

ITERA



Q1 2023

Make a difference

Highlights

January – March 2023

- Operating revenue NOK 230.3 million (NOK 176.0 million), representing growth of 31%
- Gross profit NOK 217.1 million (NOK 162.0 million), representing growth of 34%
- EBITDA increased by 22% to NOK 40.8 million (NOK 33.3 million) and an EBITDA margin of 17.7% (18.9%)
- EBIT increased by 27% to NOK 33.2 million (NOK 26.1 million) and an EBIT margin of 14.4% (14.9%)
- 731 (642) employees at the end of the period, representing a net increase of 89 (14%) over the last twelve months and 33 during the quarter
- Cash flow from operations NOK 7.9 million (NOK -0.4 million) in the quarter and NOK 84.3 million last twelve months

Highlights

Itera continued its high growth trajectory and delivered growth of 31% in the first quarter, all organic, and had a sequential growth of 33 employees in the quarter.

In the first quarter, Itera's AI team was dedicated to exploring, learning about and evaluating the next generation of AI tools such as generative AI and ChatGPT, and Itera also developed its own Itera-GPT to be used internally as well as with customers. As a technology company, we are committed to helping our customers use these tools in a responsible manner.

Itera's presence in Ukraine is a strategic and long-term choice, as is its social responsibility and commitment to Ukraine. The company is showing leadership in relation to the twin transition of the energy system in Ukraine, and we envision a significant expansion when the country is rebuilt after the war.

Itera had an order intake equivalent to a book-to-bill ratio of 1.3 in the first quarter of 2023, and it entered into new or extended contracts with customers including Santander, Gjensidige, Mastercard, Kreditor, Össur, Storebrand, Eviny, Ledidi, DNV and the Norwegian Labour and Welfare Administration (NAV).

The Board of Directors confirmed its previous resolution to propose to the Annual General Meeting on 24 May 2023 the distribution of an ordinary dividend for 2022 of NOK 0.30 per share and for the Board to be authorised to approve a possible supplementary dividend later in the year.

Key figures

Amounts in NOK million	2023 1-3	2022 1-3	change %	2022 1-12
Operating revenue	230.3	176.0	31%	735.8
Gross profit	217.1	162.0	34%	684.2
EBITDA	40.8	33.3	22%	109.0
EBITDA margin	17.7 %	18.9 %	-1.2 pts	14.8 %
Operating profit (EBIT)	33.2	26.1	27%	77.2
EBIT margin	14.4 %	14.9 %	-0.4 pts	10.5 %
Profit before tax	31.7	26.0	22%	78.2
Net income from continuing operations	24.5	20.0	22%	61.4
Profit margin	10.6 %	11.4 %	-0.7 pts	8.3 %
Net cash flow from operating activities	7.9	(0.4)	2,071 %	76.0
No. of employees at the end of the period	731	642	14 %	698

Organic Revenue

230.3 31% ↗
MNOK

Employees

731 14% ↗
Ending headcount

EBIT

33.2 27% ↗
MNOK

Resilience

I am so proud of our people for their incredible work and commitment to our customers, which has resulted in Itera delivering another strong quarter of financial results. Once again, our results are amongst the best in our industry and reflect how we are living our purpose every day: to deliver on the promise of sustainable digital transformation for our customers.



As companies embrace digital transformation, they come to us as their trusted partner to build their digital core with cloud-based technology, and this is reflected in our remarkable organic growth of 31% in the first quarter. We also continued to gradually improve our operating margin, taking seasonal variations into account, with an EBIT margin of 14.4 % in the first quarter.

Our performance demonstrates the resilience of our company. We delivered this robust and profitable growth while investing in our international expansion, our Digital Factory at Scale and our people in order to capture the significant growth opportunities ahead. We also achieved solid organic growth in our headcount, with a net 89 employees joining over the last

12 months, 33 of whom joined in the first quarter, temporarily impacted by the invasion of Ukraine.

We have been very focused on ramping up our new offices in Central Europe, increasing our brand awareness and adding hiring capacity across Itera to meet customer demand and continue to take market share. Once our three new offices in Central Europe are running at full speed, our growth capacity will be even larger than before the invasion and less vulnerable to any situation in Ukraine. Indeed, our long-term ambition is to grow our headcount organically by a net of 200-350 FTEs annually.

We are seeing more of a divergence in the linear relationship between headcount growth and revenue growth, as evidenced by our headcount growth being up 14% year-on-year in the first quarter, while revenue increased by 31%. As well as improved pricing, currency effects and higher utilisation rates, this more than ever reflects our strategic focus on leveraging our Digital Factory of Scale, doing more with less through automation and managed services.

Our culture is grounded in our growth mindset: Grow people, grow customers, grow company. This means everyone is on a continuous journey of learning and growing. In addition, there has been extraordinary wage inflation in most countries due to inflation and the energy crisis. We have been addressing this through a combination of improved pricing, cost efficiencies and digitalisation, but we will also be taking more structural steps to address the impact of compounding wage inflation. This includes streamlining operations, transforming our non-billable functions into billable value-creation for our customers and increasing the scalability of corporate functions across all locations.

While the latest technology spending forecasts for 2023 are down slightly compared to during the pandemic but still showing robust growth of 5% or so, the overall demand

environment for our services in our main customer segments is similar to the previous quarter. We believe the current macro situation makes it even more evident to customers that they need to change more, not less. At the same time, they are more focused on cost and resilience.

As an example, I would like to take a moment to recognise how our extraordinary people in our Cloud & Application Services (CAS) have successfully helped TESS - the leading operator in the maintenance, repair, and operations (MRO) market in Norway - to migrate to the cloud, and then partnered with TESS on its journey to grow and innovate in the cloud. Our cloud growth is driven by both migration and customers who are moving forward on this journey, such as TESS. Using the cloud as its operating system is helping this market leader to manage increasing levels of complexity by bringing together data, AI, and applications to optimise its operations and accelerate its growth.

Over the past few months, powerful new foundation models, together with accessible natural language interfaces, have created an exciting new phase in AI, such as generative AI and tools such as OpenAI ChatGPT. Indeed, at Itera, we have created our own Itera-GPT. From a long-term perspective, we can see how these technology evolutions support our strengths. But to use these technologies requires a deep understanding of the use cases and the process changes needed as well. How to build this into an enterprise is very different and a great opportunity.

We are partnering with several of our customers to help them apply generative AI – from technology to implementation to impact. Furthermore, the ability to use cloud technology and apply a new way of working, such as our Digital Factory at Scale, to build the digital core is even more important to be ready for this next generation of computing.

As a company, we are deeply engaged in supporting Ukraine from all locations. In March, I made my fourth visit to Ukraine since the invasion. For every visit, I try to travel, live and work like our Ukrainian employees in order to fully understand how they have adapted to the new normal.

In the Western part of Ukraine, which is larger than Germany, shops are open, products and services are being delivered, people are going to work, and the government agencies, economic institutions and the banking system are fully operational. The same situation applies to Itera, which achieved a utilisation rate of over 90% in the first quarter in Ukraine. The people of Ukraine have inspired the world, and we at Itera consider it something much bigger than ourselves to establish fruitful cooperation between Ukraine, the Nordics and Europe.

Today, we are the strongest we have ever been in our history because of our incredible people. I am constantly in awe of how our employees bring their passion to work each day – to deliver for each other, our customers, their communities and Ukraine.

Arne Mjøs

FOUNDER & CHIEF EXECUTIVE OFFICER





Business review

Our opportunity

Our mission is to help businesses and organizations to accelerate their sustainable digital transformation and achieve more for less. This mission has never been more urgent or more necessary. For all the uncertainty in the world, one thing is clear: Both the private and public sectors are increasingly looking to digital technology to overcome today's challenges and emerge stronger. And Itera as an international tech company has never been better positioned to help them.

We leverage our scale and international footprint, innovation-led culture and strong partnerships, together with our Digital Factory at Scale and Cloud Centre of Excellence capabilities, to consistently deliver tangible value for our customers worldwide.

We are fully committed to something bigger than ourselves and take responsibility for showing how to become more sustainable, how to create new pathways for industrial growth and how to deliver far-reaching lifestyle changes through digitalisation.

The future of work with AI

In November 2022, OpenAI introduced ChatGPT, an AI tool where users can chat with a data model and get answers that the model has not been pre-trained to answer. This is revolutionary, and today powerful new AI tools are popping up that, in combination with ChatGPT, can help optimise your everyday tasks.

Over the past few months, powerful new foundation models, together with accessible natural language interfaces, have created an exciting new phase in AI that is very fundamental to the human experience: the way we work. And, more specifically, the way we work with computers.

We believe that generative AI and tools such as ChatGPT will be game changing for our business and industry, and we are committed to using these technologies ethically and

responsibly for the benefit of our customers, employees and society.

The next generation of AI is fundamentally different from current environment of computing. You could say that we have previously been using AI as an autopilot, such as for powered online experiences ranging from search to social media, with AI working behind the scenes to serve up recommendations for us or about us. Now, we are moving from using AI as autopilot to co-pilot to us as human beings, and this will radically transform how computers help us think, plan and act.

We are starting to see what these new co-pilots can unlock, which ranges from software development and business processes like sales, marketing and customer service to millions of people synthesising information in powerful new ways, such as with ChatGPT. When talking about the new kinds of generative AI, the entire process must be changed in order to make this work.

In the first quarter, Itera's AI team was dedicated to exploring, learning about and evaluating the latest AI and Machine Learning (ML) tools. We recognize that SMBs worldwide are increasingly turning to these tools to enhance efficiency and reduce operational costs. As a technology company, we are committed to helping our customers use these tools in a responsible manner.

Our experience has taught us that implementing AI requires careful consideration of the security, compliance and technical issues, as well as privacy and ethical guidelines,

including in relation to bias, fairness, legal compliance and GDPR. By prioritizing these factors, we can ensure that AI tools are used safely and effectively.

While AI tools are undoubtedly powerful, it is essential to remember that they are not a panacea. We must remain mindful of the potential consequences of their use, both for our customers and for society as a whole. By approaching AI implementation with care and responsibility, we can harness its potential to drive positive change. Just as an individual can be aided by AI, AI can be influenced – positively or negatively – by the person using it. As we move into this new era, all of us who build, deploy and/or use AI, have a collective obligation to do so responsibly. Fundamentally, in a democratic society AI must evolve in alignment with social, cultural and legal norms.

ChatGPT in Itera

At Itera, we quickly established our own cross-functional AI discovery team with participants from different countries and units. Their aim is to explore and experiment with ChatGPT and other AI tools, developing insights and experiences that can benefit our colleagues and customers. Their priority is to find the best ways to use this technology while identifying and addressing any technical, practical and ethical concerns that may arise.

As a result, we now have our own Itera-GPT. We have created guidelines and hosted internal events to ensure that Itera employees can learn how to use Itera ChatGPT in a safe environment.

Since we started, we have learned a lot about the complications and challenges that we as a company need to address when we want to connect ChatGPT to Itera's internal data. This is something every company in the world now wants to do in order to be able to optimise their operations and become more cost-efficient. We want to help our customers do this in a reasonable way. This includes addressing critical enterprise security, compliance, privacy and regional availability concerns.

We aim to continue developing Itera-GPT, improving its performance and exploring new ways that it can be applied within our organisation and beyond. We are proud of our team, and we will continue to work hard to ensure that our colleagues and customers benefit from everything AI tools have to offer.

A selection of customer successes

A successful migration for TESS

In our last Interim Report, we wrote about TESS and its embarkation on a significant digital and cloud transformation with the ambitious goal of doubling its revenue and earnings within three years. During the autumn of 2022, Itera conducted a Lite Discovery and Assessment for TESS, which

gave it an overview of the current situation and what was required for a safe journey to the cloud. In Q4, we started the migration process.

In Q1 of 2023, the migration project for TESS was completed according to plan. The project was delivered on time and within the estimated cost. The journey ended in a full migration to Azure and full operational responsibility for years to come. The delivery was completed with an excellent level of quality and a strong passion for the customer.

The short-term goal is to reduce costs, and the company's investment in migrating to the cloud is estimated to be paid back after approximately a year. In the long term, its goal is to build the digital core of TESS to facilitate innovation, digitalisation, and growth, with all capabilities inherent in the cloud.

According to TESS, Itera was a fantastic partner throughout the migration to Microsoft Azure. They said that our commitment to delivering high-quality work, combined with expertise and a positive attitude, made this transition a success.

Projects at IMDi – powered by Digital Factory at Scale

The Directorate of Integration and Diversity (IMDi) is responsible for implementing the Norwegian Government's integration policy and is subordinate to the Ministry of Labour and Social Inclusion. As part of this, IMDi will facilitate the participation of more immigrants in working life and society.

One project mentioned in our Q3 2022 Interim Report was the development of a "Jobbsjanse-register" (a reporting solution) for IMDi's "Jobbsjansen-program" (job opportunity programme), which is a subsidy scheme managed by IMDi. This is a qualification programme for stay-at-home immigrant women who, after several years in Norway, have no permanent connection to working life. The goal of Jobbsjansen is that 70 per cent of participants go into work or education at upper secondary school level or at college/university after completing the program.

A multi-disciplined team of experts in digital consulting, experience, and technology from Itera, using its Digital Factory at Scale, successfully launched the Jobbsjanse-register, and in Q1 2023, the two first Norwegian municipalities started testing the solution. The solution will make it easier to identify results and which measures contribute most effectively to stimulating more immigrant women to enter employment or education.

This is the second project we have conducted for IMDi, and we continue to have other ongoing projects. One of these is called "Bedre bosetting" ("Better Settlement").

The resettlement and integration of refugees is the responsibility of Norway's municipalities, and municipalities that settle refugees receive grants from the state. This project

aims to ensure greater accuracy in the settlement of refugees, to simplify the qualification for individual refugees, and to enable changes to the settlement work to be made more quickly and more easily. The project is divided into a number of phases: the mapping and registration of settlement-relevant information, linking refugees and municipalities, and settlement in the municipality.

In this project, IMDi and Itera developed an improved case management system for refugee resettlement. An MVP is estimated to launch in Q2 2023, and everything is built on the Azure cloud platform. For this project, we are using our Digital Factory at Scale, with all its capabilities.

An episode of 'BITS' with long-time customer Gjensidige

In Q1 2023, we released a new episode of our YouTube series 'BITS' that features our long-time customer Gjensidige. In the episode, we hear from Kristian Vige (SVP of Digital Development at Gjensidige) about what ambitions they have for digitalisation and how Itera is part of these as a strategic partner. We also meet two consultants, Rikke Foss-Pedersen (Head of interaction design) and Ryan Diefenbach (Digital Designer), who share their life as Itera employees and consultants for Gjensidige.

The episode can be seen on our [YouTube](#) channel.

Making the business case for cloud transformation

In the face of the global energy crisis, one of Norway's largest energy companies needed help outlining the business case for its cloud transformation in order to move from technical transition to realising business outcomes. This was a key step towards achieving its ambition of optimised value and adaptability by increasing the pace of digitalisation and becoming more customer orientated and data driven.

The energy company serves around half a million customers, and its main activities are in the production, distribution and transportation of electrical power. It has a technological platform that, over the years, has incurred risks that have slowed down the speed of digitalisation. One of the company's responses to this was launching a transition to a modern cloud platform, but the investment required to finish the transition, the costs associated with the cloud and the activities required to capture the full potential business value from the cloud were unclear.

The company engaged Itera to develop the investment rationale for the group executive committee and to highlight activities required to succeed in capturing the business value of the cloud. In close collaboration with key stakeholders and managers from the company, Itera mapped the system portfolio to uncover which applications, infrastructure and

servers should be removed, moved, modernised or replaced in the cloud. Itera also detailed the transition costs and alternative costs. Itera also conducted an analysis of the expected profit realisation, outlining further potential for digitalisation and for optimising, improving and streamlining workflows through the organisation.

The business case was unanimously approved by the group executive management and executed to meet changing demands and to capture the full business value of the cloud transformation.

Finance Trend Report

In Q1, Itera and its subsidiary Cicero Consulting, published a trend report entitled "Five trends shaping the future of financial services". The five trends are:

Fluid expectations: It will not be enough to have a mobile bank that delivers better services, functionality and design than other banks. Tomorrow's users will demand solutions whose user experience measures up with that provided by completely different players and other situations in digital life, such as Spotify, TikTok and Klarna.

Embedded finance: Payment, financing or insurance should become an almost invisible part of buying a car, house or similar item.

Sustainability and integrity: With the EU Taxonomy, transparency laws and other emerging regulations, the wave of interest in sustainability will kick in with full force in the coming years. And it will be the financial industry it hits first.

Social unrest: Pandemic, war, high inflation and increased prices for energy and consumer goods have made the population worried about the future. Cicero and Itera conclude that a prolonged period of social unrest will present challenges and new market rules.

Responsible AI: If customers are to be able to trust decisions made by AI, the system needs to meet three requirements according to the report:

- Transparency – the user must be able to see how the system has made the decision.
- Responsibility - who should be held accountable for the decisions made. A tool cannot be held responsible for any errors.
- Privacy – Customers need to be able to see how their data is being used to make decisions.

The full report can be downloaded from cicero.no (in Norwegian) or itera.com (in English).

In addition to this, we organised a breakfast seminar and industry meeting in Oslo. Topics for discussion were what is affecting developments in the Norwegian financial industry

and where the industry is headed. The panel discussion was attended by Kim Wikan Barth (Director of Innovation and Growth, Gjensidige), Emma Tryti (CEO, Kron) and Christian Fjestad (Head of Innovation, SB1 Østlandet). Itera also had several of its own experts on stage.

Ukraine could become a significant energy exporter to Europe

Itera's presence in Ukraine is a strategic and long-term choice, as its social responsibility and commitment to Ukraine. We will continue to grow our business in Ukraine, and we envision a significant expansion when the country is rebuilt after the war.

During Arne Mjøs's fourth visit to Ukraine in March, he had productive meetings with the Ministry of Energy of Ukraine in order to take new steps to fast-track co-operation between the Nordics and Ukraine in relation to the green energy transition in Ukraine.

According to estimates from Rystad Energy, Ukraine has the potential to ramp up its green energy resources such that it could have more than 300 GW of both solar and wind in the 2040s. For comparison, this is 10 times more than the 30 GW of offshore wind power production that the Norwegian Government has planned for Norway for 2040.

These resources can be backed-up by existing thermal capacity and hydropower capacity as well as new battery storage capacity and hydrogen production. Moreover, with Ukraine's large agricultural sectors, the potential for modern biomass energy is also very significant. Ukraine also has a large potential for energy efficiency improvement.

Thus, Ukraine could in the future become a significant energy exporter to Europe, building on its energy expertise, large renewable resource base and strategic location.

The twin transition

In Ukraine, Arne Mjøs also addressed the twin transition – green and digital – which is a big greenfield opportunity for providers of industrial software and services for the new energy system.

The term 'twin transition' refers to the interplay between the digital and green transitions. Digital technologies can help economies become (more) resource efficient, circular and climate neutral. Renewable energy is crucial to the overall climate goals but the amount of renewable production that can be injected into the energy grid depends on a range of factors and fluctuates.

Therefore, the creation of a new energy system should also be closely connected to creating a digital strategy. Since the

Nordic region is a first mover in building the new energy system across the full energy spectrum, key learnings from energy companies, the tech industry and governments in the Nordics should also benefit Ukraine's creation of a new energy system. In addition, global tech giants, such as Microsoft, can bring insights, innovation and breakthrough technology and digital capabilities to enable the new energy system.

Itera and the Norwegian-Ukrainian Chamber of Commerce (NUCC) are showing leadership together with Rystad Energy, Microsoft and other selected companies in relation to the twin transition of the energy system in Ukraine. Similarly, Ukraine has more than 300,000 IT specialists, meaning it has one of Europe's largest digital workforces – and they are highly skilled and modern and have played an important role in the progress of the war.

Together we could be instrumental in building the new industrial software and services that will fuel the global energy transition, resolving the shortfall of IT specialists in the Nordics. In return, this will also generate massive IT export revenues for Ukraine.

Succeeding in the Icelandic Market

Itera had a strong start to the fiscal year in Iceland. In the first quarter, three new customers began working with Itera. One of these was TAPP, a startup at which we have a team of five consisting of web developers, front-end developers, back-end developers, and testers from our Ukrainian offices. Afterwards, Wise (software solutions) and Memento Payments (Fintech company), sought the aid of Itera consultants specialising in cloud solutions and testing, and tapped into our distributed delivery model. Additionally, our business relationship with long-time customer, Össur, has also been extended.

Itera has also forged a partnership with the Reykjavik Fintech Cluster, which has links to all financial companies in Iceland. We will organise an event in Bergen in collaboration with this cluster in the second quarter, and a Fintech event in Iceland in the autumn.

In the first quarter, Itera attended the largest IT conference in Iceland. Our experts shared their perspectives on Testing as a Service from the centre stage, while our prominent stand gained significant visibility. Over 1,200 people attended the conference.

Grow people

Level Up

For our employees to have the best opportunities to further develop throughout their careers with us, Itera has developed a solid framework for continuous competence development

called “Level Up”. Level Up brings together activities, sources and resources that are useful for employees’ development. In Q1 2023, 30 Level Up events were arranged by and for our employees.

In addition to our Level Up-events, we organised a number of courses and certifications during the period, on topics such as Proci, Scrum, and Azure.

Boost Nestor

In collaboration with Dale Carnegie, Itera has established a program for our Norwegian employees we call Boost Nestor. This is a leadership development programme focused on communication and leadership that is intended to create lasting change and business value. The program is practically oriented and is being run this year as a pilot project with 15 participants who are both consultants and managers with a high level of experience.

Individual onboarding plan for new employees

To give all new employees the best start, we have established a new onboarding program focused on individual adaptation and individuals’ growth and personal development at Itera. This includes adjustments by agreement with the direct manager, and e-learning courses in our internal system Motimate. In addition, every month all new employees participate in a joint onboarding day, where they get to know

managers, the organisation, strategy and how we act in the role of consultant.

Market and customer development

In the first quarter of 2023, Itera had an order intake equivalent to a book-to-bill ratio of 1.3, and it entered into new or extended contracts with customers including Santander, Gjensidige, Mastercard, Kredinor, Össur, Storebrand, Eviny, Ledidi, DNV and the Norwegian Labour and Welfare Administration (NAV).

The revenue from Itera's 30 largest customers accounted for 84% of its operating revenue, which is three percentage points higher than in the first quarter of 2022. New customers, defined as customers won during the last 12 months, accounted for 13% (9%) of revenue.

Itera’s ability to deliver seamlessly across its locations is gaining traction among new and existing customers and addresses the value of having access to high competencies, cost efficiency and productivity.

Despite the invasion of Ukraine, Itera’s delivery centres in Lviv and Kyiv continue to develop and deliver stable and uninterrupted customer services.



Financial review

Financial review

First Quarter

Financial reporting

The comments in this financial review relate to the performance of Itera's continuing operations in the first quarter of 2023 compared to the first quarter of 2022 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2022. Please refer to Note 3 for a description of the alternative performance measures used and to Note 4 for key financial figures for the discontinued data centre operations.

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 2023 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 2022. 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 2022. The interim financial information contained in this report has not been audited or reviewed.

Summary for the first quarter

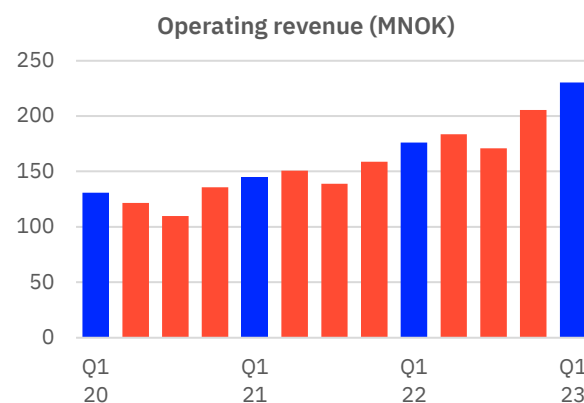
Itera achieved organic revenue growth of 31% in the first quarter of 2023 relative to the first quarter of 2022. Gross profit increased by 34%, with the gross margin up by 2.2 points to 94.3%. The first quarter of 2023 contained one more working day than the corresponding period of 2022. This had a positive impact of approximately NOK 1.5 million on revenue and profit.

The operating profit (EBIT) for the first quarter of 2023 increased by 27% to NOK 33.2 million (NOK 26.1 million), with an EBIT margin of 14.4% (14.9%).

Operating revenue

Itera reports operating revenue of NOK 230.3 million (NOK 176.0 million) for the first quarter of 2023, which represents growth of 31%. This was driven by growth in the revenue from Itera's own services, which increased by 35% to NOK 197 million. Revenue from subscription-based services increased by 24% to NOK 20 million, while revenue from third-party services decreased by 22% to NOK 8 million. An estimated 6% of the growth in the first quarter is attributable to the depreciation of NOK relative to other currencies.

Gross profit (revenue minus cost of goods sold) was NOK 217.1 million (NOK 162.0 million) in the first quarter of 2023, which represents an increase of 34%.



Operating expenses

Total operating expenses in the first quarter of 2023 were 32% higher at NOK 197.1 million (NOK 149.9 million).

Cost of sales was NOK 13.2 million (NOK 14.0 million) and relates to subscription and third-party services and other revenue.

Personnel expenses were NOK 158.0 million (NOK 117.0 million) in the first quarter of 2023, which represents an increase of 35%. The average number of employees in the quarter was 14% higher than in the corresponding quarter of 2022. Personnel expenses per employee were 19% (13% in constant currency) higher in the first quarter of 2023 than in

the same quarter of 2022. Extra social security taxes introduced in Norway, payroll support for drafted military personnel, higher performance-related bonuses and a slightly lower nearshore ratio contributed to the increased personnel expenses per employee in the first quarter.

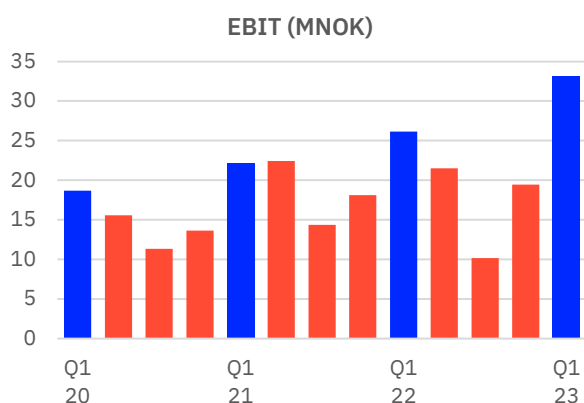
Other operating expenses were NOK 18.3 million (NOK 11.8 million) in the first quarter of 2023, up by 56% from last year. The increase was primarily due to more spending on travel, office expenses and training, as well as the foreign currency translation to NOK.

Depreciation and amortisation totalled NOK 7.6 million (NOK 7.2 million) in the first quarter.

Operating result

The operating result before depreciation and amortisation (EBITDA) for the first quarter of 2023 increased by 22% to a profit of NOK 40.8 million (NOK 33.3 million), giving an EBITDA margin of 17.7% (18.9%).

The operating result (EBIT) for the first quarter increased by 27% to a profit of NOK 33.2 million (NOK 26.1 million), giving an EBIT margin of 14.4% (14.9%).



Discontinued operations

As previously reported, Itera had discontinued its data centre operations by the end of the first quarter of 2022. Please refer to Note 4 for financial statements relating to the discontinued operations in 2022.

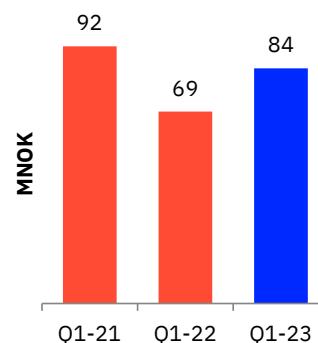
Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 7.9 million (NOK -0.4 million) in the first quarter of 2023. For the last twelve months cash flow from operating activities was NOK 84.3 million.

There was a net cash outflow from investing activities of NOK 4.2 million (NOK 4.1 million) in the first quarter of 2023, NOK 1.8 million of which related to investment in office equipment and inventory and NOK 2.4 million of which related to intangible assets.

There was a net cash *inflow* from financing activities of NOK 2.9 million (NOK -3.5 million) in the first quarter of 2023.

There was a cash inflow of NOK 6.2 million from the sale of own shares in connection with the Employee Share Purchase Programme, whereas there was a net outflow of NOK 3.3 million related to office facilities.



Cash flow from operations, rolling 12 months

Contract assets at 31 March 2023 were NOK 6.0 million lower than at 31 March 2022, while capitalised contract costs were NOK 2.7 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 46.9 million and NOK 7.2 million higher respectively than at 31 March 2022.

Accounts payable at 31 March 2023 were NOK 0.6 million lower than at 31 March 2022. Public duties payable were NOK 18.5 million higher than at the end of the first quarter of 2022. Tax payable was NOK 9.4 million higher than at 31 March 2022. Contract liabilities at 31 March 2023 were NOK 1.4 million lower at NOK 21.1 million.

Cash and cash equivalents amounted to NOK 49.7 million at 31 March 2023, compared to NOK 29.5 million at 31 March 2022. Itera has a revolving credit facility of NOK 35 million.

Itera had lease liabilities totalling NOK 26.5 million (NOK 31.1 million) at 31 March 2023, which represents a net decrease of NOK 4.6 million. NOK 7.6 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 18.9 million are classified as non-current liabilities.

Following the sale of 647,709 shares as part of the Employee Share Purchase Programme, Itera held 971,393 (1,692,006) own shares, valued at NOK 12.2 million (NOK 20.3 million), at 31 March 2023.

Equity at 31 March 2023 totalled NOK 82.3 million (NOK 50.0 million). The equity ratio was 28.9% (21.9%). The equity ratio without the right-of-use assets included under IFRS 16 was 31.6% (24.9%).

Dividend

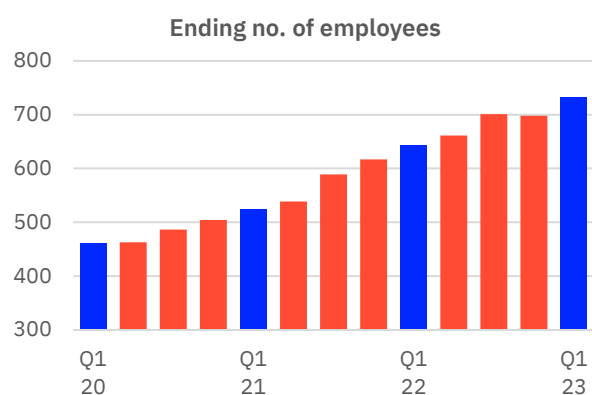
At its meeting on 27 April 2023, the Board of Directors confirmed its previous resolution to propose an ordinary

dividend of NOK 0.30 per share at the Annual General Meeting on 24 May 2023. It will also ask for its authorisation to approve possible additional dividends to be renewed.

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 at the end of the first quarter of 2023 was 731 as compared to 642 at the end of the first quarter of 2022. This represents an increase of 89 employees (14%) during the last 12 months and 33 employees during the first quarter.



Itera has nearshore development centres in Slovakia, Poland, Czechia and Ukraine. The proportion of Itera's capacity that is located in these locations (its nearshore ratio) was 53% (54%) at the end of the first quarter of 2023.

Our distributed delivery model is very scalable and provides access to a much larger workforce than is available in local markets. Through our presence in Central and Eastern Europe we are tapping into a pool of more than 600,000 digitally talented people.

Our distributed delivery model was recognised for having the best Project Management Office in Europe by the PMO Global Alliance in 2021. Itera also received the PMO Ukraine Award for 2021, achieving the best results in the categories "Best Practices", "Customer Service", "PMO Path", "Value Generation", "Innovations", "Competency Development" and "Formation of commonality".

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 provider, 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), the euro (EUR) and more recently the Czech koruna (CZK) and Polish zloty (PLN). 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 executed on its business continuity plans when Russia started a military invasion of Ukraine in late February of 2022 after initially facilitating the safe relocation of its employees and their families to the Western region of Ukraine and abroad. The downtime in production before resuming close to full availability was limited to a few days. During the first few months of the invasion there was a natural reduction in sales opportunities due to the uncertainty of the impact of the invasion. Gradually, confidence in Ukraine as a viable sourcing destination is returning, and existing and new customers are quoting trade with Ukraine as an important Corporate Social Responsibility (CSR) initiative. Itera is firmly committed to continuing its growth in Ukraine but has also mitigated the current risk by strengthening its presence in nearby EU locations.

The current macroeconomic environment is challenging, with high inflation rates and the associated pressure on salaries, rising interest rates, the energy crisis and the ongoing invasion of Ukraine all impacting businesses to varying extents. This may cause some companies to reduce their spending levels. Digitisation is an important tool for reducing costs and providing new business opportunities. However, a reduced overall availability of capital will also increase the investment hurdles in this area. Lately, several technology companies have laid off employees. This may have a positive impact on the availability of talent in our industry as well as reduce the high salary pressure.

More information about risks and uncertainties can be found in Itera's annual report for 2022.

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 our distributed delivery model across borders in the Nordics and Central and Eastern Europe, and focusing on operational efficiency remains unchanged.

In 2023 Itera will continue to invest in its expansion in Sweden and Central and Eastern Europe to accommodate current and expected future demand, while maintaining readiness to accelerate expansion in Ukraine. Itera is utilising its strong relationships with the Ukrainian authorities and senior management in Nordic industries to enable the green transition through new industrial software solutions and services for the rebuilding of Ukraine once the invasion is over. These relationships were further nurtured during the first quarter.

There are some indications from peers that the current macroeconomic uncertainty is causing longer sales cycles and slower growth in demand. Itera has not yet experienced any significant signs to this effect. Digital transformation is key to realising both cost savings and new business opportunities, and as such we expect demand in the medium to long term to be strong even if there should be a short-term slow down. As projected, Itera has started off 2023 at an organic growth rate that is one of the highest in our marketplace. We will continue to invest in high growth unless the market situation suggests otherwise.

There is a gradual shift taking place in the nature of the demand for managed services. As businesses seek greater

resilience, face a war for talent, and need to digitise and experience cost pressures, strategic managed services are increasingly a top management priority. Leveraging the substantial investment that has been taking place in its Cloud and Application Services during 2022, Itera expects to see a gradual improvement in its profitability throughout 2023, with an increasing volume of migration and modernisation engagements improving the overall profitability of Itera.

[Next interim report](#)

The interim report for the first half will be published and presented on 24 August 2023.



Interim condensed financial report

Consolidated statement of comprehensive income

Amounts in NOK thousand	2023 1-3	2022 1-3	change %	2022 1-12
Operating revenue	230,307	176,016	31 %	735,840
Operating expenses				
Cost of sales	13,194	13,971	(6 %)	51,687
Gross Profit	217,113	162,045	34 %	684,153
<i>Gross Margin</i>	94.3 %	92.1 %	2 %	93.0 %
Personnel expenses	157,954	116,976	35 %	515,118
Other operating expenses	18,349	11,752	56 %	60,063
Depreciation and amortisation	7,589	7,171	6 %	31,753
Total operating expenses	197,086	149,870	32 %	658,622
EBITDA	40,810	33,316	22 %	108,971
Operating profit (EBIT)	33,221	26,146	27 %	77,218
Other financial income	2,160	480	350 %	1,925
Other financial expenses	3,649	584	525 %	938
Net financial income (expenses)	(1,489)	(105)	(1,324 %)	987
Profit before taxes	31,733	26,041	22 %	78,206
Income taxes	7,255	6,047	20 %	16,777
Net income from continuing operations	24,478	19,994	22 %	61,429
Net income from discontinued operations*	-	(8,652)	100 %	(10,438)
Net income	24,478	11,342	116 %	50,990
Other comprehensive income				
Translation diff. on net investment in foreign operations	1,795	(497)	461 %	440
Total comprehensive income	26,272	10,845	142 %	51,430
Total comprehensive income attributable to:				
Shareholders in parent company	26,272	10,845	142 %	51,430
Earnings per share continuing operations	0.30	0.25	22 %	0.76
Fully diluted earnings per share continuing operations	0.30	0.25	22 %	0.76

*) See note 4 for information about discontinued operations.

Consolidated statement of financial position

Amounts in NOK thousand	2023 31 Mar	2022 31 Mar	change	change %	2022 31 Dec
ASSETS					
Non-current assets					
Deferred tax assets	4,389	4,747	(359)	(8 %)	4,388
R&D	32,449	33,910	(1,461)	(4 %)	32,676
Other intangible assets	444	656	(212)	(32 %)	509
Property, plant and equipment	12,680	14,639	(1,959)	(13 %)	12,790
Right-of-use assets	25,162	27,194	(2,032)	(7 %)	28,271
Total non-current assets	75,124	81,146	(6,023)	(7 %)	78,634
Current assets					
Contract assets	1,845	7,823	(5,978)	(76 %)	225
Contract costs	673	3,363	(2,690)	(80 %)	1,345
Lease receivable - short term	-	2,469	(2,469)	(100 %)	0
Accounts receivable	134,694	87,767	46,927	53 %	98,971
Other receivables	23,090	15,902	7,188	45 %	12,661
Cash and cash equivalents	49,741	29,530	20,210	68 %	41,934
Total current assets	210,042	146,855	63,187	43 %	155,136
TOTAL ASSETS	285,166	228,001	57,164	25 %	233,771
EQUITY AND LIABILITIES					
Equity					
Share capital	24,656	24,656	-	(0 %)	24,656
Other equity	33,139	14,023	19,116	136 %	(78,489)
Net income for the period	24,478	11,342	13,135	116 %	103,274
Total equity	82,272	50,021	32,251	64 %	49,442
Non-current liabilities					
Other provisions and liabilities	1,405	1,491	(86)	(6 %)	1,304
Lease liabilities - long-term portion	18,900	17,625	1,275	7 %	20,420
Total non-current liabilities	20,306	19,116	1,189	6 %	21,724
Current liabilities					
Accounts payable	15,311	15,939	(628)	(4 %)	16,760
Tax payable	11,522	2,163	9,359	433 %	12,112
Public duties payable	68,980	50,447	18,533	37 %	47,828
Contract liabilities	21,108	22,517	(1,409)	(6 %)	14,840
Lease liabilities - short term	7,604	13,505	(5,901)	(44 %)	9,175
Other current liabilities	58,063	54,293	3,769	7 %	61,891
Total current liabilities	182,588	158,864	23,724	15 %	162,606
Total liabilities	202,894	177,980	24,913	14 %	184,330
TOTAL EQUITY AND LIABILITIES	285,166	228,001	57,165	25 %	233,771
Equity ratio	28.9 %	21.9 %		6.9 pts	21.1 %

Consolidated statement of cash flow

Amounts in NOK thousand	2023 1-3	2022 1-3	change	2022 1-12
Profit before taxes	31,733	14,949	16,784	64,823
Income taxes paid	(7,919)	(8,674)	755	(7,980)
Depreciation and amortisation	7,589	7,928	(339)	32,510
Share option costs	400	261	139	1,454
Change in contract assets	(1,620)	(6,703)	5,083	895
Change in accounts receivable	(35,723)	(11,676)	(24,048)	(22,879)
Change in accounts payable	(1,449)	(2,907)	1,458	(2,086)
Change in other accruals	1,614	5,683	(4,068)	7,094
Effect of changes in exchange rates	13,556	277	13,280	1,382
Net cash flow from operating activities	7,878	(400)	8,278	76,027
- of which included in discontinued operations	-	(12,522)	12,522	(13,260)
Payment from sale of fixed assets	304	-	304	-
Investment in fixed assets	(1,833)	(1,196)	(637)	(6,503)
Investment in intangible assets	(2,408)	(2,854)	446	(9,773)
Net cash flow from investing activities	(3,938)	(4,051)	113	(15,222)
- of which included in discontinued operations	-	-	-	1,055
Purchase of own shares	(80)	(621)	542	(9,086)
Sales of own shares	6,237	-	6,237	6,559
Principal elements of lease payments	(3,274)	(3,794)	521	(15,537)
Instalment of sublease receivable	-	941	(941)	1,750
Dividends paid to equity holders of Itera ASA	-	-	-	(40,451)
Net cash flow from financing activities	2,884	(3,475)	6,359	(56,767)
- of which included in discontinued operations	-	(514)	514	(982)
Effects of exchange rate changes on cash and cash equivalents	982	(1)	982	437
Net change in cash and cash equivalents	7,806	(7,926)	15,732	4,475
Cash and cash equivalents at the beginning of the period	41,935	37,457	4,478	37,457
Cash and cash equivalents at the end of the period	49,741	29,530	20,210	41,933

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 2021	24,655	(381)	(21,563)	563	31,066	34,341
Net income for the period	-	-	-	-	44,148	44,148
Other comprehensive income for the period	-	-	-	258	-	258
Share option costs	-	-	763	-	-	763
Cash settlement of options contract	-	-	(978)	-	-	(978)
Equity settlement of options contract	-	185	3,766	-	-	3,951
Purchase of own shares	-	(518)	(23,005)	-	-	(23,522)
Sale of own shares	-	223	8,205	-	-	8,427
Dividends	-	-	-	-	(27,853)	(27,853)
Equity as of 31 Dec 2021	24,655	(492)	(32,811)	820	47,362	39,536
Net income for the period	-	-	-	-	24,478	24,478
Other comprehensive income for the period	-	-	-	440	-	440
Share option costs	-	-	1,454	-	-	1,454
Cash settlement of options contract	-	-	-	-	-	-
Equity settlement of options contract	-	-	-	-	-	-
Purchase of own shares	-	(197)	(8,890)	-	-	(9,086)
Sale of own shares	-	204	6,355	-	-	6,559
Dividends	-	-	-	-	(40,451)	(40,451)
Equity as of 31 Mar 2023	24,655	(484)	(33,892)	1,260	31,388	22,929

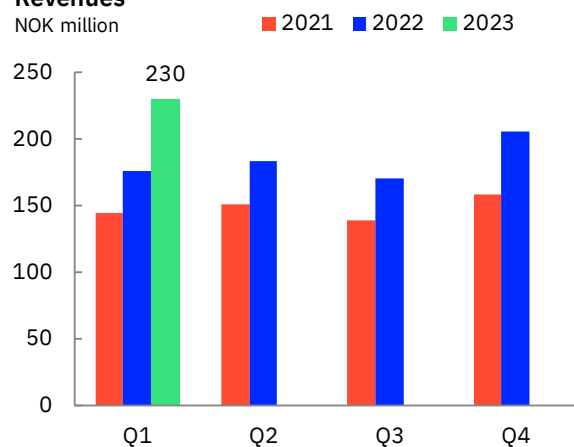
Key figures

	2023	2022	change	2022
Amounts in NOK thousand	1-3	1-3	%	1-12
Profit & Loss continuing operations				
Operating revenue	230,307	176,016	31%	735,840
Gross profit	217,113	162,045	34%	684,153
EBITDA	40,810	33,316	22%	108,971
<i>EBITDA margin</i>	17.7%	18.9 %	-1.2 pts	14.8 %
Operating profit (EBIT)	33,221	26,146	27%	77,218
<i>EBIT margin</i>	14.4%	14.9 %	-0.4 pts	10.5 %
Profit before taxes	31,733	26,041	22%	78,206
Net income	24,478	19,994	22%	61,429
Balance sheet				
Non-current assets	75,124	81,146	-7%	78,634
Bank deposits	49,741	29,530	68 %	41,934
Other current assets	210,042	146,855	43 %	155,136
Total assets	285,166	228,001	25 %	233,771
Equity	82,272	50,021	64 %	49,442
Total non-current liabilities	20,306	19,116	6 %	21,724
Total current liabilities	182,588	158,864	15 %	162,606
<i>Equity ratio</i>	28.9%	21.9 %	6.9 pts	21.1 %
Current ratio	1.42	1.11	28 %	1.21
Cash flow				
Net cash flow from operating activities	7,878	(400)	2,071 %	76,028
Net cash flow	7,806	(7,926)	198 %	4,478
Share information				
Number of shares	82,186,624	82,186,624	0 %	82,186,624
Weighted average basic shares outstanding	80,895,127	80,522,118	0 %	80,851,746
Weighted average diluted shares outstanding	81,025,623	80,793,829	0 %	81,100,219
Earnings per share continuing business	0.30	0.25	22 %	0.76
Diluted Earnings per share contin. operations	0.30	0.25	22 %	0.76
EBITDA per share continuing operations	0.50	0.41	22 %	1.35
Equity per share	1.02	0.62	64 %	0.61
Dividend per share	0.00	0.00		0.50
Employees continuing business				
Number of employees at the end of the period	731	642	14 %	698
Average number of employees	715	630	14 %	677
Operating revenue per employee	322	280	15 %	1,087
Gross profit per employee	304	257	18 %	1,011
Personnel expenses per employee	221	186	19 %	761
Other operating expenses per employee	26	19	38 %	89
EBITDA per employee	57	53	8 %	161
EBIT per employee	46	42	12 %	114

Quarterly development 2021-2023

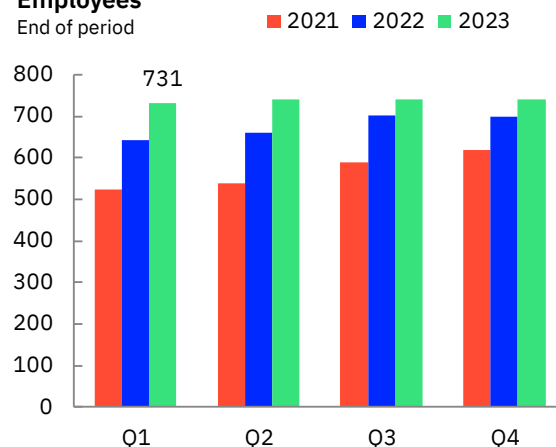
Revenues

NOK million



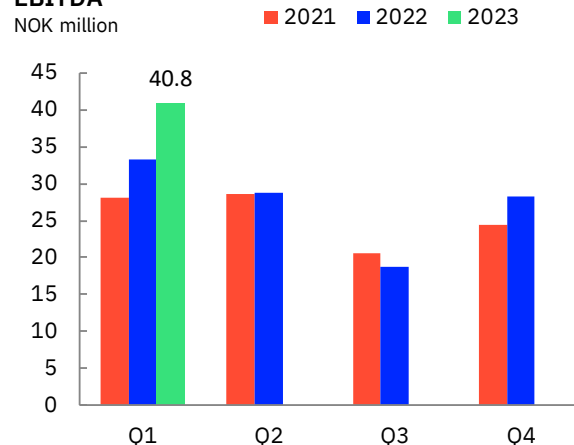
Employees

End of period



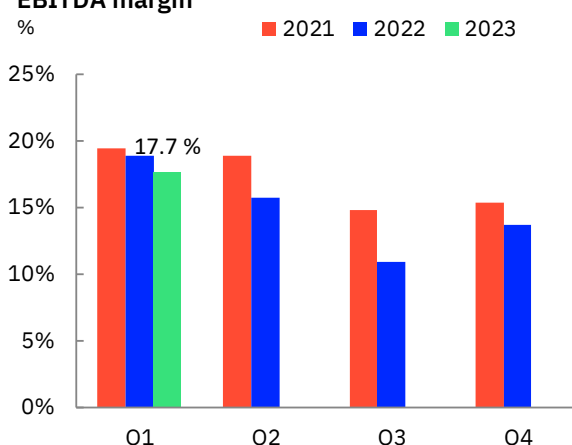
EBITDA

NOK million



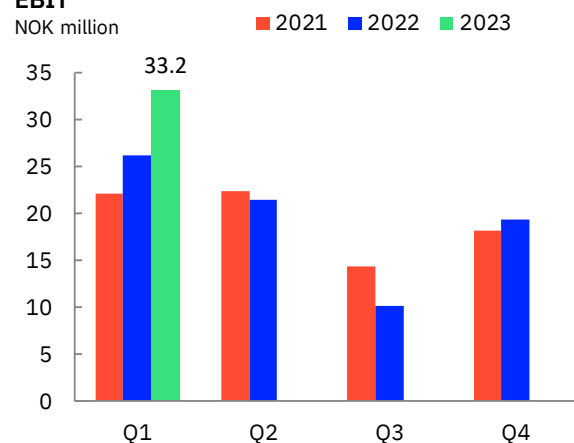
EBITDA margin

%



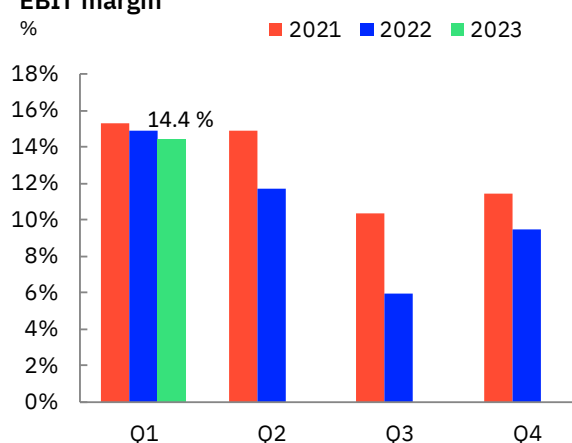
EBIT

NOK million



EBIT margin

%



Notes

Note 1: Transactions with related parties

There have been no material transactions with related parties during the reporting period 1 January 2023 to 31 March 2023.

Note 2: Events after the balance sheet date

There have been no events after 31 March 2023 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.

BITDA 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: Discontinued operations

As part of its strategy to exit its own data centre operations and migrate fully to the cloud, Itera sold its remaining data centre operations to Move AS at the end of the first quarter of 2022. This business segment is reported as discontinued operations on a net income basis (IFRS 5) in the comparative 2022 figures.

Below are figures from the discontinued operations presented on a gross basis in order to provide further insight into the figures for 2022. The first quarter of 2022 includes write downs of the remaining book values of assets retired, allocation of extra resource costs to prepare the business transfer and severance pay to redundant employees. No further costs are expected in relation to the discontinued operations

	2023	2022	change	2022
NOK million	1-3	1-3		1-12
Operating revenue	0.0	7.8	-7.8	7.3
Cost of sales	0.0	4.1	-4.1	4.7
Gross profit	0.0	3.7	-3.7	2.6
Personnel expenses	0.0	11.9	-11.9	12.7
Other operating expenses	0.0	2.1	-2.1	2.5
Depreciation and amortisation	0.0	0.8	-0.8	0.8
Total operating expenses	0.0	18.9	-18.9	20.7
EBIT	0.0	-11.1	11.1	-13.4
EBIT margin	0.0%	-141.5%	141.5%	-182.3%
Income taxes	0.0	-2.4	2.4	-2.9
Net income from discontinued operations	0.0	-8.7	8.7	-10.4

Our locations



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*Make a
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