ITERA

Q2
2022

Make a difference

Highlights

April – June 2022

- Operating revenue NOK 183.5 million (NOK 150.8 million), representing growth of 22%.
- EBITDA NOK 28.8 million (NOK 28.6 million) and an EBITDA margin of 15.7% (18.9%)
- EBIT NOK 21.5 million (NOK 22.4 million) and an EBIT margin of 11.7% (14.9%)
- 661 (539) employees at the end of the period, representing a net increase of 122 or growth of 23%
- Cash flow from operations NOK 13.0 million (NOK 23.8 million)

January – June 2022

- Operating revenue NOK 359.5 million (NOK 295.3 million), representing growth of 22%.
- EBITDA NOK 62.1 million (NOK 56.7 million) and an EBITDA margin of 17.3% (19.2%)
- EBIT NOK 47.6 million (NOK 44.6 million) and an EBIT margin of 13.3% (15.1%)
- Cash flow from operations NOK 12.6 million (NOK 24.4 million)

Highlights

- With a 22% increase in its operating revenue, Itera continued its strong growth trajectory in the second quarter.
- Itera is investing in three new offices in Central Europe to meet the increased demand for its internationally recognised distributed delivery model. While the company expects continued growth in its Ukrainian locations, the additional offices will provide an even higher total growth capacity than before the war.
- Itera's new Cloud Application Services unit is gradually gaining momentum in the market with several new cloud journey wins and an increasing pipeline of opportunities. In addition, Itera and Microsoft's global consultancy division, Industry Solutions Delivery (ISD), have entered a unique cooperation agreement to increase sales and deliveries to selected customers.
- Itera's new Cloud Application Services unit is gradually gaining momentum in the market with several new cloud journey wins and an increasing pipeline of opportunities. A noteworthy new customer from the public sector is the Norwegian Directorate of Integration and Diversity (IMDi), which has entered into a long-term framework agreement with Itera with an expected value of 40-60 MNOK for the first two years.
- In the second quarter of 2022, Itera had an order intake equivalent to a book-to-bill ratio of 1.1, and it entered into new or extended contracts with customers including Storebrand, Santander Consumer Bank, Mastercard, Kredinor, DNV, KLP, Gjensidige, Sector Alarm, and Laki Power.
- An ordinary dividend for 2021 of NOK 0.20 per share was paid.

Key figures

Amounts in NOK million	**2022 4-6**	2021 4-6	*change %*	**2022 1-6**	2021 1-6	*change %*	2021 1-12
Operating revenue	183.5	150.8	*22%*	359.5	295.3	*22%*	593.0
Gross profit	169.6	138.5	*22%*	331.7	271.0	*22%*	547.3
EBITDA	28.8	28.6	*1%*	62.1	56.7	*10%*	101.6
EBITDA margin	15.7 %	18.9 %	*-3.2 pts*	17.3 %	19.2 %	*-1.9 pts*	17.1 %
Operating profit (EBIT)	21.5	22.4	*-4%*	47.6	44.6	*7%*	77.0
EBIT margin	11.7 %	14.9 %	*-3.2 pts*	13.3 %	15.1 %	*-1.8 pts*	13.0 %
Profit before tax	21.8	22.1	*-2%*	47.8	44.0	*9%*	75.9
Net income from continuing operations	16.5	17.3	*-5%*	36.5	34.5	*6%*	58.5
Profit margin	9.0 %	11.5 %	*-2.5 pts*	10.2 %	11.7 %	*-1.5 pts*	9.9 %
Net income including discontinued operations	14.8	12.8	*15%*	26.1	27.0	*-3%*	44.1
Net cash flow from operating activities	13.0	23.8	*(45 %)*	12.6	24.4	*-48%*	69.7
No. of employees at the end of the period	661	539	*23 %*	661	539	*23%*	617

CEO's comment

As a leader of a people centric, entrepreneurial tech company, I would like to start by thanking our incredibly talented people for their extraordinary work and commitment to living our purpose every day – to deliver on the promise of creating sustainable digital business for our customers.

The first half of 2022 has been emotionally stressful for our company and our brave Ukrainian colleagues. I visited Ukraine in both April and June in order to meet our people and to experience their daily life and working environment after the invasion. The first days of the full-scale invasion were chaotic and during this time the basic need of ensuring our people were safe came first. But they then gradually adapted, learned new habits and formed new routines.

I am incredibly proud of the way our people at Itera in Ukraine have managed to carry on working despite the war. Cyber security is not an obstacle since we have implemented advanced security services in the cloud that basically remove the risks associated with end-user devices in Ukraine. Indeed, we achieved almost normal capacity utilisation about one week after the invasion.

As a company, we are deeply engaged in supporting Ukraine from all locations. Most importantly, we have not suffered any casualties. Today, our Ukrainian colleagues are talking a lot about the future and are making plans – both professional and personal - for next year.

Our Ukrainian people have learned to balance war and life. Most of them have returned to their homes. A few male employees have been drafted into military service. We keep in touch with them, provide support whenever possible and await their return. Some others have chosen to stay in Europe until the end of the war.

I also had meetings in Kyiv with several of ministers in the Ukrainian government to discuss how Norway and the Nordics can accelerate the green shift in order to reduce dependency on the Russian gas that is financing Putin's war. In addition, I spoke about the need to support Ukraine during the keynote opening part of the annual conference of the Confederation of Norwegian Enterprise (NHO)- Norway's de facto forum for all key government and business stakeholders.

Since the start of the invasion, we have invested in three new offices to counterbalance the new situation in Ukraine. The new locations are Brno in the Czech Republic, Žilina in Slovakia and Kraków in Poland. The office in Kraków will serve both local new hires and our colleagues from Ukraine who have relocated to the Kraków area. Once the new offices are running at full speed, our growth capacity will be even larger than before the invasion and less vulnerable to any situation in Ukraine. We are also ready to continue our growth in Ukraine.

The strong demand for our services and people, and the trust our customers have in us, are once again enabling us to be one of the top performers in our marketplace. We achieved robust organic growth of 22% and a solid EBIT margin of 11.7%, despite all the work associated with adapting to the new normal in Ukraine and the initial setup costs associated with our three new offices. We have also achieved solid organic growth in our headcount, with a net 122 employees joining over the last 12 months, 19 of whom joined in the second quarter.

Our customers turn to us, first and foremost, for our incredible people. Our scale is necessary, and the true power of Itera is our ability to attract and train great talented people that mirror the depth, breadth and scale of our services.

When I talk to executives, the need for speed and results is always one of their top priorities. Because speed is so important to our customers today, we often do multiple things at the same time to help our customers to build their digital business. We help them move faster by providing diverse teams made up of experts in digital business development, customer experience and technology, leveraging our Digital Factory at Scale and translating technology, data and AI into value.

Our Digital Factory at Scale for data-driven businesses brings together all of our capabilities, from three-horizon digital strategies and cloud transformation journeys to cloud migration, cloud-native development, data, AI, design, application lifecycle management and change.

After discontinuing our data centre operations in the first quarter, we have built a strong pipeline of cloud transformation opportunities for both existing and new customers. Moving to the cloud — or cloud migration —is just the first step. Over the last 18 months, companies have gone from having an average of about 20% of their workload in the public cloud to about 30-40% today, including SaaS solutions which are a major part. So, we are still in the early days.

I am very proud of our incredible people. Today, we are the strongest we have ever been in our history. Our consistent investment in our scalability, including new offices, cloud capabilities and training our people, will define our growth journey going forward.

We all know that Ukraine's fight is also our fight for our freedom and sovereignty. We believe in the dream of a new Ukraine, a Ukraine that is not only free, democratic and European, but also green and prosperous. A place that Ukraine's brave generation can finally feel is their own. Thank you for all your support.

Arne Mjøs

FOUNDER & CHIEF EXECUTIVE OFFICER

Business review

Business review

At Itera, we take pride in making a difference. We aspire to create value and societal growth by creating sustainable digital business. We are known for our commitment to diversity and inclusion, and we know that diversity makes us smarter and more innovative. And we take a broad view of diversity— including LGBTQ+.

Digitisation is becoming an ever more intrinsic part of business. More specifically, software is a prerequisite for competitiveness in any business area. For an increasing number of companies, it is the basis of what their business is built upon – the software is the product.

Expansion: several new offices

Itera's strategy outlines the fact that we aim to grow in a customer-centric manner. We seek to expand into new geographical locations in response to growing demand for Itera's services.

Over the last 3-4 months, we have established three offices in accordance with our growth plan. These new locations are Brno in the Czech Republic, Žilina in Slovakia and Kraków in Poland. Our office in Kraków will serve both local new hires and our colleagues from Ukraine that have relocated to the Kraków area. All new offices are being set up in accordance with our ONE Itera operating model.

Selected wins in Q2

IMDi
The Directorate of Integration and Diversity (IMDi) and Itera have entered into a long-term framework agreement. The framework agreement involves Itera working with IMDi to develop and modernise its digital registry services and to ensure that IMDi has the necessary expertise and capacity to establish a modern, cloud-based platform. The goal is to bring new digital services to IMDi's target groups and to create better user experiences for individuals.

Agder Energi
Itera has won a framework agreement with Agder Energi, one of the largest and most innovative energy companies in Norway. The framework agreement covers a broad range of Itera's services, including IT strategy and advisory, development, architecture and infrastructure services and project management. The agreement gives Agder Energi the possibility to explore the full potential of our expertise and capabilities. The contract period is up to 8 years.

LAKI Power
Itera has signed a contract with LAKI Power, an Iceland-based company with global reach. It develops hardware and software for monitoring electric grids that enhance the level of power that can be efficiently harvested from high voltage lines. Itera will start with a team consisting of DevOps and development capabilities in Ukraine. LAKI Power has been impressed by Itera and its operations in Ukraine and has stated that having a team based in Ukraine would be a competitive advantage due to its highly capable workforce and strong track record in digital deliveries.

Hafslund
Itera has won a new customer: Hafslund ECO, which is Norway's second-largest power generator and a company that only produces renewable energy. We are supporting three important projects.

Instech
Itera has signed a renewed three-year framework agreement with Instech, a marine insurance technology company. Instech has been using IT services in the quality and technology area with a mix of local and distributed capabilities over the last couple of years. Instech has been highly committed to Itera's delivery team and its support of Ukraine.

We take corporate social responsibility

Today we have more than 200 employees directly affected by the war. As a result, we have worked hard to make sure they are safe, worked closely with our customers, and built good security solutions for our deliveries. But the war has also brought with it an extra element of social responsibility.

As he writes in the CEO Comment section of this report, Arne Mjøs has travelled to Kyiv twice since the war broke out to meet our people and also with several minsters in the Ukrainian government to discuss how Norway can support Ukraine in relation to the energy sector, while also taking a leading position within industrial software and services.

His first visit was described in an article in the Norwegian business newspaper Dagens Næringsliv on 29th April 2022. As stated in the article, it is important to support Ukrainian industry and businesses to keep their economy running. Therefore, buying more products and services from Ukraine is the biggest corporate social responsibility (CSR) contribution that the private and public sectors can make.

In addition to donations and helping Ukrainian refugees, engaging Ukrainian IT specialists (who work as normal despite war) means a lot for their families and the country. In return, the Nordic region could be self-sufficient in IT specialists and could increase the speed at which the private and public sectors digitalise.

As an advanced and reliable producer of energy, Norway as well as the other Nordic countries can make Europe greener while at the same time contributing to Europe's energy security. The energy sector in the Nordic region is leveraging strong synergies between oil, gas, renewables, carbon capture, batteries and hydrogen.

With 14 years of experience of and deep insight into Ukraine, Itera is now taking a leadership position in the business community. Our understanding of the market, and of the energy sector in particular, mean we can see that the Nordics can contribute to the green transition not only in our own countries and Ukraine, but in Europe as a whole.

We are fully committed to Ukraine and have a very high level of ambition in relation to helping businesses with the green transition around the world. This is by far the most important aspect of our CSR. Doing so is incredibly powerful and meaningful for our employees, customers and company.

Doing more with less

Organisations in all industries will continue to infuse digital technology into every business process and function so that they can do more with less. Doing more with less does not mean working harder or longer but applying technology to amplify what you are able to do across an organization so you can differentiate and build resilience.

Our Digital Factory of Scale is all about doing more with less.

Creating sustainable digital business starts with setting up a modern, cloud platform that is automated, agile and secure by design. The next layer of digital business is data and AI, which help enterprises ask new questions and find new answers to drive decision-making based on insights and develop new products.

Then comes the application layer, which involves bringing to life new experiences and ways of operating. The application layer drives continuous development, rapid changes and improvements according to business needs, resulting in increased business agility and innovation. This is the age of AI. Companies' core business logic is no longer just being written by developers; it is being written by software. How do you help customers translate it into more predictions, more insights, more actions, more automation?

We bring all three layers together with our Digital Factory at Scale. The factory brings agility and continuous innovation to digital business to help customers respond to change.

Leaders in every industry are accelerating their migration to the cloud. Ninety-five percent of new digital workloads will be deployed on cloud-native platforms by 2025. IT and OT (Operational Technology) are coming together, and the cloud is foundational to how organizations will ensure they are competitive going forward.

It is hard to overstate the opportunity. We often start a customer's cloud journey with a Lite Discovery and Assessment. These assessments help customers to understand their current environment and provide recommended next steps for their cloud journey, as well as a recommended migration and modernisation plan based on a categorization of workloads. In addition, we combine with a digital strategy offering to define target end state, focused roadmap and business case for the cloud journey.

A typical cloud journey consists of both migration and modernization and takes from 12 to 36 months. After completing the closure of our own data centre by the end of first quarter, we launched a new service area, Cloud and Application Services, to address this opportunity. Our experience of data centre operations and software engineering have been valuable when building our expertise in cloud and hybrid solutions.

Our world-class Cloud Center of Excellence is managing *everything as code* - not only software and infrastructure provisioning but also operations and service delivery. The Cloud Center of Excellence is founded on Microsoft best practices but designed to support other hyperscalers, such as Google Cloud and Amazon Web Services (AWS), and hybrid cloud environments such as IBM Red Hat Openshift.

In the second quarter, we were engaged by several customers to help them with their cloud journey. For two customers, we will conduct a Lite Discovery & Assessment during Q3, with expected implementation from Q4.

Cloud Application Services is organized as a global unit with a full range of services and expertise to serve customers of any size from all our locations. The unit is growing its revenue with a mix of subscription and consulting services. It is still an economic investment case with its profitability due to gradually improve over the next 3-12 months.

Itera - a unique and preferred partner of Microsoft

In June 2022, Itera and Microsoft's consultancy division, Industry Solutions Delivery (ISD), entered into a unique cooperation agreement as part of which Itera became a preferred partner in Norway. ISD and Itera will together accelerate the digital transformation of Itera and Microsoft's customers in the Nordic countries.

Through joint sales and delivery teams, Itera is tapping into Microsoft's worldwide ISD team of over 20,000 experts who have decades of experience from around the world and its full range of developed intellectual property that has been continuously improved over many years. Examples are industry points of view, value propositions, detailed delivery descriptions, methodology, tools, automation and documentation.

The agreement obliges both parties to cooperate on sales and deliveries to joint customers. The aim is to accelerate the development of digital strategies and transformations for strategically selected customers.

The agreement runs for two years with extension options, starting in Norway where Itera is headquartered, and scaling to other countries through international customers.

Low Code at Itera

It is estimated that by 2030 there will be a shortage of about 85 million tech workers worldwide. Part of the solution is to democratise the creation of applications and access to data. Low Code platforms, like Microsoft Power Platform, aim to empower every developer to do more. This includes professional developers. We are seeing code-first professionals adopt low code tools and platforms to get up and running faster when creating applications.

For our customers, Low Code can be a great prototyping tool and a way of quickly validating project goals and business needs before big development projects. We are seeing successful fusion teams featuring both low coders and pro coders working side-by-side on the same project.

In Q2 2022 we established a "Low Code Practice" at Itera with Ulrikke Akerbæk as the Practice Lead. She was selected as one of Norway's top 50 women in tech in 2022 by Oda and Abelia and is a Microsoft MVP (Most Valuable Professional).

The goal of the practice is to establish an internal community of colleagues who can take the lead on customer projects that involve Low Code solutions. The vision is for every suitable Itera project to start with Low Code solutions delivered by distributed teams.

Levelling Up our employees

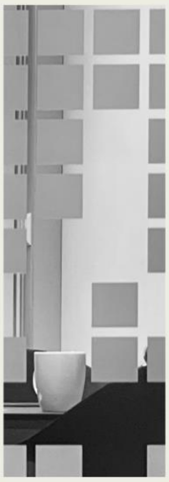
For our employees to have the best opportunities to further develop throughout their careers with us, Itera has developed a solid framework for continuous competence development called "Level Up". Level Up brings together activities, sources and resources that are useful for employees' development. We introduced this in more detail in our previous interim report and have since continued to develop the initiative. Itera will now be further developing "My Career", which will be focused on personal development.

In Q2, 15 educational events were arranged through Level Up, and employees in Norway used the Intranet platform actively for competence development. In addition, the development platform is now ready to be set up in all Itera offices, as part of our global strategy. This year's Graduate Program, with 19 graduates, also came to an end in Q2. The graduates have worked as consultants, in addition to participating in their own kick-off, in-house competence enhancement days, a "buddy" arrangement and a social trip at the program's end.

Market and customer development

In the second quarter of 2022, Itera had an order intake equivalent to a book-to-bill ratio of 1.1. For the last twelve-month period, the book-to-bill ratio was 1.2. Itera entered into new or extended contracts with customers including the Directorate of Integration and Diversity (IMDi), Storebrand, Santander Consumer Bank, Mastercard, Kredinor, DNV, KLP, Gjensidige, Sector Alarm, and Laki Power.

The revenue from Itera's 30 largest customers accounted for 82% of its operating revenue, which is eight percentage points higher than in the second quarter of 2021. New customers, defined as customers won during the last 12 months, accounted for 10% of revenue.



Financial review

Financial review

Financial reporting

Itera completed the transition of its customers from its on-premise data centre operations to managed cloud services and transferred the residual customer portfolio with all associated supplier contracts and assets to a new data centre vendor with effect from 1 April 2022. See the separate section on this for more details. Following the sale of this business, Itera reports the profit and loss statement relating to this business as discontinued operations on a net income basis. The continuing operations are equivalent to the core digital business that Itera reported as its primary segment in 2021.

The comments in this financial review relate to the performance of Itera's continuing operations in the second quarter of 2022 compared to the second quarter of 2021 unless otherwise stated. The figures given in brackets in this report refer to the equivalent period in 2021. 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 30 June 2022 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 2021. 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 2021. The interim financial information contained in this report has not been audited or reviewed.

Summary for the second quarter

Itera achieved organic revenue growth of 22% in the second quarter of 2022 relative to the second quarter of 2021. Gross profit increased by 22%, with the gross margin up by 0.6 points to 92.4%. The second quarter of 2022 contained the same number of working days in Norway as the corresponding period of 2021.

The operating profit (EBIT) for the second quarter of 2022 was NOK 21.5 million (NOK 22.5 million), with an EBIT margin of 11.7% (14.9%). For the first half of 2022 EBIT was NOK 47.6 million (NOK 44.6 million) and the EBIT margin was 13.3% (15.1%).

During the second quarter Itera started to significantly ramp up its recruitment capacity in the EU to mitigate slower growth in Ukraine during the war. The setup costs of recruiters, offices and administration will have a negative impact on the second half of 2022 before the future benefits materialise.

Furthermore, Itera has set up capacity for it to be a credible provider of cloud migration and operation services for larger customers. This capacity is not yet supported by sufficient business volume.

Operating revenue

Itera reports operating revenue of NOK 183.5 million (NOK 150.8 million) for the second quarter of 2022, which represents growth of 22%. This was driven by growth in the revenue from Itera's own services, which increased by 29% to NOK 155 million. Revenue from subscription-based services increased by 26% to NOK 19 million, while revenue from third-party services decreased by 23% to NOK 10 million. For the first six months operating revenue was NOK 359.5 million (NOK 295.3 million), which represents growth of 22%.

Gross profit (revenue minus cost of goods sold) was NOK 169.6 million (NOK 138.5 million) in the second quarter of 2022, which represents an increase of 22%. Gross profit for the first six months was NOK 331.7 million (NOK 271.0 million), which represents growth of 22%.

Operating expenses

Total operating expenses in the second quarter of 2022 were 26% higher at NOK 162.0 million (NOK 128.4 million), while for the first six months they were up 24% to NOK 311.9 million.

Cost of sales was NOK 13.9 million (NOK 12.3 million) and relates to subscription and third-party services and other revenue. For the first six months cost of sales was up 15% to NOK 27.9 million (NOK 24.3 million).

Personnel expenses were NOK 128.0 million (NOK 100.8 million) in the second quarter of 2022, which represents an increase of 27%. The average number of employees in the quarter was 25% higher than in the corresponding quarter of 2021. Personnel expenses per employee were 1% higher in the second quarter of 2022 than in the same quarter of 2021. For the first six months personnel expenses were up 25% to NOK 245.0 million as compared to an increase of 26% in the average number of employees. Average personnel expenses per employee were up by 1%.

Other operating expenses were NOK 12.8 million (NOK 9.2 million) in the second quarter of 2022, up by 39% from last year. The increase was primarily due to more spending on sales & marketing, recruitment and travel. For the first six months other operating expenses were NOK 24.6 million (NOK 17.7 million).

Depreciation and amortisation totalled NOK 7.3 million (NOK 6.1 million) in the second quarter. The increase was primarily due to the amortisation of Itera's investment in the Cloud Centre of Excellence. For the first six months depreciation and amortisation totalled NOK 24.6 million (NOK 17.7 million).

Operating result

The operating result before depreciation and amortisation (EBITDA) for the second quarter of 2022 was a profit of NOK 28.8 million (NOK 28.6 million), giving an EBITDA margin of 15.7% (18.9%). For the first six months EBITDA was NOK 62.1 million (NOK 56.7 million) with an EBITDA margin of 17.3% (19.2%).

The operating result (EBIT) for the second quarter was a profit of NOK 21.5 million (NOK 22.5 million), giving an EBIT margin of 11.7% (14.9%). For the first six months EBIT was NOK 47.6 million (NOK 44.6 million) with an EBIT margin of 13.3% (15.1%).

Discontinued operations

As previously reported, Itera had discontinued its data centre operations by the end of the first quarter of 2022. In the second quarter there were residual closing costs amounting to a net of NOK 2.3 million that were not covered by the provisions made in the first quarter. The operating result includes write-downs and accruals to cover any remaining asset values and future obligations to vendors and redundant employees, net of sales proceeds from Move. There are no further outstanding costs related to the discontinued operations as at the end of the second quarter.

Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 13.0 million (NOK 23.8 million) in the second quarter of 2022. NOK -1.9 million (NOK -0.5 million) of this amount related to the discontinued operations.

There was a net cash outflow from investing activities of NOK 3.9 million (NOK 11.4 million) in the second quarter of 2022, NOK 2.6 million of which amount related to investment in office equipment and inventory and NOK 2.4 million to intangible assets.

There was a net cash outflow from financing activities of NOK 12.7 million (NOK 38.3 million) in the second quarter of 2022, NOK 3.9 million of which amount related to office facilities.

Contract assets (previously referred to as *work in progress*) at 30 June 2022 were NOK 3.0 million lower than at 30 June 2021, 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 12.4 million higher and NOK 8 million lower respectively than at 30 June 2021.

Accounts payable at 30 June 2022 were NOK 8.9 million lower than at 30 June 2021. Public duties payable was NOK 5.1 million higher than at the end of the second quarter of 2021. Tax payable was NOK 5.2 million lower than at 30 June 2021. Contract liabilities at 30 June 2022 were NOK 3.0 million lower at NOK 21.1 million.

Cash and cash equivalents amounted to NOK 27.1 million at 30 June 2022, compared to NOK 15.4 million at 30 June 2021. Itera has a revolving credit facility of NOK 35 million.

Itera had lease liabilities totalling NOK 29.2 million (NOK 32.7 million) at 30 June 2022, which represents a net decrease of NOK 3.5 million. NOK 12.5 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 16.7 million are classified as non-current liabilities.

At 30 June 2022, Itera held 1,011,062 (1,637,006) own shares, valued at NOK 12.9 million (NOK 22.9 million).

Equity at 30 June 2022 totalled NOK 57.5 million (NOK 27.2 million). The equity ratio was 24.9% (12.4%). The equity ratio without the right-of-use assets included under IFRS 16 was 28.3% (14.1%).

Dividend

The Annual General Meeting on 24 May 2022 approved the Board's proposal for an ordinary dividend payment of NOK 0.20 per share and authorised the Board to decide on the payment of an additional dividend later in the year. The share went ex-dividend on 30 May 2022.

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 second quarter of 2022 was 661 as compared to 539 at the end of the second quarter of 2021. This represents an increase of 122 employees (23%) during the last 12 months.

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 54% (51%) at the end of the second quarter.

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 wWe are tapping 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 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 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 war there was a natural reduction in sales opportunities due to the uncertainty of the impact of the war. 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 is also mitigating the intermediate risk by strengthening its presence in nearby EU locations.

More information about risks and uncertainties can be found in Itera's annual report for 2021.

Outlook

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

Itera is utilising its strong relations with Ukrainian authorities and senior management in industries to enable the green shift through new industrial software and services.

In the short term, Itera's financial results will be impacted by its investment in growing its capacity in Central Europe to accommodate new demand and a transition out of Ukraine for a couple of customers. The new offices in Žilina (Slovakia), Brno (Czechia) and Krakow (Poland) will provide Itera with access to a wider range of potential employees in Central Europe.

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 its investment in its Cloud Application Services and its new partnership with Microsoft, Itera is currently performing several cloud journey assessment projects which hold the promise of significant migration and operations business in the near future.

Until then, the capacity readiness is an economic investment case, which profitability is expected to improve over the next 3-12 months.

Next interim report

The interim report for the third quarter will be published and presented on 25 October 2022.

Statement by the Board of Directors and Chief Executive Officer

The Board of Directors and the CEO have today considered and approved the consolidated condensed financial statements for the Itera Group for the three months ended 30 June 2022, including the comparisons with the corresponding period in 2021.

The Board has based its declaration below on reports and statements from the Group's CEO, on the results of the Group's activities, and on other information that is essential to assessing the Group's position.

To the best of our knowledge:

- The consolidated condensed financial statements for the three months ended 30 June 2022 have been prepared in accordance with IFRS as adopted by EU and IAS 34 (Interim Financial Reporting) and the additional disclosure requirements pursuant to the Norwegian Securities Trading Act.
- The information provided in the financial statements gives a true and fair portrayal of the Itera Group's assets, liabilities, profit and overall financial position as at 30 June 2022.
- The information provided in the report for the second quarter of 2022 provides a true and fair overview of the development, performance, financial position, important events and significant related party transactions in the accounting period as well as the most significant risks and uncertainties facing the Itera Group.

Oslo, 25 August 2022

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

Siren Tønnesen
Board Member

Joachim Trøbråten
Board Member

Arne Mjøs
CEO

Interim condensed financial information

Consolidated statement of comprehensive income

Amounts in NOK thousand	2022 4-6	2021 4-6	*change %*	2022 1-6	2021 1-6	*change %*	2021 1-12
Operating revenue	**183,507**	**150,825**	***22 %***	**359,523**	**295,275**	***22 %***	**592,956**
Operating expenses							
Cost of sales	**13,900**	12,284	*13 %*	27,871	24,306	*15 %*	45,699
Gross Profit	**169,607**	**138,541**	***22 %***	**331,652**	**270,969**	***22 %***	**547,257**
Gross Margin	***92.4 %***	*91.9 %*	*0.6 pts*	*92.2 %*	*91.8 %*	*0.5 pts*	*92.3 %*
Personnel expenses	**127,986**	100,779	*27 %*	244,963	196,594	*25 %*	403,688
Other operating expenses	**12,808**	9,202	*39 %*	24,560	17,690	*39 %*	41,944
Depreciation and amortisation	**7,318**	6,111	*20 %*	14,488	12,111	*20 %*	24,582
Total operating expenses	**162,012**	**128,376**	***26 %***	**311,882**	**250,701**	***24 %***	**515,912**
Operating profit (EBIT)	**21,495**	**22,449**	***(4 %)***	**47,641**	**44,574**	***7 %***	**77,044**
Other financial income	837	872	*(4 %)*	1,317	1,083	*22 %*	2,424
Other financial expenses	556	1,185	*(53 %)*	1,140	1,608	*(29 %)*	3,602
Net financial income (expenses)	**281**	**(314)**	***190 %***	**177**	**(526)**	***134 %***	**(1,178)**
Profit before taxes	**21,777**	**22,135**	***(2 %)***	**47,818**	**44,048**	***9 %***	**75,866**
Income taxes	5,230	4,803	*9 %*	11,277	9,556	*18 %*	17,333
Net income from continuing operations	**16,547**	**17,332**	***(5 %)***	**36,540**	**34,492**	***6 %***	**58,533**
Net income from discontinued operations*	**(1,786)**	**(4,551)**	***61 %***	**-10,438**	**-7,462**	***(40 %)***	**(14,385)**
Net income	**14,760**	**12,780**	***15 %***	**26,102**	**27,029**	***(3 %)***	**44,148**
Other comprehensive income							
Translation differences on net investment in foreign operations	1,900	40	*4,650 %*	1,404	128	*997 %*	274
Total comprehensive income	**16,660**	**12,821**	***30 %***	**27,506**	**27,158**	***1 %***	**274**
Total comprehensive income attributable to:							
Shareholders in parent company	**16,660**	**12,821**	***30 %***	**27,506**	**27,158**	***1 %***	**44,422**
Earnings per share continuing operations	0.20	0.21	*(5 %)*	0.45	0.43	*6 %*	0.73
Fully diluted earnings per share continuing operations	0.20	0.21	*(4 %)*	0.45	0.42	*6 %*	0.72

*) See note 4 for information about discontinued operations.

Consolidated statement of financial position

Amounts in NOK thousand	2022 30 Jun	2021 30 Jun	*change*	*change* *%*	2021 31 Dec
ASSETS					
Non-current assets					
Deferred tax assets	4,707	4,806	*(99)*	*(2 %)*	4,791
Other intangible assets	34,266	30,893	*3,373*	*11 %*	34,826
Property, plant and equipment	15,998	14,533	*1,466*	*10 %*	15,729
Right-of-use assets	27,207	26,569	*638*	*2 %*	30,917
Lease receivable - long term	0	3,500	*(3,500)*	*(100 %)*	-
Total non-current assets	**82,180**	**80,301**	***1,878***	***2 %***	**86,262**
Current assets					
Contract assets	(293)	2,725	*(3,017)*	*(111 %)*	1,120
Contract costs	2,690	5,380	*(2,690)*	*(50 %)*	4,035
Lease receivable - short term	0	1,503	*(1,503)*	*(100 %)*	3,370
Accounts receivable	99,096	86,660	*12,436*	*14 %*	76,092
Other receivables	19,907	27,907	*(8,000)*	*(29 %)*	12,794
Cash and cash equivalents	27,083	15,388	*11,696*	*76 %*	37,457
Total current assets	**148,484**	**139,563**	***8,921***	***6 %***	**134,867**
TOTAL ASSETS	**230,664**	**219,864**	***10,799***	***5 %***	**221,130**
EQUITY AND LIABILITIES					
Equity					
Share capital	24,656	24,656	*-*	*(0 %)*	24,656
Other equity	6,739	(24,505)	*31,244*	*127 %*	(29,870)
Net income for the period	26,102	27,029	*(927)*	*(3 %)*	44,750
Total equity	**57,497**	**27,179**	***30,317***	***112 %***	**39,536**
Non-current liabilities					-
Other provisions and liabilities	1,104	335	*769*	*230 %*	1,944
Lease liabilities - long-term portion	16,668	16,740	*(72)*	*(0 %)*	20,036
Total non-current liabilities	**17,772**	**17,074**	***697***	***4 %***	**21,980**
Current liabilities					-
Accounts payable	19,207	28,096	*(8,889)*	*(32 %)*	18,846
Tax payable	4,532	9,776	*(5,244)*	*(54 %)*	7,278
Public duties payable	36,971	31,906	*5,065*	*16 %*	37,136
Contract liabilities	21,107	24,090	*(2,982)*	*(12 %)*	18,318
Lease liabilities - short term	12,509	15,976	*(3,467)*	*(22 %)*	15,163
Other current liabilities	61,069	65,767	*(4,698)*	*(7 %)*	62,736
Total current liabilities	**155,395**	**175,610**	***(20,215)***	***(12 %)***	**159,477**
Total liabilities	**173,167**	**192,685**	***(19,518)***	***(10 %)***	**181,457**
TOTAL EQUITY AND LIABILITIES	**230,664**	**219,864**	***10,799***	***5 %***	**221,130**
Equity ratio	**24.9 %**	**12.4 %**		***12.6 pts***	**17.9 %**

Consolidated statement of cash flow

Amounts in NOK thousand	2022 4-6	2021 4-6	*change*	2022 1-6	2021 1-6	*change*	2021 1-12
Profit before taxes	19,486	16,301	3,186	34,435	34,481	(46)	57,424
Income taxes paid	(2,578)	(4,671)	2,093	(11,252)	(10,133)	(1,119)	(13,223)
(Profit)/loss from sale of assets	353	-	353	815	-	815	-
Depreciation and amortisation	7,318	7,097	220	15,246	14,177	1,068	28,467
Share option costs	306	404	(97)	567	404	163	763
Change in contract assets	8,115	498	7,618	1,413	(1,529)	2,942	75
Change in accounts receivable	(11,329)	(5,419)	(5,909)	(23,004)	(19,385)	(3,619)	(8,817)
Change in accounts payable	3,268	6,751	(3,483)	361	4,927	(4,566)	(4,323)
Change in other accruals	(11,294)	3,219	(14,513)	(5,611)	2,918	(8,529)	11,414
Effect of changes in exchange rates	(653)	(355)	(298)	(377)	(1,484)	1,107	(2,040)
Net cash flow from operating activities	**12,992**	**23,823**	**(10,831)**	**12,593**	**24,376**	**(11,783)**	**69,740**
Payment from sale of fixed assets	1,055	-	1,055	1,055	-	1,055	-
Investment in fixed assets	(2,557)	(1,465)	(1,092)	(3,754)	(2,240)	(1,514)	(7,492)
Investment in intangible assets	(2,429)	(9,890)	7,461	(5,283)	(16,421)	11,138	(25,297)
Net cash flow from investing activities	**(3,931)**	**(11,355)**	**7,424**	**(7,982)**	**(18,661)**	**10,679**	**(32,789)**
Purchase of own shares	-	(23,522)	23,522	(621)	(23,522)	22,901	(23,522)
Sales of own shares	6,559	8,427	(1,868)	6,559	8,427	(1,868)	8,427
Cash settlement of options contract	-	-	-	-	-	-	(978)
Equity settlement of options contract	-	-	-	-	-	-	3,951
Principal elements of lease payments	(3,939)	(4,281)	342	(7,733)	(11,631)	3,898	(17,533)
Instalment of sublease receivable	810	895	(85)	1,750	1,798	(48)	3,616
Dividends paid to equity holders of Itera ASA	(16,099)	(19,798)	3,699	(16,099)	(19,798)	3,699	(27,853)
Net cash flow from financing activities	**(12,669)**	**(38,279)**	**25,610**	**(16,144)**	**(44,726)**	**28,582**	**(53,892)**
Effects of exchange rate changes on cash and cash equivalents	1,161	-	1,161	1,160	(1)	1,161	(2)
Net change in cash and cash equivalents	**(2,447)**	**(25,810)**	**23,363**	**(10,373)**	**(39,012)**	**28,638**	**(16,945)**
Cash and cash equivalents at the beginning of the period	29,530	41,198	(11,668)	37,456	54,399	(16,943)	54,399
Cash and cash equivalents at the end of the period	**27,083**	**15,388**	**11,696**	**27,083**	**15,387**	**11,696**	**37,457**

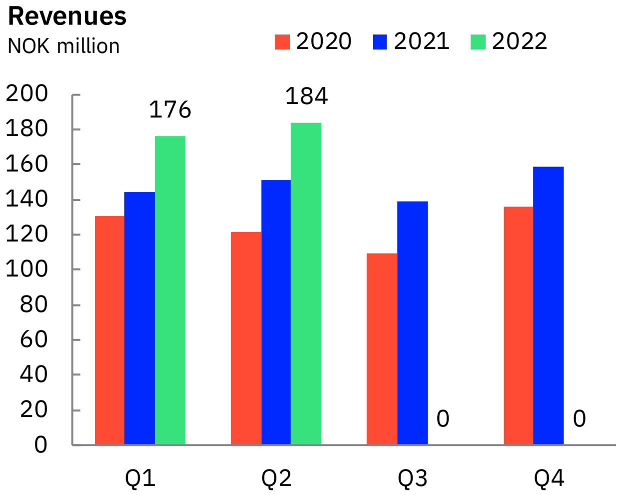
Consolidated statement of changes in equity

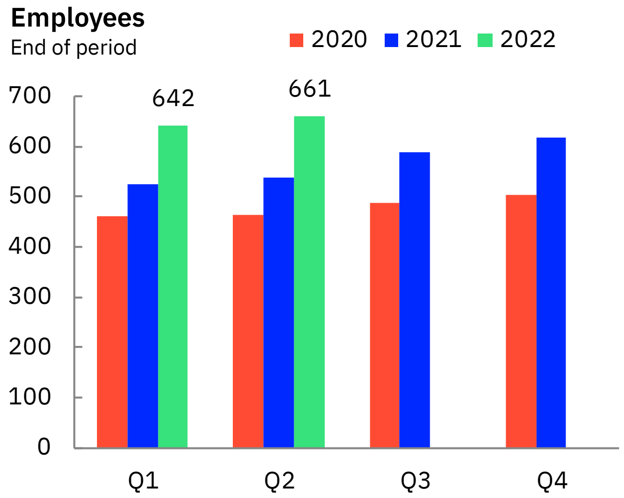
Amounts in NOK thousand	Share capital	Own shares	Other paid in equity	Cumulative translation differences	Other equity	Total equity
Equity as of 1 Jan 2021	**24,655**	**(381)**	**(21,563)**	**563**	**31,066**	**34,341**
Net income for the period	-	-	-	-	44,148	**44,148**
Other comprehensive income for 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	-	-	-	-	26,102	**26,102**
Other comprehensive income for the period	-	-	-	1,405	-	**1,405**
Share option costs	-	-	615	-	-	**615**
Purchase of own shares		(17)	(605)			**(621)**
Sale of own shares	-	204	6,355	-	-	**6,559**
Dividends	-	-	-	-	(16,099)	**(16,099)**
Equity as of 30 Jun 2022	**24,655**	**(304)**	**(26,445)**	**2,225**	**57,365**	**57,497**

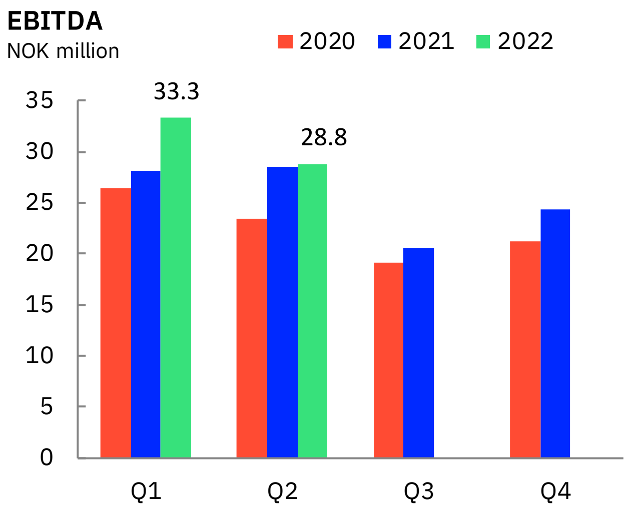
Key figures

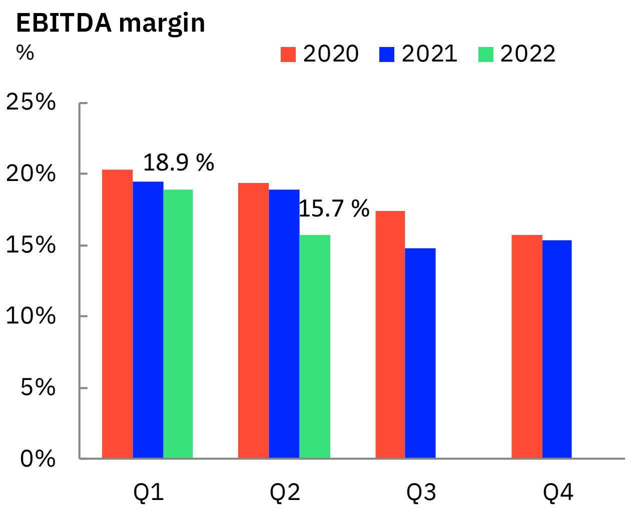
Amounts in NOK thousand	2022 4-6	2021 4-6	change %	2022 1-6	2021 1-6	change %	2021 1-12
Profit & Loss continuing operations							
Operating revenue	183,507	150,825	*22%*	359,523	295,275	*-38%*	592,956
Gross profit	169,607	138,541	*22%*	331,652	270,969	*-37%*	547,257
EBITDA	28,813	28,560	*1%*	62,130	56,685	*-49%*	101,626
EBITDA margin	*15.7%*	*18.9 %*	*-3.2 pts*	*17.3%*	*19.2 %*	*-1.9 pts*	*17.1 %*
Operating profit (EBIT)	21,495	22,449	*-4%*	47,641	44,574	*-52%*	77,044
EBIT margin	*11.7%*	*14.9 %*	*-3.2 pts*	*13.3%*	*15.1 %*	*-1.8 pts*	*13.0 %*
Profit before taxes	21,777	22,135	*-2%*	47,818	44,048	*-51%*	75,866
Net income	16,547	17,332	*-5%*	36,540	34,492	*-52%*	58,533
Net income incl. discont. operations	14,760	12,781	*15%*	26,102	27,030	*-45%*	44,148
Balance sheet							
Non-current assets	82,180	80,301	*2%*	82,180	80,301	*2%*	86,262
Bank deposits	27,083	15,388	*76 %*	27,083	15,388	*76 %*	37,456
Other current assets	148,484	124,175	*20 %*	148,484	124,175	*20 %*	97,412
Total assets	230,664	219,864	*5 %*	230,664	219,864	*5 %*	221,130
Equity	57,497	27,179	*112 %*	57,497	27,179	*112 %*	39,673
Total non-current liabilities	17,772	17,074	*4 %*	17,772	17,074	*4 %*	21,980
Total current liabilities	155,395	175,610	*(12 %)*	155,395	175,610	*(12 %)*	159,477
Equity ratio	*24.9%*	*12.4 %*	*12.6 pts*	*24.9%*	*12.4 %*	*12.6 pts*	*17.9 %*
Current ratio	1.13	0.79	*42 %*	1.13	0.79	*42 %*	0.85
Cash flow							
Net cash flow from operating activities	12,992	23,823	*(45%)*	12,593	24,377	*(48%)*	69,546
Net cash flow	(2,447)	(1,731)	*(41%)*	(10,373)	(7,581)	*(37%)*	28,249
Share information							
Number of shares	82,186,624	82,186,624	*0 %*	82,186,624	82,186,624	*0 %*	82,186,624
Weighted average basic shares outstanding	80,834,820	80,733,553	*0 %*	80,678,469	80,825,521	*(0%)*	80,687,569
Weighted average diluted shares outstanding	80,955,438	81,131,020	*(0%)*	80,917,477	81,239,126	*(0%)*	81,077,670
Earnings per share continuing business	0.20	0.21	*(5%)*	0.45	0.43	*6 %*	0.73
Diluted Earnings per share contin. operations	0.20	0.21	*(4%)*	0.45	0.42	*6 %*	0.72
EBITDA per share continuing operations	0.36	0.35	*1 %*	0.77	0.70	*10 %*	1.26
Equity per share	0.71	0.34	*111 %*	0.71	0.34	*112 %*	0.49
Dividend per share	0.20	0.25	*(20%)*	0.20	0.25	*(20%)*	0.35
Employees continuing business							
Number of employees at the end of the period	661	539	*23 %*	661	539	*23 %*	617
Average number of employees	667	532	*25 %*	664	528	*26 %*	556
Operating revenue per employee	275	284	*(3%)*	542	559	*(3%)*	1,067
Gross profit per employee	254	261	*(2%)*	500	513	*(3%)*	985
Personnel expenses per employee	192	190	*1 %*	369	372	*(1%)*	726
Other operating expenses per employee	19	17	*11 %*	37	33	*10 %*	75
EBITDA per employee	43	54	*(20%)*	94	107	*(13%)*	183
EBIT per employee	32	42	*(24%)*	72	84	*(15%)*	139

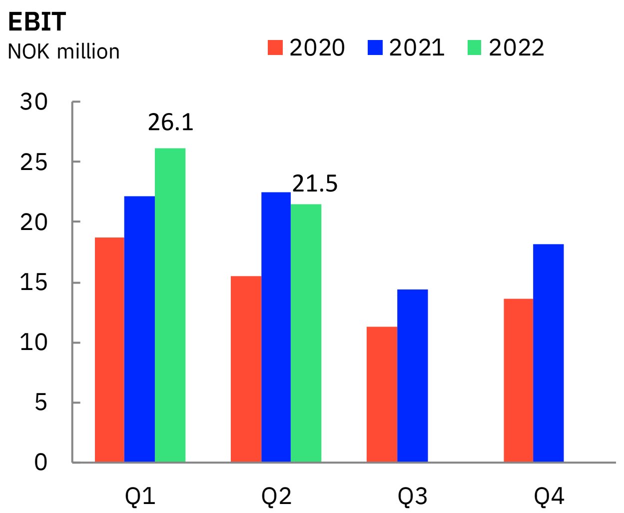
Quarterly development 2020-2022

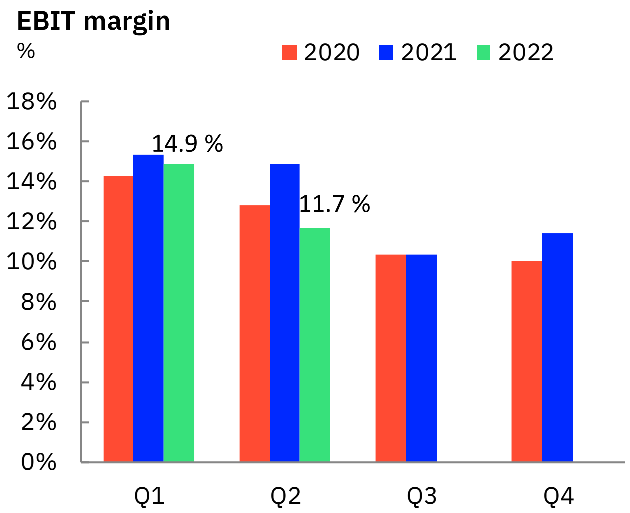












Notes

Note 1: Transactions with related parties

There have been no material transactions with related parties during the reporting period 1 January 2022 to 30 June 2022.

Note 2: Events after the balance sheet date

There have been no events after 30 June 2022 that would have a material effect on the interim accounts.

Note 3: Alternative performance measures

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

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

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

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

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

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

Note 4: 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 second quarter. This business segment is now reported as discontinued operations on a net income basis (IFRS 5).

Below are figures from the discontinued operations presented on a gross basis in order to provide further insight into the figures. The second quarter of 2022 includes some residual costs and reversal of accrued revenue that were not covered by the provisions made in the first quarter. There are no more outstanding costs related to the discontinued operations that have not been fully settled.

NOK million	**2022 4-6**	2021 4-6	*change*	**2022 1-6**	2021 1-6	*change*	2021 1-12
Operating revenue	-0.5	10.3	-10.8	7.3	22.5	-15.2	40.1
Cost of sales	0.6	4.6	-4.0	4.7	9.5	-4.8	17.4
Gross profit	-1.1	5.7	-6.8	2.6	13.0	-10.4	22.7
Gross margin	*219.1%*	*55.1%*	*164.0%*	*35.5%*	*57.8%*	*-22.3%*	*56.6%*
Personnel expenses	0.8	8.7	-7.9	12.7	17.3	-4.6	31.0
Other operating expenses	0.4	1.8	-1.4	2.5	3.2	-0.7	6.2
Depreciation and amortisation	0.0	1.0	-1.0	0.8	2.1	-1.3	3.9
Total operating expenses	1.8	16.1	-14.3	20.7	32.1	-11.4	58.5
EBITDA	-2.3	-4.8	2.6	-12.6	-7.5	-5.1	-14.6
EBITDA margin	*458.0%*	*-47.2%*	*505.3%*	*-172.0%*	*-33.3%*	*-138.7%*	*-36.3%*
EBIT	-2.3	-5.8	3.5	-13.4	-9.6	-3.8	-18.4
EBIT margin	*458.0%*	*-56.8%*	*514.9%*	*-182.3%*	*-42.4%*	*-139.9%*	*-46.0%*
Income taxes	-0.5	-1.3	0.8	-2.9	-2.1	-0.8	-4.1
Net income from discontinued operations	-1.8	-4.6	2.8	-10.4	-7.5	-3.0	-14.4

ITERA

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