

INTERIM REPORT

# FIRST QUARTER 2014

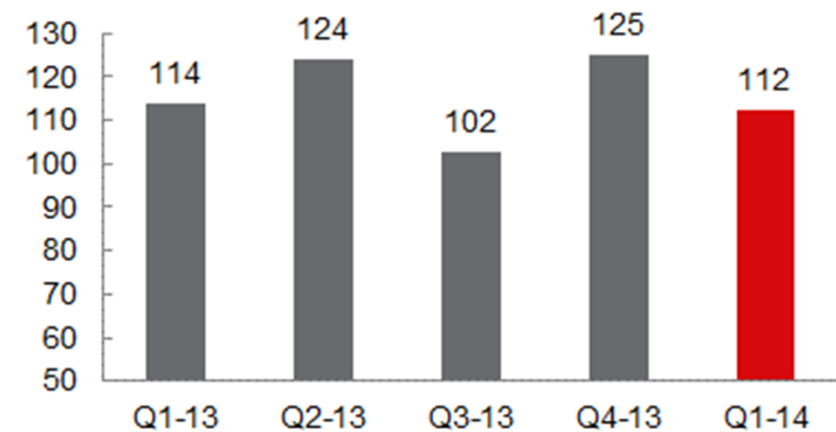
CEO ARNE MJØS  
CFO TORUNN HAVRE

OSLO, 29 APRIL 2014

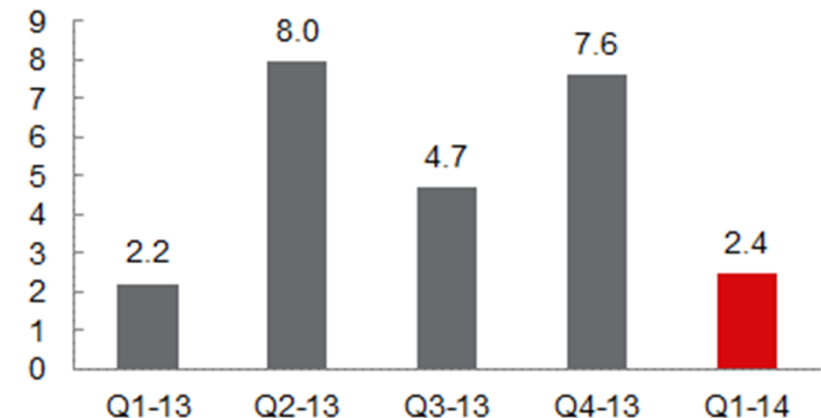
# Highlights in the first quarter

- Revenue down by -1 %
  - MNOK 112
- EBITDA
  - MNOK 7.8; 7.0 % margin
- EBIT
  - MNOK 2.4; 2.2 % margin
- Operating cash flow
  - MNOK -10.7 in Q1
- Top 10 customers growth 19 %
  - Larger projects and broader deliveries
- Employees increased by 7 %
  - 464 employees
  - Nearshore ratio 34 %

**Revenues**  
NOK million



**EBIT**  
NOK million



# Current IT industry status in Ukraine

## External focus:

- Customers are managing their risks and this have had some negative impact on 2014 forecasts.
  - No physical impact on business, it is business as usual, but the market perception is high country risk
  - Some potential and existing clients are waiting, postponing decisions
- Almost all IT companies are actively opening or expanding to Eastern Europe: Poland, Bulgaria, Romania, Baltics, Slovakia, others.
- US campaign “Increase Profits. Support Democracy. Cloudsource to Ukraine” to support IT outsourcing to Ukraine during its crisis with Russia

## Local focus:

- Multiple e-government, e-society initiatives
- New consolidated initiative “itBrains in Ukraine” to boost 100,000 more employees in the IT industry by 2020.

# FINANCIAL REVIEW

# Key figures

		<b>2014</b>	2013	Change	<b>2014</b>	2013	Change
		<b>Q1</b>	Q1		<b>YTD</b>	YTD	
Operating revenue	MNOK	<b>112.4</b>	113.6	-1 %	<b>112.4</b>	113.6	-1 %
Gross profit	MNOK	<b>94.6</b>	91.3	4 %	<b>94.6</b>	91.3	4 %
EBITDA	MNOK	<b>7.8</b>	7.4	5 %	<b>7.8</b>	7.4	5 %
EBITDA margin		<b>7.0 %</b>	6.5 %		<b>7.0 %</b>	6.5 %	
Operating profit (EBIT)	MNOK	<b>2.4</b>	2.2	10 %	<b>2.4</b>	2.2	10 %
EBIT margin		<b>2.2 %</b>	1.9 %		<b>2.2 %</b>	1.9 %	
Profit before taxes	MNOK	<b>2.3</b>	2.0	15 %	<b>2.3</b>	2.0	15 %
Profit for the period	MNOK	<b>1.7</b>	1.5	16 %	<b>1.7</b>	1.5	16 %
Net cash flow from operations	MNOK	<b>-10.7</b>	4.8	-326 %	<b>-10.7</b>	4.8	-326 %
Cash and cash equivalents	MNOK	<b>53</b>	31	72 %	<b>53</b>	68	-22 %
Equity ratio		<b>41 %</b>	41 %		<b>41 %</b>	39 %	
Employees at end of period		<b>464</b>	432	7 %	<b>464</b>	432	7 %

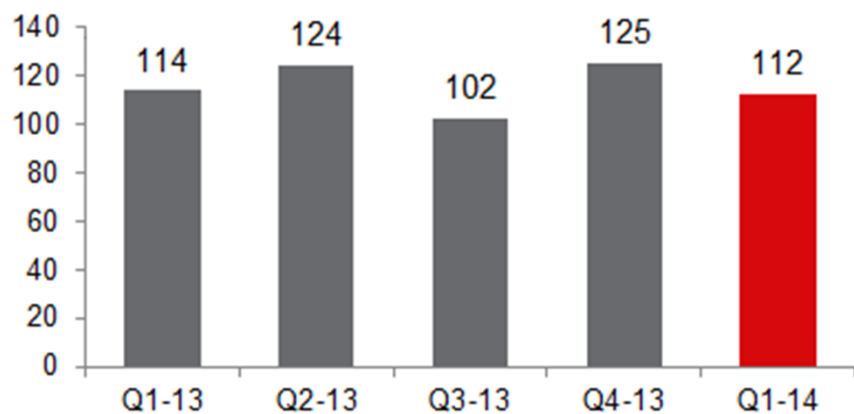


**Rising geopolitical tensions are depressing market conditions for IT-outsourcing to Ukraine, weakening group performance in the first quarter.**

# Quarterly development

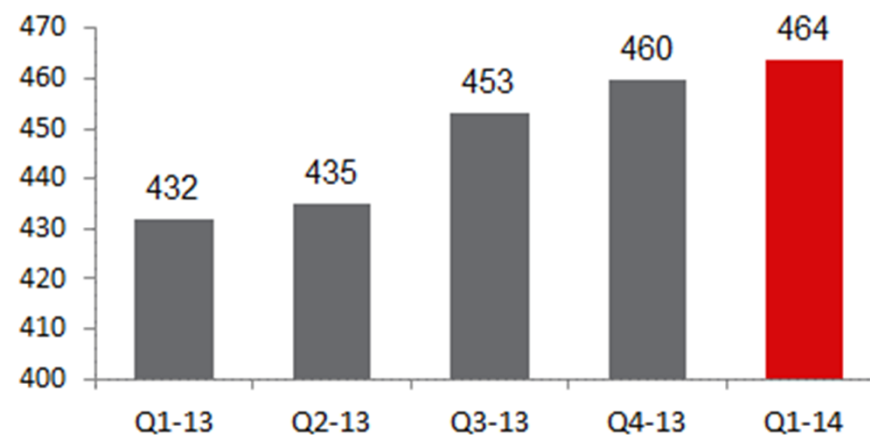
## Operating revenue

NOK million



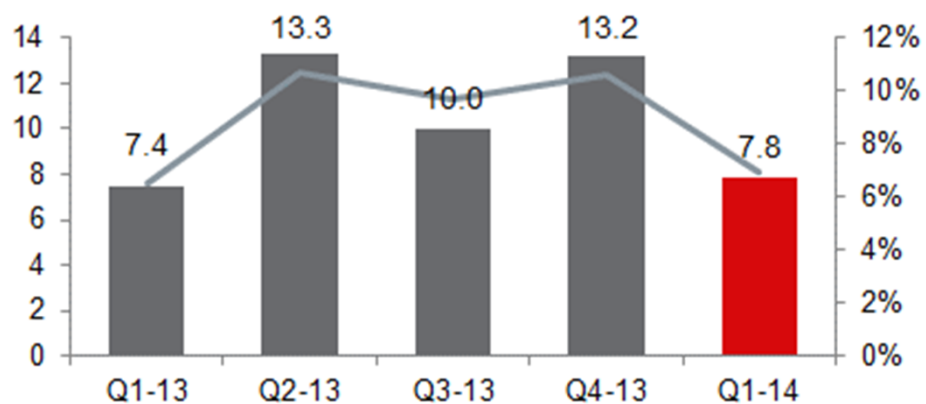
## Employees

End of period



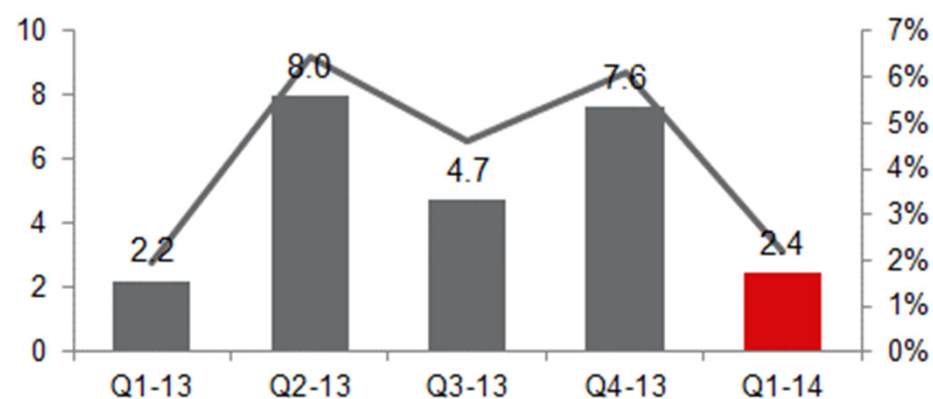
## EBITDA

NOK million



## EBIT

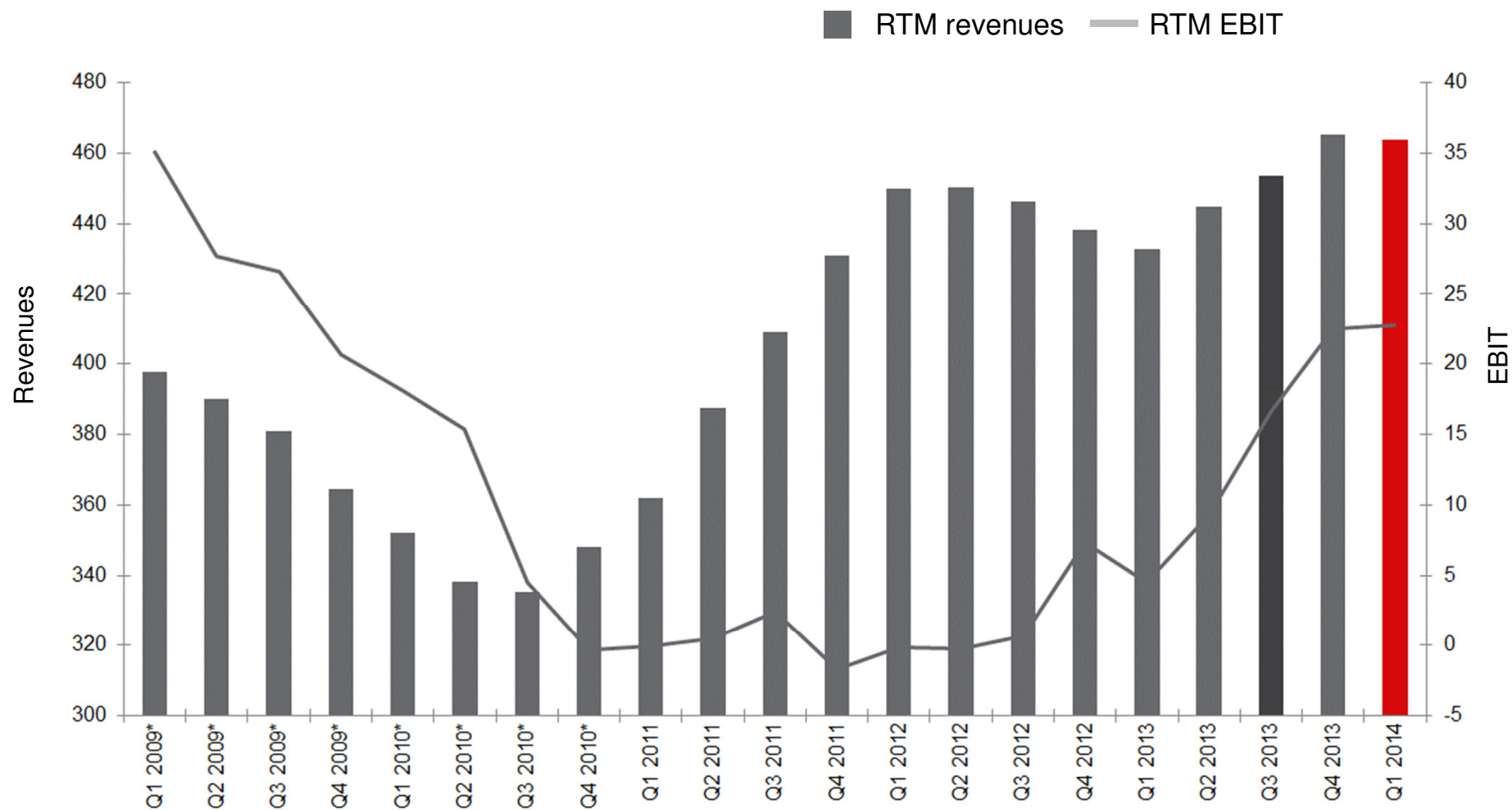
NOK million



# Rolling 12-month (RTM)

## Rolling 12-month (RTM)

NOK million



# Statement of income

NOK Million	2014 Q1	2013 Q1	Change %	2014 YTD	2013 YTD	Change %
<b>Operating revenue</b>	<b>112.4</b>	113.6	-1 %	<b>112.4</b>	113.6	-1 %
Cost of sales	17.8	22.3	-20 %	17.8	22.3	-20 %
Personnel expenses	75.0	71.4	5 %	75.0	71.4	5 %
Depreciation	5.4	5.2	3 %	5.4	5.2	3 %
Other operating expenses	11.8	12.6	-6 %	11.8	12.6	-6 %
<b>Total operating expenses</b>	<b>110.0</b>	111.4	-1 %	<b>110.0</b>	111.4	-1 %
<b>Operating profit (EBIT)</b>	<b>2.4</b>	2.2	10 %	<b>2.4</b>	2.2	10 %
Net financial income	-0.1	-0.2		-0.1	-0.2	
<b>Profit before taxes</b>	<b>2.3</b>	2.0	15 %	<b>2.3</b>	2.0	15 %
Income taxes	0.6	0.6	11 %	0.6	0.6	11 %
<b>Net profit for the period</b>	<b>1.7</b>	1.5	16 %	<b>1.7</b>	1.5	16 %



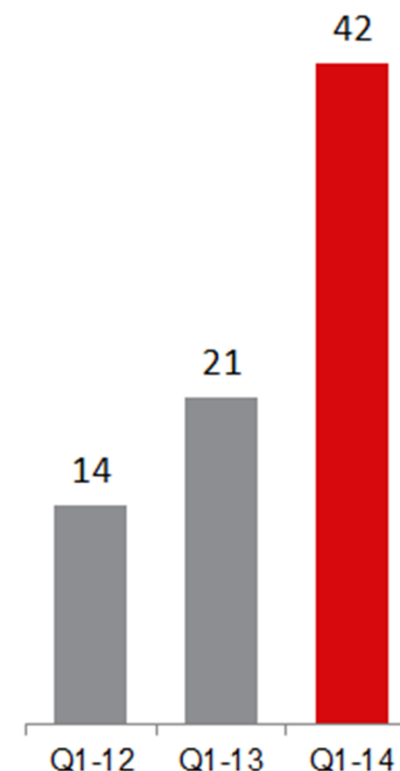
**Revenue and profit at the same level as last year. However, revenue and profit were affected by several larger projects with later start than planned.**



# Statement of cash flow

NOK Million	2014 Q1	2013 Q1	2013 FY
Cash flow from operations (EBITDA)	7.8	7.4	7.4
Change in balance sheet items	-18.6	-2.7	-2.7
<b>Net cash flow from operating activities</b>	<b>-10.7</b>	4.8	4.8
<b>Net cash flow from investment activities</b>	<b>-2.3</b>	-1.5	-1.5
Purchase of own shares	0.0	0.0	0.0
Borrowings repaid	-1.9	-1.3	-1.3
External dividend paid	0.0	0.0	0.0
<b>Net cash flow from financing activities</b>	<b>-1.9</b>	-1.3	-1.3
Currency effect on cash	0.0	0.0	0.0
<b>Net change in bank deposits and cash</b>	<b>-14.9</b>	2.0	2.0
<b>Bank deposits at the end of the period</b>	<b>53.1</b>	30.8	68.0

12 month rolling  
operating cash



**Cash flow from operating activities amounted to MNOK -10.7 in the first quarter, mainly due to some large invoices which was paid after due date.**

# Statement of financial position

NOK Million	2014 31 Mar	2013 31 Mar	Change %	2013 31 Dec
Deferred tax assets	9	13	-34 %	9
Other intangible assets	16	19	-16 %	17
Fixed assets	30	27	14 %	28
<b>Total non-current assets</b>	<b>55</b>	<b>59</b>	<b>-6 %</b>	<b>54</b>
Work in progress	7	10	-32 %	16
Accounts receivable	81	72	13 %	70
Other receivables	19	10	97 %	13
Bank deposits	53	31	72 %	68
<b>Total current assets</b>	<b>160</b>	<b>122</b>	<b>31 %</b>	<b>166</b>
<b>Total assets</b>	<b>215</b>	<b>181</b>	<b>19 %</b>	<b>220</b>
 <b>Total equity</b>	 <b>87</b>	 <b>74</b>	 <b>18 %</b>	 <b>87</b>
<b>Non-current liabilities</b>	<b>18</b>	<b>13</b>	<b>45 %</b>	<b>16</b>
Accounts payable	23	18	25 %	27
Public duties and tax payables	33	24	39 %	25
Other short-term liabilities	54	52	3 %	65
<b>Total current liabilities</b>	<b>109</b>	<b>94</b>	<b>16 %</b>	<b>117</b>
<b>Total equity and liabilities</b>	<b>215</b>	<b>181</b>	<b>19 %</b>	<b>220</b>
 <b>Equity ratio</b>	 <b>41 %</b>	 <b>41 %</b>		 <b>39 %</b>

# Dividend Proposal

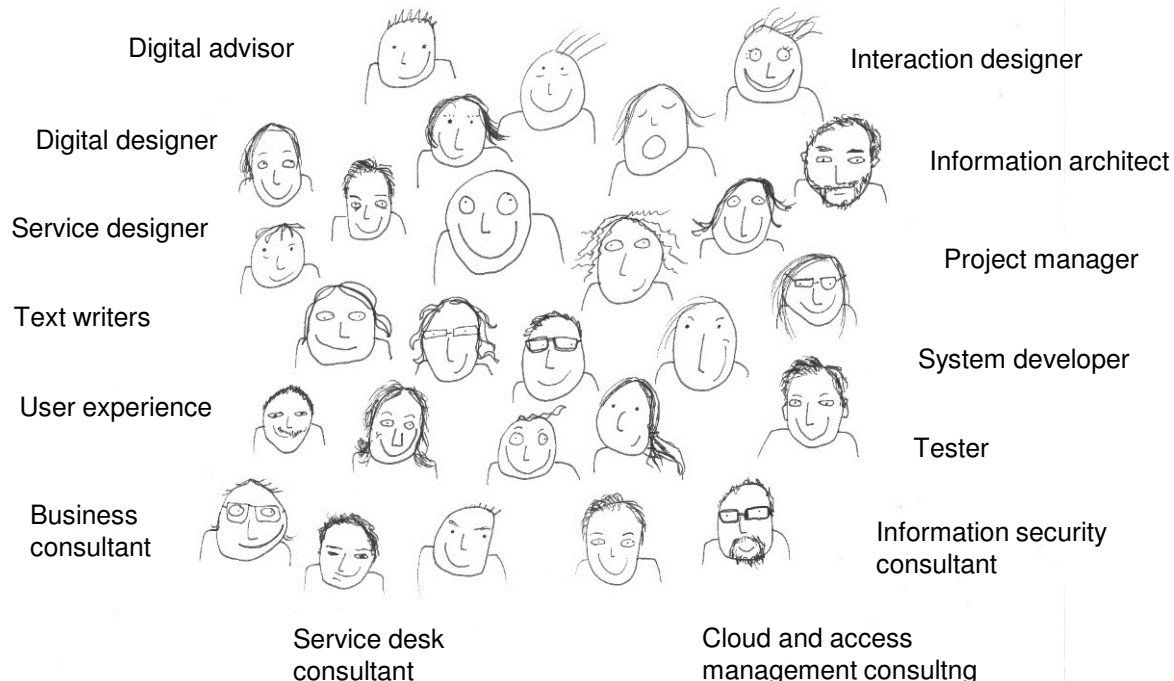
- The Board of Directors will propose a dividend of NOK 0.35 per share for 2013.
- The Annual General Meeting will take place on Thursday 22 May 2014.
- Following the resolution by the Annual General Meeting, the share will be traded ex dividend on Friday 23 May 2014.

Year	Dividend/share capital payback per share
2013	NOK 0.35 proposal
2012	NOK 0.06
2010	NOK 0.10
2009	NOK 0.20
2008	NOK 0.20
2007	NOK 0.50
2006	NOK 0.20
2006	NOK 0.30
2005	NOK 0.50
2004	NOK 0.20

# BUSINESS REVIEW

# Itera is a company specializing in communication and technology

We combine our multidisciplinary strengths to gain deeper insight and explore new possibilities.



**COMPUTERWORLD** – it-nyheter døgnet rundt  
IDG – verdens største mediehus innen it

SEMINAR & CIO | IT-KARRIERE | IT-HELSE | IT-KURS | IT-STIL

Du er her: [Computerworld >](#)

## - Vi er ikke lenger et rent it-selskap

Ahlert Hysing  
30.10.2013 kl 07:01

Mens andre sliter synes det meste å gå på skinner for Itera. Årsaken er, ifølge Arne Mjøs, ny profil.

TESTMARKED: Norden er tidlig ute med å ta i bruk nye hjelpemidler, de seneste årene mobile hjelpemidler. Arne Mjøs tror at amerikanere vil prøve ut nye forretningsmodeller i Norge. Internet of Things er et stikkord. Derfor har Itera innrettet organisasjonen for kommunikasjon og teknologi. Foto: Ahlert Hysing

Itera har bestått av et konsern med en rekke datterselskaper. Fra 13. september ble

Tweet +1 Anbefal

# Our service offerings and key focus areas

## Key drivers



Social Media



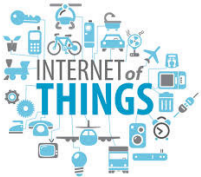
Mobility



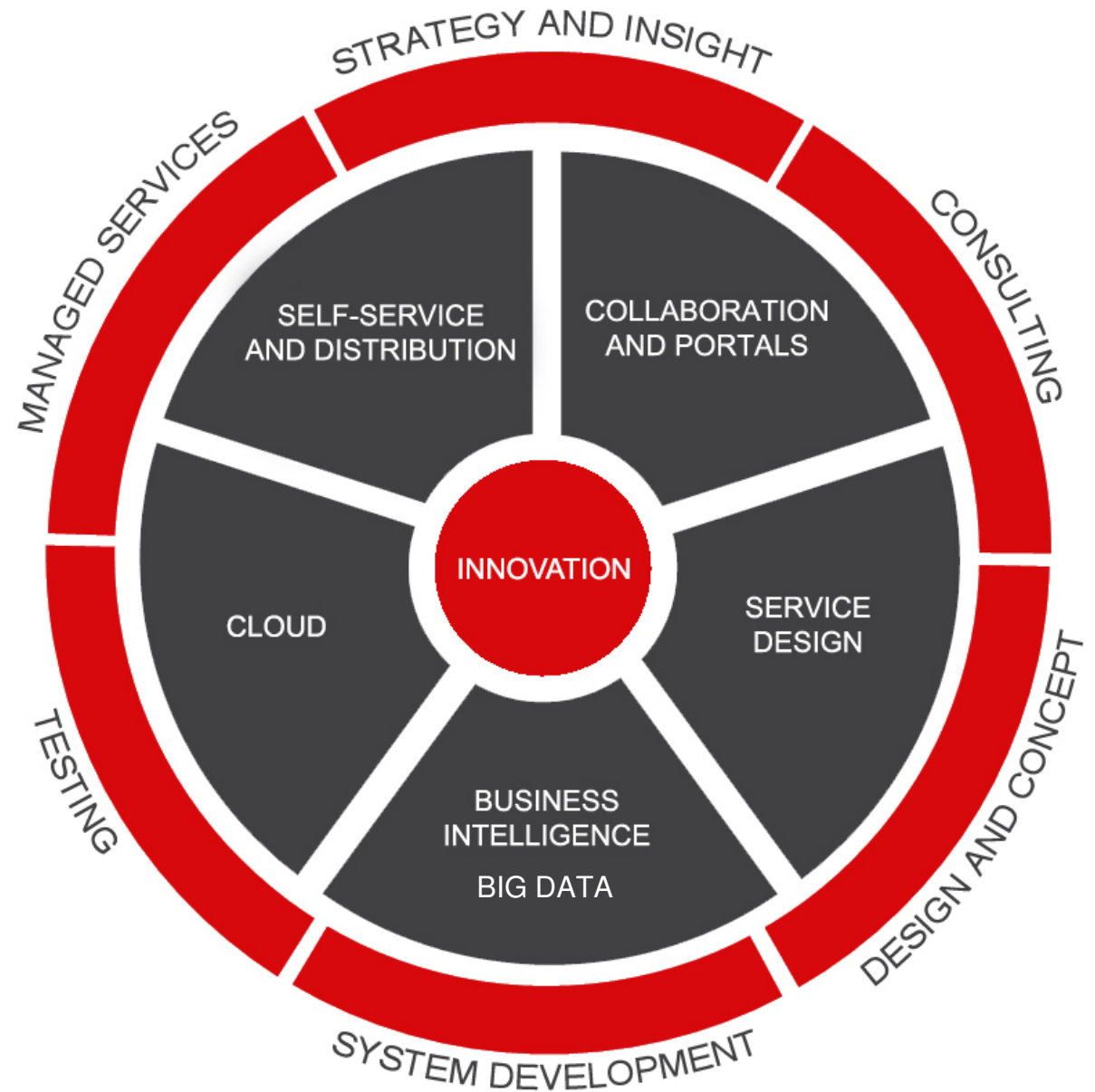
Cloud



Big data



Internet of Things





# Itera is opening a new Nearshore Development Center inside EU to balance risks to Ukraine tensions



- **A Nordic full service provider with seamless nearshoring**
  - Serving leading customers in fast growing industries
- **Flexibility of a hybrid model**
  - Combine onshore and nearshore resources based on what makes sense
- **A multi-site strategy**
  - Nearshore development centers (NDC) are located inside and outside EU
- **Enabling the Nordic ICT industry**
  - Data protection guideline
  - Guideline to prevent social dumping

# Our Nearshore Development Centers (NDC) are located inside and outside EU

## Itera NDC EU

- **Located in Slovakia**
  - Bratislava (capital), within an hour's drive from Vienna.
- **Part of the European Union and NATO**
  - Free movement of goods, capital, services and people within EU
  - Full European legislation, i.e. Data Protection
- **Stable and developed IT market**
  - ICT is one of the pillars of the Slovakian economy
- **English spoken universally**
  - English is learned by 98.7 % of high school pupils.

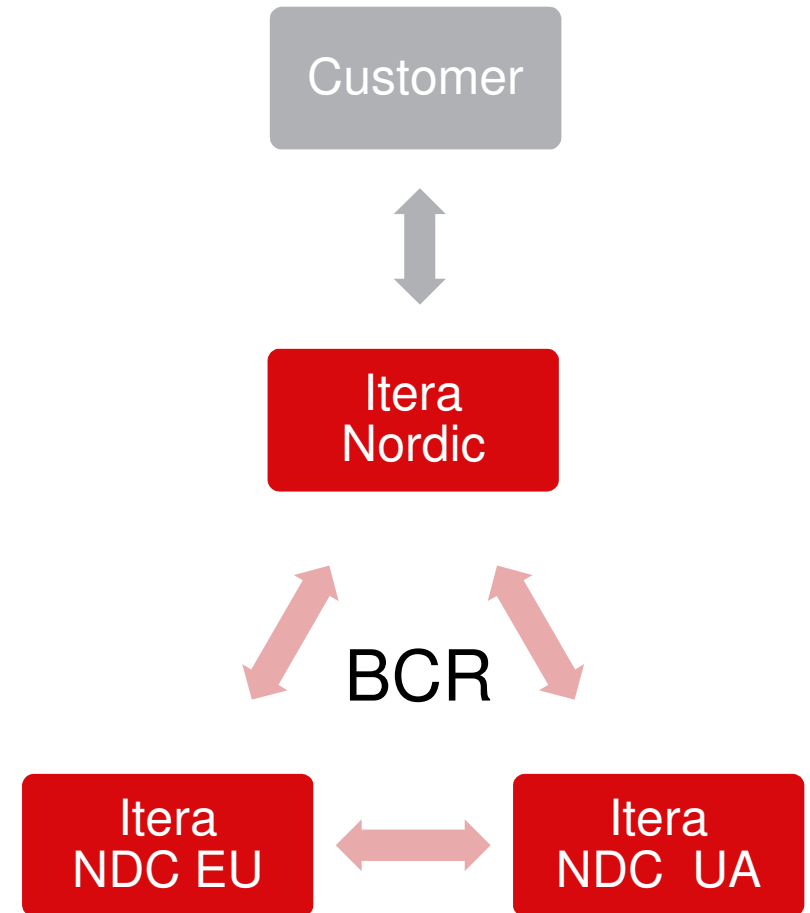
## Itera NDC Ukraine

- **Located in the western region of modern Ukraine**
  - Kiev (capital) and Lviv
- **Access to a large pool of high-skilled resources**
  - Ukraine was the R&D region of the former Soviet Union
  - 18,000 university IT graduates each year, compared to less than 1,000 in Norway
- **Cultural and geographical proximity**
  - Joint part of 1,000 years' history
  - 2,5 hours flight from the Nordics
- **High quality work at an attractive price**
  - Ranked #2\*) of all countries in the world with lowest ratio of failure in projects



# Transfers of personal data across borders in compliance with EU Data Protection Law

- Binding Corporate Rules (BCR) at Itera make it possible to...
  - be in compliance with the principles set out by European Data Protection Law for all flows of data within Itera
  - harmonize practices relating to the protection of personal data within Itera
  - prevent the risks resulting from data transfers to third countries
  - avoid the need for a contract for each single transfer
  - make data protection integral to the way Itera carries out its business

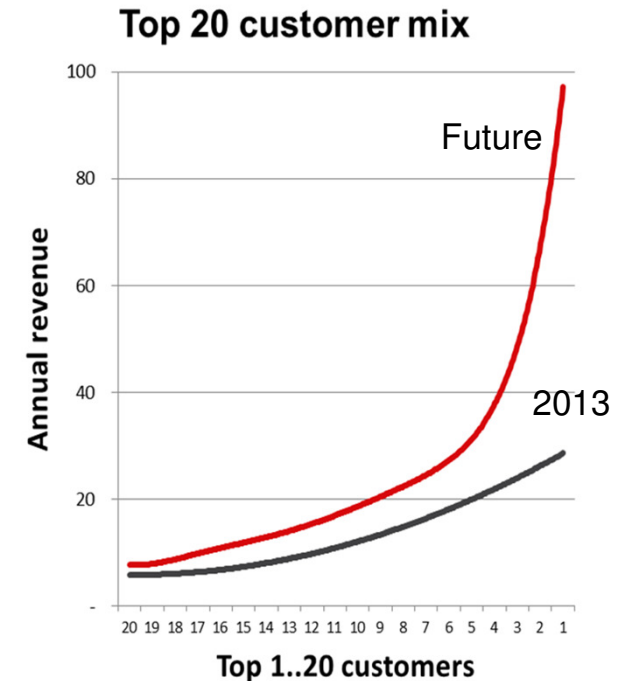
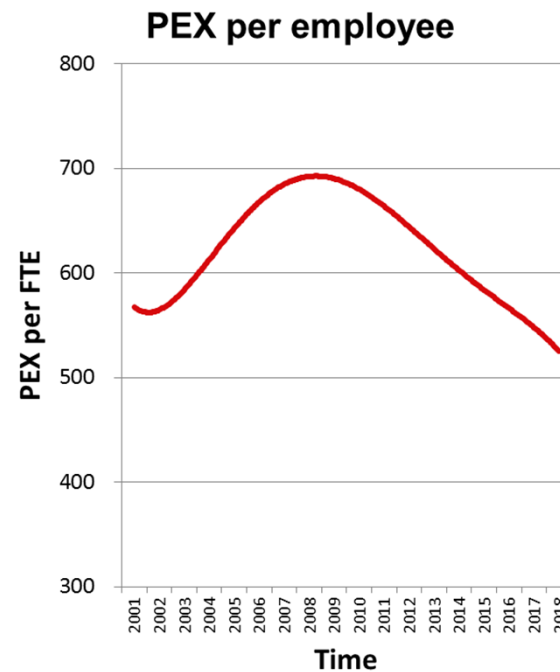


# Long term profitable growth: Key enablers

Communication  
AND  
Technology

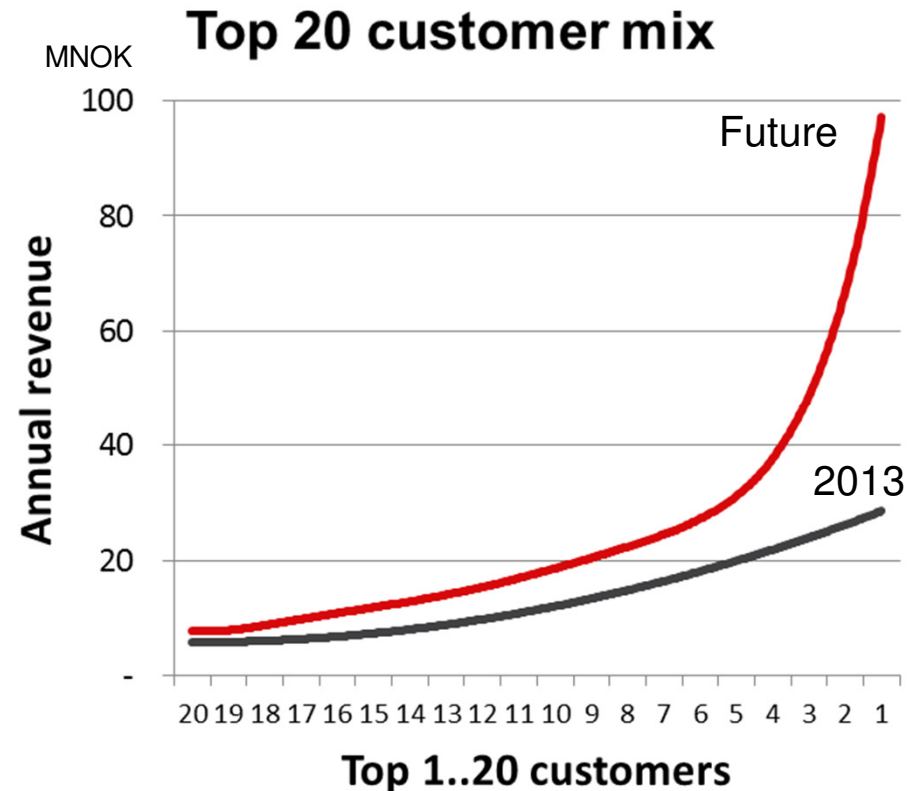
50 %+ of staff  
nearshore

Larger projects  
and revenue  
visibility



# Strong development of larger projects and larger revenue per customer

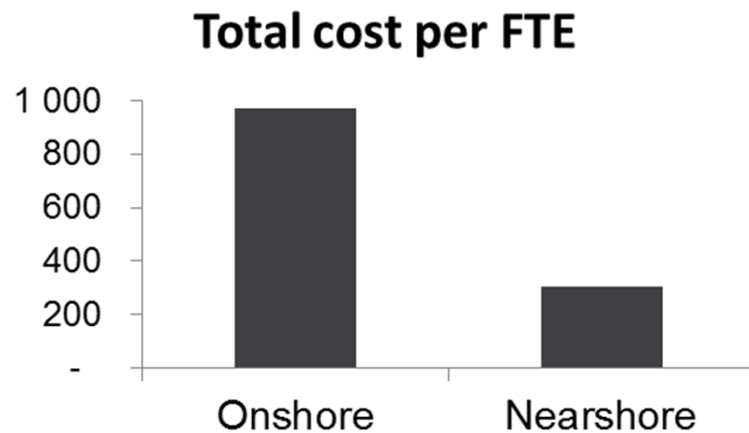
- Top 10 customers up by 19 % in Q1
- Top 30 customers up by 2 % in Q1
- Top 10 customers represent 44 % of total revenue in Q1, up from 35 % in Q1 2013
- Benefits:
  - Increasing revenue visibility
  - Improving operational efficiency
  - Declining sales and overhead cost



**In a long term perspective, several customers should buy services from Itera for more than MNOK 50 per year.**

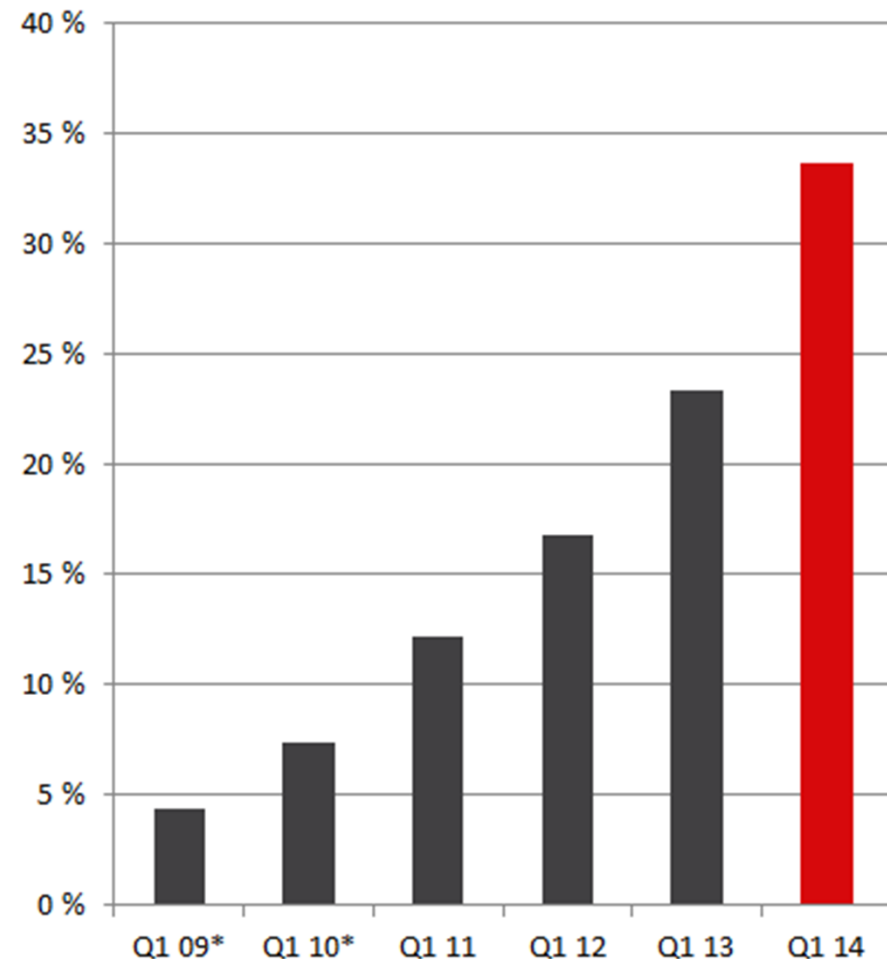
# Increasing nearshore leverage

- Nearshore ratio 34 % in Q1, moving fast towards target of 50+ %
- Mixed teams are increasing our price flexibility in addition to unlimited access to resources



## Nearshore ratio

% nearshore of all staff



# Implementing ONE Itera business systems and moving overhead into billable work

- Launching new **ONE website** in all countries
- Implementing **ONE CRM** to manage sales pipeline and cross-business opportunities and deliveries
- Implementing **ONE ERP** system across all countries to manage utilization, prices and customer profitability
- Developing and implementing **ONE compensation system**
- Building a **great workplace** reduces employee attrition
  - Two units awarded Great Place to Work in Norway and Sweden.
  - Itera awarded as Top 2 best employer in IT Ukraine.
- **Less overhead**, more billable work



# New EVP to increase our profitability in Sweden

- The next steps in Itera's Nordic strategy:
  - Build a strong and united Itera in Sweden
  - A customer centric approach to drive long-term customer relationships
  - Wide range of service offerings, of which 50 % of capacity from nearshore
  - Cross-border sales and deliveries.
- Per Gauffin is member of Group Management and reports to Group CEO.
  - He has more than 20 years experience from management positions in large international companies.



# OUTLOOK

# Outlook

- Customer demand remains strong in all Nordic markets
  - Profitable growth and cash flow are key focus areas
  - Opening a new Nearshore Development Center inside EU will balance the risks to Ukraine tensions
  - Larger projects and customers should gradually increase revenue visibility, efficiency and scalability
- 
- Itera makes no forecasts



# Top 20 shareholders

Navn: ITERA ASA  
Papirtype: AK  
Dato: 28.04.2014

Beholdning ▼	Andel ◆	Navn ◆	Konto type ◆	Statsborger ◆
15 718 298	19,13	ARNE MJØS INVEST AS		NOR
5 651 150	6,88	STOREBRAND VEKST JPMORGAN EUROPE LTD,		NOR
5 306 401	6,46	MIDELFART INVEST AS		NOR
3 500 000	4,26	OP CAPITAL AS		NOR
3 275 250	3,99	VERDIPAPIRFONDET DNB		NOR
2 875 000	3,50	EIKESTAD A/S C/O PARTNER REVISJON		NOR
2 200 000	2,68	JØSYRA INVEST AS		NOR
2 031 588	2,47	MARXPIST INVEST AS		NOR
1 950 000	2,37	SEPTIM CONSTULTING A		NOR
1 805 828	2,20	BOINVESTERING AS		NOR
1 464 108	1,78	STOREBRAND NORGE I JPMORGAN EUROPE LTD,		NOR
1 426 103	1,74	GAMST INVEST AS		NOR
1 056 700	1,29	GIP AS		NOR
988 338	1,20	JOHS. HAUGERUDSVEI A		NOR
900 000	1,10	AANESTAD PANAGRI AS		NOR
650 000	0,79	FREDRIKSEN OLE JØRGEN		NOR
617 401	0,75	DnB NOR Bank ASA EGENHANDELSKONTO DnB NOR Markets		NOR
600 000	0,73	MORTEN JOHNSEN HOLDI MORTEN JOHNSEN		NOR
597 398	0,73	STOREBRAND LIVSFORSI P980, AKSJEFONDET		NOR
535 247	0,65	DANSKE BANK A/S 3887 OPERATIONS SEC.	NOM	DNK
<b>53.148.810</b>	<b>64,70</b>			