

Q2 INTERIM REPORT 2020



HIGHLIGHTS Q2

APRIL – JUNE 2020

- Operating revenue NOK 150.8 million (NOK 143.3 million), representing growth of 5%
- Gross profit NOK 131.6 million (NOK 122.1 million), representing growth of 8%
- EBITDA NOK 25.8 million (NOK 22.6 million) and an EBITDA margin of 17.1% (15.8%)
- EBIT NOK 15.8 million (NOK 13.9 million) and an EBIT margin of 10.5% (9.7%)
- Cash flow from operations NOK 40.2 million (NOK 26.9 million)
- Cash and cash equivalents NOK 47.9 million (NOK 44.1 million)
- Treasury shares valued at NOK 19.5 million (NOK 5.9 million)
- Equity ratio 19% (20%)

JANUARY – JUNE 2020

- Operating revenue NOK 312.7 million (NOK 286.1 million), representing growth of 9%. Gross profit grew 11%.
- Core digital business revenue grew 5%, showed an EBIT margin of 12.7%, and represented 81% of total revenue.
- EBITDA NOK 55.1 million (NOK 44.9 million) and an EBITDA margin of 17.6% (15.7%).
- EBIT NOK 35.1 million (NOK 27.8 million) and an EBIT margin of 11.2% (9.7%)
- Cash flow from operations NOK 47.7 million (NOK 21.9 million).

HIGHLIGHTS OF THE SECOND QUARTER

- Despite Covid-19 having some detrimental impact, Itera achieved revenue growth of 5% in the second quarter. Due to cost savings, a further increase in profitability was seen, with Itera's EBIT margin reaching 10.5% (9.7%). This growth was driven by another strong increase in new customers, which were responsible for 11% of total revenue in the period.
- A full-scale summer internship programme was run as planned in Norway, with 31 master's students working on five different customer projects.
- Itera's project management office (PMO) was awarded the title of best PMO in Europe in 2020 by the PMO Global Alliance and will compete in the final for the best PMO in the world later this autumn.
- In the second quarter of 2020, Itera had an order intake equivalent to a book-to-bill ratio of 0.8, and it entered into new or extended contracts with customers such as Gjensidige Forsikring, Santander, KLP, Norsk Medisinaldepot, Insurance Technology Solutions, Storebrand, Össur, Cognite and DNB. Gjensidige Forsikring's selection of Itera as strategic partner for digitalisation for the next 5 years confirms and extends Itera's position with one of its biggest customers.
- An ordinary dividend of NOK 0.20 per share was distributed.

KEY FIGURES

Amounts in NOK million	2020 4-6	2019 4-6	change %	2020 1-6	2019 1-6	change %	2019 1-12
Sales revenue	150.8	143.3	5 %	312.7	286.1	9 %	560.3
Gross profit	131.6	122.1	8 %	272.8	244.7	11 %	483.0
EBITDA	25.8	22.6	14 %	55.1	44.9	23 %	92.0
EBITDA margin	17.1 %	15.8 %	1.4 pts	17.6 %	15.7 %	1.9 pts	16.4 %
Operating profit (EBIT)	15.8	13.9	14 %	35.1	27.8	26 %	56.2
EBIT margin	10.5 %	9.7 %	0.8 pts	11.2 %	9.7 %	1.5 pts	10.0 %
Profit before tax	14.3	13.2	8 %	35.9	26.1	37 %	53.6
Profit for the period	11.3	10.1	12 %	27.9	19.8	41 %	41.6
Profit margin	7.5 %	7.0 %	0.5 pts	8.9 %	6.9 %	2 pts	7.4 %
Net cash flow from operating activities	40.2	26.9	49 %	47.7	21.9	118 %	80.0
No. of employees at the end of the period	530	499	6 %	530	499	6 %	512

GROUP PERFORMANCE IN THE SECOND QUARTER AND FIRST SIX MONTHS OF 2020

FINANCIAL PERFORMANCE

The comments below relate to Itera's performance in the second quarter of 2020 compared to the second quarter of 2019 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2019. Please refer to Note 3 for a description of the alternative performance measures used.

Itera (the Group) consists of Itera ASA (the Company) and its subsidiaries. Itera ASA is a public limited liability company, incorporated in Norway and listed on the Oslo Stock Exchange with the ticker ITE. The condensed consolidated interim financial statements cover the Group. As a result of rounding differences, some numbers and percentages may not add up to the totals given.

As Itera is continuing to transition its customers from its on-premise data centre operations to managed cloud services, figures for Itera's traditional data centre operations and for its core digital business services are presented for the purposes of analysis. Following Itera's initial investment in establishing its managed cloud service offerings last year, the figures have been reclassified to include this business as part of the Company's core digital business.

Summary for the second quarter of 2020

Itera achieved organic revenue growth of 5% in the second quarter of 2020 relative to the second quarter of 2019. This was driven by growth in the revenue from Itera's own services and in subscription revenue, while revenue from third-party services and other revenue were lower than in the corresponding quarter last year. As a result, the increase in Itera's gross profit of 8% was higher than the increase in revenue.

The Group's operating profit (EBIT) for the second quarter of 2020 was NOK 15.8 million (NOK 13.9 million), giving an EBIT margin of 10.5% (9.7%). The second quarter of 2020 contained one more working day than the second quarter of 2019. One working day normally has a positive impact of NOK 1.0-1.5 million on revenue and operating profit.

The second quarter of 2020 was characterised by the initial peak of the Covid-19 pandemic in the Nordics and Itera's financial performance was affected by this. For further information on this, please refer to Note 4 in this interim report.

Accounting principles

These interim condensed consolidated financial statements for the quarter ending 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Group's annual report for 2019. The accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019. The interim financial information contained in this report has not been audited or reviewed.

Operating revenue

Itera reports operating revenue of NOK 150.8 million (NOK 143.3 million) for the second quarter of 2020, which represents growth of 5%. This was driven by growth in the revenue from Itera's own services and in subscription revenue, both of which increased by 8% to NOK 104 million and NOK 38 million respectively. Revenue from third-party services was 25% lower at NOK 6 million, while other revenue, which includes hardware and software sales, was 28% lower at NOK 3 million. In total, the revenue from Itera's core digital

business increased by 5% to NOK 122.5 million, while its traditional data centre operations grew by 6% to NOK 28.3 million.

For the first six months revenue grew by 9% to NOK 312.7 million, with Itera's core digital business increasing by 10% and its traditional data centre operations increasing by 6%.

Itera's core digital business was responsible for 81% of its total revenue in the second quarter of 2020, which is the same proportion as in the second quarter last year. Due to market uncertainty surrounding the Covid-19 pandemic, some customers paused or deferred projects, and this had a detrimental effect on Itera's billing ratio (see Note 4). The revenue associated with Itera's traditional data centre operations is to a large extent recurring and was therefore not impacted by Covid-19 to the same degree as its core digital business.

Gross profit (revenue minus cost of goods sold) was NOK 131.6 million (NOK 122.1 million) in the second quarter, an increase of 8%. This growth was driven by a particularly strong increase in new customers. Gross profit for the first six months increased by 11% to NOK 272.8 million.

Operating expenses

Itera's total operating expenses in the second quarter of 2020 were 4% higher at NOK 135.0 million (NOK 129.4 million), while for the first six months they were up 7% to NOK 277.6 million.

Cost of sales was NOK 19.2 million (NOK 21.2 million) in the second quarter of 2020. Cost of sales principally consists of services purchased from sub-contractors, costs related to Itera's data centres, and third-party software licences and hardware that form part of larger deliveries. Cost of sales can vary significantly from quarter to quarter. For the first six months cost of sales was down 4% to NOK 39.9 million.

Personnel expenses were NOK 96.2 million (NOK 87.9 million) in the second quarter of 2020, which represents an increase of 9%. The increase is partly explained by the fact that the average number of employees increased by 7%, while the average personnel expense per employee grew by 2%. Some Covid-19 relief was provided by the Norwegian authorities, reducing social security taxes for two months. For the first six months personnel expenses were NOK 195.6 million, which is 10% higher than in the same period last year, while the average number of employees was 7% higher.

Other operating expenses were NOK 9.6 million (NOK 11.6 million) in the second quarter of 2020 as the Covid-19 pandemic resulted in significantly less spending on travel, seminars and social events. For the first six months other operating costs were NOK 22.0 million (NOK 21.7 million).

Depreciation and amortisation totalled NOK 10.0 million (NOK 8.6 million) in the second quarter. The increase relates to Itera's expanded facilities in Ukraine and to upgrades to Itera's data centre infrastructure, as well as to foreign exchange impacts. For the first six months depreciation and amortisation totalled NOK 20.0 million (NOK 17.1 million).

Operating result

The operating result before depreciation and amortisation (EBITDA) for the second quarter of 2020 was a profit of NOK 25.8 million (NOK 22.6 million). The operating result (EBIT) for the second quarter was a profit of NOK 15.8 million (NOK 13.9 million). The EBIT margin for the second quarter of 2020 was 10.5% (9.7%), while for the first six months it was 11.2% (9.7%).

Itera's operating result from its core digital business was a profit of NOK 15.6 million (NOK 12.9 million), giving an EBIT margin of 12.7% (11.1%). Itera's operating result from its traditional data centre operations was a profit of NOK 0.3 million (NOK 1.0 million), giving an EBIT margin of 1.1% (3.7%).

The result before tax for the second quarter of 2020 was a profit of NOK 14.3 million (NOK 13.2 million). Tax expense accrued for the second quarter totalled NOK 3.0 million (NOK 3.2 million). For the first six months the result before tax was a profit of NOK 35.9 million (NOK 26.1 million) and the tax expense accrued was NOK 8.0 million (NOK 6.3 million).

Earnings per share (EPS) was NOK 0.14 (0.12) for the second quarter and NOK 0.34 (0.24) for the first six months.

Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 40.2 million (NOK 26.9 million) in the second quarter of 2020 and NOK 47.7 million (NOK 21.9 million) in the first six months.

There was a net cash outflow from investing activities of NOK 3.9 million (NOK 2.9 million) in the second quarter of 2020, of which NOK 1.5 million (NOK 2.0 million) was for intangible assets, including investment in intellectual property rights. There was a net cash outflow from investing activities of NOK 7.7 million (NOK 5.4 million) in the first six months.

There was a net cash outflow from financing activities of NOK 39.1 million (NOK 23.2 million) in the second quarter of 2020, mainly because of the distribution of a dividend and a net purchase of treasury shares. In the first six months there was a net cash outflow from financing activities of NOK 45.2 million (NOK 27.7 million).

Work in progress at 30 June 2020 was NOK 1.2 million lower than at 30 June 2019, while capitalised contract costs were NOK 4.7 million lower. The capitalised contract costs relate to revenue the recognition of which is deferred under IFRS 15. Accounts receivable and other receivables were NOK 11.6 million and NOK 0.8 million lower respectively than at 30 June 2019.

Accounts payable at 30 June 2020 were NOK 1.7 million lower than at 30 June 2019. Public duties payable were NOK 19.2 million higher than at the end of the second quarter of 2019 due to the Norwegian government offering deferred payment terms as a Covid-19 relief measure. Tax payable was NOK 4.1 million higher than at 30 June 2019. Contract liabilities at 30 June 2020 were NOK 0.2 million higher at NOK 24.8 million.

Cash and cash equivalents amounted to NOK 47.9 million at 30 June 2020, compared to NOK 44.1 million at 30 June 2019. At the end of the period, Itera had an undrawn credit facility of NOK 21.5 million.

Itera had lease liabilities totalling NOK 55.2 million (NOK 56.7 million) at 30 June 2020, which represents a net decrease of NOK 7.8 million. NOK 19.6 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 35.6 million are classified as non-current liabilities.

At 30 June 2020 Itera held 1,692,594 own shares, valued at NOK 19.5 million.

Equity at 30 June 2020 totalled NOK 45.6 million (NOK 48.1 million at 30 June 2019). The equity ratio was 18.6% (19.6%).

Dividend

The Annual General Meeting on 25 May 2020 approved the Board's proposal of an ordinary dividend payment of NOK 0.20 per share and authorised the Board to decide on the payment of an additional dividend later in the year. The share went ex-dividend on 26 May 2020.

BUSINESS REVIEW

Although the outbreak of Covid-19 towards the end of the first quarter caused some setbacks in the second quarter from those industries most impacted by it, Itera succeeded in maintaining a satisfactory level of activity. Revenue increased from both new customers and new industries due to the Group having limited exposure to the worst impacted industries (e.g. travel, aviation, fitness, retail).

As many areas of society have been more or less locked down for most of the second quarter, the pace of digital change has accelerated. The value of digital channels, products and services has become obvious to all organisations. As a specialist in creating sustainable, digital business, the market demand for Itera's services continued to be strong during the second quarter. Itera's ability to combine customer experience, business knowledge, expertise in new cloud technologies and its hybrid delivery model across borders continues to set us apart in the marketplace.

The impact of the Covid-19 virus on our business

In general, the Group is carefully watching the dynamics of the macro environment both locally and globally and is actively assessing the possible consequences for our business. We are also verifying our assessments continuously through discussion with our customers and other organisations in the industry in the Nordics.

Ever since the outbreak of coronavirus, we have sought to be very close to our customers and to safeguard our position. In this way, we have collected facts and identified potential changes in demand as well as new Covid-19-driven opportunities.

From the start of the lockdown, our offices in all countries were adapted to the recommendations issued by each country's health authorities, and all employees were fully operative by means of home office solutions. For efficient and continuous internal communication, a "Corona Task Force" was established which had representatives from all countries and offices. The task force coordinated regulations as well as other information to make sure every employee received the same key message.

After some weeks, we opened a very limited number of desks for employees who felt that their productivity would benefit from working from the office. Our employees developed a booking solution available on the company's intranet that all employees planning to spend a day at the office have to use to book a desk. This ensures we always have a complete overview of everyone who has spent time in the office in case any employee tests positive for coronavirus. The solution also helps employees avoid travelling unnecessarily as the booking solution informs users if all available desk space has been booked.

There is no doubt that the Covid-19 pandemic will continue to have widespread and long-lasting implications. However, we believe that Itera is very well positioned to take advantage of the pent up demand for assistance with creating digital business in a way that will help create a more sustainable future, which will emerge as soon as the Covid-19 restrictions are eased and the economy starts to recover. Thanks to our hybrid delivery model, our services provide a competitive advantage relative to business models involving increasing local staffing levels. In fact, the business model of increasing Nordic staffing levels is experiencing significant disruption as a result of Covid-19, which should in turn benefit our hybrid delivery model of remote, cross-functional teams working across geographies.

Market and customer development

In the second quarter of 2020, Itera's core digital business had an order intake equivalent to a book-to-bill ratio of 0.8 (1.1 for the first six months) as more contract extensions than normal were delayed to July. Itera entered into new or extended contracts with customers such as Gjensidige Forsikring, Santander, KLP, Norsk Medisinaldepot, Insurance Technology Solutions, Storebrand, Össur, Cognite and DNB. Itera's agreement with Gjensidige Forsikring was considered particularly important as Itera was chosen to be a strategic partner for the digitalisation of Gjensidige's

business for the next 3-5 years. Among the criteria for Gjensidige's choice of partner were competence, delivery model, flexibility, professionalism and the ability to reduce risk. The agreement covers Gjensidige's operations in the Nordic and Baltic countries.

With this agreement, Itera is a central part of Gjensidige's digitalisation program. The agreement covers the entire breadth of Itera's service areas, including project management, architecture, design, development and testing, and involves the continuation of a collaboration for more than 20 years.

Innovation with 31 summer interns

Coronavirus has brought uncertainty to the market, and Itera regards it as important that the business community does what is can to maintain activity levels and value creation. Hence, Itera and five of its customers made a joint decision in the second quarter to continue with their plan to accept 31 master's students for this year's summer internship projects. The students were divided into five interdisciplinary teams consisting of developers, UX specialists, designers, testers and business consultants, with one team each working with Fjordkraft, Kværner, Nordea Direct, Pelagia and KLP. Each team was organised as a separate cohort, with strict infection control guidelines in place.

The five teams were each assigned a project involving issues that required a high level of expertise and understanding in business, technology and user experience to solve. We are proud that our customers showed a high degree of trust in the teams and even more proud of the students, who delivered highly innovative solutions with high business potential.

An example of the innovative solutions the teams delivered in just eight weeks is the project "Visual Asset Tracking", which was carried out for Kværner.

Challenge

Kværner provides engineering, procurement and construction (EPC) services and delivers advanced offshore platforms, onshore plants, floating production units and renewable energy solutions. The company has two production sites in Norway: Stord, where top modules are produced, and Verdal, where the steel substructures are manufactured.

The production sites are complex with several ongoing projects being carried out at any one time, and assets such as wagons, supports, production equipment and trucks are in continuous motion. This creates challenges in terms of maintaining an overview and control of the shipyards' assets, as well as in relation to stock control.

Solution

The product that was delivered is a solution that facilitates asset tracking, fleet management and navigation at Kværner's shipyard in Stord. Advanced robotics and machine learning are central to the solution. Tracking information is made available to employees through an app in which a map gives the user an overview of the yard and up-to-date locations for relevant assets. In addition to this, a 360-degree street view has also been developed, which is continuously updated.

The project was part of "Kværner Machine Learning Camp", to which Itera contributed seven summer students, who were developers, designers and business consultants. The solution was delivered in collaboration with Cognite.

Result

The app gives the workers at Stord a digital representation of the yard and its assets. The result is a system that is less person-dependent, which streamlines the processes associated with locating assets, coordinating transport assignments and navigating the yard.

Itera – Europe's best at project management

In the second quarter, Itera received the award of best project management office (PMO) in Europe from PMO Global Alliance.

PMO Global Alliance is a volunteer organisation and community

which exclusively focuses on project management offices. With about 10,000 members from about 100 countries at present, the community unites PMO leaders, PMO members, executives, consultants, teachers and project managers to share experience and knowledge about building effective PMOs.

The PMO Global Award is a global competition for PMOs organised by PMO Global Alliance. In every country there are national communities who organise national rounds of the competition, and the winners are nominated to represent their country and company at a global round. Since project management offices mainly exist as organisational functions in medium to large size companies, the competition's typical participants are companies with several thousand to several hundreds of thousands of employees (e.g. banks, telecoms operators, insurance companies, heavy industries, pharmaceutical producers, IT companies etc.).

The jury for the PMO Award consists of nearly 420 judges, who are nominated by national communities in 110 countries and typically feature the most active and experienced members. All PMOs are compared in pairs and the group of judges decides which of the two PMOs in each pair is the most mature.

Itera won the final in Ukraine and was thus nominated to represent the country. After being compared to the competitors from many other countries, including Ireland and Bulgaria, Itera progressed to the final, where our PMO was selected over Finland's finalist. As the winner of the 2020 Europe PMO of the Year Award, Itera is now one of the World PMO of the Year Award finalists, and as such we will be competing against Honduras (The Americas), the United Arab Emirates (Asia-pacific) and South Africa (Africa) this autumn to be recognised as the best PMO in the world.

Although Itera Ukraine is the formal contestant, the work and methodology documented, presented and evaluated in the contest represent how Itera work across all its offices. We therefore see the award as recognition for our practices in general, and are excited to compete in the global final in October.

Sustainability on the agenda

Itera believes that technology and digitalisation are helping to create sustainable societies. Big data, cloud solutions, the internet of things and other technologies, in addition to open arenas for democratic processes, are the basis for our shared resources to be managed responsibly. Itera has formulated and implemented four purposes related to our commitment to sustainability:

- We realise sustainable innovation
- We integrate sustainability into our deliveries
- We are sustainable in our day-to-day operations
- We collaborate to achieve our goals

Itera is committed to being part of the global effort to create a sustainable world. However, like most organisations, we cannot make a meaningful contribution to all of the UN's 17 Sustainable Development Goals. We have therefore prioritised the three goals where we can make a difference through our operations and deliveries. These goals are:

Goal #9 - Industry, innovation and infrastructure

Itera has prioritised measures that mean that we can be a capable advisor to our customers in relation to building sustainable value chains.

Goal #11 - Sustainable cities and communities

Itera develops sustainable smart concepts via its interdisciplinary teams of specialists. Smart cities, smart mobility and smart energy are important and appropriate focus areas.

Goal #12 - Responsible consumption and production

Itera rewards internal conduct that contributes to responsible consumption. We have ambitious targets in relation to recycling and reusing equipment for which the company no longer has a use. During the second quarter, Itera introduced a scheme that rewards anyone who keeps their phone for more than two years. For every extra month, Itera increases the subsidy the employee receives for their next phone.

Nordic strategy and larger, long-term customer relationships

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

The revenue from Itera's 30 largest customers accounted for 76% of its operating revenue, which is almost the same level as in the second quarter of 2019. New customers accounted for 11% of revenue.

Digital change altering traditional delivery models

Itera has for several years witnessed a clear tendency for more and more Nordic customers to purchase our services across international borders. Nearshoring and cloud services are natural drivers of this, but Itera is finding that this trend has increased further due to Covid-19. There are good reasons to believe that Covid-19 has changed how many organisations will deliver and purchase their services over a long-term perspective. We therefore expect that we will see a more general tendency for personnel and project teams to be distributed across locations and/or international borders. Itera also anticipates that more organisations, both vendors and customers, will experience that this delivery model, which Itera has practiced for 12 years, brings flexibility, as it makes local presence less important or even non-critical.

Organisation

Building on a strong Nordic heritage, we combine local presence with geographically distributed capabilities into a hybrid delivery model that features multidisciplinary teams and a flexible distribution of work across borders.

As part of our continuous work to develop and maintain a good working environment for all employees, we use a measurement tool that provides a picture every two weeks of the current situation in terms of important factors such as employee engagement and employees' perception of the extent to which they are supported by their managers and are engaged in meaningful work. These measurements continued to be taken in the second quarter when the vast majority of Itera's employees were working remotely. During this period the scores for employee engagement, the working environment, and the perceived level of managerial support increased, which Itera finds very positive. In addition, Itera is seeing very little absence due to sickness, with the sick leave rate standing at 0.64% for some months.

Itera's headcount at the end of the second quarter of 2020 was 530 as compared to 499 at the end of the second quarter of 2019. Itera has nearshore development centres in Slovakia and Ukraine. The proportion of Itera's capacity that is located in these locations (its nearshore ratio) was 48% (48%) at the end of the second quarter.

Our hybrid delivery capabilities are very scalable and provide access to a much larger workforce than is available in local markets. We are tapping into the world's fourth largest pool of digitally talented people, a pool which is only a few hours by plane from the Nordic region. Our hybrid delivery model was recognised as providing the world's best customer experience by the Global Sourcing Association (GSA) in 2018.

Significant risks and uncertainties

Itera's activities are influenced by several different factors, both within and outside of the company's control. As a service company, Itera faces business risks associated with competition and pressure on prices, project overruns, recruitment, loss of key employees, customers' performance and bad debts. Market-related risks include risks related to the business cycle. Financial risks include currency fluctuations against the Norwegian krone (NOK), principally in relation to the Danish krone (DKK), the US dollar (USD) and the euro (EUR). In addition, interest rate changes will affect the returns earned by Itera on its bank deposits, as well as leasing costs and the

cost of credit facilities.

Itera is exposed through its nearshore activities in Ukraine to additional risk factors such as country risk, data security and corruption. Itera has a zero-tolerance policy on corruption and therefore does not deliver services to the public or private sectors in Ukraine.

For risks related to Covid-19, please refer to Note 4.

More information about risks and uncertainties can be found in Itera's annual report for 2019.

Outlook

The company's overall strategy of developing large, long-term customer relationships, increasing the number of project deliveries which involve the full range of Itera's services, using hybrid teams of Nordic and nearshore resources and focusing on operational efficiency remains unchanged.

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

Itera will accelerate the transformation of its own data centres to the cloud, causing some potential one-off costs and increased investment over the next 6-12 months.

There are signs of recovery in many sectors after the re-openings in the Nordics and other countries after the Covid-19 lockdown, but there is still a high level of uncertainty globally in relation to a new wave of the pandemic.

Next interim report

The interim report for the third quarter will be published and presented on 27 October 2020.

STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The Board of Directors and the CEO have today considered and approved the consolidated condensed financial statements for the Itera Group for the six months ended 30 June 2020, including the comparisons with the corresponding period in 2019. The Board has based its declaration below on reports and statements from the Group's CEO, on the results of the Group's activities, and on other information that is essential to assessing the Group's position.

To the best of our knowledge:

- The consolidated condensed financial statements for the six months ended 30 June 2020 have been prepared in accordance with IFRS as adopted by EU and IAS 34 (Interim Financial Reporting) and the additional disclosure requirements pursuant to the Norwegian Securities Trading Act.
- The information provided in the financial statements gives a true and fair portrayal of the Itera Group's assets, liabilities, profit and overall financial position as at 30 June 2020.
- The information provided in the report for the first half of 2020 provides a true and fair overview of the development, performance, financial position, important events and significant related party transactions in the accounting period as well as the most significant risks and uncertainties facing the Itera Group.

Oslo, 25 August 2020
The Board of Directors and CEO of Itera ASA

Morten Thorkildsen
Chairman

Marianne Killengreen
Board Member

Jan-Erik Karlsson
Board Member

Gyrid Skalleberg Ingerø
Board Member

Andreas Almquist
Board Member

Anne Nyseter Perez
Board Member

Arne Mjøs
CEO

INTERIM CONDENSED FINANCIAL INFORMATION

Consolidated statement of comprehensive income

All figures in NOK 1000 except earnings per share	2020 4-6	2019 4-6	change %	2020 1-6	2019 1-6	change %	2019 1-12
Sales revenue	150 805	143 306	5 %	312 664	286 069	9 %	560 318
Operating expenses							
Cost of sales	19 193	21 221	(10 %)	39 905	41 372	(4 %)	77 310
Gross Profit	131 613	122 085	8 %	272 759	244 697	11 %	483 008
<i>Gross Margin</i>	87 %	85 %	2.1 pts	87 %	86 %	1.7 pts	86 %
Personnel expenses	96 214	87 869	9 %	195 643	178 192	10 %	348 317
Depreciation and amortisation	9 962	8 648	15 %	20 028	17 099	17 %	35 798
Other operating expenses	9 589	11 636	(18 %)	22 033	21 651	2 %	42 676
Total operating expenses	134 957	129 374	4 %	277 609	258 314	7 %	504 101
Operating profit	15 848	13 932	14 %	35 055	27 756	26 %	56 218
Other financial income	1 141	389	193 %	3 800	701	442 %	2 514
Other financial expenses	2 669	1 081	147 %	2 972	2 355	26 %	5 143
Net financial income (expenses)	(1 528)	(693)	(121 %)	828	(1 654)	150 %	(2 629)
Profit before taxes	14 320	13 239	8 %	35 883	26 101	37 %	53 589
Income taxes	3 042	3 178	(4 %)	7 976	6 306	26 %	11 979
Net income	11 278	10 061	12 %	27 907	19 795	41 %	41 609
Earnings per share	0.14	0.12	12 %	0.34	0.24	41 %	0.51
Fully diluted earnings per share	0.14	0.12	13 %	0.34	0.24	41 %	0.51
Translation differences on net investment in foreign operations	(835)	113	(838 %)	2 858	(104)	2 846 %	459
Total comprehensive income	10 443	10 174	3 %	30 764	19 691	56 %	42 068
Total comprehensive income attributable to:							
Shareholders in parent company	10 443	10 174	3 %	30 764	19 691	56 %	42 068

Consolidated statement of financial position

All figures in NOK 1000	2020 30 Jun	2019 30 Jun	change	change %	2019 31 Dec
ASSETS					
Non-current assets					
Deferred tax assets	3 062	3 566	(504)	(14 %)	2 901
Other intangible assets	20 629	21 867	(1 238)	(6 %)	21 864
Property, plant and equipment	32 438	23 042	9 396	41 %	35 989
Right-of-use assets	43 799	46 918	(3 119)	(7 %)	40 821
Total non-current assets	99 928	95 393	4 535	5 %	101 575
Current assets					
Work in progress	1 675	2 893	(1 219)	(42 %)	732
Contract costs	9 205	13 938	(4 732)	(34 %)	11 571
Accounts receivable	57 304	68 901	(11 597)	(17 %)	57 075
Other receivables	18 729	19 498	(769)	(4 %)	17 193
Cash and cash equivalents	47 851	44 089	3 762	9 %	53 085
Total current assets	134 764	149 319	(14 555)	(10 %)	139 656
TOTAL ASSETS	234 692	244 711	(10 020)	(4 %)	241 231
EQUITY AND LIABILITIES					
Equity					
Share capital	24 656	24 656	-	(0 %)	24 656
Other equity	(8 880)	3 632	(12 512)	(344 %)	(19 894)
Net income for the period	27 790	19 795	7 995	40 %	41 609
Total equity	43 566	48 083	(4 517)	(9 %)	46 371
Non-current liabilities					
Other provisions and liabilities	900	1 003	(103)	(10 %)	1 077
Lease liabilities - long-term portion	35 586	39 376	(3 790)	(10 %)	35 577
Total non-current liabilities	36 485	40 379	(3 893)	(10 %)	36 655
Current liabilities					
Accounts payable	16 933	18 670	(1 737)	(9 %)	23 838
Tax payable	13 837	9 767	4 070	42 %	10 880
Public duties payable	47 514	28 341	19 173	68 %	32 779
Contract liabilities	24 416	24 246	170	1 %	21 264
Lease liabilities	19 629	17 363	2 266	13 %	19 400
Other current liabilities	32 312	57 863	(25 551)	(44 %)	50 044
Total current liabilities	154 641	156 250	(1 609)	(1 %)	158 205
Total liabilities	191 126	196 628	(5 502)	(3 %)	194 860
TOTAL EQUITY AND LIABILITIES	234 692	244 712	(10 019)	(4 %)	241 231
Equity ratio	18.6 %	19.6 %		-1.1 pts	19.2 %

Consolidated statement of cash flows

All figures in NOK 1000	2020 4-6	2019 4-6	change	2020 1-6	2019 1-6	change	2019 1-12
Profit before taxes	14 320	13 239	1 081	35 883	26 101	8 230	53 589
Income taxes paid	(201)	(3 455)	3 254	(4 594)	(9 432)	(6 659)	(9 995)
Depreciation and amortisation	9 962	8 648	1 314	20 028	17 099	3 914	35 798
Change in work in progress	(831)	(265)	(566)	(942)	1 295	6 387	3 456
Change in accounts receivable	22 199	6 393	15 807	(229)	(16 633)	(8 988)	(4 808)
Change in accounts payable	2 101	(2 503)	4 604	(6 905)	(5 271)	(1 226)	(103)
Change in other accruals	(7 967)	4 825	(12 792)	1 311	8 883	7 742	3 867
Effect of changes in exchange rates	637	55	582	3 164	(122)	(1 110)	(1 797)
Net cash flow from operating activities	40 220	26 936	13 284	47 717	21 920	8 289	80 007
Investment in fixed assets	(2 444)	(885)	(1 559)	(3 757)	(1 844)	(4 886)	(11 861)
Investment in intangible assets	(1 497)	(1 998)	501	(3 958)	(3 549)	(2 054)	(6 938)
Net cash flow from investing activities	(3 941)	(2 883)	(1 058)	(7 715)	(5 392)	(6 940)	(18 799)
Purchase of own shares	(18 242)	-	(18 242)	(18 818)	-	(4 314)	(96)
Sales of own shares	2 264	2 125	139	2 264	2 125	2 729	2 125
Principal elements of lease payments	(3 667)	(3 506)	(161)	(7 334)	(4 556)	161	(11 694)
Instalment of lease liabilities	(3 167)	(1 578)	(1 589)	(5 079)	(5 052)	(488)	(9 128)
Dividends paid to equity holders of Itera ASA	(16 270)	(20 236)	3 966	(16 270)	(20 236)	(24 459)	(44 660)
Net cash flow from financing activities	(39 082)	(23 195)	(15 887)	(45 238)	(27 719)	(26 370)	(63 453)
Effects of exchange rate changes on cash and cash equivalents	1	11	(9)	3	0	13	50
Net change in cash and cash equivalents	(2 802)	868	(3 670)	(5 234)	(11 192)	(25 008)	(2 195)
Cash and cash equivalents at the beginning of the period	50 652	43 219	7 433	53 085	55 279	36 580	55 279
Cash and cash equivalents at the end of the period	47 851	44 089	3 762	47 851	44 088	11 573	53 085
New borrowings related to leasing	1 291	190	1 101	1 924	3 341	377	11 493

Consolidated statement of changes in equity

All figures in NOK 1000

	Share capital	Own shares	Other paid in equity	Cumulative translation differences	Other equity	Total equity
Equity as of 1 Jan 2019	24 656	(373)	(10 312)	25	33 448	47 443
Implementation of IFRS 15	-	-	-	-	41 609	41 609
Net income for the period	-	-	-	459	-	459
Other comprehensive income for the period	-	-	(1 106)	-	-	(1 106)
Share option costs	-	4	594	-	-	598
Employee share purchase programme	-	(5)	(90)	-	-	(96)
Purchase and sale of own shares	-	143	1 982	-	-	2 125
Dividends	-	-	-	-	(44 661)	(44 661)
Equity as of 31 Dec 2019	24 656	(233)	(8 933)	483	30 396	46 371
Net income for the period	-	-	-	-	27 907	27 907
Other comprehensive income for the period	-	-	-	2 858	-	2 858
Share option costs	-	-	(803)	-	-	(803)
Employee share purchase programme	-	46	1 699	-	-	1 745
Purchase and sale of own shares	-	(478)	(17 764)	-	-	(18 242)
Dividends	-	-	-	-	(16 270)	(16 270)
Equity as of 30 Jun 2020	24 656	(665)	(25 800)	3 341	42 032	43 566

NOTES

NOTE 1: TRANSACTIONS WITH RELATED PARTIES

There have been no material transactions with related parties during the reporting period 1 January 2020 to 30 June 2020.

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 30 June 2020 that would have a material effect on the interim accounts.

NOTE 3: ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

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

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

NOTE 4: IMPACT OF COVID-19

The outbreak of Covid-19 in the middle of the first quarter this year and the subsequent lockdown of the societies in which Itera operates changed the business conditions significantly. Due to Itera's experience of working in distributed teams and its employees' personal infrastructure, Itera was able to move its employees to home working without any interruption or loss of productivity. By and large, Itera's customers were able to do the same. The negative financial impact of the lockdown on our customers' businesses and also the uncertainty of the duration and future impact led a few customers to pause existing projects and/or to postpone starting new projects. It has also been somewhat more challenging to engage with prospective new customers in such a situation. As a consequence, Itera's billable utilisation rate was approximately 5 points lower than in the second quarter of last year. Itera has, however, opted not to temporarily or permanently lay off any employees, but rather to use the surplus capacity to strengthen its relations with some of its strategic customers.

Moreover, Itera decided to carry out its extensive summer internship programme as originally planned, and it welcomed 31 students for five different customer projects, and it is also honouring the agreements it has with all university graduates starting in the third quarter. This will have some negative financial impact in the short term, but will strengthen our brand as an employer and our platform for growth in the longer term.

The financial impact of softer utilisation has been partly mitigated by discretionary cost cutting, natural reductions in spending as a result of the lockdown such as bans on travel and social gatherings, as well as by some government relief in terms of reduced social security taxes. Itera has not applied for or used any government incentives or reliefs except those implemented for all companies.

Itera has thus far not experienced any rise in actual or expected credit losses as a result of the Covid-19 crisis. The vast majority of our customers are medium and large sized businesses with financial solidity and are not in those industries that have been hit the hardest. The current financial performance with growth in both revenue and profitability has not triggered any impairment of non-financial assets as these are still considered substantiated by future revenue streams. In terms of liquidity, government relief measures in the form of extensions to the payment terms for taxes and VAT give a short-term uplift compared to a normal cash-flow cycle.

The pandemic has further highlighted the benefits of digitalisation. Itera's strategy of assisting its customers with digitising their businesses is therefore as valid as ever before and hence not affected. Itera's financial performance in the short to medium term will depend on how fast the economy recovers and how quickly customers ramp up their investment spending.

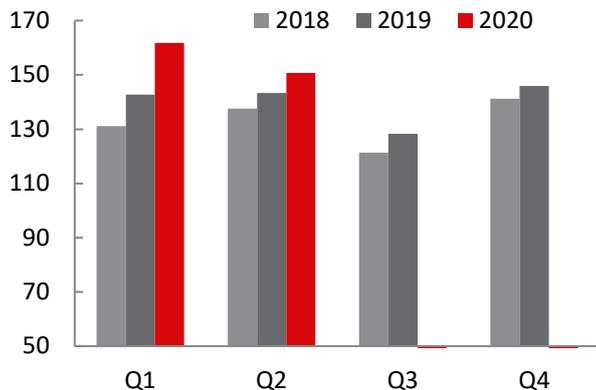
KEY FIGURES

	2020	2019	change	2020	2019	change	2019
All figures in NOK 1000 except earnings per share	4-6	4-6	%	1-6	1-6	%	1-12
Profit & Loss							
Sales revenue	150 805	143 306	5 %	312 664	286 069	9 %	560 318
Gross profit	131 613	122 085	8 %	272 759	244 697	11 %	483 008
EBITDA	25 810	22 580	14 %	55 083	44 855	23 %	92 016
EBITDA margin	17.1 %	15.8 %	1.4 pts	17.6 %	15.7 %	1.9 pts	16.4 %
Operating profit (EBIT)	15 848	13 932	14 %	35 055	27 756	26 %	56 218
EBIT margin	10.5 %	9.7 %	0.8 pts	11.2 %	9.7 %	1.5 pts	10.0 %
Profit before taxes	14 320	13 239	8 %	35 883	26 101	37 %	53 589
Profit for the period	11 278	10 061	12 %	27 907	19 795	41 %	41 609
Balance sheet							
Non-current assets	99 928	95 393	5 %	99 928	95 393	5 %	101 575
Bank deposits	47 851	44 089	9 %	47 851	44 089	9 %	53 085
Other current assets	134 764	149 319	(10 %)	134 764	149 319	(10 %)	86 571
Total assets	234 692	244 711	(4 %)	234 692	244 711	(4 %)	241 231
Equity	43 566	48 083	(9 %)	43 566	48 083	(9 %)	46 371
Total non-current liabilities	36 485	40 379	(10 %)	36 485	40 379	(10 %)	36 655
Total current liabilities	154 641	156 250	(1 %)	154 641	156 250	(1 %)	158 205
Equity ratio	18.6 %	19.6 %	-1.1 pts	18.6 %	19.6 %	-1.1 pts	19.2 %
Current ratio	1.18	1.24	(5 %)	1.18	1.24	(5 %)	0.88
Cash flow							
Net cash flow from operating activities	40 220	26 936	49 %	47 717	21 921	118 %	80 007
Net cash flow	(2 802)	868	(423 %)	(5 234)	(11 192)	53 %	(2 197)
Share information							
Number of shares	82 186 624	82 186 624	0 %	82 186 624	82 186 624	0 %	82 186 624
Weighted average basic shares outstanding	80 923 299	81 189 483	(0 %)	81 153 724	81 066 971	0 %	81 244 074
Weighted average diluted shares outstanding	81 426 076	81 796 049	(0 %)	81 711 341	81 824 367	(0 %)	82 052 944
Earnings per share	0.14	0.12	12 %	0.34	0.24	41 %	0.51
Diluted Earnings per share	0.14	0.12	13 %	0.34	0.24	41 %	0.51
EBITDA per share	0.32	0.28	15 %	0.68	0.55	23 %	1.13
Equity per share	0.54	0.59	(9 %)	0.54	0.59	(9 %)	0.57
Dividend per share	0.25	0.25	0 %	0.25	0.25	0 %	0.55
Employees							
Number of employees at the end of the period	530	499	6 %	530	499	6 %	512
Average number of employees	529	493	7 %	524	490	7 %	498
Operating revenue per employee	285	291	(2 %)	597	584	2 %	1 126
Gross profit per employee	249	247	1 %	521	499	4 %	970
Personnel expenses per employee	182	178	2 %	373	364	3 %	700
Other operating expenses per employee	18	24	(23 %)	42	44	(5 %)	86
EBITDA per employee	49	46	7 %	105	92	15 %	185
EBIT per employee	30	28	6 %	67	57	18 %	113

QUARTERLY DEVELOPMENT 2018-2020

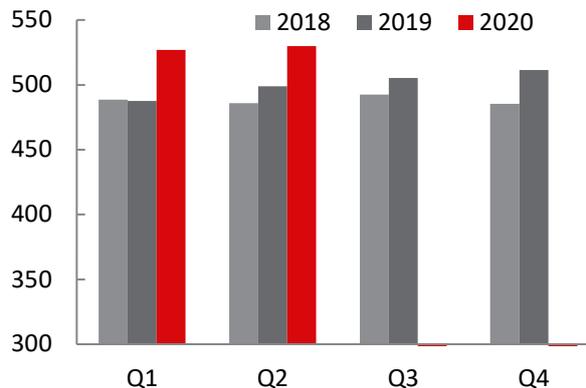
Revenues

NOK million



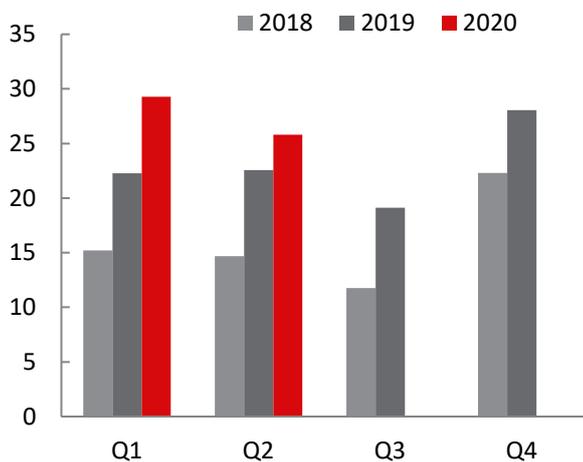
Employees

End of period



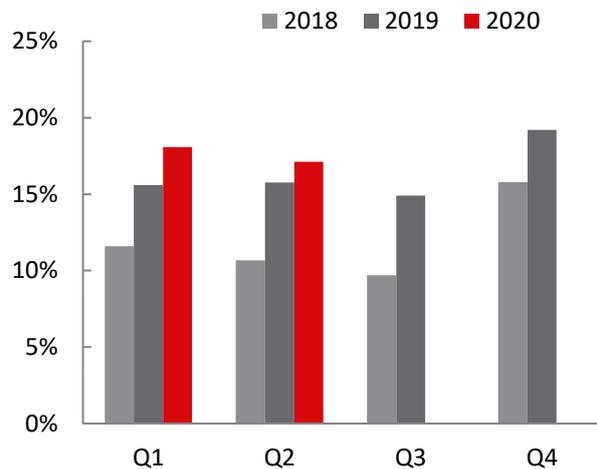
EBITDA

NOK million



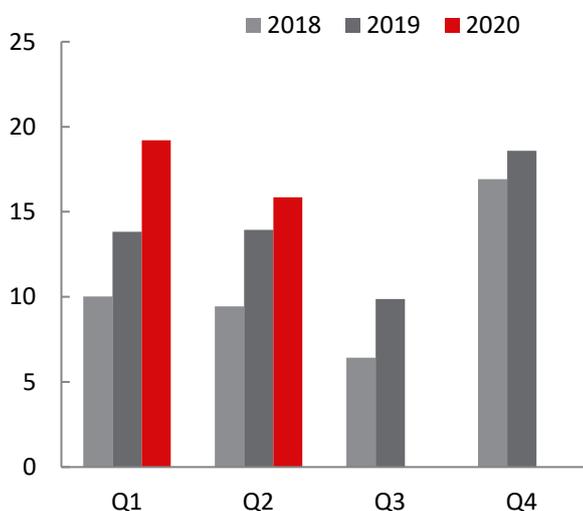
EBITDA margin

%



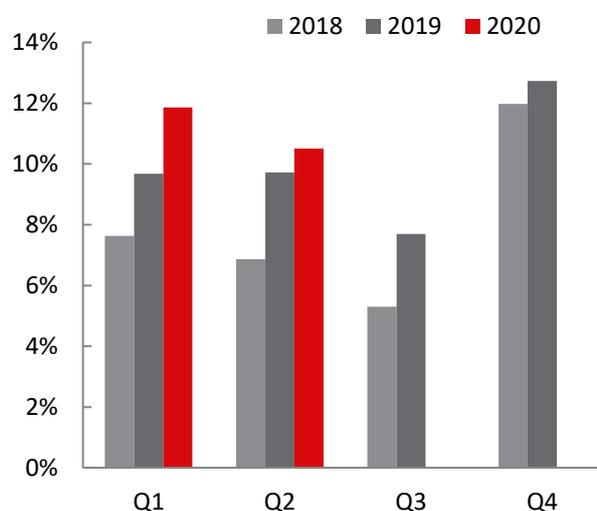
EBIT

NOK million



EBIT margin

%





Arne Mjøs

CEO

Telephone +47 23 00 76 50

Mobile +47 905 23 172

arne.mjøs@itera.no

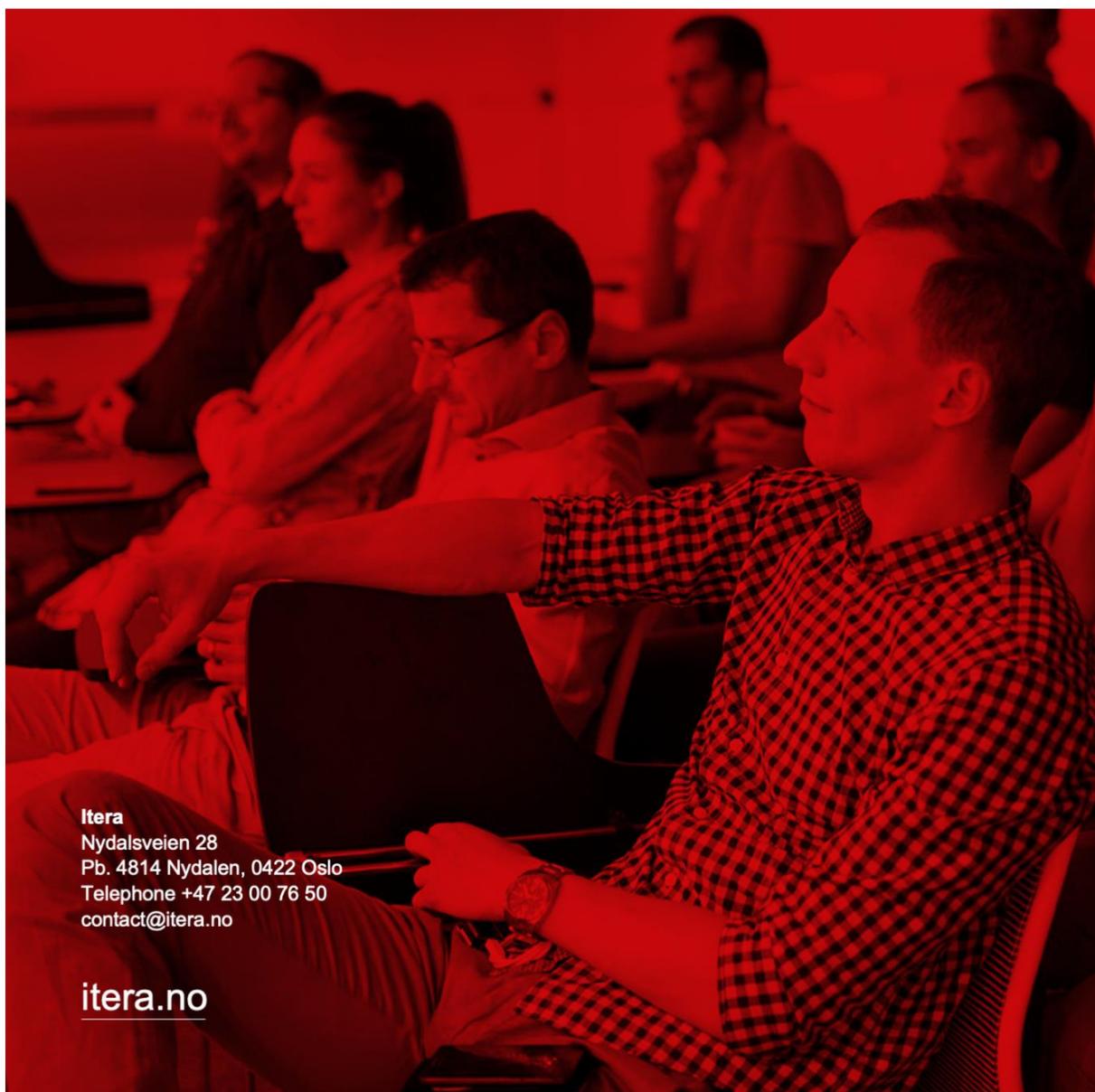
Bent Hammer

CFO

Telephone +47 23 00 76 50

Mobile +47 982 15 497

bent.hammer@itera.no



Itera
Nydalsveien 28
Pb. 4814 Nydalen, 0422 Oslo
Telephone +47 23 00 76 50
contact@itera.no

itera.no