016

Finalist in the category Transformation

THE EUROPEAN SOFTWARE TESTING AWARDS 2016

Finalist in the Best Agile Project, and Best Overall Testing Project – Finance

FACTS



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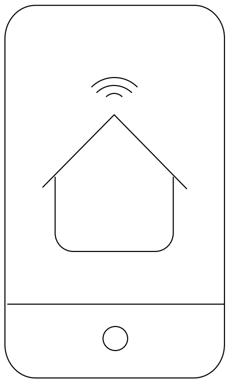
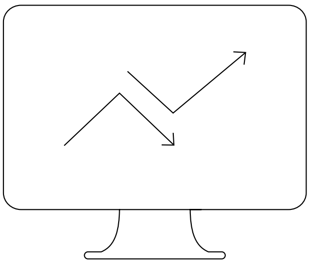
WITH COLLEAGUES FROM 20 NATIONALITIES, OUR DIVERSITY IS UNIQUE



1989

29 YEARS OF DIGITAL EXPERIENCE



15 382

HOURS SPENT ON TRAINING TO SECURE WORLD-CLASS COMPETENCE

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

IN BRIEF

Itera executed well against its strategy in 2017, resulting in a strong growth in employees, larger customers, a strengthened brand and solid financial results, with a shareholder return of 46 percent.

Itera delivered a total annual return to shareholders (including dividends) of 46% in 2017, which compares with 19% for the Oslo Stock Exchange Benchmark Index (OSEBX).

The net increase in number of employees for the year was 96, representing a growth of 24%.

Itera's 30 largest customers accounted for 78% of its total revenue, up from 75% in 2016.

Itera continued to expand in the Icelandic market. By the year-end, more than 40 full-time employees were engaged in projects based in the country.

Q1

Itera achieved organic revenue growth of 12% in the first quarter of 2017 relative to the same period in 2016. The Group entered into agreements that significantly expanded and extended existing relationships with customers including Santander Consumer Bank, Íslandsbanki and the Norwegian Defence Estates Agency.

Q2

In the second quarter Itera was named one of Norway's most innovative companies across all industries for the second year in a row. The Group climbed 10 places from 2016 to rank as one of the top five most innovative companies in 2017.

An ordinary dividend of NOK 0.18 per share was paid to the shareholders on the basis of the Group's 2016 results.

Q3

Itera hosted a fully booked seminar with one of the world's leading experts on artificial intelligence, Dr Radhika Dirks, who is a partner at Xlabs.ai, a SiliconValley based company which aims to solve some of the largest global challenges with the help of AI. The feedback from the audience was exceptionally good.

Q4

Fourth-quarter operating revenue was up 15% compared with the same period in 2016, with double-digit growth in service revenue across all geographical markets and both in onshore and nearshore delivery locations. An additional dividend of NOK 0.25 per share was paid.

KEY FIGURES

475
OPERATING REVENUES (MNOK)

46%
SHAREHOLDER RETURN

43%
NEARSHORE RATIO

491
NUMBER OF EMPLOYEES

58%
BANKING & INSURANCE

17%
PUBLIC, HEALTHCARE AND ORGANISATIONS

5%
PROFESSIONAL SERVICES

6%
RETAIL & CONSUMER PRODUCTS

4%
ENERGY AND MARINE

10%
OTHER

KEY FIGURES

	Definitions	2017	2016
Profit and loss			
Operating revenue		475 025	424 787
EBITDA		59 668	55 582
EBITDA Margin		12,6 %	13,1 %
EBIT		39 333	35 797
EBIT Margin		8,3 %	8,4 %
Profit before taxes		38 325	32 793
Result for the year		29 635	25 309
Cash Flow from Operations		49 664	48 434
Financial position			
Total fixed assets		46 530	45 715
Total bank deposits		59 854	71 092
Total current assets		167 241	163 382
Total assets		213 771	209 098
Shareholder's equity		50 638	54 315
Total liabilities		163 133	154 782
Equity ratio	1	24 %	26 %
Current ratio	2	1,07	1,16
Share information			
Number of shares		82 186 624	82 186 624
Average number of outstanding shares		81 690 873	81 640 174
Equity per share outstanding	3	0,62	0,67
EBITDA per share outstanding	4	0,73	0,68
Earnings per share outstanding	5	0,36	0,31
Dividend per share outstanding	6	0,45	0,27
Employees			
Number of employees at year end		491	395
Average number of employees		443	385

Definitions

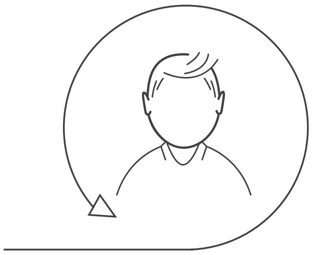
1. Share equity divided by total assets
2. Most liquid assets and short-term receivables divided by current liabilities
3. Equity divided by number of shares
4. Profit/loss before tax plus depreciation divided by average numner of outstanding shares
5. Net profit/loss for the year divided by average number of outstanding shares
6. Dividend divided by average number of outstandig shares

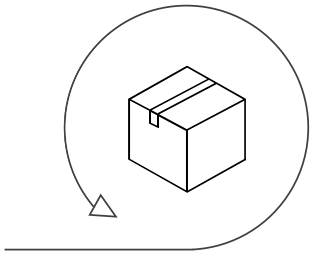
In accordance with the guidelines issued by the European Securities and Markets Authority on alternative performance measures (APMs), Itera is publishing definitions for the alternative performance measures used by the company. Alternative performance measures, i.e. performance measures not based on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

Non-recurring costs are significant costs that are not expected to reoccur under normal circumstances.
EBITDA is calculated as profit for the period before (i) tax expense, (ii) financial income and expenses and (iii) depreciation and amortisation.
EBITDA margin is calculated as EBITDA as a proportion of operating revenue.
EBIT is calculated as profit for the period before (i) tax expense and (ii) financial income and expenses.
EBIT margin is calculated as EBIT as a proportion of operating revenue
Equity ratio is calculated as total equity as a proportion of total equity and liabilities.

INPUTS

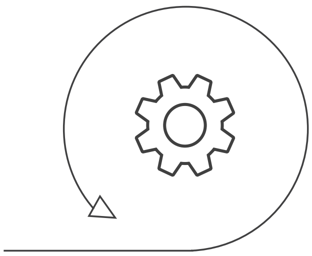
Our strong and diversified customer portfolio makes us well qualified to understand our customers' challenges.

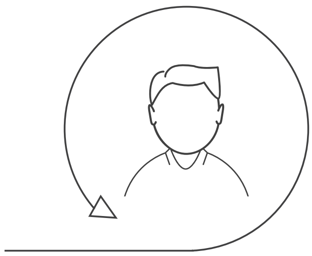




CUSTOMERS
Increase loyalty through great user experiences, optimized customer dialogue and user oriententation in developing new products and services.

PRODUCTS & SERVICES
Adapt to customer expectations through user centric methodologies, agile development, high-end technologies and efficient methodologies for innovation.



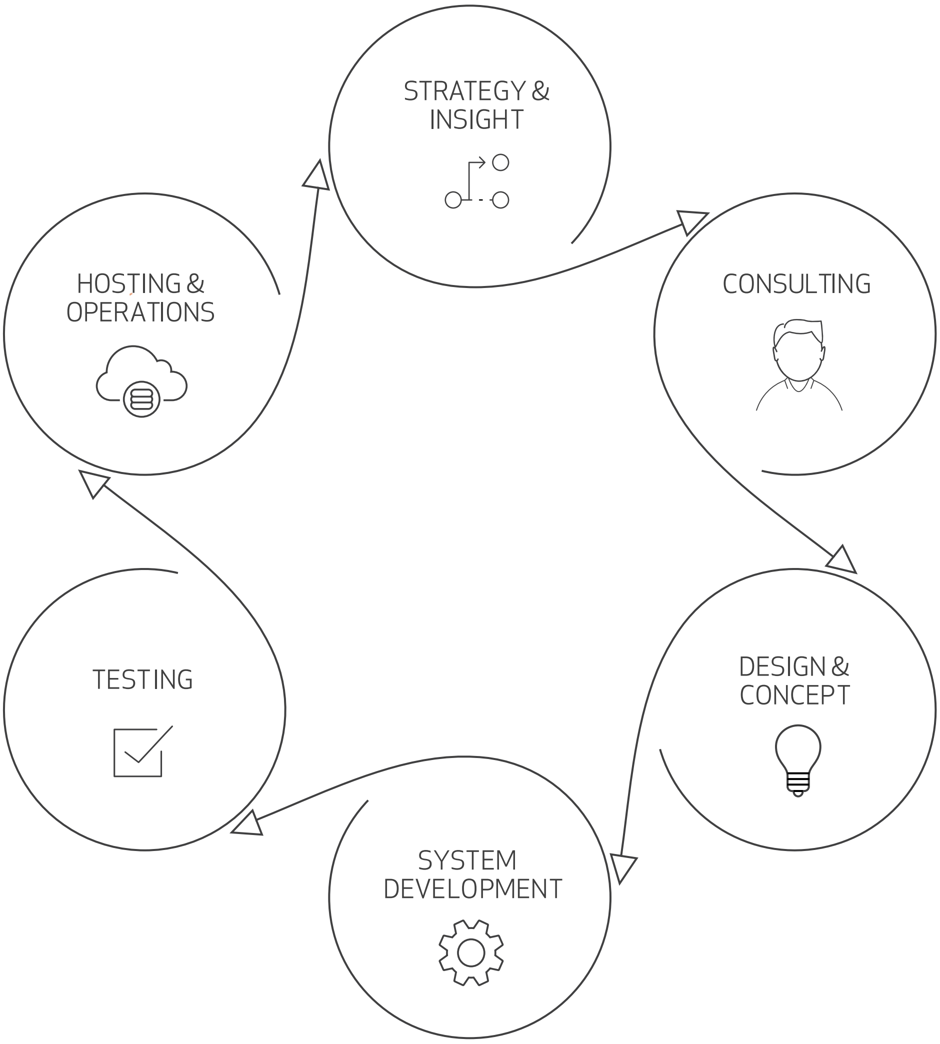


OPERATIONS
Increase efficiency through digitalization of processes and optimizing infrastructure.

EMPLOYEES
Encourage employee engagement, enable collaboration and mobile productivity.

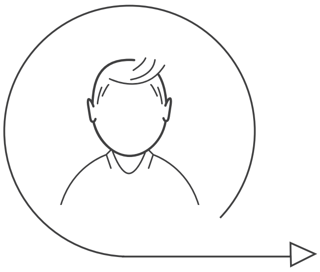
CORE ACTIVITIES

We work in multidisciplinary teams to tailor our solutions to our customers' needs.

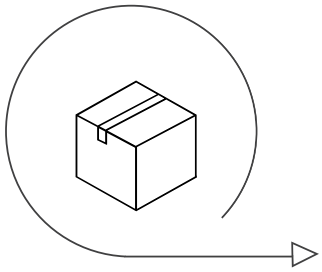


OUTPUTS

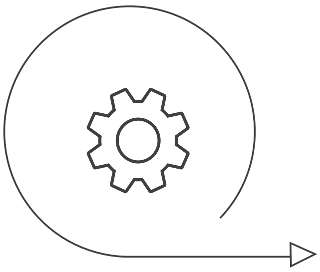
Our high quality solutions provide great user experience through smart technology, great design and relevant content.



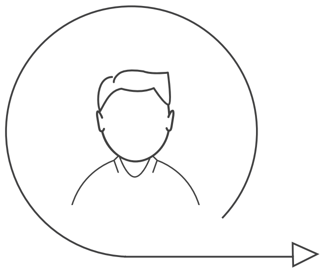
CUSTOMERS
Tailored solutions and programs built to strengthen the relation between the customer and the customer's customers through active involvement and user centricity.



PRODUCTS & SERVICES
Efficient and lean processes for innovation, resulting in high quality solutions through great design, relevant content and smart technology.



OPERATIONS
Secure, optimized and compliant infrastructure, supporting optimal business support through efficient processes.



EMPLOYEES
Solutions offering agile, always-connected collaboration and working platforms, enabling efficiency, active participation and engagement in the working place.

OUR APPROACH

Our strategic platform for lean innovation

DIVERSED INSIGHT

We seek insight from a wide range of sources to help us better understand the factors affecting the challenge we are trying to solve.

BOLD IDEAS

Abstract or concrete, visual or textual – we take an ambitious and open-minded approach to generating ideas in order to produce novel solutions.

UNIQUE CONCEPT

A concept has to meet exacting requirements to be chosen: uniqueness, simplicity, potential and scalability.

LEAN DEVELOPMENT

We make the concept a reality using a lean approach, smart technology, great design and relevant content.

CONTINUOUS IMPROVEMENT

We optimize the solution to changing conditions as well as to new technology and market opportunities. We foster continuous improvement to secure long-term business value.

BOARD OF DIRECTORS' REPORT

THE COMPANY

Itera is a specialist at creating digital business that utilises its strong communication and technology 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, Stockholm, Copenhagen, Kiev and Bratislava.

MARKET CONDITIONS

Itera experienced strong market demand for its services in 2017, and has continued to build its solid position as a specialist at creating digital business. Emerging technologies 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 achieve business gains through improved customer satisfaction, 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 across national borders and areas of expertise. The revenue from Itera's 30 largest customers grew by 19% in 2017 and accounted for 76% of the Group's operating revenue, up from 71% in 2016. New agreements were entered into or existing agreements were extended with strong industry brands including If, KLP, Kredinor, Tryg Forsikring, Santander Consumer Bank, Gjensidige, Nets and the Norwegian Defence Estates Agency. 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 2017 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: Itera was recognised as one of the five most innovative companies in Norway in any industry in 2017 by Norway's leading innovation news magazine, Innovasjonsmagasinet, in collaboration with Innovation Forum Norway.

FINANCIAL RESULTS

Itera's IT hosting and consulting activities in Norway and Denmark grew strongly and achieved significant profitability improvements. Itera's nearshore activities also saw strong growth thanks to both existing and new customers. In particular, the Group developed significant new accounts in Iceland during the year, with entirely remote deliveries. Itera's nearshore centres are located in Kiev (Ukraine) and in Bratislava (Slovakia).

The Group's consolidated operating revenue for 2017 totalled NOK 475 million as compared to NOK 425 million in 2016. This increase was capacity-driven and widespread in terms of both the geographical markets and delivery centres involved, which were both onshore and nearshore.

Operating revenue in Norway was NOK 433 million as compared to NOK 391 million in 2016, representing an increase of 10.9%. Operating revenue in Denmark increased by 18.4% to NOK 37.8 million from NOK 32.0 million in 2016.

The Group's operating result before depreciation, amortisation and non-recurring costs (EBITDA) was a profit of NOK 59.7 million as compared to a profit of NOK 55.6 million in 2016. This represents an operating profit margin before depreciation and amortisation of 12.6%, as compared to 13.1% in 2016. Payroll and personnel expenses were NOK 294.3 million in 2017, which represents an increase of 12.9% from 2016, reflecting the increase in the Group's employee base. Other operating expenses amounted to NOK 47.7 million in 2017 as compared to NOK 42.3 million in 2016. Total depreciation, amortisation and write-downs were NOK 20.3 million, an increase of 2.8% from 2016.

The Group's operating result was a profit of NOK 39.3 million in 2017 as compared to a profit of NOK 34.1 million in 2016.

Net financial items were NOK -1.0 million as compared to NOK -1.4 million in 2016. The Group's result before tax was a profit of NOK 38.3 million as compared to a profit of NOK 32.8 million in 2016.

Tax expense totalled NOK 8.7 million in 2017 as compared to NOK 7.5 million in 2016. Tax paid in 2017 was NOK 8.7 million as compared to NOK 3.0 million in 2016.

The result for the year was a profit of NOK 29.6 million as compared to a profit of NOK 25.3 million in 2016.

The Board of Directors is satisfied with the progress achieved by Itera in 2017 in terms of its financial results. The improved results demonstrate that Itera's strategy of providing scalable, cost-effective and agile projects through a hybrid (onshore/nearshore) delivery model is successful.

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 2017 and its financial position at the end of the year.

RESEARCH AND DEVELOPMENT

Expenditure of NOK 13.4 million relating to the development of new solutions was capitalised in 2017 as compared to NOK 6.2 million in 2016. This increase primarily relates to extensions and improvements to the Cicero Financial System (CFS) and ComPublish solutions to which customers subscribe on a monthly basis. This expenditure 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.

CASH FLOW AND FINANCIAL POSITION

Itera generated cash flow from operating activities of NOK 49.7 million in 2017 as compared to NOK 48.4 million in 2016. The Group paid shareholders a dividend totalling NOK 35.1 million in 2017. At 31 December 2017, Itera had a cash balance of NOK 59.9 million as compared to NOK 71.1 million at 31 December 2016. 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 6.0 million was invested in 2017 in hardware, software and fixtures etc. as compared to NOK 5.3 million in 2016.

Total assets at 31 December amounted to NOK 213.8 million (NOK 209.1 million). Non-current assets were NOK 46.5 million (NOK 45.7 million). Accounts receivable were considerably higher at NOK 70.4 million (NOK 55.9 million) in part due to delays in invoicing in December due to an upgrade to the Group's financial system.

The Group's equity at 31 December 2017 was NOK 50.6 million as compared to NOK 54.3 million at the same point in 2016. This represents an equity ratio of 23.7% as compared to 26.0% at the same point in 2016. Long-term interest-bearing liabilities totalled NOK 6.8 million (NOK 13.4 million). Other current liabilities were NOK 94.1 million (NOK 78.9 million). The majority of the increase in other current liabilities was due to higher accruals for holiday pay and bonuses.

Itera held 213,935 of its own shares at the end of 2017, while at the end of 2016 it held 965,455 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 2017.

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 our business ethics standards can significantly harm the Group, hinder our ability to do business and damage our reputation. Changes to legislation, tax systems and other regulations can also lead to significant changes in how we implement our services and solutions, and to higher costs that would affect our 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, as has 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 2017 by making good use of its various nearshore delivery units and resources across the entire Group.

The Group's headcount at 31 December 2017 was 491 as compared to 395 at the end of 2016. This represents an increase of 24%. The average number of full-time equivalent positions at the Group in 2017 was 443 as compared to 385 in 2016.

The proportion of Itera's capacity that is located nearshore (its nearshore ratio) was 43% at the end of 2017 as compared to 37% at the end of 2016. The Group's development centre in Bratislava provides significant flexibility with regard to meeting the strategic target of achieving a nearshore ratio of 50%.

Absence due to sickness in 2017 was 2.9% as compared with 4.2% in 2016, 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 2017.

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 https://itera.no/en/investor-relations/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, available at https://itera.no/en/investor-relations/ir/policies/, can be consulted for further information.

Data security

Itera has good control routines and frameworks for data security at the Group that operate across national borders. The Group's Information Security Management System (ISMS) is used by the entire Group, and is based on the ISO 27002 framework. Itera's IT hosting unit in Norway obtained ISO/IEC 27001 certification in January 2017.

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.

The Group has implemented Binding Corporate Rules (BCR), a leading legal framework designed to ensure secure data transfer across national borders. BCR includes internal routines and rules in respect of transferring personal details from companies in the EU to the Group's activities outside the EU.

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.

32% of the Group's employees in 2017 were women as compared to 34% in 2016. The Group's executive management team consists of six men and two women. 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 various 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 https://itera.no/en/investor-relations/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 satisfaction

The Group measures employee satisfaction twice a year, with the main survey taking place in September and a supplementary survey taking place in April. The same survey is used throughout the Group, which affords a good overview of general trends and local differences. The survey measures important areas such as work-life balance, professional development, workload and adherence to Itera's values.

The results of the survey are shared with all the Group's employees. After the main survey, all employees are able to participate in deciding which areas should be prioritised and what should be implemented in the following year in order to improve the results further. Measures that are considered likely to benefit more than one business area are implemented under the direction of the Group's HR function. Measures that are more locally targeted are carried out by the department or division in question under the direction of the relevant manager. The supplementary survey in April assesses whether the measures that were selected are having the desired effect, or whether changes should be made ahead of the next main survey.

The 2017 employee satisfaction survey shows that employees find Itera an enjoyable 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, 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 (https://itera.no/en/investor-relations/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 213,935 own shares at the end of 2017. 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 2017. In 2017, the Group successfully launched an Employee Share Purchase Programme. Around one-third of eligible employees purchased a total of 243,520 shares in the company through this offering.

Itera had 1,700 shareholders at the close of 2017. The 20 largest shareholders owned 57.9 million shares, which represents 70 % of the share capital, up from 66.3 % in 2016.

A dividend totalling NOK 35.1 million was paid in 2017 on the basis of the Group's 2016 results, which is equivalent to NOK 0.43 per share. The Board of Directors proposes the payment of a dividend of NOK 0.25 per share on the basis of the Group's 2017 results. The Board of Directors will also put forward a proposal at the Annual General Meeting for it to be granted authorisation to pay a supplementary dividend later in the year if the Group's financial situation makes this possible.

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 seven board meetings in 2017.

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 2017. The Compensation Committee consists of two board members and held two meetings in 2017. 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 27.1 million (NOK 24.8 million) was related to sales of these services to other Group companies.

The parent company's operating result was a loss of NOK 6.9 million (NOK 5.9 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 2017, the parent company received group contributions and dividends totalling NOK 52.8 million (NOK 11.0 million). The parent company's profit before tax was NOK 45.8 million (NOK 4.4 million) and the profit after tax was NOK 45.1 million (NOK 4.4 million).

PROFIT ALLOCATION

The Board of Directors proposes that the profit of NOK 45.1 million recorded by the parent company Itera ASA is allocated as follows:

- NOK 20.3 million to supplementary dividend
- NOK 20.5 million to ordinary dividend
- NOK 4.2 million 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 2017 was 16, the same as at the end of 2016. 11 of the 16 employees are women. Absence due to sickness in 2017 was 4.8% as compared to 4.7% in 2016. 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 2017 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 2018 and the Group's equity situation and liquidity situation provide the basis for the going concern assumption.

OUTLOOK

Itera has a well-founded strategy for all parts of the Group 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 19, 2018
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

Berit Klundseter
Board member

Odd Khalifi
Board member

Arne Mjøs
Chief Executive Officer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
GROUP

NOK 1 000	NOTE	2017	2016
Operating revenue			
Sales revenue		**475 025**	424 787
Total operating revenue	1	**475 025**	424 787
Operating expenses			
Cost of goods and services		**73 360**	66 082
Payroll and personnel expenses	7, 8, 9, 10	**294 316**	260 778
Depreciation	13	**20 335**	19 785
Other operating expenses	9, 21	**47 682**	42 345
Total operating expenses		**435 692**	388 990
Operating profit before non-recurring items		**39 333**	35 797
Non-recurring costs	21	**0**	1 648
Operating profit		**39 333**	34 149
Other financial income	11, 21	**713**	874
Other financial expense	11	**1 721**	2 230
Net financial items		**(1 008)**	(1 356)
Ordinary profit before tax		**38 325**	32 793
Tax on ordinary profit	15	**8 691**	7 484
Profit for the year		**29 635**	25 309
Attributable to:			
Parent company shareholders:		**29 635**	25 309
Earnings per share	3	**0.36**	0.31
Diluted earnings per share	3	**0.36**	0.31
Profit for the year		**29 635**	25 309
Consolidated statement of comprehensive income			
Other comprehensive income that will be reclassifed to profit and loss			
Currency translation differences in respect of subsidiaries		**693**	(329)
Comprehensive income for the year		**30 328**	24 980
Attributable to:			
Parent company shareholders		**30 328**	24 980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
GROUP

NOK 1 000	NOTE	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	15	3 023	2 865
Other intangible assets	13	22 272	16 124
Total intangible assets		25 295	18 989
Tangible fixed assets			
Office machinery, fixtures, fittings etc.	13	21 235	26 726
Total tangible fixed assets		21 235	26 726
Total fixed assets		46 530	45 715
Current assets			
Work in progress	2	15 794	14 311
Receivables			
Accounts receivable	12	70 364	55 939
Other current receivables	4	21 230	22 040
Total receivables		107 388	92 291
Bank deposits	17	59 854	71 092
Total current assets		167 241	163 382
Total assets		213 771	209 098

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
GROUP

NOK 1 000	NOTE	2017	2016
EQUITY AND LIABILITIES			
Paid-in capital			
Share capital		**24 656**	24 656
Total paid-in capital		**24 656**	24 656
Retained earnings/other equity		**25 982**	29 659
Total retained earnings		**25 982**	29 659
Total equity		**50 638**	54 315
Liabilities			
Non-current liabilities			
Interest-bearing non-current liabilities	14	**6 799**	13 420
Total non-current liabilities		**6 799**	13 420
Current liabilities			
Accounts payable		**20 710**	24 442
Tax payable	15	**8 531**	8 121
Public duties payable		**33 041**	29 945
Other current liabilities	5	**94 052**	78 856
Total current liabilities		**156 334**	141 363
Total liabilities		**163 133**	154 782
Total equity and liabilities		**213 771**	209 098

Oslo, April 19, 2018
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

Berit Klundseter
Board member

Odd Khalifi
Board member

Arne Mjøs
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOW GROUP

NOK 1 000	NOTE	2017	2016
Cash flow from operating activities			
Profit before tax		38 325	32 793
Gain on disposal of subsidiary company	22	0	(530)
Tax paid	15	(8 708)	(2 984)
Depreciation	13	20 335	19 785
Change in work in progress		(1 482)	(5 276)
Change in accounts receivable	12	(14 425)	5 464
Change in accounts payable		(3 732)	2 777
Change in other accruals		18 713	(3 147)
Effect of changes in exchange rates		639	(448)
Net cash flow from operating activities		49 664	48 434
Cash flow from investment activities			
Receipts on sales of tangible fixed assets	13	0	140
Purchase of tangible fixed assets	13	(6 041)	(5 263)
Investment in development costs	13	(13 418)	(6 230)
Net proceeds from disposal of subsidiary company	20	0	(881)
Net cash flow from investment activities		(19 458)	(12 234)
Cash flow from nancing activities			
Purchase of own shares	19	(1 590)	(3 604)
Sale of own shares	19	3 298	373
Repayment of borrowings	14	(8 114)	(8 591)
Dividend paid		(35 113)	(21 911)
Net cash flow from financing activities		(41 519)	(33 734)
Effect of changes in exchange rates on cash		75	275
Net change in bank deposits		(11 239)	2 741
Bank deposits at January 1		71 092	68 351
Bank deposits at December 31		59 854	71 092

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
GROUP

NOK 1000	Paid-in capital	Own shares	Other paid-in capital	Translation differences	Other equity	Total equity
Equity at December 31, 2015	**24 656**	**(38)**	**402**	**(598)**	**29 980**	**54 401**
Comprehensive income for the year 2016				(329)	25 309	24 980
Purchase of own shares		(300)			(3 304)	(3 604)
Sale of own shares		49			324	373
Ordinary dividend					(9 728)	(9 728)
Supplementary dividend					(12 183)	(12 183)
Share option costs			78		0	78
Equity at December 31, 2016	**24 656**	**(290)**	**480**	**(928)**	**30 397**	**54 315**
Comprehensive income for the year 2017				693	29 635	30 328
Purchase of own shares		(75)			(1 515)	(1 590)
Sale of own shares		300			2 998	3 298
Ordinary dividend					(14 620)	(14 620)
Supplementary dividend					(20 493)	(20 493)
Employee share purchase programme*			318			318
Share option costs			216		(1 134)	(918)
Equity at December 31, 2017	**24 656**	**(64)**	**1 014**	**(235)**	**25 268**	**50 638**

* 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, 87 employees purchased a total of 243,520 shares. The discount was booked to equity.

For information about share based remuneration, see note 8.

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES GROUP

COMPANY INFORMATION

Itera ASA ('the Company') is registered in Oslo, Norway. Itera's consolidated accounts for the 2017 fiscal year cover the Company and the subsidiary companies Itera Norge AS, Cicero Consulting AS, Compendia AS, Itera Offshoring Services AS, Itera Sweden AB, Itera Sverige AB, Itera ApS and Itera Consulting Ukraine. The subsidiary company Itera Consulting AB went into liquidation in February 2016, and its revenue and expenses are included in the consolidated accounts until the date it entered liquidation.

These consolidated financial statements were approved for publication by the Board of Directors on 19 April 2018 and are subject to approval by the Annual General Meeting on 22 May 2018.

BASIS OF PREPARATION

Financial framework statement

The consolidated accounts 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 2017, and with all additional disclosure requirements pursuant to the Norwegian Accounting Act as in effect at 31 December 2017.

Measurement basis

The consolidated accounts have been prepared on the historical cost basis.

Functional and presentation currency

The Group presents its accounts in Norwegian kroner (NOK), which is the parent company's functional currency. The figures presented in the annual accounts are rounded to the nearest thousand. Figures for subsidiary companies whose functional currency is not the Norwegian krone are translated into Norwegian kroner using the exchange rate on the balance sheet date for balance sheet items, while for profit and loss items the exchange rate on the transaction date is used. An average exchange rate for the month is used as an approximation for the exchange rate on the transaction date. Translation differences are recognised through other comprehensive income.

Critical accounting judgements and key sources of estimation uncertainty

Preparing accounts in accordance with IFRS involves management making judgements, 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 estimates. The estimates and underlying assumptions used are kept under constant review. 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.

A critical accounting judgement that management has made in the process of applying the Group's accounting policies particularly relates to capitalised development costs (R&D) – see Note 13.

A critical accounting estimate is one that both is significant to the presentation of the Group's financial position and results and requires management to make a particularly difficult, subjective or complex judgement, 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 continually on the basis of historical results and past experience, consultation with experts, trends and other methods that management considers reasonable in the circumstances, as well as on the basis of forecasts regarding how the matters might change in the future. Areas of significant estimation uncertainty include:

- Work in progress – see Note 2

- Valuation of deferred tax assets – see Note 15

Itera Norge AS has entered into leasing contracts for operational equipment. These leasing contracts have been assessed in relation to the requirements of IAS 17, and it was concluded that they should be treated as financial leasing. More information is provided in Note 14.

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES GROUP

In some instances, the proceeds of a sale will be for multiple deliveries. In such cases, Itera assigns a value to each delivery and records the revenue associated with each delivery when it is made.

ACCOUNTING PRINCIPLES

The accounting principles detailed below are applied consistently to all the companies in the Group in all accounting periods.

Basis of consolidation and non-controlling interest

The consolidated financial statements include the financial statements of Itera ASA and of entities controlled by Itera ASA (the Group). 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. Control normally exists when the Group has more than 50% of the voting power through ownership or agreements, except where non-controlling interests are such that a non-controlling shareholder is able to prevent the Group from exercising control.

In addition, control may exist without the Group having 50% of the voting power through ownership or agreements as a consequence of the Group having de facto control over an entity. De facto control is the ability to exercise control through the majority of the votes at General Meetings and at Board of Directors' meetings, without the legal right to exercise unilateral control. Control may also exist through potential voting rights, such as options. Such potential voting rights are only considered if they are substantive.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company. Consistent accounting policies are applied. 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. Intercompany transactions, balances, revenue, expenses and unrealised Group internal profits or losses are eliminated on consolidation. Non-controlling interests in subsidiaries are presented in equity separately from the equity attributable to the owners of the parent.

Non-controlling interests consist either of the proportionate fair value of net identifiable assets or of the fair value of those interests at the date of the business combination and the non-controlling interest's share of changes in equity since the date of the business combination. The principle for measuring non-controlling interests is determined separately for each business combination.

A change in ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. Any consideration in excess of, or lower than, the carrying amount of the non-controlling interest is recognised against the equity attributable to the owners of the parent. If the Group loses control over a subsidiary it derecognises the assets, liabilities and non-controlling interest, and reclassifies to profit or loss, or transfers directly to retained earnings as appropriate, the amounts recognised in other comprehensive income in relation to the subsidiary. Any investment retained at the date when control is lost is measured at fair value and a gain/loss is recognised.

Transactions in foreign currencies

Transactions in foreign currencies are converted into the respective functional currencies of the companies in the Group using the exchange rate at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the appropriate functional currency using the exchange rate on the balance sheet date.

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's own shares are sold or reissued, the consideration received is recognised as an increase in equity, and gains or losses arising from such transactions are included in equity.

Cost of equity transactions

Transaction costs directly related to equity transactions are recognised against equity, minus any tax expenses.

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES GROUP

Tangible fixed assets

Tangible fixed assets are carried 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 the sale of tangible fixed assets are the difference between the consideration received and the carrying value of the asset.

Depreciation of tangible 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.

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 resources sufficient 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 amortised 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. Other leases are classified as operating leases with the annual leasing fees expensed as leasing costs.

Work in progress

Work in progress consists of earned but unbilled revenue, less a deduction for expected losses. Billing for individual projects is carried out on the basis of contractual payment milestones.

Accounts receivable

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. If there is objective evidence of

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES GROUP

impairment, the difference between the book value and the present value of future cash flows isrecognised as a loss.

Impairment

At the end of each reporting period, the Group assesses whether there are objective indications that financial assets may be impaired. Significant financial assets are tested for impairment on an individual basis. The remaining financial 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.

Defined contribution pension scheme

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 Itera 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 employee achieving concrete targets and still being employed at the time of exercise.

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.

Operating revenue

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 at the fair value of the consideration received or due to be received. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. 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.

Expected losses on contracts are recognised when it is established that the expected costs of the contract will exceed the expected revenue from the contract. Revenue from the sale of goods is measured at the fair value of the consideration received or due to be received and is recognised once the risk has transferred to the buyer.

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES GROUP

Where the consideration covers multiple sub-deliveries, it is broken down by the Group and recognised when the various different 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, hardware and telecoms for resale, purchases of software and hardware for resale, travel expenses for consultants and other costs.

Financial income and financial expense

Financial income comprises interest income from financial investments. 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.

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 likely 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 likely 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 likely that they will be able to make use of their deferred tax assets.

Statement of cash flow

The statement of cash flow has been prepared using the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss and the weighted average number of ordinary shares outstanding for all potentially dilutive effects. Dilutive effects occur due to share options granted to employees.

Events after the balance sheet date

New information obtained after the balance sheet date regarding the group's financial position at the balance sheet date is taken into account in the financial statements. Events after the balance sheet date that do not affect the Company's financial position at the balance sheet date, but that will affect the Company's financial position in the future, are reported if they are significant.

IFRS standards which have not yet been implemented

A number of new standards, amendments to standards and interpretations have not yet come into force for the Group for the accounting year ending 31 December 2017, and have consequently not been applied when preparing the consolidated accounts. The most significant of these standards are:

• IFRS 9 – Financial instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, which was approved by the EU in November 2016. The effective date for IFRS 9 is annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group will implement the standard with effect from 1 January 2018. The standard replaces those parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 contains three classification categories for financial assets: (i) measured at amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit or loss. Thus, the standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables, and available for sale. The Group does not expect IFRS 9 to have a material impact on the financial statements.

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES GROUP

• IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces IAS 18 and IAS 11 and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer. The standard is based on the principle that revenue is recognised when control of a good or a service is transferred to a customer. In this way, the notion of control replaces the existing notion of risks and rewards. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service. The standard was approved by the EU in October 2016 and is effective from 1 January 2018. Management has identified two areas where the new standard may have a significant impact on revenue recognition. In development projects where the Group retains the IP rights, IFRS 15 may result in revenue being recognised over the subscription period rather than over the development period. In transition projects, the identification of performance obligations may affect the timing of revenue recognition. Management's assessment is that the adoption of the new standard will have some impact on the gross presentation of revenue and costs, but that these impacts will to a large extent cancel each other out at a net operating profit level. The new standard will also increase the need for disclosures. The net impact of the change in accounting policy will reduce the 2018 opening balance of retained earnings by less than NOK 3 million. However, the impact of new accounting policies is subject to change until the Group presents its first financial statements covering the date of initial application.

• IFRS 16 – Leasing

IFRS 16 establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying the new model, the Group will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) for all leases with a lease term of more than 12 months, unless the underlying asset is of low value, and will recognise depreciation of right-of-use assets separately from interest on lease liabilities in the income statement.

The new standard will apply to accounting years starting on or after 1 January 2019. Early adoption is permitted, but the Group does not plan to adopt the standard earlier than required. The Group has carried out an initial assessment of the impact of IFRS 16 and estimates that it will increase its total balance sheet by NOK 52 million, which at 31 December 2017 would have caused its equity ratio to decrease from 24% to 19%. This estimate of the impact of IFRS 16 is based on the net present value of minimum future lease payments at 31 December 2017.

1 SEGMENTS

The business activities of the Itera group are carried out by six (six) operational companies. 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, and these activities are considered to have similar financial characteristics. In particular, the Group utilises its nearshore delivery capabilities seemlessly across its various operating units and locations. 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 that are equivalent to the terms for transactions with external parties.

Geographical areas

2017

NOK 1000	Norway	Sweden	Denmark	Ukraine	Group
Sales revenue	558 090	3 810	38 584	2 267	602 752
Intragroup eliminations	(124 694)	0	(765)	(2 267)	(127 726)
Net sales revenue	**433 396**	**3 810**	**37 819**	**0**	**475 025**
Investment	17 697	0	0	3 327	21 024
Total assets	198 192	1 991	10 041	3 548	213 771
Total liabilities	153 805	361	8 352	615	163 133

2016

NOK 1000	Norway	Sweden	Denmark	Ukraine	Group
Sales revenue	462 073	2 190	32 630	1 602	498 495
Intragroup eliminations	(71 426)	0	(679)	(1 602)	(73 708)
Net sales revenue	**390 646**	**2 190**	**31 951**	**0**	**424 787**
Investment	17 661	0	207	0	17 867
Total assets	193 831	809	7 817	6 640	209 098
Total liabilities	142 931	315	7 158	4 379	154 782

2 WORK IN PROGRESS

Work in progress comprises earned revenue that has not yet been invoiced.

NOK 1000	2017	2016
Work in progress	**16 318**	15 224
Provision for losses on work in progress	**(524)**	(913)
Net work in progress	**15 794**	**14 311**

The revenue from sales of services is recognised when the services are delivered. Revenue from customer projects is recognised in accordance with percentage completion of the project when the outcome of the transaction can be estimated reliably. When the outcome of a transaction cannot be reliably estimated, revenue can only be recog- nised to the extent of the project costs incurred.

To the extent a sale consists of part deliveries and the consideration is for multiple products/deliveries, the consideration will be allocated to the di erent components. Revenue will be recognised for the different deliveries in accordance with IAS 18.13 as they are delivered. Revenue will be recognised in accordance with progress on a delivery as a ratio between the number of hours to date and the total number of hours expected to complete the delivery. Planned hours are used and not the number of hours actually spent to prevent excess revenue from being recognised for overruns.

3 EARNINGS PER SHARE

NOK 1 000	2017	2016
Profit for the year	**29 635**	25 309
Average number of outstanding shares	**81 691**	81 640
Outstanding employee share options	**3 126**	2 974
Average number of shares including dilution	**82 591**	82 247
EBITDA per share	**0.73**	0.68
Undiluted earnings per share	**0.36**	0.31
Diluted earnings per share	**0.36**	0.31
Average number of outstanding shares	**81 691**	81 640
Dilution effect of outstanding share options	**900**	606
Average number of shares including dilution	**82 591**	82 247

The average share price for 2017 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 6.42.

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 RECEIVABLES AND PREPAID EXPENSES

NOK 1 000	2017	2016
Prepaid expenses	**7 101**	8 591
Other current receivables	**14 129**	13 449
Total	**21 230**	22 040

5 OTHER CURRENT LIABILITIES

NOK 1 000	2017	2016
Holiday pay	**21 713**	18 456
Customer prepayments	**33 713**	29 373
Accrued wages and bonuses	**25 297**	21 300
Current future lease payments	**6 975**	6 891
Accrued other expenses	**6 354**	2 835
Total	**94 052**	78 856

Future lease payments up to 1 year 31.12.2016 has been reclassified from non-current to current liabilities.

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 18 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, 7% is in Danish kroner (DKK). A 10% change in the NOK exchange rate against SEK and DKK would have a 0.7% 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 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.

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 PAYROLL AND PERSONNEL EXPENSES

NOK 1000	2017	2016
Salaries	**258 134**	223 991
Share option costs	**(916)**	119
National insurance contributions	**28 506**	25 166
Pension costs	**13 157**	10 446
Other benefits	**8 614**	7 281
Payroll and personnel expenses capitalised*	**(13 179)**	(6 226)
Total payroll and personnel expenses	**294 316**	260 778

* NOK -2 548k has been reclassified from Cost of goods and services to Payroll and personnel expenses capitalised for 2016.

Average number of employees	**443**	385

8 SHARE-BASED REMUNERATION

The Itera Group had four share option programmes in 2017. All schemes are settled by the granting of shares. The oldest of the current share option programmes was established in 2013. The options were targeted at key employees in the Group. 80% of the options were conditional on targets being achieved in 2013, and if the targets were not achieved, 80% of the options would lapse. The targets were financial and were achieved for 2013. There are service conditions for all the options, with employees having to be employed for the whole period. 20% of the options are not related to any targets, only to service conditions. 80% of the options can be exercised between 2014 and 2017 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 2017. The programme was finalized in July 2017.

An equivalent share option programme was approved in 2015 with the same conditions and for the same target group as the 2013 programme. 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 this programme 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 respectivaly.

The fair value of the options was calculated on the date they were granted, and the options granted in 2013 are being expensed over the accrual periods of 1 to 4 years in accordance with the graded vesting principle. The 2015, 2016 and 2017 options are being expensed over a period of four years. 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 0.30 is forecast for the 2013 and 2016 programmes, while an annual dividend of NOK 0.20 is forecast for the 2015 programme. For the 2017 programme the annual dividend is set to be NOK 0.45.

Share option costs (including employer's social security contributions) of NOK 962k were expensed in 2017 (NOK 388k in 2016).

Program	Outstanding 31.12.16	Issued 2017	Expired in2017	Exercised in 2017	Outstanding 31.12.17	Fair value	Exercise price [1]	Share price when issued [2]	Date of issue	Exercise period
2013	1 010 000			1 010 000	0	NOK 0.15	NOK 2.30	NOK 2.30	22.08.2013	2014-2017
2015	274 000		6 000	0	268 000	NOK 0.25	NOK 2.58	NOK 2.58	07.09.2015	2016-2019
2016	1 690 000		35 000	178 000	1 477 000	NOK 0.26	NOK 3.89	NOK 3.89	08.07.2016	2017-2020
2017		1 980 000	599 200		1 380 800	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.

Program	Number	Interest rate	Volatility	Lifetime
2013	0	1.57%-2.02%	4.5%	1-4 years
2015	268 000	0.77%	30.0%	3.77 years
2016	1 477 000	0.49%	25.0%	3.94 years
2017	1 380 800	0.90%	28.9%	3.96 years
Total	3 125 800			

9 REMUNERATION OF EXECUTIVE MANAGEMENT

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 2017 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 a share option programme in 2013 that expired in 2017, and new share programmes were established in 2015, 2016 and 2017. Each year the Board considers whether or not to continue with a new share option programme. When share options are approved, they will be granted with an exercise price set at the current market share price. Proposals for new share option 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 2017 was in accordance with the statement on the remuneration of senior employees submitted to the Annual General Meeting held on 22 May 2017. The guidelines for the remuneration of senior employees were unchanged from 2016 to 2017."

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

2017

NOK 1 000

Name	Position	Salary	Bonus	Other benefits	Total remuneration	Pension cost	Options benefit 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	0
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	0	0	1 561	0	0
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**

2016

NOK 1 000

Name	Position	Salary	Bonus	Other benefits	Total remuneration	Pension cost to	Option benefit reported
Arne Mjøs	Chief Executive Officer	2 067	708	23	2 797	145	0
Bent Hammer	Chief Financial Officer	1 211	506	19	1 736	72	0
Ane Gjennestad	Chief Communications Officer	995	111	24	1 130	65	0
Merete Jordal	IT Director	1 013	101	12	1 127	68	0
Niko Nyström	Executive Vice President	1 390	334	10	1 734	69	68
Jon Erik Høgberg	Executive Vice President	1 530	173	17	1 721	71	224
Kristian Enger	Executive Vice President	1 494	368	22	1 884	69	57
Igor Mendzebrovski	Executive Vice President	1 550	0	0	1 550	0	0
John Aaling	CEO Itera Aps (DK)	1 186	98	15	1 299	146	27
Total 2016		**12 435**	**2 399**	**142**	**14 976**	**706**	**376**

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.

The business activities of the Itera group are carried out by six (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

Name	Position	2017	2016
Morten Thorkildsen	Chairman of the Board	**336**	325
Mimi K. Berdal	Board member	**225**	215
Jan Erik Karlsson	Board member	**200**	0
Gyrid Skalleberg Ingerø	Board member	**100**	0
Eli Giske	Board member (resigned)	**100**	100
Berit Klundseter	Board member	**20**	10
Odd Khalifi	Board member	**20**	10
Wenche Holen	Board member (resigned)	**0**	100
Karl-August Brunstad	Board member (resigned)	**0**	10
Jorunn Aarskog	Board member (resigned)	**0**	10
Total		**1 001**	**780**

Election Committee remuneration

Name	Position	2017	2016
Erik Sandersen	Chairman	**30**	30
Olav W. Pedersen	Member	**15**	15
Geir Moe	Member	**15**	15
Total		**60**	**60**

Shares and share options held by members of the Board at December 31, 2017

Name	Position	Stocks	Options
Jan Erik Karlsson	Board member	303 076	0
Mimi K. Berdal*	Board member	111 000	0
Gyrid S. Ingerø	Board member	38 000	0
Odd Khalifi	Board member	13 063	40 000
Total		**465139**	**40 000**

*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 December 31, 2017

Navn	Position	Stocks	Options
Arne Mjøs *	Chief Executive Officer	20 027 688	600 960
Jon Erik Høgberg	Executive Vice President	505 007	334 960
Niko Nyström	Executive Vice President	247 736	286 960
Kristian Enger	Executive Vice President	304 535	286 960
Bent Hammer	Chief Financial Officer	143 063	300 960
John Aaling	CEO Itera Aps (DK)	0	88 320
Ane Gjennestad **	Chief Communications Officer	103 063	86 320
Total		**21 331 092**	**1 985 440**

* Arne Mjøs holds all his shares through Arne Mjøs Invest AS, which also held a future contract expiring 15 March 2018 on 4,300,000 shares at an average price of NOK 6.7362 per share. The total controlling interest of Arne Mjøs is thus 24,327,688 shares (29.6%).
** Ane Gjennestad holds shares privately and through Triceps AS.

Audit fees

NOK 1 000	2017	2016
Statutory audit of Itera ASA	**174**	290
Statutory audit of subsidiaries by KPMG Norway	**201**	264
Statutory audit carried out by international offices of KPMG	**26**	141
KPMG audit fees	**401**	695
Tax advisory services provided from KPMG Norway	**0**	32
Fees for other certification services provided by KPMG Norway	**44**	61
Other services provided by KPMG Norway	**506**	407
Other services provided by international offices of KPMG	**64**	0

10 PENSION

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).

Pension cost

NOK 1000	2017	2016
Norway	**11 514**	8 783
Denmark	**1 643**	1 663
Total	**13 157**	10 446

11 FINANCIAL ITEMS

NOK 1000	2017	2016
Interest income	423	503
Net currency effects	290	330
Other financial income	0	40
Net financial income	713	874
Interest expense	719	937
Net currency effects	946	1 146
Other financial expense	57	148
Total financial expense	1 721	2 230

12 ACCOUNTS RECEIVABLE

NOK 1000	2017	2016
Gross accounts receivable at Dec. 31	70 514	56 010
Provision for bad debts	(150)	(71)
Net accounts receivable at Dec. 31	70 364	55 939

Ageing of receivables	**Total**	**Not due**	**< 30 days**	**30-60 days**	**60-90 days**	**> 90 days**
Accounts receivable 2017	**70 364**	**52 410**	**17 307**	**192**	**89**	**367**
Accounts receivable 2016	55 939	45 863	9 067	569	251	190

Accounts receivable by country

	2017	%	2016	%
Norway	59 319	84%	49 137	88%
Sweden	406	1%	439	1%
Denmark	10 639	15%	6 363	11%
Total	70 365	100%	55 939	100%

Losses on accounts receivable are classified as operating expenses in the Statement of Comprehensive Income. A loss of NOK 8k was recognised in 2017, none in 2016. Maximum credit risk is equivalent to the figure for net accounts receivable shown in the table above.

13
TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

2017

NOK 1000	Development costs	Software	Office machinery & equipment	Fixtures & fittings	Leased office machinery	**Total**
Acquisition cost						
Accumulated at January 1	65 395	4 263	13 320	8 060	53 516	**144 554**
Additions during the year	13 418	306	5 478	257	1 566	**21 024**
Disposals during the year	(4 730)	(146)	(4 615)	1	0	**(9 490)**
Currency differences	0	0	25	0	0	**25**
Accumulated at December 31	**74 082**	**4 423**	**14 208**	**8 317**	**55 082**	**156 113**
Depreciation						
Accumulated at January 1	49 788	3 746	9 849	4 081	34 239	**101 703**
Depreciation for the year	7 120	449	3 635	615	8 517	**20 335**
Depreciation on disposals in the year	(4 730)	(139)	(4 564)	(0)	0	**(9 434)**
Accumulated at December 31	**52 178**	**4 055**	**8 919**	**4 696**	**42 756**	**112 604**
Book value						
Book value at January 1	15 607	517	3 471	3 978	19 276	42 850
Book value at December 31	**21 905**	**367**	**5 289**	**3 621**	**12 326**	**43 507**
Estimated useful life	3-5 years	3-5 years	3 years	5-10 years	3 years	
Depreciation plan	Linear	Linear	Linear	Linear	Llinear	

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 2017, costs of NOK 13.4 million (NOK 6.2 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. As at 31 December 2017, intangible assets totalled NOK 21.9 million (NOK 15.6 million).

2016

NOK 1 000	Development costs	Software	Office machinery & equipment	Fixtures & fittings	Leased office machinery	Total
Acquisition cost						
Accumulated at January 1	59 165	4 031	11 642	7 919	47 142	**129 900**
Additions during the year	6 230	278	2 082	2 904	6 374	**17 867**
Disposals during the year	0	(41)	(457)	(2 804)	(0)	**(3 302)**
Currency differences	0	(6)	53	41	0	**88**
Accumulated at December 31	**65 395**	**4 263**	**13 320**	**8 060**	**53 516**	**144 554**
Depreciation						
Accumulated at January 1	43 891	2 455	6 938	5 854	25 511	**84 647**
Depreciation for the year	5 897	1 297	3 138	725	8 729	**19 785**
Depreciation on disposals in the year	0	0	(279)	(2 539)	0	**(2 818)**
Currency differences	0	(6)	53	41	0	**88**
Accumulated at December 31	**49 788**	**3 746**	**9 849**	**4 081**	**34 239**	**101 703**
Book value						
Book value at January 1	15 274	1 577	4 705	2 065	21 632	45 253
Book value at December 31	15 607	517	3 471	3 978	19 276	42 850
Estimated useful life	3-5 years	3-5 years	3 years	5-10 years	3 years	
Depreciation plan	Linear	Linear	Linear	Linear	Llinear	

14 LEASING CONTRACTS

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	2017	2016
IT equipment	**55 082**	53 516
Accumulated depreciation	**(42 756)**	(34 239)
Book value at 31 December	**12 326**	19 276
Future minimum lease payments		
Up to 1 year	**7 337**	7 444
1 TO 5 YEARS	**7 038**	14 023
Over 5 years	**0**	0
Future minimum lease payments	**14 374**	21 467
Interest	**600**	1 156
Discounted present value of future minimum lease payments	**13 774**	20 311
Of which		
- current liabilities	**6 975**	6 891
- non-current liabilities	**6 799**	13 419

Future lease payments up to 1 year at 31.12.2016 has been reclassified from non-current to current liabilities compared to last year's reporting.

Changes in discounted present value of future lease payments	2017	2016
Discounted present value of future lease payments 01.01	**20 311**	22 528
New finance lease liabilities	**1 577**	6 731
Downpayments of leasing liabilities	**(8 114)**	(8 947)
Discounted present value of future minimum lease payments 31.12	**13 774**	20 311

15 TAX

NOK 1 000	2017	2016
Tax expense		
Tax payable	8 839	10 246
Change in deferred tax	(148)	(2 762)
Total tax expense	**8 691**	7 484
Tax payable in the balance sheet:		
Profit before tax	38 325	32 793
Permanent tax differences	(2 500)	(3 436)
Changes in temporary differences	1 575	2 773
Losses carried forward	(439)	0
Total basis for tax payable	36 961	32 130
Tax payable in the balance sheet	**8 531**	8 121
Tax paid in advance	(925)	(350)
Net tax payable Dec. 31	**7 606**	7 771

Tax paid in advance is included in other current receivables.

NOK 1 000	2017	2016
Specification of the basis for deferred tax		
Fixed assets	(12 014)	(11 466)
Current assets	(150)	0
Other temporary differences	113	(94)
Losses carred forward	0	(439)
Total	**(12 051)**	(11 999)
Deferred tax	(3 023)	(2 865)
Deferred tax recognized in the balance sheet	(3 023)	(2 865)
Reconciliation of tax rate		
Profit before tax	38 325	32 793
Tax calculated at the nominal corporation tax rate of 24% (25%)	9 198	8 198
Effect of change in the tax rate	133	114
Effect of tax from previous year	(105)	21
Effect of differing tax rates for foreign subsidiaries	65	(82)
Effect of permanent differences	(600)	(768)
Effect of previously capitalised tax assets	0	0
Effect of previously unrecognised deferred tax asset	0	0
Tax expense in profit and loss	**8 691**	7 484
Effective tax rate	**(22.7%)**	(22.8%)

16 EXCHANGE RATES

Information on the exchange rates applied by the Itera Group in 2017.

	Jan 1	Average	Dec 31
SEK	0.9512	0.9680	0.9996
DKK	1.2222	1.2542	1.3218
EUR	9.0863	9.3596	9.8403
USD	8.6200	8.2630	8.2050
UAH	0.3132	0.3107	0.2946

17 CASH AND CASH EQUIVALENTS

NOK 1 000	2017	2016
Cash and bank deposits	**59 854**	71 092
Of which restricted accounts	**(8 531)**	(7 588)
Unrestricted cash and cash equivalents	**51 323**	63 503
Undrawn credit facilities	**25 000**	25 000
Cash reserve	**76 323**	88 503

The group has a cash-pool agreement, and accordingly the item 'cash and bank deposits' is a net item and includes any drawings from the overdraft facility.

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 31 December each year, and at the latest 120 days after year-end.
Itera did not draw upon the overdraft facility in 2017, and had no borrowings from Danske Bank at 31 December 2017.

As collateral for the line of credit, the bank has a pledge on the customer receivables of the Norwegian subsidiaries.

18 LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

The Group had a liability for premises rent totalling NOK 62.0 million at December 31st 2017. This amount includes a seven-year rental agreement for Itera's head office premises in Nydalen that runs from July 1st 2016.

Analysis of future payments:	31.12.2017	31.12.2016
Up to 1 year	12,1	16,8
1 to 5 years	46,1	31,2
Over 5 years	3,9	9,4
Total payments	62,0	57,4

19 SHAREHOLDERS

Share capital
Itera ASA's share capital at December 31, 2017 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 2017, Itera ASA had 1,700 (1,810) shareholders. Of these 11% (4%) were foreign shareholders. The company's 20 largest shareholders owned 70% (66%) of the company's shares at year-end.

Holdings of own shares
The Itera Group held 965,455 own shares at the start of 2017. The Group purchased 250,000 own shares in 2017. 1,001,520 own shares were used in connection with options exercised under the share option programmes. The Itera Group held 213,935 own shares at the end of 2017.

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

20 largest shareholders in Itera ASA at December 31, 2017

	Shares	%
ARNE MJØS INVEST AS*	20 027 688	24.4%
OP CAPITAL AS	4 340 481	5.3%
DNB NOR Markets	4 300 000	5.2%
GIP AS	3 246 200	3.9%
JPMORGAN CHASE BANK	3 206 814	3.9%
STOREBRAND VEKST VERDIPAPIRFOND	3 012 026	3.7%
SEPTIM CONSTULTING AS	2 650 000	3.2%
BOINVESTERING AS	2 490 000	3.0%
EIKESTAD AS	2 450 000	3.0%
JØSYRA INVEST AS	2 200 000	2.7%
GAMST INVEST AS	2 124 918	2.6%
MARXPIST INVEST AS	2 031 588	2.5%
FRAMAR INVEST AS	1 000 000	1.2%
AANESTAD PANAGRI AS	900 000	1.1%
STOREBRAND NORGE I VERDIPAPIRFOND	854 618	1.0%
ALTEA PROPERTY DEVELOPMENT AS	658 477	0.8%
JETMUND GUNNAR NYVANG	608 316	0.7%
MORTEN SÆTRANG	606 784	0.7%
MORTEN JOHNSEN HOLDING AS	600 000	0.7%
SOBER KAPITAL AS	600 000	0.7%
Total 20 largest	**57 907 910**	**70.5%**
Other shareholders	24 278 714	29.5%
Total all issued	**82 186 624**	**100.0%**

Arne Mjøs Invest AS held a future contract expiring 15 March 2018 on 4,300,000 shares at an average price of NOK 6.7362 per share. The total controlling interest of Arne Mjøs was thus 24,327,688 shares (29.6%).

20 TRANSACTIONS WITH RELATED PARTIES

There were no material transactions between the Group and related parties in the period from January 1st to December 31st 2017.

On 15 March 2018, CEO Arne Mjøs has through his company Arne Mjøs Invest AS closed future contracts of 4,300,000 shares in Itera (ITE) at a price of NOK 7.94 per share and expiration date 15 March 2018. Simultaneously, he opened a new future contract for 3,700,000 shares at a price of NOK 8.0097 and expiration date 13 June 2018 and purchased 600,000 shares at a price of NOK 7.94 per share. New total holding is 20,627,688 shares (25.1%) and 3,700,000 shares on future contracts (4.5%), totalling 24,327,688 (29.6%) shares. In addition, he has 600,960 options.

21 NON-RECURRING COSTS

There have been no non-recurring costs in 2017. Non-recurring costs in 2016 included Itera vacating premises in Oslo and Copenhagen, as well as a gain from the deconsolidation of Itera Consulting AB.

2016

	Before adjustment	Non-recurring effect	As reported
Other operating expences	(44 523)	(2 178)	(42 345)
Other financial income	1 404	530	874
Total non-recurring items in 2016		(1 648)	

22 EVENTS AFTER THE BALANCE SHEET DATE

After the reporting period ended on 31 December 2017 and up to the date these consolidated financial statements have been approved for issue, no events have been identified that require disclosure.

STATEMENT OF INCOME PARENT

NOK 1 000	NOTE	2017	2016
Operating revenue			
Sales revenue	12	**27 126**	24 770
Total operating revenue		**27 126**	24 770
Operating expenses			
Payroll and personnel expenses	1,2,3	**19 471**	18 629
Depreciation	4	**1 197**	1 772
Other operating expenses	1	**13 361**	10 251
Total operating expenses		**34 029**	30 652
Operating profit		**(6 904)**	(5 881)
Financial items			
Income from investments in subsidiaries	9	**52 805**	11 033
Interest income from companies in the same group		**50**	35
Other financial income	5	**513**	275
Interest paid to companies in the same group		**548**	557
Other financial expense	9	**101**	515
Net financial items		**52 717**	10 271
Profit before tax		**45 813**	4 389
Tax expense on ordinary profit	8	**702**	9
Profit for the year		**45 111**	4 380
Allocations and transfers			
To supplemental dividend	7	**20 319**	12 183
To ordinary dividend	7	**20 547**	14 794
To/from other equity	7	**4 245**	(22 597)
Total allocations and transfers		**45 111**	4 380

STATEMENT OF FINANCIAL POSITION PARENT

NOK 1 000	NOTE	2017	2016
ASSETS			
Non-current assets			
Intangible assets			
Other intangible assets	4	**1 343**	1 726
Deferred tax assets	8	**249**	467
Total intangible assets		**1 592**	2 194
Fixed assets			
Operating equipment, fixtures, office machines etc.	4	**2 727**	3 254
Total fixed assets		**2 727**	3 254
Financial non-current assets			
Investment in subsidiaries	5	**109 953**	109 953
Total financial non-current assets		**109 953**	109 953
Total non-current assets		**114 272**	115 401
Current assets			
Receivables			
Receivables from group companies	10	**66 977**	28 916
Other receivables		**2 227**	2 474
Total receivables		**69 203**	31 391
Bank deposits	10, 11	**50 078**	63 814
Total current assets		**119 282**	95 205
TOTAL ASSETS		**233 553**	210 605

STATEMENT OF FINANCIAL POSITION PARENT

NOK 1000	NOTE	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	7	**24 656**	24 656
Paid-in other capital	7	**2 191**	2 097
Own shares	7	**(64)**	(290)
Total paid-in capital		**26 783**	26 463
Other equity	7	**42 774**	38 180
Total earned equity		**42 774**	38 180
Total equity		**69 557**	64 643
Liabilities			
Current liabilities			
Accounts payable		**1 501**	3 642
Tax payable	8	**483**	0
Public duties payable	13	**15 073**	15 464
Liabilities to group companies	10	**118 051**	106 335
Dividend payable	7	**20 547**	14 794
Other short-term liabilities		**8 342**	5 726
Total current liabilities		**163 997**	145 962
Total liabilities		**163 997**	145 962
TOTAL EQUITY AND LIABILITIES		**233 553**	210 605

Oslo, April 19, 2018
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

Berit Klundseter
Board member

Odd Khalifi
Board member

Arne Mjøs
Chief Executive Officer

STATEMENT OF CASH FLOW
PARENT

NOK 1000	NOTE	2017	2016
Cash flow from operating activities			
Profit before taxes		**45 813**	4 389
Group contribution recognised but not paid	9	**(52 805)**	(11 033)
Share option costs	7	**(1 072)**	(28)
Depreciation	4	**1 197**	1 772
Change in accounts payable		**(1 482)**	(200)
Change in other accruals		**3 183**	(4 035)
Net cash flow from operating activities		**(5 165)**	(9 134)
Cash flow from investment activities			
Payments on purchases of tangible fixed assets	4	**(286)**	(5 239)
Receipts on sale of tangible fixed assets	4	**0**	140
Receipts of group contributions and dividends from subsidiaries		**13 946**	31 218
Payments of receivables due to group companies		**(972)**	(109)
Receipts of receivables due from group companies		**187**	5 024
Net cash flow from investment activities		**12 876**	31 034
Cash flow from financing activities			
Net change in group cash pool		**11 613**	6 856
Payments on purchases of own shares	7	**(1 590)**	(3 604)
Receipts on sales of own shares		**3 643**	373
Dividend paid		**(35 113)**	(21 911)
Net cash flow from financing activities		**(21 446)**	(18 287)
Net change in bank deposits		**(13 736)**	3 613
Bank deposits at January 1		**63 814**	60 201
Bank deposits at December 31		**50 078**	63 814

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES PARENT

GENERAL

The annual financial accounts consist of the profit and loss account, the balance sheet, the statement of cash flow and the notes, and have been prepared in accordance with the Public Limited Liability Companies Act, the Accounting Act, and Norwegian Generally Accepted Accounting Principles (NGAAP).

Basis of preparation

The company accounts are prepared on the historical cost basis. Transactions are recognised on the date of the transaction at the value of the consideration received or paid. Revenue is recognised when earned and costs are matched with revenue earned.

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 kept under constant review. 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.

Classification of balance sheet items

Assets intended for permanent ownership or use are classified as fixed assets. Assets related to the operating cycle are classified as current assets. Receivables are also classified as current assets if they are due to be repaid within a year. Comparable criteria apply to liabilities. However, the first year's instalments on long-term receivables and long-term borrowings are not classified as current assets or current liabilities.

Valuation of investment in subsidiaries

Investments in subsidiary companies 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 subsidiary companies are recognised in profit and loss on the same date as they are recognised in the subsidiary companies' accounts. If the distributions paid by a subsidiary company 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.

Foreign currency transactions

Receivables and liabilities denominated in foreign currencies are translated into Norwegian kroner (NOK) at the exchange rate on the balance sheet date.

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 its 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.

GENERAL INFORMATION AND ACCOUNTING PRINCIPLES
PARENT

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.

Subordinated loans and other long-term loans
Loans made to foreign subsidiaries are denominated in local currencies. The loans are carried on the balance sheet at the exchange rate on the balance sheet date. Changes in the value of the loans due to exchange rate changes are recognised under financial items. NOK-denominated loans are carried at nominal value.

Accounts receivable
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. If there is objective evidence of impairment, the difference between the book value and the present value of future cash flows is recognised as a loss.

Defined contribution pension scheme
The company finances pension schemes for all its employees through a collective defined contribution based scheme. Pension expense is equal to the contributions paid.

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 subsidiary companies. Interest income is recognised using the effective interest rate method. 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. All borrowing costs are recognised in profit and loss using the effective interest rate method.

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.

Statement of cash flow
The statement of cash flow has been prepared using the indirect method. Cash and cash equivalents comprise cash and bank deposits.

1 PAYROLL, PERSONNEL EXPENSES AND REMUNERATION

NOK 1 000	2017	2016
Salaries	**15 680**	14 911
Share option costs	**344**	385
National insurance contribution	**2 323**	2 073
Pension cost	**642**	651
Other benefits	**482**	609
Total payroll and personnel expenses	**19 471**	18 629
Average number of employees	**16**	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:	2017	2016
Statutory audit	174	290
Tax advice	0	20
Other services	355	335
Total fees paid to the auditor	**530**	645

2 PENSIONS

Itera ASA operates a defined contribution pension scheme. The company's pension expense is represented by the premiums paid, and totalled NOK 642K in 2017. The company's pension scheme complies with the Norwegian Mandatory Occupational Pension Act (OTP).

3 SHARE-BASED REMUNERATION

The Itera Group had four share option programmes in 2017. All schemes are settled by the granting of shares.

The oldest of the current share option programmes was established in 2013. The options were targeted at key employees in the Group. 80% of the options were conditional on targets being achieved in 2013, and if the targets were not achieved, 80% of the options would lapse. The targets were financial and were achieved for 2013. There are service conditions for all the options, with employees having to be employed for the whole period. 20% of the options are not related to any targets, only to service conditions. 80% of the options can be exercised between 2014 and 2017 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 2017. The programme was finalized in July 2017.

An equivalent share option programme was approved in 2015 with the same conditions and for the same target group as the 2013 programme. 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 this programme 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 respectivaly.

The fair value of the options was calculated on the date they were granted, and the options granted in 2013 are being expensed over the accrual periods of 1 to 4 years in accordance with the graded vesting principle. The 2015, 2016 and 2017 options are being expensed over a period of four years. 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 0.30 is forecast for the 2013 and 2016 programmes, while an annual dividend of NOK 0.20 is forecast for the 2015 programme. For the 2017 programme the annual dividend is set to be NOK 0.45.

Share option costs (including employer's social security contributions) of NOK 344k were expensed in 2017 (NOK 388k in 2016).

Program	Outstanding 31.12.2016	Issued 2017	Expired in 2017	Exercised in 2017	Outstanding 31.12.2017	Fair value	Exercise price[1])	Share price when issued [2])	Date of issue	Exercise period
2013	480 000			480 000	0	NOK 0.15	NOK 2.30	NOK 2.30	22.08.2013	2014-2017
2015	86 000				86 000	NOK 0.25	NOK 2.58	NOK 2.58	07.09.2015	2016-2019
2016	730 000			110 000	620 000	NOK 0.26	NOK 3.89	NOK 3.89	08.07.2016	2017-2020
2017		420 000	137 760		282 240	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
2013	0	1.57%-2.02%	43.5%	1-4 years
2015	86 000	0.77%	30.0%	3.77 years
2016	620 000	0.49%	25.0%	3.94 years
2017	282 240	0.90%	28.9%	3.96 years
Total	988 240			

4
FIXED ASSETS

2017

NOK 1000	Research and development	Software	Office machinery & equipment	Fixtures and fittings	Total
Acquisition cost					
Accumulated at January 1	1 918	3 431	537	2 909	8 796
Additions during the year			72	214	286
Disposals during the year		(114)	(130)		(244)
Accumulated at December 31	**1 918**	**3 317**	**479**	**3 123**	**8 837**
Depreciation					
Accumulated at January 1	192	3 034	368	222	3 815
Depreciation for the year	384	254	86	473	1 197
Depreciation on disposals in the year		(114)	(131)		(245)
Accumulated at December 31	**575**	**3 174**	**323**	**695**	**4 768**
Book value					
Book value at January 1	1 726	397	169	2 687	4 980
Book value at December 31	**1 343**	**143**	**156**	**2 428**	**4 070**
Estimated useful life	3-5 years	3-5 years	3-5 years	3-5 years	
Depreciation plan	Linear	Linear	Linear	Linear	

5
SUBSIDIARIES

NOK 1 000	Registered office	Share capital*	Shareholding	Book value 1 Jan.	Change	Book value 31 Dec.	Profit/loss 2017	Equity 2017
Itera Norge AS	Oslo	2 500	100%	49 730	0	49 730	22 693	40 302
Itera Offshoring Services AS	Oslo	200	100%	7 500	0	7 500	2 422	4 803
Cicero Consulting AS	Oslo	200	100%	21 438	0	21 438	3 062	11 517
Compendia AS	Bryne	182	100%	14 237	0	14 237	3 147	9 457
Itera Sweden AB**	Stockholm	100	100%	0	0	238	(22)	147
Itera Sverige AB	Stockholm	100	100%	0	0	0	771	1 472
Itera ApS	Copenhagen	1 424	100%	16 559	0	16 559	2 762	6 965
Itera Consulting UA	Kiev	50	100%	489	0	489	(589)	153
Total				**109 953**	**0**	**109 953**		

* Share capital is reported in the local currency (1,000). The functional currency for companies in Ukraine is the euro.
** The shares in Itera Sweden AB were as part of the corporate simplification in November 2017 sold to Itera Sverige AB, whereupon Itera Sverige AB and Itera Sweden AB are merged. The merger is registered as completed effective from January 2018.

6 FOREIGN CURRENCY

Information on the exchange rates applied by the Itera Group in 2017.

	Exchange rate Jan. 1	Average	Exchange rate Dec. 31
SEK	0.9512	0.9680	0.9996
DKK	1.222	1.2542	1.3218
EUR	9.0863	9.3596	9.8403
USD	8.6200	8.2630	8.2050
UAH	0.3132	0.3107	0.2946

7 EQUITY

NOK 1 000	Share capital	Own shares	Other paid-in capital	Other equity	Total equity
Equity at December 31, 2016	**24 656**	**(290)**	**2 097**	**38 180**	**64 643**
Purchase of own shares		(75)		(1 515)	(1 590)
Sale of own shares		300		2 998	3 298
Employee Share Programme			32		32
Share option costs			62	(1 134)	(1 072)
Supplementary dividend				(20 319)	(20 319)
Ordinary dividend				(20 547)	(20 547)
Profit for the year				45 111	45 111
Equity at December 31 ,2017	**24 656**	**(64)**	**2 191**	**42 774**	**69 557**

See note 19 to the group accounts for further information on share capital, holdings of own shares and shareholders.

Itera introduced in 2017 an annual Employee Share Purchase Programme, where employees could purchase shares up to face value of NOK 20,000 at a 20% discount. 87 employees purchased a total of 243,520 shares.

8 TAX

NOK 1 000	2017	2016
Tax expense for the year		
Current tax on profit for the year	483	0
Change in deferred tax	219	9
Total tax expense for the year	702	9
Tax payable		
Profit before tax	45 813	4 389
Permanent differences	(42 934)	(4 431)
Change in temporary differences	(427)	(397)
Utilisation of losses carried forward	(439)	0
Basis for current tax, taxable revenue	2 013	(439)
Tax payable in the balance sheet	483	0
Specification of the basis for deferred tax		
Fixed assets	(907)	(1 125)
Other temporary differences	(175)	(384)
Total temporary differences	(1 082)	(1 508)
Losses carried forward	0	(439)
Basis for deferred tax	(1 082)	(1 947)
Deferred tax asset (-) / Deferred tax liability (+)	(249)	(467)
Reconciliation from nominal to effective tax rate		
Expected tax at nominal corporation tax rate of 24% (25%)	10 995	1 097
Effect of permanent differences	(10 304)	(1 108)
Effect of change in the tax rate on calculation of deferred tax asset	11	19
Tax charge in the income statement	702	9
Effective tax rate	1,5%	0,2%

9 FINANCIAL ITEMS

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	0	40 000	**40 000**
Itera Offshoring Services AS	0	5 000	**5 000**
Compendia AS	0	4 500	**4 500**
Itera Aps	3 305	0	**3 305**
Total income from investment in subsidiaries	**3 305**	**49 500**	**52 805**

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

NOK 1000

Receivables from Group companies Company name	2017	2016
Itera Norge AS	**49 817**	17 040
Itera Consulting ApS	**3 310**	2 078
Cicero Consulting AS	**1 753**	4 934
Compendia AS	**7 097**	4 673
Itera Offshoring Services AS	**5 000**	1
Itera Sverige AB	**0**	190
Total	**66 977**	28 916

Receivables from Group companies consist of group customer receivables, receivables from group companies relating to the group's joint value added tax registration (see Note 13) and receivables in relation to group contributions and dividends.

NOK 1000

Liabilities to Group companies Company name	2017	2016
Itera Norge AS	**91 970**	80 895
Compendia AS	**15 196**	15 939
Cicero Consulting AS	**3 813**	3 102
Itera Consulting ApS	**5 633**	5 118
Itera Offshoring Services AS	**1 438**	1 282
Total	**118 051**	106 335

Cash Pool

In the group's cash pool, Itera ASA is responsible both for its own deposits/drawings and for deposits/drawings made by Norwegian subsidiaries. The figures reported for bank deposits held by Itera AS in the balance sheet include deposits paid into cash pool by subsidiaries, which are netted against the parent company's drawings. The bank deposits held by subsidiary companies in the cash pool are reported in the parent company accounts as liabilities to group companies.

11 RESTRICTED DEPOSITS

Itera ASA holds NOK 50.1 million in cash and bank deposits, of which NOK 0.6 million is on restricted accounts for payment of payroll tax deductions.

12 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 2017 Itera invoiced NOK 27.0 million (NOK 24.4 million) in respect of these services.

13 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.

14
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 to the group accounts 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 2017 calendar year and as at 31 December 2017 (2017 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 2017.
- 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 2017.
- 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 Norwegian Accounting Act and Norwegian Accounting Standard No. 16 as in effect at 31 December 2017.
- The information contained in the accounts provides a true and fair view of the group's and the parent com¬pany's assets, liabilities, financial position and earnings taken as a whole at 31 December 2017.
- 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 19, 2018
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

Berit Klundseter
Board member

Odd Khalifi
Board member

Arne Mjøs
Chief Executive Officer

AUDITOR'S REPORT

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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. The financial statements comprise:

- The financial statements of the parent company Itera ASA (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement, cash flow statement 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 balance sheet as at 31 December 2017 and income statement, statement of changes in equity, 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 2017, 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 2017, 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.

1. Revenue recognition

Refer to the accounting principles in the financial statement where the Group describe its significant revenue recognition principles.

The Key Audit Matter	*How the matter was addressed in our audit*
The Group`s revenue consist mainly of sale of services and subscriptions. Revenue recognition in line with applicable accounting standards depends on the nature of the goods and services provided and the contract terms. Some contracts include multiple deliveries where each delivery is priced separately. In these cases the Group allocate the total contractual price on each delivery based on the estimated need of resources on each delivery. Accounting for such contracts involves management judgements regarding total need of resources compared to hours incurred at the end of the financial reporting period. As management needs to exercise judgement to estimate total hours needed on the projects, and what proportion to recognize, this requires special audit attention.	On a risk based approach we identified projects subject to further procedures. Projects were selected based on our assessments of risk, and we focused on matters as projects with reduced margins, increased costs or delays, as that may have an impact on the revenue recognition. The audit procedures on the selection of projects included: • updating our understanding of the project performance and changes compared to previous forecasts by discussing with relevant management; • agreeing revenue forecasts with signed contracts; • assessing of the appropriateness of the disclosures in the consolidated financial statements; • evaluating underlying documentation of the individual project and challenged the estimates made by project management on project progress and accompanying sensitivities and risks, percentage of completion and estimates on hours; and • performed recalculations and assessments of key financial figures.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and the statement on Corporate Governance, but does not include the financial statements and our auditor's report thereon. This includes other information, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

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 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 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 scepticism 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.

- 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 including the statements on Corporate Governance and Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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, 19 April 2018
KPMG AS

Bjørn A. Kristiansen

Bjørn Kristiansen
State Authorised Public Accountant

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 2017 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 2017, Itera had 1 700 (1 650) shareholders. At year-end, 11% (11%) of the Company's shares were owned by foreign investors. The Company's twenty largest investors owned 70% (60%) of the Company's shares.

Dividend

During 2017, dividends of NOK 0.43 (0.27) per share were paid, for a total of NOK 35.1 (21.9) million.

Share price

The Itera share price opened the year at NOK 5.20 and closed at NOK 7.14, corresponding to a change of 37% (49%). The highest share price during the year was NOK 7.25 and the lowest price was NOK 5.20. Itera had a market value corresponding to MNOK 585 (427) million at 31 December 2017.

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 3,125,800 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 19 to the consolidated accounts.

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 30 October 2014.

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. An appropriate division of roles, good collaboration and satisfactory control help 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 the locations 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 communication and technology company that delivers projects and services in the consulting and strategy, design and development, and operations and management areas. Itera provides communication and technology services to organisations that require a high level of expertise, innovation, flexibility and availability. The company's Articles of Association are available on its website (www.itera.no).

The annual report contains details of the company's aims 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, and for 2017 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 2017 if the Group's financial situation makes this possible.

At the Annual General Meeting in 2017, 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 2018 and replaced the authorisation approved by the Annual General Meeting held on 23 May 2016. 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 1,232,799, equivalent to 4,109,331 shares each of a face value of NOK 0.30. The authorisation is effective until 1 July 2018 and replaced the authorisation granted at the Annual General Meeting held on 23 May 2016.

At the same Annual General Meeting in 2017, the Board of Directors was granted authorisation to increase the company's share capital by up to NOK 402,300 by issuing up to 1,341,000 shares with a face value of NOK 0.30 in connection with a share option programme. The Board can also waive shareholders' preferential subscription rights in respect of new shares issued pursuant to this authorisation.

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. Freely negotiable shares (No deviation from the Code)

Itera shares are freely negotiable. The Articles of Association do not impose any restrictions on transfers of shares.

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 Erik Sandersen, Merete Cecilie Opedal 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. The Compensation Committee has two members.

Its mandate is to develop and coordinate the Group's compensation systems.

The members of the Compensation Committee are 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 representatives 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 2017 with an attendance rate of 90%.

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 holds 7-10 meetings a year and assesses its own work on an annual basis.

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 is appropriate and effective internal control that meets all applicable requirements, and is responsible for ensuring compliance with the internal control requirements.

Accounting/Finance, HR, IT and Communications/Markets 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.

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 company's quarterly reports, its presentation materials and webcasts are made available on the company's website.

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. Takeovers

The Board of Directors is committed to equal treatment of shareholders and will ensure openness with respect to any potential takeover 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 KPMG as its external auditor. KPMG audits all the companies in the Group that are subject to statutory audit.

The auditor participates in all meetings of the Audit Committee.

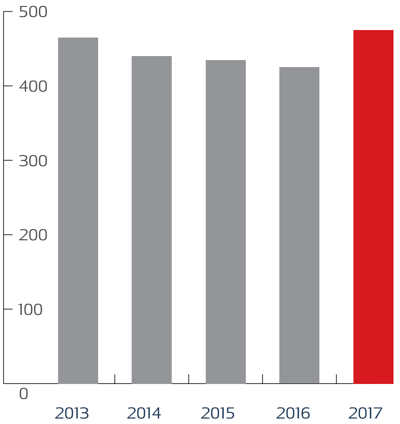
The auditor prepares reports for the Audit Committee and the Board. These reports include an audit plan, an assessment of internal control at the company and a review of significant accounting principles and estimates. The auditor participates in the Board meeting at which the annual accounts are considered. The auditor participates in the Annual General Meeting. Information about the fees paid to the auditor can be found in the annual report.

DEVELOPMENT 2013–2017

(after adjustment for non-recurring costs)

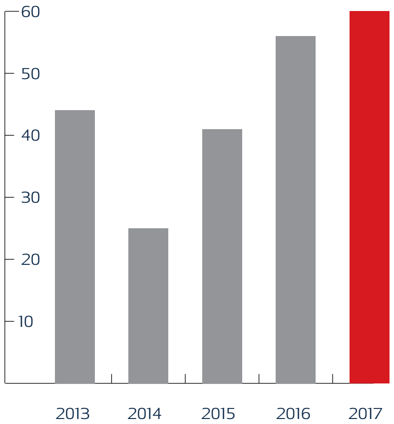
REVENUES

NOK million



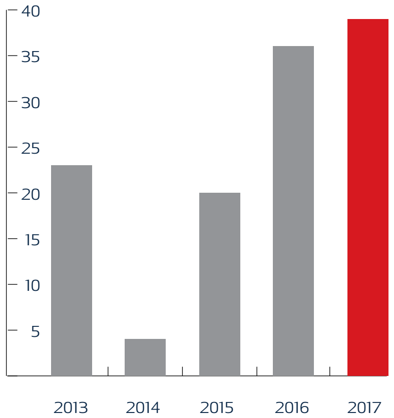
EBITDA

NOK million



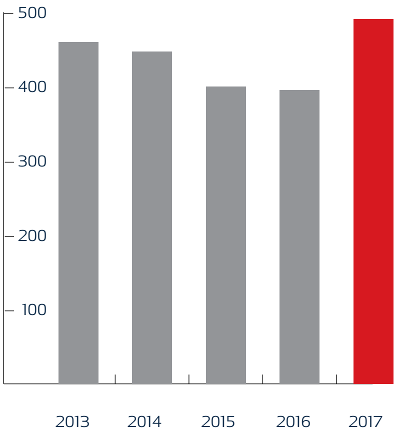
EBIT

NOK million



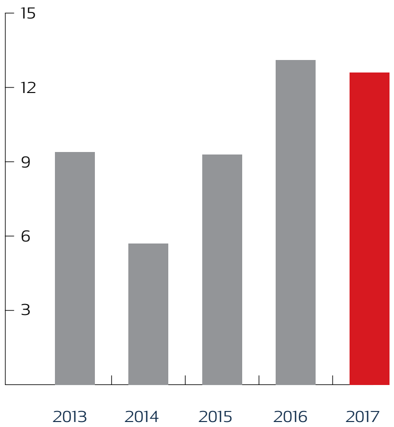
EMPLOYEES

Number



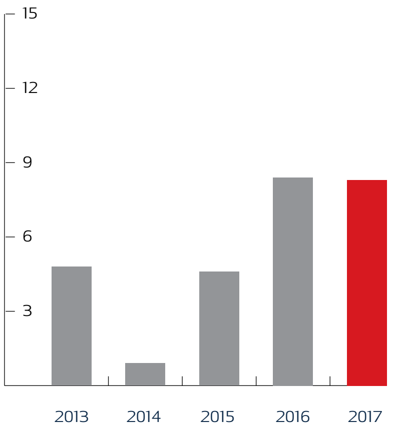
EBITDA-MARGIN

%



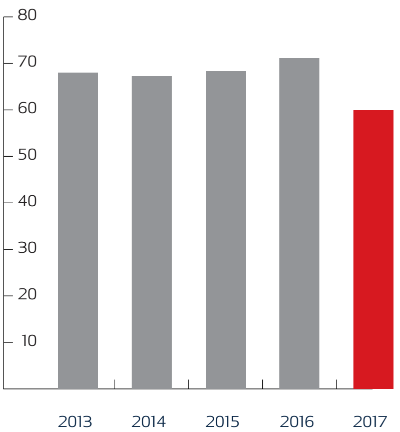
EBIT-MARGIN

%



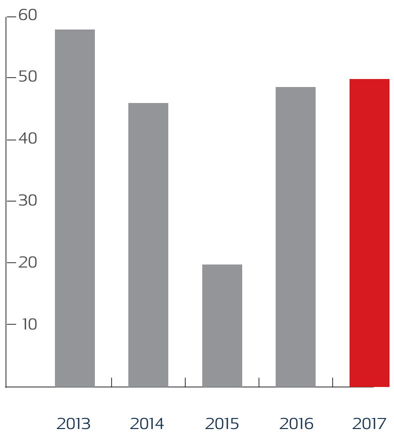
BANK DEPOSITS

NOK million



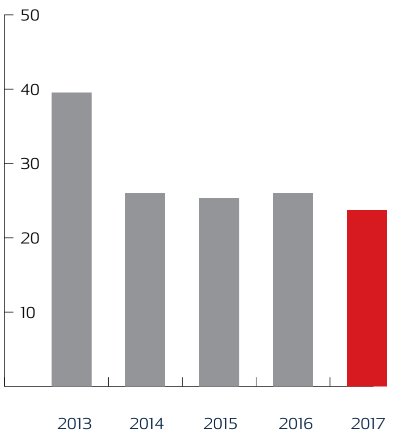
CASH FLOW from operations

NOK million



EQUITY RATIO

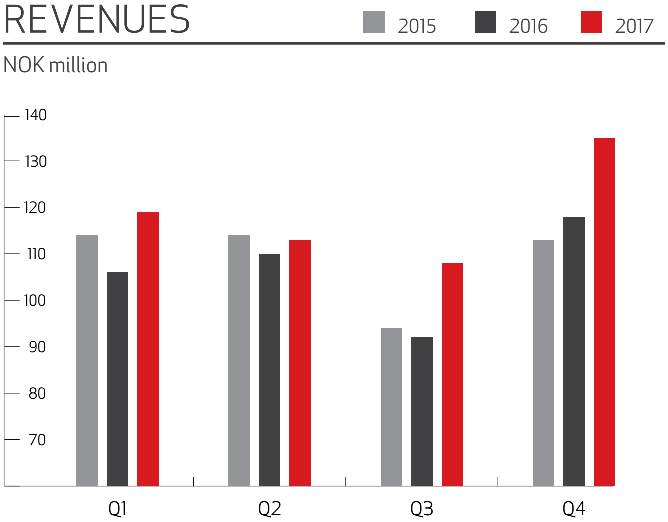
%



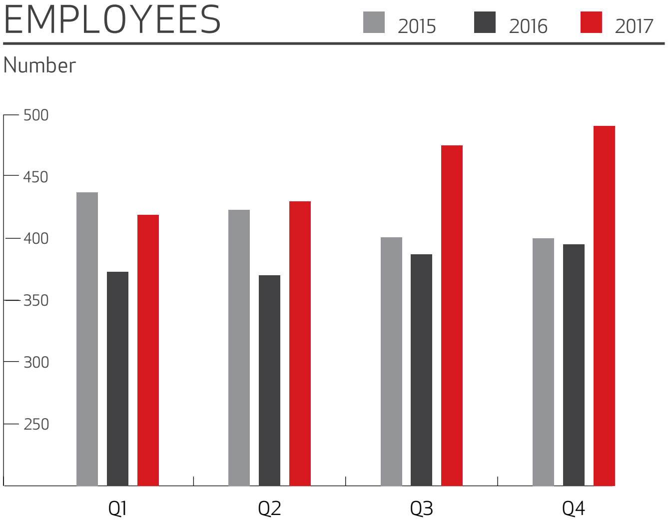
DEVELOPMENT 2015-2017

(after adjustment for non-recurring costs)

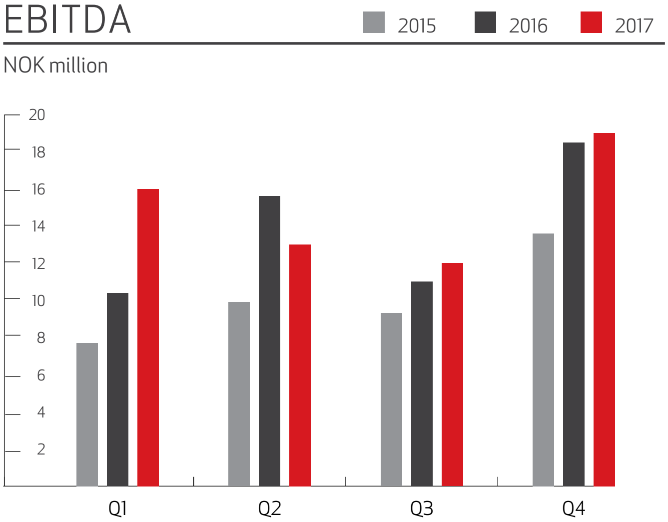
REVENUES



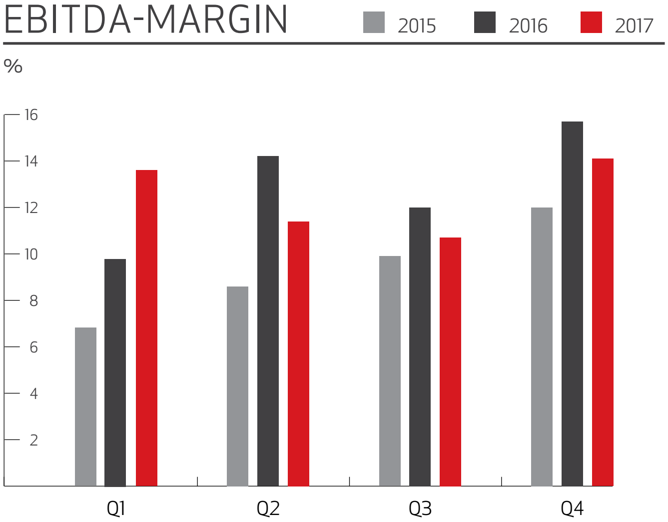
EMPLOYEES



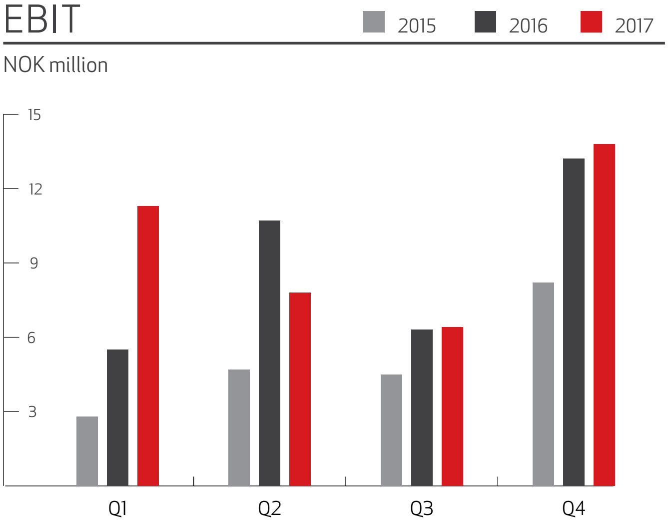
EBITDA



EBITDA-MARGIN



EBIT



EBIT-MARGIN