

# Q4 INTERIM REPORT 2020



# HIGHLIGHTS

## OCTOBER – DECEMBER 2020

- Operating revenue NOK 168.2 million (NOK 146.0 million), representing growth of 15%
- Core digital business revenue grew 15%, showed an EBIT margin of 10.0%, and represented 81% of total revenue
- Gross profit NOK 149.5 million (NOK 127.2 million), representing growth of 18%
- EBITDA NOK 25.4 million (NOK 28.0 million) and an EBITDA margin of 15.1% (19.2%)
- EBIT NOK 16.8 million (NOK 18.6 million) and an EBIT margin of 10.0% (12.7%) adjusted for restructuring costs
- Restructuring costs of NOK 3.8 million in relation to Itera's transformation of its data centre operations as indicated in the Q3 interim report
- Reported EBIT of NOK 13.0 million (NOK 18.6 million) and an EBIT margin of 7.7% (12.7%)
- Cash flow from operations NOK 37.6 million (NOK 43.1 million)
- Cash and cash equivalents NOK 54.4 million (NOK 53.1 million)
- Treasury shares valued at NOK 19.0 million (NOK 8.9 million)
- Equity ratio of 15% (19%) following the distribution of a supplementary dividend of NOK 0.40 per share

## JANUARY – DECEMBER 2020

- Operating revenue NOK 619.1 million (NOK 560.3 million), representing growth of 10%. Gross profit grew 13%.
- Core digital business revenue grew 11%, showed an EBIT margin of 12.1%, and represented 81% of total revenue.
- EBITDA NOK 105.1 million (NOK 92.0 million) and an EBITDA margin of 17.0% (16.4%).
- EBIT NOK 66.4 million (NOK 56.2 million) and an EBIT margin of 10.7% (10.0%) adjusted for restructuring costs
- Reported EBIT NOK 62.6 million (NOK 56.2 million) and an EBIT margin of 10.1% (10.0%)
- Cash flow from operations NOK 101.7 million (NOK 80.0 million).

## HIGHLIGHTS OF THE FOURTH QUARTER

- Itera delivered strong growth of 15% in the fourth quarter having continued to recruit without interruption throughout the Covid-19 crisis. Despite 2020 proving to be one of the most challenging times in world history, we have emerged stronger and enter 2021 with an even more durable foundation and an exciting future.
- Itera was recognised as one of the Top 10 Digital Solution Providers in Europe.
- Itera accelerated the transition of its own data centres to the cloud. By the end of 2020, almost 2/3 of the business volume of our data centre operations had been successfully migrated to the cloud by customers.
- Itera Denmark moved into new offices just outside Copenhagen to facilitate its future growth.
- Microsoft Dynamics 365 was successfully implemented across the group as its new ERP solution.
- In the fourth quarter of 2020, Itera had an order intake equivalent to a book-to-bill ratio of 1.6, and it entered into new or extended contracts with customers such as Gjensidige Forsikring, Santander, KLP, Storebrand, If, Pandion Energy, Össur, Cognite and Aize.
- The Board of Directors has passed a 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 it to be authorised to approve a possible supplementary dividend later in the year.

# KEY FIGURES

	2020	2019	change	2020	2019	change	2019
Amounts in NOK million	10-12	10-12	%	1-12	1-12	%	1-12
Sales revenue	168.2	146.0	15 %	619.1	560.3	10 %	560.3
Gross profit	149.5	127.2	18 %	543.6	483.0	13 %	483.0
EBITDA	25.4	28.0	-10 %	105.1	92.0	14 %	92.0
EBITDA margin	15.1 %	19.2 %	-4.1 pts	17.0 %	16.4 %	0.6 pts	16.4 %
Operating profit (EBIT)	13.0	18.6	-30 %	62.6	56.2	11 %	56.2
EBIT margin	7.7 %	12.7 %	-5 pts	10.1 %	10.0 %	0.1 pts	10.0 %
Operating profit (EBIT), adjusted	16.8	18.6	-10 %	66.4	56.2	18 %	56.2
EBIT margin, adjusted	10.0 %	12.7 %	-2.8 pts	10.7 %	10.0 %	0.7 pts	0.1
Profit before tax	12.4	17.6	-30 %	61.8	53.6	15 %	53.6
Profit for the period	9.7	14.2	-32 %	48.2	41.6	16 %	41.6
Profit margin	5.8 %	9.7 %	-4 pts	7.8 %	7.4 %	0.4 pts	7.4 %
Net cash flow from operating activities	37.6	43.1	(13 %)	101.7	80.0	27 %	80.0
No. of employees at the end of the period	569	512	11 %	569	512	11 %	512

# GROUP PERFORMANCE IN THE FOURTH QUARTER OF 2020 AND 2020 AS A WHOLE

## FINANCIAL PERFORMANCE

The comments below relate to Itera's performance in the fourth quarter of 2020 compared to the fourth 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.

### Accounting principles

These interim condensed consolidated financial statements for the quarter ending 31 December 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.

### Summary for the fourth quarter of 2020

Itera achieved organic revenue growth of 15% in the fourth quarter of 2020 relative to the fourth quarter of 2019. This was driven by growth in the revenue from Itera's own services and third-party services in particular. The increase in gross profit was even higher at 18% due to a customer buyout of leased equipment for its residual value of NOK 2.8 million. The value of the assets was equally expensed as a write down (depreciation).

The fourth quarter of 2020 contained one more working day than the fourth quarter of 2019. However, as this day fell between Christmas and New Year, its positive impact on revenue was very limited.

The Group's operating profit (EBIT) for the fourth quarter of 2020 was NOK 16.8 million (NOK 18.6 million) before restructuring costs, giving an EBIT margin of 10.0% (12.7%).

Itera indicated in its interim report for the third quarter of 2020 that it was planning to accelerate the transition of its own data centres to the cloud with estimated restructuring costs of NOK 3-5 million. With almost 2/3 of the business volume of our data centre operations successfully migrated to the cloud by the end of 2020, transition costs of NOK 3.8 million were expensed or accrued in the fourth quarter of 2020.

Reported EBIT for the fourth quarter of 2020 was NOK 13.0 million (NOK 18.6 million), giving an EBIT margin of 7.7% (12.7%).

### Operating revenue

Itera reports operating revenue of NOK 168.2 million (NOK 146.0 million) for the fourth quarter of 2020, which represents growth of 15%. This was driven by growth in the revenue from Itera's own and third-party services, which increased by 15% to NOK 104 million and by 33% to NOK 8 million respectively. Revenue from subscription services was 7% higher at NOK 40 million, while other revenue, which includes hardware and software sales, was 62% higher at NOK 7 million. The latter figure includes a customer buy-out of leased assets for their residual value at the end of the contract term. In total, the revenue from Itera's core digital business increased by 15% to NOK 136.6 million, while its traditional data centre operations grew by 18% to NOK 31.7 million due to additional services for customers that are being migrated to the cloud.

Revenue for 2020 as a whole grew by 10% to NOK 619.1 million, with Itera's core digital business increasing by 11% and its traditional data centre operations increasing by 9%.

Itera's core digital business was responsible for 81% of its total revenue in the fourth quarter of 2020. Itera invested significant resources in bidding for a large game-changing opportunity at a global offshore exploration & production company and was selected as a finalist from among the 18 large Norwegian and global organisations involved in the process. Although Itera was not awarded the contract, the process and feedback confirmed Itera has developed into a significant Nordic player with global reach.

The market uncertainty surrounding the Covid-19 pandemic evident during the summer has to a large extent vanished in Itera's market segments and only lightly impacted the fourth quarter.

Gross profit (revenue minus cost of goods sold) was NOK 149.5 million (NOK 127.1 million) in the fourth quarter, an increase of 18%. Gross profit for 2020 as a whole increased by 13% to NOK 543.6 million (NOK 483.0 million).

### Operating expenses

Itera's total operating expenses in the fourth quarter of 2020 were 22% higher at NOK 155.3 million (NOK 127.4 million), while for the year as a whole they were up 10% to NOK 556.5 million.

Cost of sales was unchanged at NOK 18.8 million in the fourth 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 year as a whole, cost of sales was down 2% to NOK 75.5 million.

Personnel expenses were NOK 110.5 million (NOK 87.9 million) in the fourth quarter of 2020, which represents an increase of 26%. The increase is partly explained by the fact that the average number of employees increased by 11%, while the average personnel expense per employee grew by 14%. A weaker NOK to EUR/DKK and higher bonus accruals contributed to this increase. For the year as a whole, personnel expenses were NOK 392.4 million, which is 13% higher than in 2019, while the average number of employees was 8% higher. The average personnel expense per employee grew by 4% due to exchange rate effects, salary growth and a slightly higher proportion of Itera's employees being located onshore.

Other operating expenses were NOK 13.6 million (NOK 11.3 million) in the fourth quarter of 2020, up by 20% from last year. The increase was due to a weaker NOK and growth in the number of employees. For the year as a whole, other operating costs were NOK 46.0 million (NOK 42.7 million).



Depreciation and amortisation totalled NOK 12.4 million (NOK 9.5 million) in the fourth quarter and included a write-down totalling NOK 2.8 million on customer-specific assets associated with Itera's scaling down of its own data centers. For the year as a whole, depreciation and amortisation totalled NOK 42.5 million (NOK 35.8 million).

### Operating result

The operating result before depreciation and amortisation (EBITDA) for the fourth quarter of 2020 was a profit of NOK 25.4 million (NOK 28.0 million), giving an EBITDA margin of 15.1% (19.2%). For the year as a whole, EBITDA was NOK 105.1 million (NOK 92.0 million) with an EBITDA margin of 17.0% (15.4%).

The operating result (EBIT) for the fourth quarter before restructuring costs of NOK 3.8 million was a profit of NOK 16.8 million, while EBIT for the year as a whole before restructuring costs was NOK 66.4 million (NOK 53.6 million). The EBIT margin before restructuring costs for the fourth quarter of 2020 was 10.0% (12.7%), while for the year as a whole it was 10.7% (10.0%).

Reported EBIT (after restructuring costs) was NOK 13.0 million (NOK 18.6 million) and NOK 62.6 million (NOK 56.2 million) for the year as a whole. The EBIT margin for the fourth quarter of 2020 was 7.7% (12.7%), while for the year as a whole it was 10.1% (10.0%).

Itera's operating result from its core digital business in the fourth quarter was a profit of NOK 13.6 million (NOK 19.1 million), giving an EBIT margin of 10.0% (16.1%). Itera's operating result from its traditional data centre operations was a loss of NOK 0.6 million (NOK -0.6 million), which includes restructuring costs of NOK 3.8 million, giving an EBIT margin of -2.0% (-2.1%).

The result before tax for the fourth quarter of 2020 was a profit of NOK 12.4 million (NOK 17.6 million). Tax expense accrued for the fourth quarter totalled NOK 2.7 million (NOK 3.5 million). For the year as a whole the result before tax was a profit of NOK 61.8 million (NOK 53.6 million) and the tax expense accrued was NOK 13.6 million (NOK 12.0 million).

Earnings per share (EPS) was NOK 0.12 (0.17) for the fourth quarter and NOK 0.60 (0.51) for the year as a whole.

### Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 37.6 million (NOK 43.1 million) in the fourth quarter of 2020 and NOK 101.7 million (NOK 80.0 million) in the year as a whole.

There was a net cash outflow from investing activities of NOK 4.8 million (NOK 5.7 million) in the fourth quarter of 2020, of which NOK 1.6 million (NOK 1.8 million) was for investment in intellectual property rights. There was a net cash outflow from investing activities of NOK 17.0 million (NOK 18.8 million) in the year as a whole. The investments in 2020 included the implementation of Microsoft Dynamics 365 as the group's new ERP system.

There was a net cash outflow from financing activities of NOK 36.1 million (NOK 29.9 million) in the fourth quarter of 2020, mainly because of the distribution of a dividend. In the year as a whole there was a net cash outflow from financing activities of NOK 83.4 million (NOK 63.5 million).

Work in progress at 31 December 2020 was NOK 0.5 million higher than at 31 December 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 10.2 million higher and NOK 3.6 million lower respectively than at 31 December 2019.

Accounts payable at 31 December 2020 were NOK 0.7 million lower than at 31 December 2019. Public duties payable were NOK 4.9 million higher than at the end of the fourth quarter of 2019. Tax payable was NOK 2.2 million higher than at 31 December 2019.

Contract liabilities at 31 December 2020 were NOK 7.1 million lower at NOK 14.1 million.

Cash and cash equivalents amounted to NOK 54.4 million at 31 December 2020, compared to NOK 53.1 million at 31 December 2019. At the end of the period, Itera had an undrawn credit facility of NOK 21.5 million.

Itera had lease liabilities totalling NOK 42.6 million (NOK 55.0 million) at 31 December 2020, which represents a net decrease of NOK 12.4 million. NOK 17.6 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 25.0 million are classified as non-current liabilities.

At 31 December 2020 Itera held 1,269,136 (769,891) own shares, valued at NOK 19.0 million (NOK 8.9 million).

Equity at 31 December 2020 totalled NOK 34.0 million (NOK 46.4 million). The equity ratio was 15.2% (19.2%). The equity ratio without the right-of-use assets included under IFRS 16 was 17.8% (23.1%).

### Dividend

A supplementary dividend for 2019 of NOK 0.40 per share was paid on 4 November 2020. The total dividend pay-out in 2020 was NOK 0.60 per share.

At its meeting on 17 February 2021, the Board of Directors passed a 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.

## BUSINESS REVIEW

2020 will be remembered as the year of COVID-19. We started the year with outstanding momentum – aiming to become #1 at creating sustainable digital business. At the beginning of March, the global pandemic was declared, triggering a global health and financial crisis, meltdown in several industries and a significant increase in unemployment.

Our ability to rapidly adapt to this new situation was testament to our people and the value they add, the strength of our long-term relationships with our customers and partners, our particular capabilities within digitalisation, our diversification across industries, and the importance of our world-class cross-border hybrid delivery model.

In 2020, our highly skilled people continued to deliver on our strategy of growing our people, and thus our customers, and thus our company. Despite 2020 representing one of the most challenging times in world history, we have emerged stronger and enter 2021 with an even more durable foundation and an exciting future.

### Market and customer development

In the fourth quarter of 2020, Itera had an order intake equivalent to a book-to-bill ratio of 1.6 from its core digital business. Itera entered into new or extended contracts with customers such as Gjensidige Forsikring, Santander, KLP, Storebrand, If, Pandion Energy, Össur, Cognite and Aize.

### Covid-19 accelerates digitalisation and sustainability

The pandemic has brought about many years of change in the way companies in all sectors and regions do business. A survey by McKinsey found that COVID-19 has accelerated the adoption of digital technologies by seven years.

Consumers have moved dramatically toward online channels, and companies and industries have responded in turn. Similar developments are also being seen within companies' core operational areas (such as back-office, production, and R&D processes) and in their interaction with their supply chains.

The transition to a digital economy is regarded as a key front in the struggle to limit global CO2 emissions, as digital technologies contribute to more sustainable economic models, new pathways for industrial growth and far-reaching lifestyle changes. Key industries and companies are now setting ambitious sustainability goals driven by climate policy, large governmental financial packages to stimulate the economy and technological developments.

### The Nordic region as a digital and sustainable pioneer

The Nordic region is often regarded as a digital and sustainable pioneer that is well-positioned to show the way in terms of both digitalisation and sustainability globally. This gives us an attractive position in relation to international customers.

Sustainability has become big business and a great opportunity for Itera as the specialist at creating sustainable digital business. Our services are delivered to about 20 countries around the world today. We will continue to grow our international customers and partners. We will also consider moving into new geographies if the opportunity represents substantial, long-term value and the risks are controllable.

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 80% of its operating revenue, up from 75% in the fourth quarter of 2019. New customers accounted for 7% of revenue.

### Industrial digitalisation

In business-to-consumer (B2C) markets such as banking and insurance, retail, and the public sector, technology has disrupted our everyday (consumer) lives. Examples include the way in which we buy goods and services, how we interact with public services, and how we connect, collaborate, and socialise with others.

The potential for businesses to become more sustainable is even larger in business-to-business (B2B) industries, e.g. oil & gas through its transition to renewables like floating wind, as well as in the power and utilities, manufacturing, fishery and maritime industries. Data is often locked down in independent system silos, with some systems more than 20 years old. Digitalisation in B2B industries means changing how we work, how we operate machines and how we change the business models.

It is not possible to replace legacy systems or to take a master data approach to understanding massive volumes of data. New AI-based technologies such as Cognite Data Fusion have been developed to ingest and contextualise data across entire IT and OT (Operational Technology) systems in which the OT devices control the physical world while the IT systems manage the data in order to create an operational digital twin at scale.

Through strategic partnerships with Cognite, DNV and others, we continued to expand our footprint in the B2B market. Examples of customers include Aker Solutions, Statnett, ELOP, OMV, North Oil, BKK, Fjordkraft, Glitre Energy, DNV and Cognite.

The B2B market is growing much more quickly than the B2C market. McKinsey estimates that there is about four trillion dollars per year of upside from industrial digitalisation in the B2B market by 2025, essentially the same amount of value as that which has been created in the B2C market until now. By 2030, its value will be two to three times greater than in 2025.

### 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. Gartner has found that 85% of organisations have either adopted or plan to adopt a product-centric

application delivery model to deliver more quickly.

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. This 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. subscriptions.

We are building the foundation of this factory by investing in a project called "Cloud Center 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. The investment is estimated to total about NOK 15 million during the first half of 2021.

### Itera as a Top 10 Digital Banking Solution Provider in Europe

In the fourth quarter, Itera was recognised as one of the Top 10 Digital Banking Solution Providers in Europe in the November 2020 issue of Banking CIO Outlook. Banking CIO Outlook is the go-to industry magazine for senior-level technology buyers and decision makers to learn about and share their experiences of services, technologies and banking technology trends. The magazine's assessment included the following comment: "Equipped with innovative technological capabilities, these enlisted solution providers are transforming the digital banking landscape at the cloverleaf of various disruptive technologies".

Itera has been helping financial institutions to become more efficient, to reduce their time-to-market, to strengthen the customer experience and to become more competitive by providing smart and future-oriented banking solutions for several decades. Going forward, Itera will strive to further grow our services with existing and new banking customers in the Nordic region.

### Building market insight for the Norwegian power market

As part of our focus on the energy market, we worked with Thema Consulting to develop a comprehensive market report for the Norwegian power market. This report, entitled [Markedsrapport Strøm](#), maps and describes the Norwegian power market and its players in terms of their products, prices, distribution, customers and regulations. Our ambition with this report is to both build insight and set the agenda for the industry.

The report has been very positively received and has resulted in a number of presentations and discussions about the industry, its challenges, and possible future cooperation with Itera. The findings have also been presented at Energy Norway's Market Conference in November, in various webinars and podcasts, and in the press e.g. [Strømbransjen har hengt etter](#).

As a result of the positive feedback from the industry we have decided to make the report a semi-annual publication. The next report will be ready in early March and will have a special focus on sustainability in addition to the regular chapters.

### Cuttings Insight – Making Data Exploration Fun

An example of an innovative solution Itera delivered in the fourth quarter was the project "Cuttings Insight – Making Data Exploration Fun" for Pandion Energy. Pandion Energy is a private, full-cycle oil and gas company active on the Norwegian Continental Shelf ("NCS")

The project builds on the ongoing industry "Released Well Initiative" (RWI) project and is in line with a collaboration model and recommendations for the digitalisation of the NCS. The RWI cuttings data set consists of high-resolution photos (White light + UV) and XRF analysis for every well.

The challenge was to enable instant access to and efficient new ways of visualising, analysing and cross-combining cuttings data, thereby facilitating a new workflow for geologists and geoscientists. The previous way of working required the usage of multiple software tools and, due to the large file sizes, it could take several minutes to open a single image. With a scope of up to 3,000 files per well, this did not represent a user-friendly way of working or utilising the available data.

The first version of Cuttings Insight has been built as a web-based data viewer that streams the cuttings data in order to provide instant and dynamic access. The application runs on Google's Firebase platform with an image viewer that uses deep zoom image technology.

Cuttings Insight provides Pandion Energy with a user-friendly, fast and efficient way to screen large amounts of well cuttings data in order to open new play and reservoir models, identify new reservoir levels and alternative source rocks, and obtain better insight into the mineralogical composition of entire wells. This enables Pandion Energy to assess an unbiased dataset and to make more data-driven decisions.

### Diversity and inclusion

Itera is committed to inclusion and diversity and offers an inclusive environment free from discrimination on the basis of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious or political beliefs, or other ideologies. At Itera we share a commitment to making a positive difference to the world. To make this happen, our mission is to create sustainable digital business. We believe our unique individual characteristics represent the driving force for our winning teams in their work to grow our customers and our employees. We believe a diverse culture is a sustainable culture. As a company, Itera cultivates a work environment in which everyone feels valued and included.

Through its diversity and inclusion framework, Itera will focus on three areas: ensuring the representation of diverse talent, enabling equality of opportunity through fairness and transparency, and tackling microaggressions and promoting multivariate diversity. Itera's diversity and inclusion framework will help us to make a positive difference by ensuring we develop and hire talented people from currently underrepresented groups and build a culture where everyone feels welcome and respected.

Itera's focus on helping to increase the number of women in technology is demonstrated by the fact it is a partner to ODA, which has over 10,000 members and is the Nordic region's leading network for women in tech. In September we hosted a digital kick-off event for the 2020 ODA mentorship program that was attended by more than 80 women. The program is an important shared meeting space for inspiration and motivation and delivers tools for empowering the participants, and together with ODA promotes technology as a great area in which to work.

### 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 fourth 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 2020 being at the low level of 1.1%.

Itera's headcount at the end of the fourth quarter of 2020 was 569 as compared to 512 at the end of the fourth 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 47% (49%) at the end of the fourth 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 and for having the best Project Management Office in Europe by the PMO Global Alliance in 2020.

### 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.

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 will further accelerate its expansion into more asset-intensive industries through partnerships with Cognite, DNV and others.

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

Itera's transformation of its own data centre operations entered a new phase from 2021, by which point a significant proportion of its activities had been terminated with resulting short-term drop in revenue. 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.

The Cloud Centre of Excellence will be the foundation of a *ONE Itera* factory 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 quarter will be published and presented on 28 April 2021.

# 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 twelve months ended 31 December 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 twelve months ended 31 December 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 31 December 2020.
- The information provided in the report for 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, 18 February 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

# INTERIM CONDENSED FINANCIAL INFORMATION

## Consolidated statement of comprehensive income

All figures in NOK 1000 except earnings per share	2020 10-12	2019 10-12	change %	2020 1-12	2019 1-12	change %
<b>Sales revenue</b>	<b>168 237</b>	<b>145 987</b>	<b>15 %</b>	<b>619 094</b>	<b>560 318</b>	<b>10 %</b>
<b>Operating expenses</b>						
Cost of sales	18 778	18 800	(0 %)	75 522	77 310	(2 %)
<b>Gross Profit</b>	<b>149 459</b>	<b>127 187</b>	<b>18 %</b>	<b>543 572</b>	<b>483 008</b>	<b>13 %</b>
<i>Gross Margin</i>	<b>89 %</b>	87 %	1.7 pts	88 %	86 %	1.6 pts
Personnel expenses	110 502	87 862	26 %	392 447	348 317	13 %
Depreciation and amortisation	12 398	9 458	31 %	42 505	35 798	19 %
Other operating expenses	13 584	11 279	20 %	46 047	42 676	8 %
<b>Total operating expenses</b>	<b>155 261</b>	<b>127 399</b>	<b>22 %</b>	<b>556 520</b>	<b>504 101</b>	<b>10 %</b>
<b>Operating profit</b>	<b>12 976</b>	<b>18 588</b>	<b>(30 %)</b>	<b>62 573</b>	<b>56 218</b>	<b>11 %</b>
Other financial income	1 916	817	134 %	6 448	2 514	157 %
Other financial expenses	2 516	1 761	43 %	7 236	5 143	41 %
<b>Net financial income (expenses)</b>	<b>(600)</b>	<b>(944)</b>	<b>36 %</b>	<b>(788)</b>	<b>(2 629)</b>	<b>70 %</b>
<b>Profit before taxes</b>	<b>12 376</b>	<b>17 645</b>	<b>(30 %)</b>	<b>61 785</b>	<b>53 589</b>	<b>15 %</b>
Income taxes	2 671	3 453	(23 %)	13 588	11 979	13 %
<b>Net income</b>	<b>9 705</b>	<b>14 191</b>	<b>(32 %)</b>	<b>48 197</b>	<b>41 609</b>	<b>16 %</b>
Earnings per share	0.12	0.17	(31 %)	0.60	0.51	16 %
Fully diluted earnings per share	0.12	0.17	(31 %)	0.59	0.51	16 %
Translation differences on net investment in foreign operations	(2 085)	(246)	(748 %)	186	459	(59 %)
<b>Total comprehensive income</b>	<b>7 620</b>	<b>13 945</b>	<b>(45 %)</b>	<b>48 383</b>	<b>42 068</b>	<b>15 %</b>
Total comprehensive income attributable to:						
Shareholders in parent company	7 620	13 945	(45 %)	48 383	42 068	15 %



# Consolidated statement of financial position

All figures in NOK 1000	2020 31 Dec	2019 31 Dec	change	change %
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax assets	4 905	2 901	2 003	69 %
Other intangible assets	24 225	21 864	2 361	11 %
Property, plant and equipment	20 286	35 989	(15 702)	(44 %)
Right-of-use assets	33 380	40 821	(7 441)	(18 %)
<b>Total non-current assets</b>	<b>82 796</b>	<b>101 575</b>	<b>(18 779)</b>	<b>(18 %)</b>
<b>Current assets</b>				
Work in progress	1 196	732	463	63 %
Contract costs	6 851	11 571	(4 720)	(41 %)
Accounts receivable	67 275	57 075	10 200	18 %
Other receivables	11 901	17 193	(5 291)	(31 %)
Cash and cash equivalents	54 399	53 085	1 314	2 %
<b>Total current assets</b>	<b>141 621</b>	<b>139 656</b>	<b>1 965</b>	<b>1 %</b>
<b>TOTAL ASSETS</b>	<b>224 417</b>	<b>241 231</b>	<b>(16 814)</b>	<b>(7 %)</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	24 656	24 656	-	0 %
Other equity	(38 841)	(19 894)	(18 947)	(95 %)
Net income for the period	48 197	41 609	6 588	16 %
<b>Total equity</b>	<b>34 012</b>	<b>46 371</b>	<b>(12 359)</b>	<b>(27 %)</b>
<b>Non-current liabilities</b>				
Other provisions and liabilities	715	1 077	(363)	(34 %)
Lease liabilities - long-term portion	24 962	35 577	(10 616)	(30 %)
<b>Total non-current liabilities</b>	<b>25 676</b>	<b>36 655</b>	<b>(10 978)</b>	<b>(30 %)</b>
<b>Current liabilities</b>				
Accounts payable	23 169	23 838	(669)	(3 %)
Tax payable	13 051	10 880	2 171	20 %
Public duties payable	37 665	32 779	4 887	15 %
Contract liabilities	14 140	21 264	(7 124)	(34 %)
Lease liabilities	17 636	19 400	(1 765)	(9 %)
Other current liabilities	59 068	50 044	9 025	18 %
<b>Total current liabilities</b>	<b>164 729</b>	<b>158 205</b>	<b>6 524</b>	<b>4 %</b>
<b>Total liabilities</b>	<b>190 405</b>	<b>194 860</b>	<b>(4 454)</b>	<b>(2 %)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>224 417</b>	<b>241 231</b>	<b>(16 814)</b>	<b>(7 %)</b>
<b>Equity ratio</b>	<b>15.2 %</b>	<b>19.2 %</b>		<b>-4.1 pts</b>

# Consolidated statement of cash flows

All figures in NOK 1000	2020 10-12	2019 10-12	change	2020 1-12	2019 1-12	change
Profit before taxes	12 257	17 645	(5 388)	61 667	53 589	8 078
Income taxes paid	(1 497)	(92)	(1 405)	(9 374)	(9 995)	621
Depreciation and amortisation	12 398	9 458	2 940	42 505	35 798	6 708
Change in work in progress	168	1 137	(970)	(463)	3 456	(3 919)
Change in accounts receivable	(2 875)	3 338	(6 213)	(10 200)	(4 808)	(5 392)
Change in accounts payable	6 535	9 431	(2 896)	(669)	(103)	(566)
Change in other accruals	10 565	3 123	7 442	15 104	3 867	11 237
Effect of changes in exchange rates	75	(909)	984	3 168	(1 797)	4 965
<b>Net cash flow from operating activities</b>	<b>37 626</b>	<b>43 132</b>	<b>(5 506)</b>	<b>101 738</b>	<b>80 006</b>	<b>21 732</b>
Investment in fixed assets	(3 191)	(3 912)	720	(10 045)	(11 861)	1 816
Investment in intangible assets	(1 635)	(1 815)	180	(6 961)	(6 938)	(23)
<b>Net cash flow from investing activities</b>	<b>(4 826)</b>	<b>(5 726)</b>	<b>900</b>	<b>(17 006)</b>	<b>(18 799)</b>	<b>1 793</b>
Purchase of own shares	-	-	-	(18 818)	(96)	(18 723)
Sales of own shares	1 396	-	1 396	7 284	2 125	5 159
Principal elements of lease payments	(3 593)	(3 593)	-	(14 618)	(11 694)	(2 925)
Instalment of lease liabilities	(1 538)	(1 901)	363	(8 631)	(9 128)	497
Dividends paid to equity holders of Itera ASA	(32 367)	(24 424)	(7 943)	(48 637)	(44 660)	(3 977)
<b>Net cash flow from financing activities</b>	<b>(36 103)</b>	<b>(29 919)</b>	<b>(6 184)</b>	<b>(83 420)</b>	<b>(63 453)</b>	<b>(19 968)</b>
Effects of exchange rate changes on cash and cash equivalents	0	(115)	115	4	50	(46)
<b>Net change in cash and cash equivalents</b>	<b>(3 303)</b>	<b>7 372</b>	<b>(10 675)</b>	<b>1 314</b>	<b>(2 196)</b>	<b>3 510</b>
Cash and cash equivalents at the beginning of the period	57 702	45 713	11 990	53 085	55 279	(2 195)
<b>Cash and cash equivalents at the end of the period</b>	<b>54 399</b>	<b>53 086</b>	<b>1 313</b>	<b>54 399</b>	<b>53 083</b>	<b>1 316</b>
<b>New borrowings related to leasing</b>	<b>-</b>	<b>3 410</b>	<b>(3 410)</b>	<b>2 440</b>	<b>11 493</b>	<b>(9 053)</b>

## 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
<b>Equity as of 1 Jan 2019</b>	<b>24 656</b>	<b>(373)</b>	<b>(10 312)</b>	<b>25</b>	<b>33 448</b>	<b>47 443</b>
Implementation of IFRS 15	-	-	-	-	41 609	<b>41 609</b>
Net income for the period	-	-	-	459	-	<b>459</b>
Other comprehensive income for the period	-	-	(1 106)	-	-	<b>(1 106)</b>
Share option costs	-	4	594	-	-	<b>598</b>
Employee share purchase programme	-	(5)	(90)	-	-	<b>(96)</b>
Purchase and sale of own shares	-	143	1 982	-	-	<b>2 125</b>
Dividends	-	-	-	-	(44 661)	<b>(44 661)</b>
<b>Equity as of 31 Dec 2019</b>	<b>24 656</b>	<b>(233)</b>	<b>(8 933)</b>	<b>483</b>	<b>30 396</b>	<b>46 371</b>
Net income for the period	-	-	-	-	48 197	<b>48 197</b>
Other comprehensive income for the period	-	-	-	186	-	<b>186</b>
Share option costs	-	156	(383)	-	-	<b>(227)</b>
Employee share purchase programme	-	46	2 009	-	-	<b>2 055</b>
Purchase and sale of own shares	-	(478)	(17 764)	-	-	<b>(18 242)</b>
Dividends	-	-	-	-	(47 963)	<b>(47 963)</b>
<b>Equity as of 31 Dec 2020</b>	<b>24 656</b>	<b>(382)</b>	<b>(21 563)</b>	<b>669</b>	<b>30 630</b>	<b>34 012</b>

# NOTES

## NOTE 1: TRANSACTIONS WITH RELATED PARTIES

---

There have been no material transactions with related parties during the reporting period 1 January 2020 to 31 December 2020.

## NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

---

There have been no events after 31 December 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 EBITDA, EBITDA margin, EBIT, EBIT margin and EBIT and EBIT margin adjusted for restructuring costs, as well as 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.

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.

EBIT adj. is reported EBIT adjusted for restructuring costs of NOK 3.8 million

EBIT margin adj. is EBIT margin adjusted for same restructuring costs

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

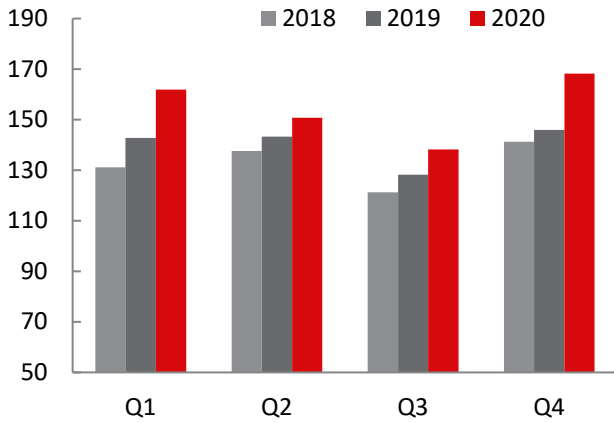


# KEY FIGURES

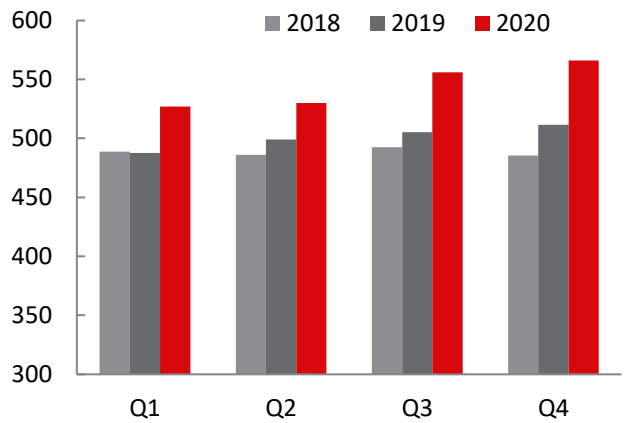
	2020 10-12	2019 10-12	change %	2020 1-12	2019 1-12	change %
All figures in NOK 1000 except earnings per share						
<b>Profit &amp; Loss</b>						
Sales revenue	168 237	145 987	15 %	619 094	560 318	10 %
Gross profit	149 459	127 187	18 %	543 572	483 008	13 %
EBITDA	29 163	28 047	4 %	108 868	92 016	18 %
EBITDA margin	17.3 %	19.2 %	-1.9 pts	17.6 %	16.4 %	1.2 pts
Operating profit (EBIT)	12 976	18 588	-30 %	62 573	56 218	11 %
EBIT margin	7.7 %	12.7 %	-5 pts	10.1 %	10.0 %	0.1 pts
Profit before taxes	12 376	17 645	-30 %	61 785	53 589	15 %
Profit for the period	9 705	14 191	-32 %	48 197	41 609	16 %
<b>Balance sheet</b>						
Non-current assets	82 796	101 575	-18 %	82 796	101 575	-18 %
Bank deposits	54 399	53 085	2 %	54 399	53 085	2 %
Other current assets	141 621	139 656	1 %	141 621	139 656	1 %
Total assets	224 417	241 231	(7 %)	224 417	241 231	(7 %)
Equity	34 012	46 371	(27 %)	34 012	46 371	(27 %)
Total non-current liabilities	25 676	36 655	(30 %)	25 676	36 655	(30 %)
Total current liabilities	164 735	158 205	4 %	164 735	158 205	4 %
Equity ratio	15.2 %	19.2 %	-4.1 pts	15.2 %	19.2 %	-4.1 pts
Current ratio	1.19	1.22	(2 %)	1.19	1.22	(2 %)
<b>Cash flow</b>						
Net cash flow from operating activities	37 626	43 132	(13 %)	101 738	80 007	27 %
Net cash flow	(3 303)	7 372	(145 %)	1 314	(2 196)	160 %
<b>Share information</b>						
Number of shares	82 186 624	82 186 624	0 %	82 186 624	82 186 624	0 %
Weighted average basic shares outstanding	80 917 488	81 416 733	(1 %)	80 982 799	81 244 074	(0 %)
Weighted average diluted shares outstanding	81 502 285	82 132 266	(1 %)	81 615 999	82 052 944	(1 %)
Earnings per share	0.12	0.17	(31 %)	0.60	0.51	16 %
Diluted Earnings per share	0.12	0.17	(31 %)	0.59	0.51	16 %
EBITDA per share	0.36	0.34	5 %	1.34	1.13	19 %
Equity per share	0.42	0.57	(26 %)	0.42	0.57	(26 %)
Dividend per share	0.40	0.30	33 %	0.60	0.55	9 %
<b>Employees</b>						
Number of employees at the end of the period	569	512	11 %	569	512	11 %
Average number of employees	562	508	11 %	538	498	8 %
Operating revenue per employee	299	287	4 %	1 150	1 126	2 %
Gross profit per employee	266	250	6 %	1 010	970	4 %
Personnel expenses per employee	196	173	14 %	729	700	4 %
Other operating expenses per employee	24	22	9 %	86	86	(0 %)
EBITDA per employee	52	55	(6 %)	202	185	9 %
EBIT per employee	30	37	(18 %)	123	113	9 %

# QUARTERLY DEVELOPMENT 2018-2020

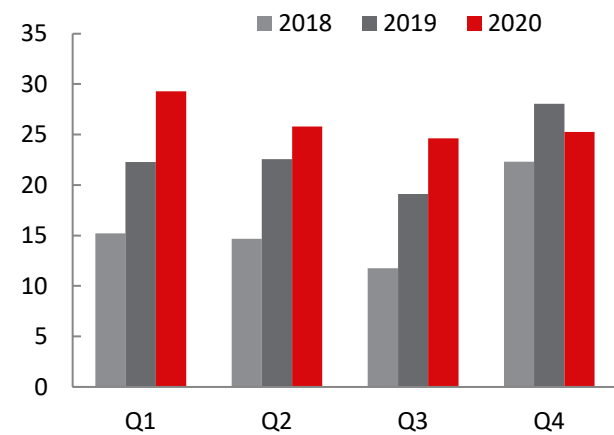
**Revenues**  
NOK million



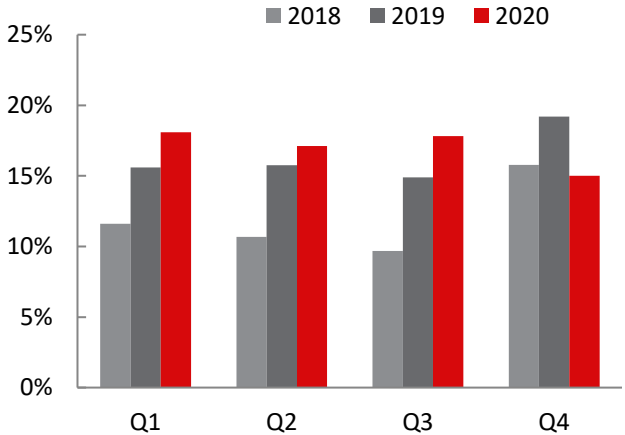
**Employees**  
End of period



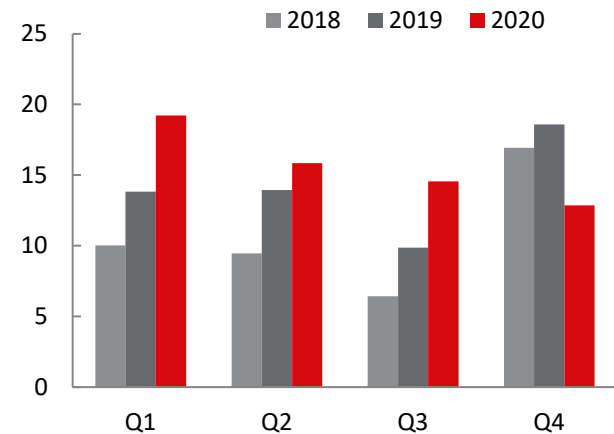
**EBITDA**  
NOK million



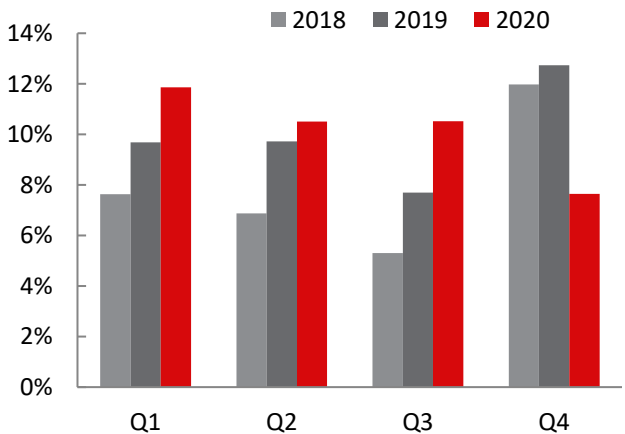
**EBITDA margin**  
%



**EBIT**  
NOK million



**EBIT margin**  
%





**Arne Mjøs**

CEO

Telephone +47 23 00 76 50

Mobile +47 905 23 172

arne.mjøs@itera.no

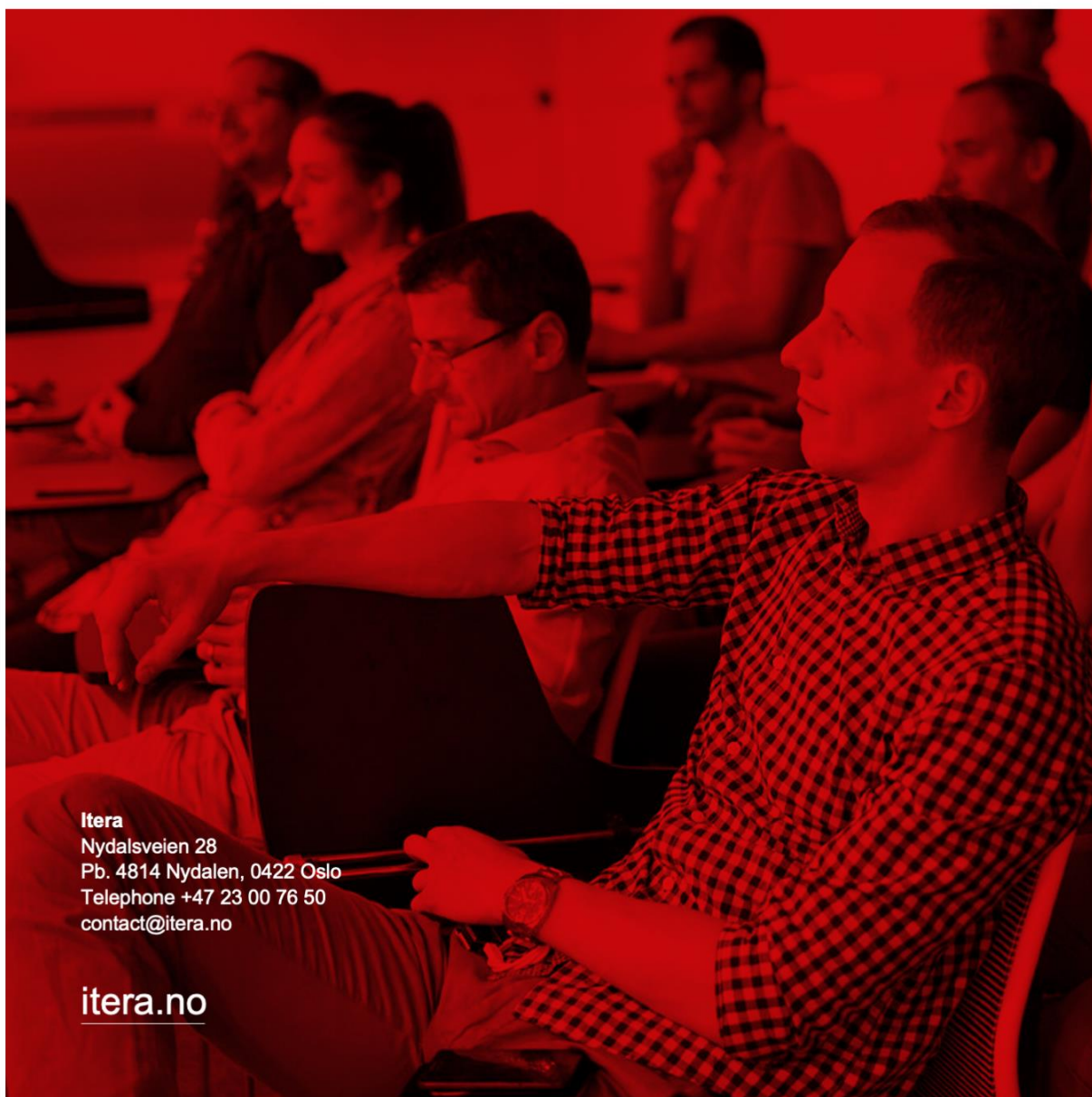
**Bent Hammer**

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**