

ITERA



Q1
2021

Make a difference

ITERA

Highlights

January – March 2021

The focus of Itera's financial reporting in 2021 is on its core digital business as its own data centre operations are being sunset.

- Operating revenue for the core digital business NOK 144.4 million (NOK 130.7 million), representing growth of 10.5%.
- EBITDA for the core digital business NOK 28.3 million (NOK 26.5 million) and an EBITDA margin of 19.6% (20.2%)
- EBIT for the core digital business of NOK 22.1 million (NOK 18.7 million) and an EBIT margin of 15.3% (14.3%)
- No. of employees for the core digital business at the end of the period 523 (461), representing growth of 13%
- Cash flow from operations as a whole NOK 1.2 million (NOK 7.5 million)

Highlights

- Itera delivered strong growth of 11% in its core digital business in the first quarter. Itera's own data centre operations scaled down significantly as part of the process of transformation to cloud. An initial investment of NOK 15 million into a Cloud Centre of Excellence was commenced according to plan.
- Stronger strategic partnership with DNV to provide holistic and innovative end-to-end sustainable digital services and solutions for businesses around the world.
- Itera continued its geographic expansion. In Bergen (Norway), Itera signed an office facility lease to facilitate future growth. A regional office was also established in Fredrikstad (Norway)
- In the first quarter of 2021, Itera had an order intake equivalent to a book-to-bill ratio of 1.0 in its core digital business, and it entered into new or extended contracts with customers including Aize, Cognite, Santander, DNV, Kreditor, Landsbankinn, Islandsbanki, BKK, Pelagia and Gjensidige.
- The Board of Directors confirmed its previous resolution to propose to the Annual General Meeting on 25 May 2021 the distribution of an ordinary dividend for 2020 of NOK 0.25 per share and for the Board to be authorised to approve a possible supplementary dividend later in the year.

Key figures

	Core digital business				Total
	2021	2020	change	change	2021
Amounts in NOK million	1-3	1-3		%	1-3
Sales revenue	144.4	130.7	13.7	10.5 %	156.7
Gross profit	132.4	121.7	10.7	8.8 %	139.8
Gross margin	91.7 %	93.1 %	-1.4 pts	-1.4 pts	89.2 %
EBITDA	28.3	26.5	1.8	6.9 %	25.8
EBITDA margin	19.6 %	20.2 %	-0.7 pts	-0.7 pts	16.5 %
EBIT	22.1	18.7	3.4	18.0 %	18.4
EBIT margin	15.3 %	14.3 %	1 pts	1 pts	11.7 %
No. of employees at the end of the period	523	461	62	13.5 %	567

The focus of Itera's financial reporting in 2021 is on its core digital business as its own data centre operations are being sunset. Consolidated financial statements represent the business as a whole (pages 17-22). Note 4 contains the separate reporting segments.

CEO's comment

We are pleased with the continued strong progress being made by Itera's core digital business, reflecting our fantastic people, our trusted long-term relationships with customers and partners, the strength of our growth strategy and the importance of our world-class distributed delivery model across borders.

The first quarter for our core digital business was characterised by solid organic growth of 11% and an operating profit margin of 15% while continuing to invest in our business and our people. We are thrilled by the fact that Itera has really stepped up from being an underdog to being in pole position for several international businesses through our strategic partnerships with customers and partners such as DNV, Cognite, Aize, Microsoft, Salesforce and others.

The impact of the pandemic has accelerated digitalisation and sustainability in many industries, and we are seeing positive developments in the market for our services in all locations. We are investing in our Delivery Factory at Scale and our Cloud Centre of Excellence to help customers accelerate their digital transformation and their move to the cloud.

We have started our 2021 company agenda with energy and a focus on growing our core digital business – with opportunities in areas such as cloud, data and analytics and AI-based industrial digitalisation with digital twins and automation. We also see increasing interest in next generation robotisation and mixed reality in the market.

The revenue from our own data centre operations was down by 59% from the corresponding quarter of last year. This is in accordance with our sunset strategy for this line of business. The remaining on-premise data centre portfolio is expected to be substantially migrated to the cloud or terminated by the end of this year. This will have a negative impact on revenue and profitability for the business as a whole in 2021 before the cloud business gains momentum and contributes to growth and profitability.

In the first quarter we also launched our revitalised brand – finding the human solutions to complex challenges and living our commitments as a responsible business and trusted partner. Our aim is to position ourselves as one of the strongest brands in the Nordics in digital transformation and sustainable business – and to achieve global reach.

At Itera, we are energised by the opportunity to guide and enable our customers on their digital transformation towards sustainable businesses - and to contribute to the advancement of the societies we live in.

Arne Mjøs

FOUNDER & CHIEF EXECUTIVE OFFICER





Business review

ITERA

Business review

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We are investing in our Delivery Factory at Scale and our Cloud Centre of Excellence to help customers accelerate their digital transformation and their move to the cloud.

Revitalising the Itera brand

When the world changes so must we. The great wave of digitalisation that the industrial sector is now facing has given us a partner for creating digital business.

A brand to clarify our direction

To meet these challenges and new opportunities, we have revitalised our brand. The new Itera brand is built on a strong strategic framework. Our vision throughout the redesign process was to create a brand and a corporate identity that clarify our strategic direction, position us as a competitive player in relation to high-tech customers and partner segments, and make us more visible and attractive to future employees. Our overall goal was to establish a competitive brand with global reach that all employees would be proud of.

The concept of duality

We arrived at our design concept through a process of taking big ideas and stripping them back, layer by layer, down to something really simple. The concept of duality references the contrasts inherent in our work, our approaches and our people. It is how we see things and how we view opportunities. We see the other side, we adopt a different perspective, we explore unexpected connections and we visualise simultaneous realities and thus redefine futures. This is Itera, viewed through the concept of duality.

The brand is who we are

Itera's brand aspiration is bold, edgy and sharp, but always with a human touch. The dualities of digital/human, future/past, industrial/natural are a constant visual theme throughout. Our brand is more than just a logo and some colours; it is also how we speak, act, and deliver our services.

Taken together, these factors make up our ecosystem, who we are and what we are about. Our brand is the unified personality of ordinary people designing extraordinary things for ordinary people.

Our people are our brand

As a company, our focus is to always work and operate as ONE Itera, across borders, teams, languages and cultures. A new brand was needed to create one voice - a voice that would represent the entire organisation and its culture, but that would nonetheless be flexible enough to meet future demands. Diversity, integrity, quality, knowledge and thought leadership - are all fundamental aspects of our identity. With the new brand, it is easier for individuals to know where they belong and to feel part of Itera's culture and community. Our approach was to create a brand that helps individuals to think and operate in new ways internally, with the aim of transferring this uniqueness and image externally. Our people are our brand. They are Itera.

Itera's new brand has been built on a strategic framework that is based on our focus areas of Grow our people, Grow our customers

and Grow our company. We have also been inspired to become more bold, edgy and sharp in the way we communicate. In accordance with our strategy, our people and their experience will be even more widely broadcasted to the market. With the new strategy, the new brand and a bolder tone of voice, Itera has the foundation it needs to really stand out and to take a step up and become a leader in and outside of our industry.

Stronger in partnership with DNV

Linking the physical and digital world will make sustainable digital businesses possible and will impact the way we live and work. Itera is committed to making a positive difference, and we want to bring about a more sustainable world through digitalisation. This endeavour requires alliances.

As a world class provider of digital services, practices and expertise, Itera has chosen to partner with the world leader in assurance and risk management, DNV. From offices in all corners of the world and operations in more than 100 countries, DNV works with some of the world's leading companies.

We strongly believe that this partnership will provide holistic and innovative end-to-end sustainable digital services and solutions for businesses around the world.

Increasing sense of urgency

Despite the fact that many businesses are currently successful in their own sectors, most businesses in industrial sectors are at the very start of their digitalisation journey and are not ready to compete in the markets of tomorrow in the business-to-business (B2B) domain.

While digital adoption at business-to-consumer (B2C) companies is developing fast, B2B companies have made limited progress on their journey to improve and develop new sustainable services through digitalisation. The increasing sense of urgency in this space is what Itera and DNV are seeking to address with the partnership.

Accelerating Industry 4.0

Our combined offering will be valued by a range of industrial and B2B value chains, and by the maritime and energy industries in particular. For these industries, the partnership is committed to delivering high quality innovative solutions in order to drive initiatives related to the transition to a more sustainable world.

DNV has entered into the partnership with Itera to accelerate its digital transformation across all its business units across the world. Another focus for the partnership is for DNV and Itera to jointly develop and deliver sustainable solutions and services to the market.

Scaling up with international partners/International growth with partners

Itera is seeking to grow its international customers and partners and is considering moving into new geographies of substantial long-term value. Our shared eco-system of business relationships will appreciate the value proposal of our partnership.

We build strong partnerships with customers and partners to drive fast international growth. Our goal is to be acknowledged as a specialist in creating sustainable and digital business across the world. This strategic ambition requires high value partnerships with world-renowned companies. Itera will leverage its existing capabilities and market trends to build new business in B2B sectors, such as the energy and maritime sectors.

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What DNV and Itera bring to the market as partners

DNV's combination of core capabilities:

- A trusted voice for many of the world's most successful organisations.
- The world's leading classification society and a recognised advisor to the maritime industry.
- World-renowned testing, certification and technical advisory services to the energy value chain, including renewables, oil and gas, and energy management.
- World-leading digital solutions for managing risk and improving safety and asset performance for ships, pipelines, processing plants, offshore structures, electric grids, smart cities and more.

Itera's combination of core capabilities:

- End-to-end digitalisation services based on combining business, experience and technology.
- A world-renowned distributed delivery model that scales rapidly, cost-efficiently and with a high level of quality.
- A use-case and data-driven approach that delivers quick time to value.
- A Delivery Factory at Scale and Cloud Centre of Excellence with embedded security services.

In total, the partnership will deliver services based on the trust, risk management and uncompromised focus on quality of DNV in combination with Itera's high-quality delivery model with global reach and end-to-end digitalisation capabilities.

In-depth mobile banking report provides our banking customers with valuable insight

Accelerated by the pandemic, the importance of user-friendly digital banking solutions is greater than ever. Our experience from working on digitisation within the banking industry shows that digital solutions, and especially mobile apps, are gaining an important position among consumers – which the banks recognise.

This ongoing development is the reason why our in-house analysis unit within banking and insurance, branded as Cicero Consulting, prepared a comprehensive in-depth research report on mobile banking apps in Norway. The purpose of the report is to provide banks in Norway with a valuable factual basis on customers' digital consumer behaviour, with a particular focus on the mobile banking app as an interface.

Our banking analysts and experts on service design, UI and UX tested 16 mobile banking applications, to provide banks with feedback on what we believe works well and what can be improved. The report concluded that Sbanken has the best mobile banking app in the market, followed by SpareBank 1 and DNB. Feedback from several banks confirms that our insights are appreciated and valuable in the further development of their solutions.

The insights from the report were presented at a webinar hosted by Itera in April which attracted more than 250 viewers from the banking industry. In addition, the report gained broad media attention from both national and local outlets and industry specific news websites.

Feedback on the report has been very good, and it will contribute to Itera's growth ambitions within the banking industry by being a door-opener for new projects at existing and potential new customers.

Delivery Factory at Scale

To succeed with their digital transformation, companies need to reorganise themselves into a product-based structure that is cross-functional and organised around customer problems in order to decrease their time to market. In response to this trend, we are building a Delivery Factory at Scale that will provide our full range of services and capabilities as ONE Itera across borders.

The factory is built on agile principles of co-located and distributed teams, and drives enterprise design-thinking at scale, leverages DevSecOps tools and techniques for continued deliveries and operations and provides highly scalable expertise and capabilities. It will enable us to accelerate digitalisation for our customers, to provide a unified experience end-to-end and to drive new revenue models, e.g. subscription

In a world of hybrid work where anyone can literally be anywhere and offices are no longer tied to a single physical location, our Delivery Factory at Scale will give us a new collaborative environment, including mixed-reality gatherings with customers, partners and consultants in the same virtual room regardless of where they are in the world. This will make having a local presence even less important or even non-critical and will enable us to work for customers and with partners from across the world.

Cloud Centre of Excellence

We are building the foundation of this factory by investing in a project called "Cloud Centre of Excellence" with Microsoft. Microsoft will contribute their best practices to the project, which are the result of their own cloud transformation and what they have learned with their customers and partners across the globe.

The project will result in a new agile DevSecOps-based line organisation across all our geographies, with new agile and automated processes, new services with security built in by design, deployment and operations code libraries, new cloud native tools and much more.

Our Cloud Centre of Excellence will also support hybrid cloud environments based on Red Hat technology through a strategic partnership with IBM in relation to its transformation into a fast-moving hybrid cloud and AI powerhouse.

Our business is a driver for the transition the world needs

Itera aims to be recognised as the specialist in creating sustainable business. Our starting point for achieving this position is the best it can be. We have made sustainability a driver for our services and solutions, we have dedicated employees who want to help make a difference – and we have good partners who will accelerate business opportunities into a greener future. And, just as importantly, digitalisation is an essential requirement for sustainable growth.

Our strategy is to take a comprehensive approach to sustainability and business. We have therefore decided to integrate our sustainability work into the group's business strategy starting in 2021. This means that we will no longer have a separate sustainability strategy – for us it is natural that sustainability consists of taking responsibility for society's common challenges and at the same time for us to use this as a catalyst for strengthening our business. For us, it is simply a question of always striving to achieve the group's vision of making a difference.

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We have prioritised those of the UN's Sustainable Development Goals to which we can contribute. This provides us with a direction for how Itera can have a positive impact through its business activities. Smart concepts, including in the area of energy, will be an important focus.

Digitalisation and technology will be key to the opportunities of the future. We are therefore already investing in new solutions that will have a positive impact on our customers and on a sustainable future. Our new Cloud Centre of Excellence, which was developed in collaboration with Microsoft, offers efficient and secure solutions for customers, while reducing energy and material consumption.

The pandemic has provided us with confirmation that one of the advantages of technology is that it can deliver significant environmental gains. Itera therefore already had a significant advantage in relation to the new situation for day-to-day work, as we have already been working in a decentralised way using digital channels for a number of years. At the same time, the strict coronavirus measures have reminded us that physical meetings are still important, and that having a good quality of life will always depend on meeting our need for social contact.

Itera will integrate sustainability into its end-to-end services. We help our customers to realise their strategies and innovative business models through technology and communication. We think it is important that both we and our customers demonstrate what we are doing to bring about a sustainable future. We even took the first step as long ago as 2000, when we became environmentally certified. Then it was a matter of curiosity, today it is a natural, integral part of our ambitions, strategies and business.

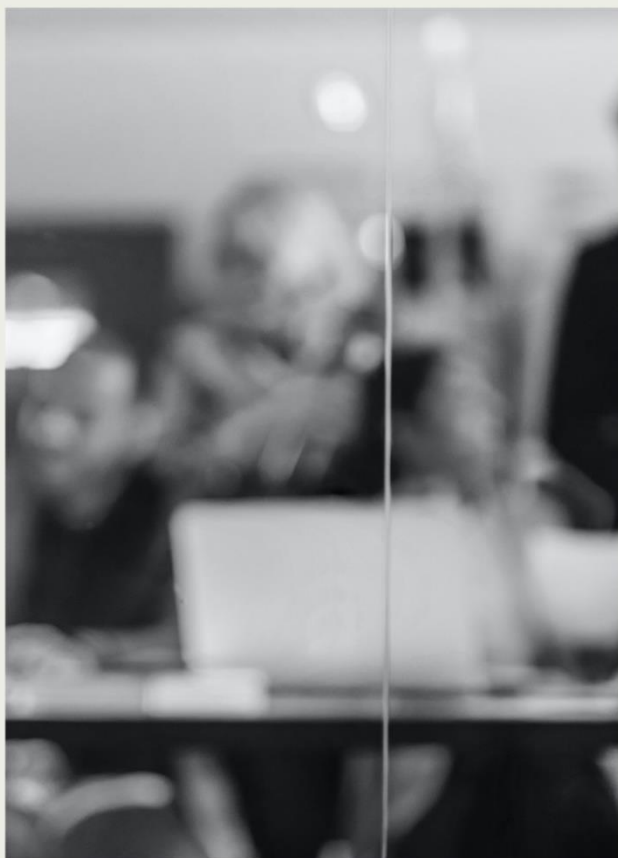
People

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 first 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 for 2021 being at the low level of 1.4%.

Market and customer development

In the first quarter of 2021, Itera had an order intake equivalent to a book-to-bill ratio of 1.0 from its core digital business. For the last twelve-month period, the book-to-bill ratio was 1.3. Itera entered into new or extended contracts with customers including Aize, Cognite, Santander, DNV, Kredinor, Landsbankinn, Islandsbanki, BKK, Pelagia and Gjensidige.



Financial review

Financial review

Financial reporting

Itera is continuing to transition its customers from its on-premise data centre operations to managed cloud services and it expects to largely complete this by the end of the year. Due to Itera's sunsetting of its data centre operations, its financial reporting for 2021 will focus on its core digital business (noted as "core digital business"), including its new cloud service offering. The overall figures are reported in a separate section with brief comments regarding Itera's data centre operations (noted as "business as a whole").

The comments relate to Itera's performance in the first quarter of 2021 compared to the first quarter of 2020 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2020. Please refer to Note 3 for a description of the alternative performance measures used and to Note 4 for key financial figures for the core digital business and data centre operations reporting segments.

During 2021, Itera's overall growth and profitability will be impacted by its transformation and sunsetting of its own data centres. This is expected to have a negative impact of around 10-12 percentage points on the Group's full-year growth.

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 ITERA. 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.

Accounting principles

These interim condensed consolidated financial statements for the quarter ending 31 March 2021 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 2020. 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 2020. The interim financial information contained in this report has not been audited or reviewed.

Core digital business

The following comments apply to Itera's core digital business, which will represent the business once Itera has finished transitioning its data centre operations to the cloud. In the first quarter of 2021, Itera's core digital business represented 92% (81%) of its total revenue.

First quarter 2021 in brief

Itera achieved organic revenue growth of 11% in its core digital business in the first quarter of 2021 relative to the first quarter of 2020. Gross profit increased by 9% with the gross margin down by 1.4 point to 91.7% due to more use of subcontractors.

The first quarter of 2021 contained 1.5 fewer working days in Norway than the first quarter of 2020. The impact of this is approximately NOK 1.5 million in reduced revenue and profit.

The operating profit (EBIT) for the first quarter of 2021 was NOK 22.1 million (NOK 18.7 million) with an EBIT margin of 15.3% (14.3%).

Itera is developing a world-class Cloud Centre of Excellence in the first half year of 2021, and approximately one-third of an estimated investment of NOK 15 million was incurred in the first quarter.

Operating revenue

Itera reports operating revenue of NOK 144.5 million (NOK 130.7 million) for its core digital business for the first quarter of 2021, which represents growth of 11%. This was driven by growth in the revenue from Itera's own and third-party services, which increased by 10% to NOK 117 million and by 70% to NOK 11 million, respectively.

Approximately 7,500 hours were spent on two significant internal projects during the first quarter of 2021. One was the aforementioned Cloud Centre of Excellence, which to a large extent has been capitalised as it provides future revenue streams. The other was the development of a new and revitalised brand to underline Itera's position as a pan-Nordic specialist in sustainable digital business. This has been fully expensed.

Gross profit (revenue minus cost of goods sold) was NOK 132.4 million (NOK 121.7 million) in the first quarter of 2021, which represents an increase of 9%

Operating expenses

Total operating expenses in the first quarter of 2021 were 9.2% higher at NOK 122.4 million (NOK 112.0 million).

Cost of sales for the core digital business was NOK 12.0 million (NOK 9.0 million) following an increase in the use of subcontractors.

Personnel expenses were NOK 95.5 million (NOK 84.3 million) in the first quarter of 2021, which represents an increase of 13%. The average number of employees in the quarter was 15% higher than the corresponding quarter of 2020.

Other operating expenses were NOK 8.6 million (NOK 11.0 million) for the core digital business in the first quarter of 2021, down by 22% from last year. The decrease is primarily due to less travelling and lower spending on sales & marketing.

Depreciation and amortisation totalled NOK 6.2 million (NOK 7.8 million) for the core digital business in the first quarter. The reduction comes primarily from subleasing around 40% of the office space in Kiev that was made temporarily redundant by the ongoing Covid-19 lock-down.

Operating result

The operating result before depreciation and amortisation (EBITDA) for the core digital business for the first quarter of 2021 was a profit of NOK 28.3 million (NOK 26.5 million), giving an EBITDA margin of 22.1% (18.7%).

The operating result (EBIT) for the first quarter was a profit of NOK 22.1 million (NOK 18.7 million) giving an EBIT margin of 15.3% (14.3%).

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Personnel

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

Itera's headcount for its core digital business at the end of the first quarter of 2021 was 523 as compared to 461 at the end of the first quarter of 2020. This represents an increase of 62 employees (13%) during the last 12 months.

Our distributed delivery model is very scalable and provides 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 distributed delivery model was recognised for having the best Project Management Office in Europe by the PMO Global Alliance in 2020. Itera also received the PMO Ukraine Award for 2020, achieving the best results in the categories "Best Practices", "Customer Service", "PMO Path", "Value Generation", "Innovations", "Competency Development" and "Formation of commonality".

Business as a whole

The following comments apply to Itera's business as a whole, including its own data centre operations which are being sunset through migration to the cloud.

Operating revenue

Revenue from the data centre operations was down 59% to NOK 12 million following the planned exit of on-premise customers.

Total reported operating revenue for the Group was NOK 156.7 million (NOK 161.0 million).

Operating expenses

Operating expenses were down 2.4% to NOK 138.3 million as these were reduced by NOK 13.8 million in the data centre operations.

Operating results

The operating result before depreciation and amortisation (EBITDA) was NOK 25.8 million (NOK 29.3 million), giving an EBITDA margin of 16.4% (18.2%).

The operating result (EBIT) for the Group as a whole was NOK 18.4 million (NOK 19.2 million), giving an EBIT margin of 11.7% (11.9%).

For key financial figures per business segment, please refer to Note 4.

The result before tax for the first quarter of 2021 was a profit of NOK 18.2 million (NOK 21.6 million). Tax expense accrued for the first quarter totalled NOK 3.9 million (NOK 4.9 million).

Earnings per share (EPS) was NOK 0.18 (0.20) for the first quarter.

Personnel

Itera's total headcount at the end of the first quarter of 2021 was 567 as compared to 527 at the end of the first quarter of 2020. This includes a reduction of 22 employees related to the data centre operations.

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 50% (49%) at the end of the first quarter.

Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 1.2 million (NOK 7.5 million) in the first quarter of 2021.

There was a net cash outflow from investing activities of NOK 7.9 million (NOK 3.8 million) in the first quarter of 2021, of which NOK 4.6 million was for investment in the Cloud Centre of Excellence. NOK 1.3 million was spent on software acquisition, primarily extensions related to the new ERP system implemented in the fourth quarter of 2020.

There was a net cash outflow from financing activities of NOK 6.4 million (NOK 6.2 million) in the first quarter of 2021, of which NOK 3.5 million related to office facilities.

Work in progress at 31 March 2021 was NOK 2.4 million higher than at 31 March 2020, while capitalised contract costs were NOK 4.3 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 1.7 million higher and NOK 4.3 million lower respectively than at 31 March 2020.

Accounts payable at 31 March 2021 were NOK 6.5 million higher than at 31 March 2020. Public duties payable were NOK 1.2 million higher than at the end of the first quarter of 2020. Tax payable was NOK 4.5 million lower than at 31 March 2020. Contract liabilities at 31 March 2021 were NOK 0.4 million lower at NOK 24.4 million.

Cash and cash equivalents amounted to NOK 41.2 million at 31 March 2021, compared to NOK 50.7 million at 31 March 2020. At the end of the period, Itera had an undrawn credit facility of NOK 21.5 million.

Itera had lease liabilities totalling NOK 34.5 million (NOK 53.6 million) at 31 March 2021, which represents a net decrease of NOK 19.1 million. NOK 15.7 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 18.8 million are classified as non-current liabilities.

At 31 March 2021 Itera held 1,269,136 (835,057) own shares, valued at NOK 18.7 million (NOK 6.7 million).

Equity at 31 March 2021 totalled NOK 48.7 million (NOK 66.1 million). The equity ratio was 21.5% (25.6%). The equity ratio without the right-of-use assets included under IFRS 16 was 24.5% (30.3%).

Dividend

At its meeting on 27 April 2021, the Board of Directors confirmed its previous resolution to propose an ordinary dividend of NOK 0.25 per share at the Annual General Meeting on 25 May 2021. It will also ask for its authorisation to approve possible additional dividends to be renewed.

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

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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. Itera is monitoring the development of the Crimea situation closely. Itera's business in Ukraine, including all customer deliveries, is operating as normal. All employees are working as usual on the customer assignments they are engaged in and are experiencing no changes in their everyday life. The centre of the situation is related to the eastern part of the country, approx. 700 km from Itera's operation in Kiev. Itera's dialogue with the Norwegian Embassy and the Norwegian-Ukrainian Chamber of Commerce gives a clear picture of unchanged stability in the western part of the country. Itera's overall assessment in close dialogue with local management does not indicate any increased risk for its operation, its customer assignments, or its employees.

Itera monitors developments closely and makes risk assessments on a continual basis in the event of any changes. We have been present in Ukraine since 2008 and have a solid framework and routines to ensure deliveries and personnel in the event of an incident.

More information about risks and uncertainties can be found in Itera's annual report for 2020.

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 distributed teams of Nordic and nearshore resources and focusing on operational efficiency remains unchanged. Itera will further accelerate its expansion into more asset-intensive industries through partnerships with Cognite, DNV and others.

In the first half of 2021, Itera will invest heavily to set up a leading edge Cloud Centre of Excellence in partnership with Microsoft and it will thereafter migrate or terminate its remaining on-premise data centre operations. In anticipation of this, some of the largest customers have exited or will exit the data centres during the first half of 2021. This substantial reduction of business volume gives a short-term impact on profitability as the associated cost base is partially needed to service the remaining portfolio until the full transformation is finalised, which is expected to take until the end of 2021.

The Cloud Centre of Excellence will be the foundation of our Delivery Factory at Scale for delivering the group's full range of services and capabilities across borders with high scalability, and with Itera taking end-to-end responsibility.

Next interim report

The interim report for the first half will be published and presented on 19 August 2021.

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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 three months ended 31 March 2021, including the comparisons with the corresponding period in 2020.

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 three months ended 31 March 2021 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 31 March 2021.
- The information provided in the report for the first quarter of 2021 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, 27 April 2021

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



Core digital business

financial information

I T E R A

Core digital business financial information

Amounts in NOK thousand	2021 1-3	2020 1-3	change	change %	2020 1-12
Sales revenue	144 450	130 738	13 712	10 %	497 634
Operating expenses					
Cost of sales	12 021	9 022	2 999	33 %	35 640
Gross Profit	132 428	121 716	10 713	9 %	461 995
<i>Gross Margin</i>	91.7 %	93.1 %		-1.4 pts	92.8 %
Personnel expenses	95 518	84 273	11 245	13 %	331 694
Other operating expenses	8 607	10 970	(2 363)	(22 %)	39 993
Depreciation and amortisation	6 248	7 781	(1 533)	(20 %)	31 131
Total operating expenses	122 395	112 046	10 348	9 %	438 457
EBITDA	28 303	26 472	1 831	7 %	90 308
<i>EBITDA margin</i>	19.6 %	20.2 %		-0.7 pts	18.1 %
EBIT	22 055	18 691	3 364	18 %	59 177
<i>EBIT margin</i>	15.3 %	14.3 %		1 pts	11.9 %
Employees					
Number of employees at the end of the period	523	461	62	13 %	504
Average number of employees	524	456	68	15 %	472
Operating revenue per employee	276	287	(11)	(4 %)	1 053
Gross profit per employee	253	267	(14)	(5 %)	978
Personnel expenses per employee	182	185	(2)	(1 %)	702
Other operating expenses per employee	16	24	(8)	(32 %)	85
EBITDA per employee	54	58	(4)	(7 %)	191
EBIT per employee	42	41	1	3 %	125

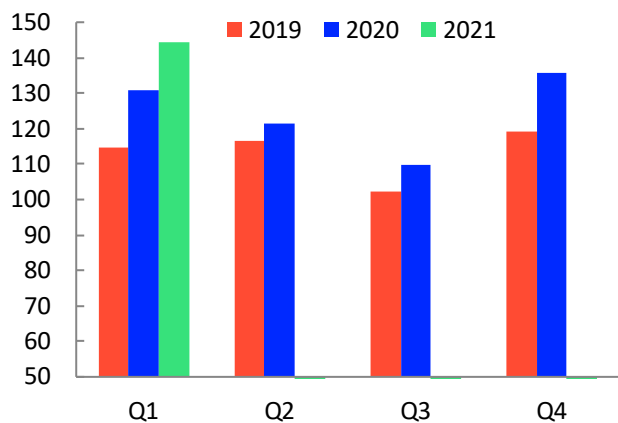
For full consolidated financial statements, see pages 17-22.

I T E R A

Quarterly development 2019-2021

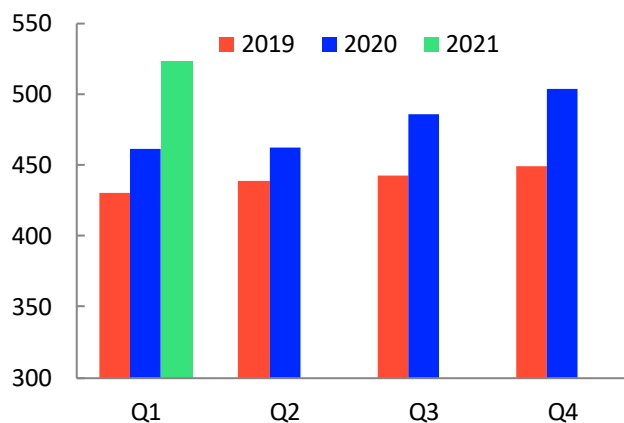
Revenues

NOK million



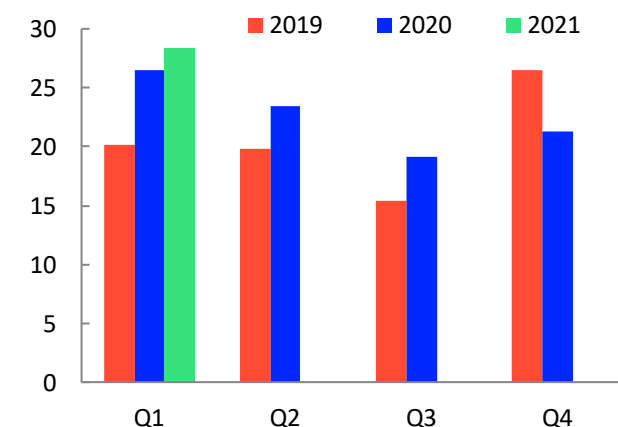
Employees

End of period



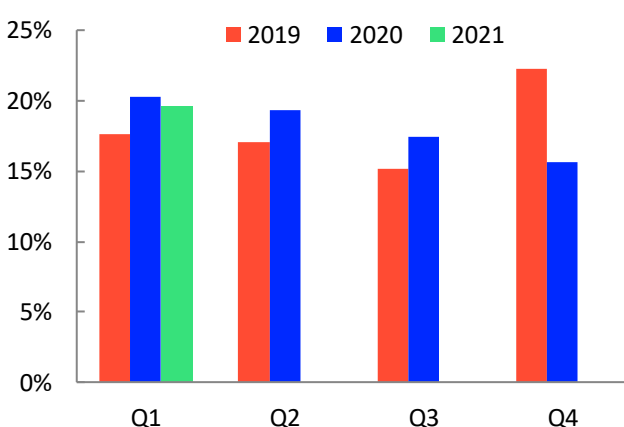
EBITDA

NOK million



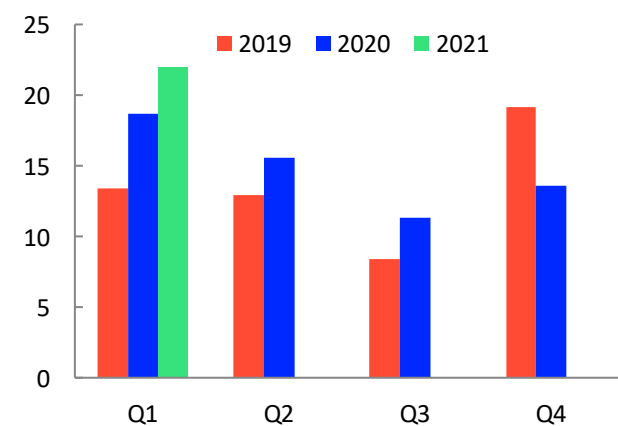
EBITDA margin

%



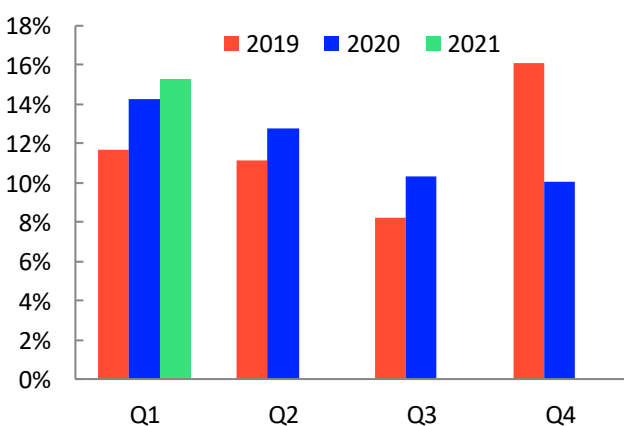
EBIT

NOK million



EBIT margin

%





Interim condensed financial information

I T E R A

Consolidated statement of comprehensive income*

Amounts in NOK thousand	2021 1-3	2020 1-3	change	change %	2020 1-12
Sales revenue	156 724	160 953	(4 229)	(3 %)	615 392
Operating expenses					
Cost of sales	16 922	19 807	(2 885)	(15 %)	71 820
Gross Profit	139 801	141 146	(1 345)	(1 %)	543 572
<i>Gross Margin</i>	89 %	88 %		1.5 pts	88 %
Personnel expenses	104 395	99 429	4 965	5 %	388 731
Other operating expenses	9 624	12 444	(2 821)	(23 %)	46 047
Depreciation and amortisation	7 391	10 067	(2 676)	(27 %)	42 505
Total operating expenses	138 331	142 652	(4 321)	(3 %)	549 103
Operating profit	18 393	19 206	(814)	(4 %)	62 573
Other financial income	1 402	2 659	(1 258)	(47 %)	6 448
Other financial expenses	1 614	303	1 311	432 %	7 236
Net financial income (expenses)	(212)	2 356	(2 568)	(109 %)	(788)
Profit before taxes	18 181	21 562	(3 382)	(16 %)	61 785
Income taxes	3 932	4 934	(1 002)	(20 %)	13 152
Net income	14 248	16 629	(2 380)	(14 %)	48 633
Earnings per share	0.18	0.20	(0.03)	(14 %)	0.60
Fully diluted earnings per share	0.17	0.20	(0.03)	(14 %)	0.60
Translation differences on net investment in foreign operations	88	3 693	(3 605)	(98 %)	79
Total comprehensive income	14 336	20 321	(5 985)	(29 %)	48 276
Total comprehensive income attributable to:					
Shareholders in parent company	14 336	20 321	(5 985)	(29 %)	48 712

*) See note 4 for key financial figures per reporting segment.

I T E R A

Consolidated statement of financial position

Amounts in NOK thousand	2021 31 Mar	2020 31 Mar	change	change %	2020 31 Dec
ASSETS					
Non-current assets					
Deferred tax assets	4 912	3 305	1 607	49 %	4 916
Other intangible assets	28 987	21 739	7 248	33 %	24 225
Property, plant and equipment	14 389	34 185	(19 795)	(58 %)	15 403
Right-of-use assets	27 387	40 590	(13 203)	(33 %)	38 263
Lease receivable - long term	3 449	-	3 449		-
Total non-current assets	79 123	99 819	(20 695)	(21 %)	82 807
Current assets					
Work in progress	3 222	844	2 378	282 %	1 196
Contract costs	6 053	10 388	(4 335)	(42 %)	6 851
Lease receivable - short term	2 382	-	2 382		-
Accounts receivable	81 241	79 503	1 738	2 %	67 275
Other receivables	13 024	17 328	(4 305)	(25 %)	11 901
Cash and cash equivalents	41 198	50 652	(9 454)	(19 %)	54 399
Total current assets	147 120	158 716	(11 596)	(7 %)	141 621
TOTAL ASSETS	226 243	258 535	(32 291)	(12 %)	224 428
EQUITY AND LIABILITIES					
Equity					
Share capital	24 656	24 656	-	(0 %)	24 656
Other equity	9 774	24 831	(15 058)	(61 %)	(38 512)
Net income for the period	14 248	16 629	(2 380)	(14 %)	48 197
Total equity	48 678	66 116	(17 438)	(26 %)	34 341
Non-current liabilities					
Other provisions and liabilities	591	1 022	(431)	(42 %)	715
Lease liabilities - long-term portion	18 759	33 128	(14 368)	(43 %)	24 962
Total non-current liabilities	19 350	34 150	(14 800)	(43 %)	25 676
Current liabilities					
Accounts payable	21 345	14 833	6 512	44 %	23 169
Tax payable	6 362	10 881	(4 520)	(42 %)	12 733
Public duties payable	41 351	40 178	1 173	3 %	37 665
Contract liabilities	24 360	24 799	(439)	(2 %)	30 041
Lease liabilities	15 729	20 499	(4 770)	(23 %)	17 636
Other current liabilities	49 068	47 079	1 989	4 %	43 167
Total current liabilities	158 215	158 269	(54)	(0 %)	164 411
Total liabilities	177 565	192 419	(14 853)	(8 %)	190 087
TOTAL EQUITY AND LIABILITIES	226 243	258 535	(32 292)	(12 %)	224 428
Equity ratio	21.5 %	25.6 %	-4.1 pts		15.3 %

I T E R A

Consolidated statement of cash flow

	2021	2020	change	2020
Amounts in NOK thousand	1-3	1-3		1-12
Profit before taxes	18 181	21 562	(3 382)	61 785
Income taxes paid	(5 462)	(4 393)	(1 069)	(9 374)
Depreciation and amortisation	7 391	10 067	(2 676)	42 505
Share option costs	-	-	-	(2 491)
Change in work in progress	(2 027)	(111)	(1 915)	(463)
Change in accounts receivable	(13 966)	(22 428)	8 462	(10 200)
Change in accounts payable	(1 824)	(9 005)	7 182	(669)
Change in other accruals	13	9 279	(9 266)	14 916
Effect of changes in exchange rates	(1 129)	2 527	(3 655)	3 167
Net cash flow from operating activities	1 177	7 496	(6 320)	99 178
Investment in fixed assets	(775)	(1 313)	538	(4 642)
Investment in intangible assets	(7 155)	(2 461)	(4 694)	(12 364)
Net cash flow from investing activities	(7 930)	(3 774)	(4 156)	(17 006)
Purchase of own shares	-	(576)	576	(18 242)
Sales of own shares	-	-	-	7 953
Principal elements of lease payments	(7 350)	(5 580)	(1 770)	(22 608)
Instalment of sublease receivable	903	-	903	-
Dividends paid to equity holders of Itera ASA	-	-	-	(47 963)
Net cash flow from financing activities	(6 447)	(6 156)	(291)	(80 860)
Effects of exchange rate changes on cash and cash equivalents	(1)	2	(2)	4
Net change in cash and cash equivalents	(13 201)	(2 432)	(10 768)	1 315
Cash and cash equivalents at the beginning of the period	54 399	53 085	1 314	53 085
Cash and cash equivalents at the end of the period	41 198	50 653	(9 455)	54 399
New borrowings related to leasing	-	632	(632)	2 440

I T E R A

Consolidated statement of changes in equity

Amounts in NOK thousand	Share capital	Own shares	Other paid in equity	Cumulative translation differences	Other equity	Total equity
Equity as of 1 Jan 2020	24 656	(231)	(8 933)	483	30 396	46 371
Net income for the period	-	-	-	-	48 633	48 633
Other comprehensive income for the period	-	-	-	79	-	79
Share option costs	-	-	(2 491)	-	-	(2 491)
Employee share purchase programme	-	172	5 517	-	-	5 689
Purchase and sale of own shares	-	(478)	(17 764)	-	-	(18 242)
Sale of own shares	-	156	2 108	-	-	2 264
Dividends	-	-	-	-	(47 963)	(47 963)
Equity as of 31 Dec 2020	24 656	(381)	(21 563)	563	31 066	34 341
Net income for the period	-	-	-	-	14 248	14 248
Other comprehensive income for the period	-	-	-	88	-	88
Share option costs	-	-	-	-	-	-
Employee share purchase programme	-	-	-	-	-	-
Purchase and sale of own shares	-	-	-	-	-	-
Sale of own shares	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Equity as of 31 Mar 2021	24 656	(381)	(21 563)	651	45 315	48 678

I T E R A

Key figures

	2021	2020	change	2020
Amounts in NOK thousand	1-3	1-3	%	1-12
Profit & Loss				
Sales revenue	156 724	160 953	(3 %)	615 392
Gross profit	139 801	141 146	(1 %)	543 572
EBITDA	25 783	29 273	(12 %)	108 868
<i>EBITDA margin</i>	16.5 %	18.2 %	-1.7 pts	17.7 %
Operating profit (EBIT)	18 393	19 206	(4 %)	62 573
<i>EBIT margin</i>	11.7 %	11.9 %	-0.2 pts	10.2 %
Profit before taxes	18 181	21 562	(16 %)	61 785
Profit for the period	14 248	16 629	(14 %)	48 633
Balance sheet				
Non-current assets	79 123	99 819	(21 %)	82 807
Bank deposits	41 198	50 652	(19 %)	54 399
Other current assets	105 922	108 064	(2 %)	87 223
Total assets	226 243	258 535	(12 %)	224 429
Equity	48 678	66 116	(26 %)	34 341
Total non-current liabilities	19 350	34 150	(43 %)	25 676
Total current liabilities	158 215	158 269	(0 %)	164 411
<i>Equity ratio</i>	21.5 %	25.6 %	-4.1 pts	15.3 %
Current ratio	0.93	1.00	(7 %)	0.86
Cash flow				
Net cash flow from operating activities	1 177	7 496	(84 %)	99 178
Net cash flow	(13 201)	(2 432)	(443 %)	1 313
Share information				
Number of shares	82 186 624	82 186 624	0 %	82 186 624
Weighted average basic shares outstanding	80 917 488	81 384 150	(1 %)	80 982 799
Weighted average diluted shares outstanding	81 550 688	82 138 181	(1 %)	81 615 999
Earnings per share	0.18	0.20	(14 %)	0.60
Diluted Earnings per share	0.17	0.20	(14 %)	0.60
EBITDA per share	0.32	0.36	(11 %)	1.34
Equity per share	0.60	0.81	(26 %)	0.42
Dividend per share	0.00	0.00	0 %	0.60

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Notes

Note 1: Transactions with related parties

There have been no material transactions with related parties during the reporting period 1 January 2021 to 31 March 2021.

Note 2: Events after the balance sheet date

There have been no events after 31 March 2021 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.

Note 4: Segment reporting

	Q1 2021			Q1 2020			Growth		
Amounts in NOK million	Core digital business	Data centre operations	Total	Core digital business	Data centre operations	Total	Core digital business	Data centre operations	Total
Sales revenue	144.4	12.3	156.7	130.7	30.2	161.0	10.5 %	-59.4 %	-2.6 %
Cost of sales	12.0	4.9	16.9	9.0	10.8	19.8	33.2 %	-54.6 %	-14.6 %
Gross profit	132.4	7.4	139.8	121.7	19.4	141.1	8.8 %	-62.1 %	-1.0 %
Gross margin	91.7 %	60.1 %	89.2 %	93.1 %	64.3 %	87.7 %	-1.4 pts	-4.2 pts	1.5 pts
Personnel expenses	95.5	8.9	104.4	84.3	15.2	99.4	13.3 %	-41.4 %	5.0 %
Other operating expenses	8.6	1.0	9.6	11.0	1.5	12.4	-21.5 %	-31.1 %	-22.7 %
Depreciation and amortisation	6.2	1.1	7.4	7.8	2.3	10.1	-19.7 %	-50.0 %	-26.6 %
Total operating expenses	122.4	15.9	138.3	112.0	29.7	141.7	9.2 %	-46.3 %	-2.4 %
EBITDA	28.3	-2.5	25.8	26.5	2.8	29.3	6.9 %	-190.0 %	-11.9 %
EBITDA margin	19.6 %	-20.5 %	16.5 %	20.2 %	9.3 %	18.2 %	-0.7 pts	-29.8 pts	-1.7 pts
EBIT	22.1	-3.7	18.4	18.7	0.5	19.2	18.0 %	-811.2 %	-4.2 %
EBIT margin	15.3 %	-29.8 %	11.7 %	14.3 %	1.7 %	11.9 %	1 pts	-31.5 pts	-0.2 pts

Itera's data centre operations are being transitioned to the cloud and will be sunset once the existing customers have been migrated to the cloud or terminated.

I T E R A

*Make a
difference!*

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