ITERA

Q2 2023

Make a difference

Highlights

April – June 2023

- Operating revenue NOK 225.2 million (NOK 183.5 million), representing organic growth of 23%
- Gross profit NOK 208.8 million (NOK 169.6 million), representing growth of 23%
- EBITDA NOK 26.4 million (NOK 28.8 million) and an EBITDA margin of 11.7% (15.7%)
- EBIT NOK 18.4 million (NOK 21.5 million) and an EBIT margin of 8.2% (11.7%)
- 741 (661) employees at the end of the period, which is an increase of 80 (12%) over the last twelve months and 10 during the quarter
- Cash flow from operations NOK 33.0 million (NOK 13.0 million) in the quarter and NOK 104.3 million for the last twelve months

January – June 2023

- Operating revenue NOK 455.5 million (NOK 359.5 million), representing organic growth of 27%
- Gross profit NOK 425.9 million (NOK 331.7 million), representing growth of 28%
- EBITDA NOK 67.2 million (NOK 62.1 million) and an EBITDA margin of 14.7% (17.3%)
- EBIT NOK 51.6 million (NOK 47.6 million) and an EBIT margin of 11.3% (13.3%)
- Cash flow from operations NOK 40.9 million (NOK 12.6 million)

Highlights

While the macro environment continues to be uncertain overall, we delivered one of the fastest rates of organic revenue growth in our industry, as well as strong operational cash flow. The second quarter of 2023 represents the sixth consecutive quarter for which Itera has reported organic growth of over 20%, and its three-year average rate of growth is also in excess of 20%.

Itera's profitability in the second quarter was impacted by lower utilisation and higher personnel and operating expenses, as well as the economic investment case in Cloud Application Services until critical business volume is achieved.

Itera had an order intake equivalent to a book-to-bill ratio of 0.6 in the second quarter of 2023 and 1.1 for the last twelve months. It entered into new or extended contracts with customers including TAPP (Iceland), Aize, Mastercard, Kredinor, Storebrand, Eviny, Sector Alarm, DNV, and Entelios.

An ordinary dividend for 2022 of NOK 0.30 per share was paid and the Board was granted authorisation to approve a possible supplementary dividend later in the year.

Åshild Hanne Larsen (VP for Subsurface Excellence and Digital at Equinor and the winner of the European Digital Leader award in 2023) and Helge Leiro Baastad (a former CEO of Gjensidige and the chairperson of various companies) were elected as new members of the Board of Directors.

In June, CEO Arne Mjøs was specially invited to attend the Ukraine Recovery Conference 2023 in London. At the conference, top executives from the EU and the G7, governments, civil society and nearly 500 companies from private sectors in 59 countries agreed on plans for Ukraine's recovery as a modern, green and resilient economy after the war.

Key figures

Amounts in NOK million	**2023 4-6**	2022 4-6	*change %*	**2023 1-6**	2022 1-6	*change %*	2022 1-12
Operating revenue	225.2	183.5	*23%*	455.5	359.5	*27%*	735.8
Gross profit	208.8	169.6	*23%*	425.9	331.7	*28%*	684.2
EBITDA	26.4	28.8	*-8%*	67.2	62.1	*8%*	109.0
EBITDA margin	11.7 %	15.7 %	*-4 pts*	14.7 %	17.3 %	*-2.5 pts*	14.8 %
Operating profit (EBIT)	18.4	21.5	*-15%*	51.6	47.6	*8%*	77.2
EBIT margin	8.2 %	11.7 %	*-3.6 pts*	11.3 %	13.3 %	*-1.9 pts*	10.5 %
Profit before tax	19.2	21.8	*-12%*	50.9	47.8	*6%*	78.2
Net income from continuing operations	14.8	16.5	*-11%*	39.3	36.5	*7%*	61.4
Profit margin	6.6 %	9.0 %	*-2.5 pts*	8.6 %	10.2 %	*-1.5 pts*	8.3 %
Net cash flow from operating activities	33.0	13.0	*154 %*	40.9	12.6	*225%*	76.0
No. of employees at the end of the period	741	661	*12 %*	741	661	*12%*	698

Revenue (NOK)

225.2m 23% ↗

Employees (ending)

741 12% ↗

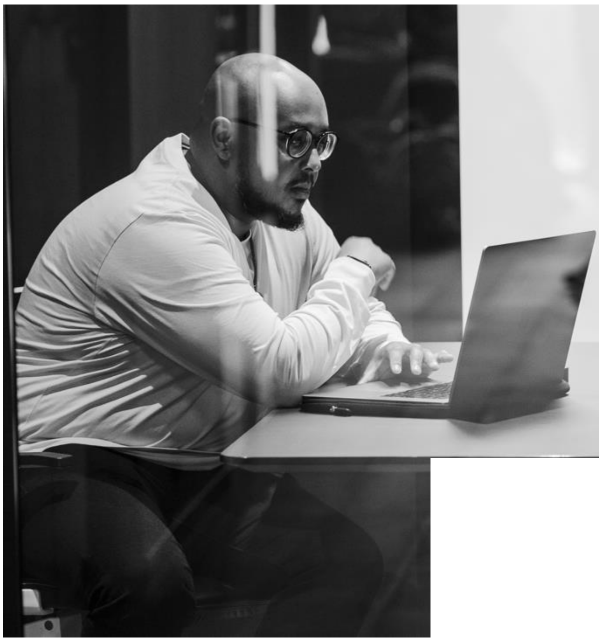
EBIT (NOK)

18.4m -15% ↘

CEO's comment

AI transformation

Once again, I would like to start by thanking our incredibly talented people for how we are living our purpose every day: to deliver on the promise of sustainable digital transformation for our customers. While the macro environment continues to be somewhat uncertain overall, we delivered one of the best rates of revenue growth in our industry as well as strong operational cash flow while continuing to invest in our people and our business.



Our performance demonstrates the resilience of our company. As companies embrace digital transformation, they come to us as their trusted partner to build their digital core with cloud-based technology. Our organic revenue growth was 23% in the second quarter and 27% in the first half year.

We continued to invest significantly in our people and our business, including salary adjustments to compensate high inflation and several extensive training activities abroad. During the quarter we also moved our headquarters in Oslo to new facilities in the city centre. Our Cloud Application & Services is still an economic investment case towards managed services and subscription revenue until critical business volume is achieved. These investments impacted our profitability in this quarter, with Itera delivering an EBIT margin of 8.2 % in the second quarter and 11.3 % in the first half year.

We continued to deliver strong operational cash flow and returned cash to shareholders in the second quarter. We will continue to focus on improving pricing and optimising our business to lower our costs such that they have a more linear relationship with our revenue growth over the next quarters. This includes streamlining our operations, transforming our non-billable functions into billable value-creation for customers and increasing the scalability of our corporate functions across all locations.

Our headcount increased by a net 80 employees over the last 12 months, 10 of whom joined in the second quarter. We also continued to leverage our Digital Factory at Scale, doing more with less through automation and managed services, which means our overall headcount will not really need to grow at the same rate as our revenue growth.

We have seen this divergence in the linear relationship between head count growth and revenue growth over many quarters, as evidenced by our headcount growth of 12% year-on-year in the first half year, while revenue increased by 27%. As well as improved pricing, currency effects and higher utilisation rates, this more than ever reflects our strategic focus. We still have the potential to increase our utilisation rate even more with the right mix of small deals and large multi-year cloud transformations.

Looking at demand, we continue to see two common themes that we have highlighted before. First, the rapid rise of interest in generative AI among our customers, which demonstrates that all strategies lead to technology. And second, companies remain focused on digital transformation in order to become more agile, lower their costs, and achieve stronger growth and greater resilience more quickly.

With the new generation of AI, we are in the midst of a massive platform shift that is going to transform every sector and every category of computing. There are two dimensions to this shift. The first dimension is around the user interface, with the shift entailing the development of more natural interfaces that use natural language. The second dimension is a new superpower reasoning engine that works on top of all data. The reasoning engine will, through its predictive capabilities and other insights, enable us to start with a draft of any activity or task we want to complete.

Every software category - whether work, a business process or application, or software development - is going to be fundamentally transformed by these two changes in the platform. It is an opportunity for us to help our customers, improve our delivery of services and to use it in our own company.

At the same time, these technologies are in an early stage. We are doing a lot of experimentation now. Generative AI is good for things like documentation, but it is not yet able to assist with complex models and integrations for use in advanced system environments.

The problem with generative AI for most companies is that they do not have the data to use generative AI effectively. Only a small portion of companies are sufficiently mature in terms of their data and AI, and it is such companies that are really going to be able to use generative AI.

Indeed, we have created our own Itera-GPT. From a long-term perspective, we can see how these technology developments will support our strengths. But using these technologies requires a deep understanding of their use cases and the process changes needed as well – the AI transformation of businesses. How to build this into an enterprise is very different and a great opportunity.

Hence, the excitement around generative AI is increasing the urgency with which companies are seeking to build their digital core with cloud-based technology. We think more growth will be found not in relation to pure generative AI, but in helping companies get their data migrated to the cloud or accessible as a dynamic continuum from public and hybrid cloud to edge and everything in between. Furthermore, the ability to apply a new way of working, such as our Digital Factory at Scale, to build organisations' digital cores is even more important in terms of being ready for this next generation of computing.

Companies and people are going to 'AI wash' a lot, such as by appending ".ai" to a lot of product and company names. Fundamentally, at Itera we are making sure that we provide real value, and that the scenarios that we deliver are prioritised against customers' business needs.

All tech giants are infusing generative AI capabilities into their products. For instance, Microsoft has infused its new AI copilot concept into its major product lines. Through our strong partnerships with most of the major global tech giants, we are at the centre of helping our customers navigate their choices in the evolving landscape.

The most important thing right now is just for us to stay close to our customers and really understand them. Our customers need ways to get value in the short term as well as to digitally transform their business. Over the coming quarters, we are going to develop new opportunities and new ways to apply generative AI.

As a company, we are deeply engaged in supporting Ukraine from all locations. In all of my life, I have never faced such a clear distinction between right and wrong. Never. When victory comes to Ukraine, it comes to all of us.

In June, I was a special invitee of the Ukraine Recovery Conference 2023 in London. At the conference, top executives from the EU, the G7, governments, civil society and nearly 500 companies from the private sector in 59 countries agreed on plans for Ukraine's recovery as a modern, green and resilient economy after the war.

I am really impressed by how forward-looking Ukraine's government is in preparing for the post-war period. its ambition is that Ukraine will become the green energy and digital hub for Europe and the flagship for the green industrial transition in Europe after the war. Its new energy strategy is entirely based on the EU Green Deal and the Twin Transition of both energy and digital. Most of the equipment manufacturing will even be located in Ukraine to resolve some of the bottle necks in the energy supply chain.

Also, just after the conference in London, I made my fifth trip to Ukraine since the invasion to meet our people and meet with the largest Ukrainian energy companies. The rebuilding of Ukraine after the war will be the largest source of economic, industrial and technological growth in Europe for decades. Not only for Ukraine, but for the private sector in the Nordics and all countries that strive to do live freely. For more information, go to the deep dive section in this report.

Today, we are the strongest we have ever been in our history because of our incredible people. I am so grateful for 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

Financial review

Second quarter and first six months of 2023

Financial reporting

The comments in this financial review relate to the performance of Itera's continuing operations in the second quarter and first half of 2023 compared to the equivalent period 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 30 June 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 second quarter

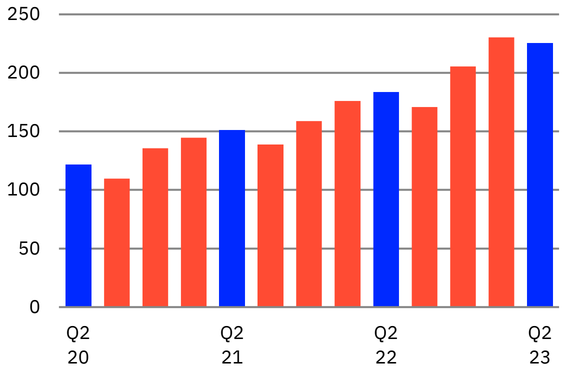
Itera achieved organic revenue growth of 23% in the second quarter of 2023 relative to the second quarter of 2022. Gross profit also increased by 23%, with the gross margin up by 0.3 points to 92.7%. The second quarter of 2023 contained a weighted average of 0.1 fewer working days than the corresponding period of 2022. This had a negative impact of approximately NOK 0.5 million on revenue and profit.

The operating profit (EBIT) for the second quarter of 2023 decreased by 15% to NOK 18.4 million (NOK 21.5 million), with an EBIT margin of 8.2% (11.7%). Profits were impacted by a resource shift from Eastern to Central Europe with higher costs, extensive training activities across borders and extra efforts associated with Itera moving its headquarters, as well as the economic investment case in Cloud Application Services until critical business volume is achieved.

Operating revenue

Itera reports operating revenue of NOK 225.2 million (NOK 183.5 million) for the second quarter of 2023, which represents growth of 23% (13% in constant currency). This was driven by growth in the revenue from Itera's own services, which increased by 27% to NOK 190 million. Revenue from subscription-based services increased by 3% to NOK 20 million, while revenue from third-party services decreased by 26% to NOK 7 million. Other revenue increased by 88% to NOK 8 million. For the first six months operating revenue was NOK 455.5 million (NOK 359.5 million), which represents growth of 27% (19% in constant currency).

Operating revenue (MNOK)



Gross profit (revenue minus cost of sales) was NOK 208.8 million (NOK 169.6 million) in the second quarter of 2023, which represents an increase of 23%. Gross profit for the first six months was NOK 425.9 million (NOK 331.7 million), which represents growth of 28%. Cost of sales consists mainly of subscription and third-party services including cloud consumption.

Operating expenses

Total operating expenses in the second quarter of 2023 were 28% higher at NOK 206.9 million (NOK 162.0 million) and 30% higher at NOK 403.9 (NOK 311.9 million) for the first six months.

Cost of sales was NOK 16.4 million (NOK 13.9 million) in the second quarter of 2023 and relates to subscription and third-party services and other revenue. For the first six months cost of sales was NOK 29.6 million (NOK 27.9 million).

Personnel expenses were NOK 165.1 million (NOK 128.0 million) in the second quarter of 2023, which represents an increase of 29%. The average number of employees in the quarter was 10% higher than in the corresponding quarter of 2022. Personnel expenses per employee were 17% higher in the second quarter of 2023 than in the same quarter of 2022 (10% in constant currency). High inflation rates, with even double-digit figures in Central and Eastern Europe, have contributed to an overall high salary growth. In addition, extra social security taxes introduced in Norway, payroll support for drafted military personnel in Ukraine, and a slightly lower nearshore ratio contributed to the increase in personnel expenses per employee in the second quarter. In the latter, there was also a shift in the mix from Ukrainian resources to more expensive EU-based resources. For the first six months of 2023 personnel expenses were NOK 323.0 million (NOK 245.0 million).

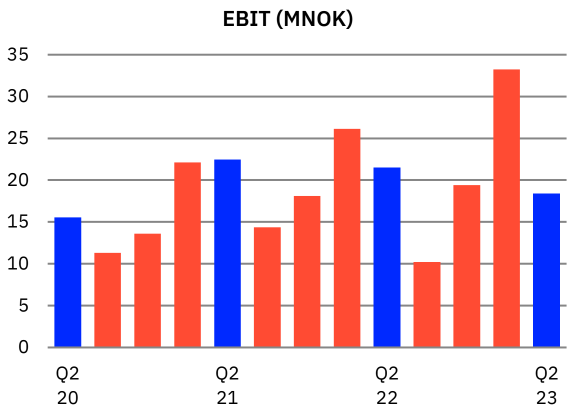
Other operating expenses were NOK 17.3 million (NOK 12.8 million) in the second quarter of 2023, up by 35% from last year (25% in constant currency). The increase was primarily due to more spending on travel, training and office expenses partially related to the relocation to the new headquarters in Oslo. The spend per employee is at the same levels as in the pre-Covid second quarter of 2019, although this is partially driven by the NOK being 20-23% lower against USD and EUR/DKK. For the first six months other operating expenses were NOK 35.7 million (NOK 24.6 million).

Depreciation and amortisation totalled NOK 8.0 million (NOK 7.3 million) in the second quarter and NOK 15.6 million (NOK 14.5 million) for the first six months.

Operating result

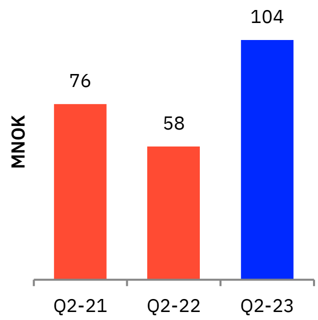
The operating result before depreciation and amortisation (EBITDA) for the second quarter of 2023 decreased by 8% to a profit of NOK 26.4 million (NOK 28.8 million), giving an EBITDA margin of 11.7% (15.7%). For the first six months EBITDA was NOK 67.2 million (NOK 62.1 million) with an EBITDA margin of 14.7% (17.3%).

The operating result (EBIT) for the second quarter decreased by 15% to a profit of NOK 18.4 million (NOK 21.5 million), giving an EBIT margin of 8.2% (11.7%). EBIT for the first six months was NOK 51.6 million (NOK 47.6 million) with an EBIT margin of 11.3% (13.3%).



Cash flow, liquidity and equity

Net cash flow from operating activities was NOK 33.0 million (NOK 13.0 million) in the second quarter of 2023 and NOK 40.9 million (NOK 12.6 million) for the first six months. For the last twelve months cash flow from operating activities was NOK 104.3 million, representing cash conversion of 91% (cash flow from operations / EBITDA).



Cash flow from operations, rolling 12 months

There was a net cash outflow from investing activities of NOK 3.7 million (NOK 3.9 million) in the second 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. For the first six months the net cash outflow from investing activities was NOK 7.6 million (NOK 8.0 million).

There was a net cash outflow from financing activities of NOK 27.9 million (NOK 12.7 million) in the second quarter of 2023, NOK 24.7 million (NOK 16.1 million) of which was dividends paid to the shareholders. For the first six months net cash outflow from financing activities was NOK 25.0 million (NOK 16.1 million).

Right-of-use assets primarily related to facility lease agreements increased by NOK 41.7 million to NOK 68.9 million as 30 June 2023 following the capitalisation of a new 7-year lease facility agreement for the new headquarters in Oslo.

Contract assets at 30 June 2023 were NOK 4.0 million higher than at 30 June 2022, while there were no remaining capitalised contract costs (NOK 2.7 million). Accounts receivable and other receivables were NOK 26.3 million higher and NOK 1.6 million lower respectively than at 30 June 2022.

Accounts payable at 30 June 2023 were NOK 1.4 million lower than at 30 June 2022. Public duties payable were NOK 12.6 million higher than at the end of the second quarter of 2022. Tax payable was NOK 7.4 million higher than at 30 June 2022. Contract liabilities at 30 June 2023 were NOK 3.0 million lower at NOK 18.1 million.

Cash and cash equivalents amounted to NOK 52.0 million at 30 June 2023, compared to NOK 27.1 million at 30 June 2022. Itera has a revolving credit facility of NOK 35 million.

Itera had lease liabilities totalling NOK 70.6 million (NOK 29.2 million) at 30 June 2023, which represents a net increase of NOK 41.4 million and which relates to the above-mentioned facility agreement. NOK 12.0 million of the lease liabilities are current liabilities that fall due within 12 months, while NOK 58.6 million are classified as non-current liabilities.

Following the sale of 23,334 shares from the redemption of options under the Employee Share Option Programme, Itera held 948,059 (1,011,602) own shares, valued at NOK 14.2 million (NOK 12.9 million), at 30 June 2023.

Equity at 30 June 2023 totalled NOK 74.7 million (NOK 57.5 million). The equity ratio was 23.5% (24.9%). The equity ratio without the right-of-use assets included under IFRS 16 was 29.9% (28.3%).

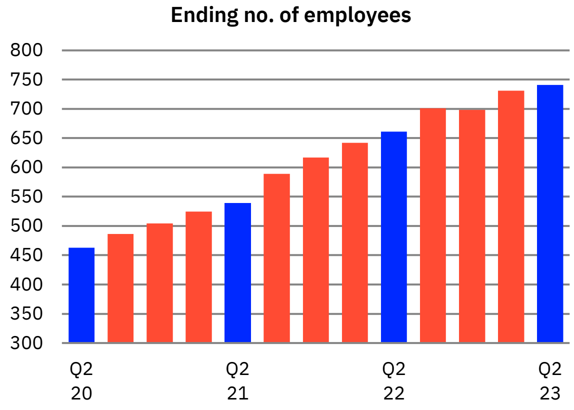
Dividend

The Annual General Meeting on 24 May 2023 approved the Board's proposal for an ordinary dividend payment of NOK 0.30 per share and authorised the Board to decide on the payment of an additional dividend later in the year. The Itera share went ex-dividend on 25 May 2023.

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 2023 was 741 as compared to 661 at the end of the second quarter of 2022. This represents an increase of 80 employees (12%) during the last 12 months and an increase of 10 employees in the second 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 second 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 Swedish krone (SEK), 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. Several technology companies have laid off employees or reduced recruitment recently. This may have a positive impact on the availability of talent in our industry and may also 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 engagements which involve the full range of Itera's services, using our Digital Factory at Scale and distributed delivery model across borders in the Nordics and Central and Eastern Europe, and focusing on operational efficiency remains unchanged. Itera is currently analysing its cost structure to identify and implement measures to optimise this.

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. There are several potential cases under discussion.

During the second quarter and going into the third quarter growth in demand slowed somewhat in the marketplace. Itera nonetheless expects to maintain its high growth rate, although variance in the balance of supply and demand may cause some reduction in utilisation in the short term.

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 it has carried out in its Cloud and Application Services, Itera expects to see a gradual improvement in its profitability once the volume of migration and modernisation engagements reach critical mass.

Next interim report

The interim report for the third quarter will be published and presented on 27 October 2023.

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 2023, including the comparisons with the corresponding period in 2022.

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 2023 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 2023.
- The information provided in the report for the second quarter of 2023 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, 24 August 2023

The Board of Directors and CEO of Itera ASA

Morten Thorkildsen
Chairman

Helge Baastad Leiro
Board Member

Jan-Erik Karlsson
Board Member

Gyrid Skalleberg Ingerø
Board Member

Åshild Hanne Larsen
Board Member

Joachim Trøbråten
Board Member

Siren Tønnesen
Board Member

Arne Mjøs
CEO

Embracing our future

Our mission is to help businesses and organisations to accelerate their sustainable digital transformation and achieve more for less. This mission has never been more urgent nor more necessary. Both the private and public sectors are increasingly looking to digital technology to overcome today's challenges and emerge stronger. As an international tech company, Itera has never been better positioned to help them.

We leverage our scale and international footprint, our innovation-led culture and strong partnerships, and 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.

Industries

We have a focused customer-centric strategy in selected industries. Industry expertise is a critical competitive advantage which allows us to bring customer-specific industry solutions to our customers to enhance value creation. Our industry focus gives us an understanding of the evolution of industries, business issues and new and emerging technologies.

The two most dominant industries for Itera are energy and banking and insurance. In addition, we focus on several local industries, such as the public sector, within each country where we are located.

Energy

Itera's energy business and community has continued its strong development. The areas where Itera contributes in the energy sector range from utilities, decarbonisation, batteries and the green transition of the oil & gas industry. Much of the investment needed to increase power production and improve the electricity grid requires long lead times from ideas and investment proposals to actual operations. Digitalisation initiatives, on the contrary, can often be delivered fast and can create tangible results within relatively short time periods. Hence, digitalisation is key to making the energy transition happen at the speed and scale needed to reach the climate goals. The twin transition of bringing the digital and sustainable agenda together is the key to sustainable growth. Strategically, Itera works on relevant scenarios like operational resilience, workforce transformation, emissions reduction and decarbonisation. Its scenarios and Points of View (PoV) are used as the beginning of customer journeys to narrow down what they are interested in and show our customer cases, know-how and capabilities.

In the second quarter, we continued to deliver high-quality projects and won several important new engagements at leading energy companies such as Eviny, Hafslund and Å Energi. We are working on several new opportunities in the Nordic countries as well as in relation to the rebuilding of the Ukrainian energy system. In addition, we are working closely with key partners and on building Itera's energy community.

Banking and Insurance

The financial sector continues to be very significant at Itera, as it has been a pivotal sector since the company's inception. Banking and insurance remain a major revenue generator.

In line with our strategic expansion plans, we have been diligently working towards establishing a stronger presence in key markets such as Sweden, Iceland and Denmark. These efforts have produced positive results, as we have successfully secured new customers and partnerships in these regions.

Additionally, we invested substantially in enhancing the expertise and subject matter knowledge of our consultants who serve our banking and insurance customers. By providing ongoing training initiatives and continuous professional development, we aim to provide our customers with premium consultancy services that meet their evolving needs. This proactive approach enables us to maintain a competitive edge within the sector, to foster growth and solidify our position as a trusted partner for financial institutions.

In April, Itera co-organised an event with Gjensidige in Slovakia, which was attended by more than 180 people from a range of disciplines and business areas. The aim of the event was to strengthen collaboration across the organisations. On the agenda were both team-building activities and professional content in beautiful surroundings. The event gathered both internal employees and consultants, and it was a very positive milestone in our strategic partnership with Gjensidige, to be co-pilot on both planning and implementation.

Local industries

Itera also has many customers and engagements outside our primary industry domains, and in this quarter Itera won and extended several interesting assignments.

Together with Ulstein Group we are carrying out a "proof of concept" project for cloud readiness with Computer-Aided Design (CAD). At Frøiland Bygg Skade, we are working to ease the day-to-day work of its project managers by means of a digital tool with consolidated data that provides increased insight on operational and strategic levels. At Viken Skog, we have started an engagement relating to cloud architecture design and ERP replacement. Itera is developing power apps (saving calculator) for TESS. At Millum, we are engaged in the fields of data discovery and assessment.

We have extended our partnership with the Directorate of Integration and Diversity (IMDi). Also, together with IMDi, we are developing digital solutions to support its goal of increasing employment rates among immigrant women who are currently not participating in the labour market, and a solution to better support the settlement of newly arrived refugees.

Catalyst One
CatalystOne is a Scandinavian leader in HCM software (Human Capital Management) with nearly 250 employees across Norway, Sweden, Denmark and India (R&D). CatalystOne is a high-growth company with the ambition to continue its growth both in Scandinavia and other North-European countries.

Itera is providing CatalystOne with consultants to develop an architecture that is resilient and future-proof and to implement new functionality on this architecture. We are also providing CatalystOne with project and change management expertise to enable it to continue to develop in its strategic direction.

Core Services

Itera combines skills, capabilities and industry experience to help our customers achieve tangible outcomes. We are a talent- and innovation-led organisation with people whose skills and specialisation are a significant source of competitive differentiation.

Digital Factory at Scale

We are continuing to see a growing number of customers embrace our Digital Factory at Scale as they seek to become more agile, lower their costs, and achieve stronger growth and greater resilience more quickly. While industries and markets are being affected differently by the backdrop of the current macroeconomic environment, there is one common theme: all strategies lead to technology, particularly cloud, data, AI and security – all fundamental elements of our Digital Factory at Scale.

Our Digital Factory at Scale is all about doing more with less. It is our way of leveraging our digital capabilities in terms of creating and maintaining one or more digital products, services or experiences for our customers. The secret to the Digital Factory's success is building reusable products and tools and repeatable processes to accelerate digital transformation.

The factory encompasses all our services and tools, from digital strategy, customer experience and cloud transformation journeys to cloud migration and modernisation, data-driven development, artificial intelligence usage and entire product lifecycle management.

Typically, speed and throughput are increased by 20-30% or more compared with classical staff augmentation. For instance, for an international customer in the energy sector, we managed to increase the speed of the digital transformation of a core product by 40%.

For our engagement at IMDi, our Digital Factory at Scale deliveries ended in a long-term subscription-based application innovation agreement for our Application Lifecycle Management team in the second quarter. This was the first of three applications developed for IMDi. All of Itera's service areas were involved in making this happen.

The Digital Factory at Scale is infusing AI through the whole value-chain, such as the Microsoft copilot concept. The product team is equipped with low-code/no-code tools, such as Microsoft Power Platform, which enables normal users to develop solutions and create value out of their data. This democratisation of IT is a huge opportunity for both professional developers and users to do more with less.

Technology

In the second quarter, Itera continued to experience a high level of demand for its technology services. Our existing customers have increased their consumption of services, particularly in the areas of innovation and the development of minimum viable products (MVPs) for new and groundbreaking services. One example is a new service from Kredinor, which involved Itera helping to improve the financial health of employees of Norwegian companies.

Itera also made good progress in the public sector, and Itera's developers and architects are central to IMDi's digital transformation. Itera has helped to modernise IMDi by providing a cloud environment and a technical platform on which IMDi can build new applications. Together with Itera, IMDi has been able to develop standardised but flexible applications on a common platform. The solution also has integrated architecture and lower cost-of-ownership than on IMDi's previous infrastructure. In order to deliver high-quality and innovative solutions quickly, safely and cost-effectively, Itera is using Digital Factory at Scale when developing new and innovative solutions for IMDi. 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.

To stay ahead of the curve in the technology space, Itera has invested in developing our skills in using AI and AI-tools to optimise our development processes. We have created a new subject matter group for AI and AI-tools, and our developers have completed several training programs and continue to explore how new tools can be used to make our development processes even more efficient.

Cloud and Application Services

The second quarter marks the one-year anniversary of our exit from our on-premise data centre business, and over this period we have achieved strong growth in the development of our Cloud and Application Services. In the second quarter, all of the business unit's employees from all countries met for a couple of days in Bratislava (with our colleagues in Ukraine joining via Teams) to strengthen collaboration across teams, develop a strong culture and discuss the next steps in the strategic development of this business area. One of the key aspects discussed was how we can and will integrate AI into our deliveries and services.

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 fundamental to how organisations will ensure they are competitive going forward.

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 categorisation of workloads. We often combine this with a digital strategy offering to define their target end state and produce a focused roadmap and business case for the cloud journey. A typical cloud journey consists of both migration and modernisation and takes between 12 and 36 months.

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

After finishing a successful cloud migration project for TESS at the end of Q1, we delivered the first quarter of subscription-based operational services for TESS' new cloud platform. The platform and deliveries were stable with no critical incidents. Further modernisation initiatives are planned together with the customer.

The specialist migration team completed a new Discovery & Lite Assessment engagement for a new customer in the maritime sector. The team also completed a "Proof-of-Concept" engagement for the same customer, which involved us verifying that their key business application is suitable for cloud operation. Itera's deliveries will form the basis for an efficient and structured cloud journey for the customer. The next step is to execute a cost assessment in order to build a solid business case for the customer's full cloud journey.

We are also working on several large opportunities with Microsoft Industry Solution Delivery (ISD) as part of the strategic partnership agreement that we entered into with ISD in the second quarter of last year. Through joint sales and delivery teams, Itera is tapping into a worldwide team of over 20,000 experts who have decades of experience from around the world and a full range of developed intellectual property that has been continuously improved over many years.

The business unit is growing its revenue with a mix of subscription and consulting services. It is still an economic investment case whose profitability is set to gradually improve over the coming quarters. We onboarded a dedicated sales representative for the business unit at the end of first quarter, and we see a stronger pipeline going forward.

Digital Advantage

The demand for all our advisory services grew throughout the second quarter, with both new and existing customers seeking guidance regarding their digital and AI transformations. Our teams do amazing things every week to help customers make a positive impact and transform with the scale and momentum required to drive business-altering value.

We have built data-intensive solutions to better understand and prevent house fires, created applications to promote diversity and inclusion and released tools to help people overcome challenging financial situations.

Developments in generative AI have ignited a wave of transformative possibilities and sparked excitement about its potential to reshape industries and how we work. This surge in interest has in particular led to growing demand for our consulting services and solutions in data, AI and analytics. Our teams have helped customers across sectors to explore and qualify the possibilities, as well as to build secure and proprietary generative AI solutions that deliver value for their current business. The heightened attention has also increased the focus on the fundamental areas required to succeed with data and AI at scale, such as data strategy, data quality, data products and responsible AI.

Itera has completed an exploratory project for NHO (The Confederation of Norwegian Enterprise), investigating how it can use AI to streamline its work and help its members faster.

Through the project, we identified several relevant applications and developed several AI solutions based on ChatGPT. The project explored technical issues, addressed safety challenges and laid the foundation for further development and innovation with regard to NHO's use of artificial intelligence.

Experience

Itera continues to strengthen its position in design. The need for digitisation in UX and service design continues unchanged. In addition, we are finding that our customers increasingly need a strategic partner that can help them to increase their competitiveness through design-driven innovation and the development of new services. Entelios is one of our customers in the energy sector which is an example of this. We are working with Entelios both to help it to explore new services and as a digital partner for the development of UX and design, with a holistic focus through our Digital Factory at Scale.

Over the past year, Itera has had a central role at IMDi and solved several projects for it, as described in previous quarterly reports. In the second quarter, designers from Itera, among others, had a central role in IMDi's "Bedre Bosetting" project. They defined the overall user experience for mapping resettlement-relevant information from refugees who will be resettled in Norway. The designers worked closely with stakeholders from IMDi to map its existing tools, uncover challenges and develop future solutions. The goal was to ensure a user-friendly and efficient application that contributes to reliable settlement in Norwegian municipalities.

People

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. We continue to invest in our people, providing learning opportunities and upskilling to enable us to pivot as our customer's needs evolve. We believe our unwavering commitment to diversity and inclusion is both the right thing to do and an essential element of our business strategy and strong financial performance.

New values

This year, Itera launched new corporate values, which were further implemented for all employees in the second quarter. Our new values are Trust, Transparency, Entrepreneurship, and Diversity.

Our values shape our culture, provide a moral compass, guide our decision-making, and establish a standard against which actions can be assessed. These core values form an internalised platform shared and acted on by leadership. They are rooted in our Nordic origin and are the company's soul.

Trust
Trust is a prerequisite for creating lasting value and strong relations. Hence, trust is at the core of our culture, and is intended to shape our conduct, choices and decisions, internally and externally.

Transparency
We are open about what we do, why we do it and how it plays out.

Entrepreneurship
Agility, the courage to challenge, openness to new ideas, continuous learning, and an innate drive for growth – this is our mindset and platform for creating value.

Diversity
We nurture diversity because it fuels growth, both individually and for our company. Diversity makes a difference, and a diverse culture is a sustainable culture.

Level Up

To attract and retain talented people, we focus on continuously developing our people's skills through our concept for competence development, "Level Up".

June marked the end of a development program for senior employees at Itera that was facilitated by Dale Carnegie Training Norway. The program ran for over half a year, and the participants received individual coaching in order to map their strengths as well as areas in which they have potential and the motivation to develop further. Particular emphasis was placed on communication and relationship building skills. The participants shared their breakthroughs and what they learned about themselves, which proved to be a moving and engaging conclusion to the program. Congratulations to everyone who completed the program!

Last autumn, we increased the number of graduates we accepted onto our graduate program "Boost" and welcomed 22 talented new colleagues in Norway, who completed the program during the second quarter this year. Our passionate graduates have specialised in development, design, and test management respectively and have shown promising starts to their careers through high-quality deliveries in exciting customer projects.

New Oslo Headquarters

This summer, Itera moved its headquarters to Stortingsgata 6 in central Oslo. This new office has been an important investment for us as a modern hybrid workplace and will mean we are closer to our customers and more attractive to top talent. With this location, it will be easier to travel to work, which is important as more and more people are moving out of the city. This office also has great social areas, is perfect for events and gatherings, and has advanced tools for virtual meetings across our locations and with customers.

Sustainability is important to us in relation to everything we do, and in the moving process we achieved a recycling rate of 97%, including by moving much of our old furniture to our new offices and selling the rest.

We look forward to opening the doors of our new office this autumn to our customers, partners, investors and anyone who is curious about working with us!

Talent Acquisition

Itera is a strong organic-driven company that focuses on hiring high-quality experts. We are careful to ensure the quality of both our recruitment processes and candidates. We are well known in the market for delivering high quality services, which we will continue to do and strengthen further.

At our new headquarters, we will actively host community meetups and other events in order to share expertise and build relationships with potential candidates and to position ourselves as an attractive employer for the digital transformation.

Sweden is noteworthy in relation to talent acquisition in the second quarter, as we worked there to scale up the office and hire people for the management team. We wrote about the CEO of Itera Sweden, Joachim von Ekensteen, when he was hired last year. In the current recruitment phase, diversity is an important factor. We want our company in general, and our management team in particular, to be diverse in terms of their professional background and experience as well as their age and gender. In the long term, we will also hire Swedish consultants to work alongside our people from other locations. Sweden will have the same market focus as Norway - banking and insurance, and energy - and the people who we recruit will have domain knowledge of these industries, as well as experience of both technology and business.

Two new board members

Our modern Board of Directors is proactively involved in and provides oversight on strategy, risk and opportunity management, sustainability, talent management, diversity, leadership, organisational culture, and brand management and marketing. The Board's members also contribute a lot to business development and international growth by using their networks to open opportunities for Itera.

At the general meeting on 24 May 2023, two new members were elected to Itera's Board of Directors. The new members are:

Åshild Hanne Larsen
Larsen holds a master's degree in Business Administration from Herriot-Watt University in Scotland (UK) and a master's degree in language and pedagogy from Universität Bielefeld in Germany, and she has recently completed the Executive Board Programme at INSEAD in France. She is also the chair of the International School of Stavanger and Frøya Ventures AS.

Larsen has broad leadership experience from various professional and senior positions at Equinor ASA, including director positions within personnel and organisation, information technology and most recently as Vice President for Subsurface Excellence and Digital.

Larsen is a recognized keynote speaker and winner of several remarkable awards, including the European Digital Leader 2023, ODA Woman 2023, 2021 Global CIO 100 and the 2020 Executive GRIT awards.

Åshild Hanne Larsen is independent in relation to Itera's senior employees and major shareholders.

Helge Leiro Baastad
Baastad holds a bachelor's degree in business administration ("Siviløkonom") from the Norwegian School of Economics in Bergen.

Baastad is the chair of the boards of Bertel O Steen AS, Kavli Holding AS and Heimstaden Bosted, and he has previously served on a number of other boards, including Gjensidige Nor

ASA and DnB NOR ASA, Jordan AS, Sparebanken Sogn og Fjordane, Nykredit Holding AS and Nykredit Realkreditt AS.

Baastad was the CEO of Gjensidige Forsikring ASA for 20 years and has considerable management experience from the financial sector in the areas of banking, life insurance and non-life insurance. Baastad also has wide-ranging experience of the brand industry as a result of his time at Denofa & Lilleborg Fabriker / Orkla and Jordan AS. Baastad is independent in relation to Itera's management, employees and major shareholders.

For a full presentation of Itera's Board of Directors, please go to itera.com.

Ukraine

In the second quarter our colleagues in Ukraine continued to show admirable courage and resilience in relation to the consequences of the invasion. Our people continued to deliver high quality services in hybrid mode, namely from their homes and from the Itera offices in Kyiv and Lviv. The well-being of our Ukrainian colleagues is our first priority every day. In our regular corporate crisis management meetings, we receive feedback and agree on how to support personal requests. In the second quarter we had approximately 40 of our 300 Ukrainian colleagues living outside Ukraine, and most of these live in one of the seven other countries where Itera has offices. The numbers of expats are decreasing as many colleagues have returned to their Ukrainian homes.

We continue to respond to personal requests for support with re-locating and buying powerbanks, Starlinks and power generators as needed. Our brave employees serving in the armed forces receive 50% of their normal salary from Itera. Thanks to the funds collected by the Itera Employee Foundation, we are able to finance key practical items for Itera employees serving as soldiers (e.g. second-hand SUVs, medical aid kits, clothes, gas drones etc.). Our long-term corporate social responsibility to support Ukraine continues.

Deep Dive

Ukraine as the green energy hub for Europe after the war

The rebuilding of Ukraine after the war will be the largest source of economic, industrial and technological growth in Europe for decades. Not only for Ukraine but for the private sector in the Nordics and all countries that strive to and do live freely.

A flagship for green Europe

Ukraine has stunned us with its bravery. They have inspired us with their ingenuity. And they have overwhelmed us with the way they are transforming their country in pursuit of their dream of a cleaner, greener, more modern Ukraine after their victory. A country that is a member of the EU and NATO.

Russia's invasion of Ukraine is a game-changer on many levels. One of the most visible and impactful consequences of the war is in the area of energy. The disruption to the flow of hydrocarbons from Russia has put Europe in a situation where the continent faces a two-sided challenge: maintaining energy security while living up to their obligations to address the climate crisis.

Last winter, Russia attempted to destroy Ukraine's energy grid. About half of Ukraine's energy grid has been destroyed. In February, over 40% of power production was down. But now, thanks to Ukraine's incredible resilience and ingenuity combined with the support of its Western allies, the country has got the grid back up again and they have even started exporting electricity back to Europe.

Ukraine has significant energy potential and can become an important energy exporter and the flagship for the green industrial transition in Europe. The rebuilding of Ukraine will be based entirely on the EU's Green Deal with the ambition that Ukraine will become the leading green energy hub in Europe.

The country estimates that it will face an internal and external demand for electricity of 700 TWh by 2050 and has laid out a plan to expand electric power production and green hydrogen by 360 GW over the next 20 years. In total, we are talking about investment of around USD 360 billion for the energy transition. In addition, more than USD 10 billion per year comes from equipment production.

Wind power will increase sharply to 140 GW, while solar power will go from 7 GW today to 94 GW in 20 years. Nuclear power will amount to 30 GW, up from today's 14 GW, while coal will be phased out by 2035. Battery capacity will amount to 38 GW, bioenergy 18 GW and hydropower 9 GW.

Moreover, large parts of the equipment and minerals for the energy transition can be produced in Ukraine, resolving the bottle necks with the energy industry supply chain. As much as 80-95% of the equipment for wind, solar and batteries can be produced in Ukraine, while Ukraine has reserves of lithium and graphite to produce 1000 GW of batteries, which corresponds to 20 million electric cars.

The green transformation of energy will logically stimulate the development of industries such as green metallurgy and green fertilizers as well as green logistics and environmentally friendly electric rail and river transportation. For example, thanks to its natural resources and industrial traditions, Ukraine can become one of the key global centres for green metallurgy.

On the path to becoming the largest digital hub in Europe

Ukraine also has a huge digital workforce, which has not become any smaller because of the war - quite the opposite. Digitisation is a central tool for winning the war on the battlefield, making services available to the population and businesses and for fighting corruption from the Soviet era.

The country will be one of the world's leading digital countries in 2025, where all interaction is digital and transparent, and soon the country will present a plan on how it will become a cashless society.

Ukraine today has a digital workforce of 310,000 IT specialists, and its digital workforce is the fastest growing in Europe with 50,000 new members a year, and it is responsible for 10% of the country's GDP. Ukraine will be Europe's largest IT hub and will have 500,000 specialists by 2026. A significant part of its IT services is exported to other countries - without brain drain from the country - and IT services represent the country's third-largest source of export income after agriculture and the metal industry.

Ukraine can meet the Nordic region's need for IT specialists quickly. In return, this will create IT export revenues for Ukraine. The best way to provide support is to keep the Ukrainian economy going, now and after the war. Buying more products and services from Ukraine represents today's greatest social responsibility for both the private and public sectors.

If more businesses within the private and public sector spend 5-10% of their IT budget on purchasing IT services from Ukraine, together we will be displaying significant social responsibility. Businesses could, by taking such relatively simple steps, make a significantly greater commitment to securing our own freedom and sovereignty, both during and after the war. And, not least, Ukraine will provide the Nordic region with a lot of valuable learning about how to digitise faster and more efficiently.

Attractive business climate

Despite the war, Ukraine has accelerated its reform agenda with impressive speed and determination in the form of new rule of law reforms, anti-corruption reforms, new laws for the media and national minorities, etc. Since the EU granted Ukraine candidate status a year ago, the country has been adapting its standards and practices to the EU and is meeting more and more of the requirements on the extensive list for membership. It is hoped that negotiations on membership can start this year. In addition, Ukraine will become part of NATO when the war is over.

The EU and G7 have created a joint coordination platform for international donors, which is called the Multi-Agency Donor Coordination Platform. This guarantees that aid goes exactly where Ukraine needs it most. It is the first of its kind in the history of international aid. It brings together Ukraine, the EU, the G7, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF) and the World Bank. It also includes a war risk insurance framework to extend commercial insurance coverage in Ukraine.

But this is not enough. Only the private sector can mobilise the level of investment necessary to meet the country's enormous needs. Because it is the private sector, with its invaluable expertise and financial power, that will help Ukraine realise its dreams.

Ukraine is creating the most advantageous business climate possible both now and after the war. The implementation of comprehensive reforms and the creation of a digital and cashless society are about creating the transparent and efficient processes that the private sector wants. The comprehensive reform agenda in Ukraine which shows it is on its way to becoming a member of the EU and NATO sends a powerful message to the private sector: They will get the openness, fairness and functioning institutions they need to invest in Ukraine.

In addition to this, the country is currently working on a competitive tax system and on developing a modern labour market to meet the challenges of the reconstruction with a large flow of labour across countries.

Private sector led recovery

It is now time for the Nordic region's energy sector, supplier industry and technology industry to step in and see how we can contribute, with the focus on business and not just donations. The rebuilding of Ukraine is a collective effort that will only succeed if public and private actors work together.

Despite the war and its damage to Ukraine's economy, Itera and many companies continue to operate in Ukraine – in the IT, energy, healthcare and food sectors. And they see rebuilding as an opportunity for growth. They not only provide goods, services and jobs –they provide trust in the future of Ukraine.

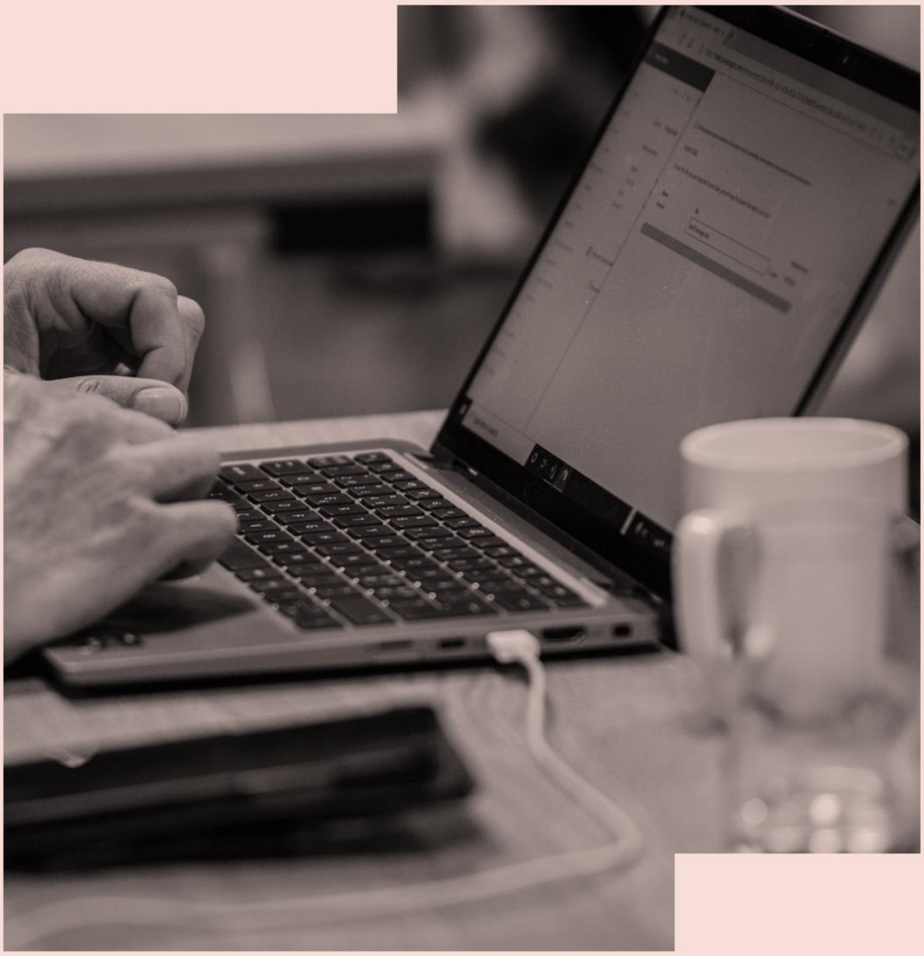
In digitalisation, businesses can buy services today delivered from Ukraine using a cross-border team of talented employees with a local presence close to them. The development of renewable energy, on the other hand, is a longer-term process, but the planning, arrangements and agreements are now being made so that they are ready for when the war is over. However, there are a lot of opportunities within energy efficiency now and after the war.

Our Digital Factory at Scale enables the private and public sector in the Nordics to buy services from Ukraine in the best way to increase their speed and throughput in digitalisation. In addition, we are helping Ukraine to invest in the energy transition and the green industrial shift by partnering with leading companies in Ukraine, the Nordics and across the world. We absolutely believe that Ukraine will become a game changing opportunity for Itera after the war.

We at Itera invite the private sector to step up and do business with Ukraine during the war to keep its economy running and to attend international conferences or visit Ukraine to gain insight into the opportunities. Authorities, institutions and politicians visit the country regularly, and now it is the private sector's turn.

We at Itera have never encountered such a clear distinction between right and wrong. Never. When victory comes to Ukraine, it will come to all of us. And it is our job - our duty - to the Ukrainians who have paid the ultimate sacrifice to ensure that their dreams come true.

Let's stand together for a better future. Not only for a better future for Ukraine, but for a better green future for all of us. Together, we will build the world as it will be during the lifetime of our generation and after us. It depends on each and every one of us.



Interim condensed financial report

Consolidated statement of comprehensive income

Amounts in NOK thousand	2023 4-6	2022 4-6	*change* *%*	2023 1-6	2022 1-6	*change* *%*	2022 1-12
Operating revenue	**225 236**	**183 507**	***23 %***	**455 543**	**359 523**	***27 %***	**735 840**
Operating expenses							
Cost of sales	16 439	13 900	*18 %*	29 633	27 871	*6 %*	51 687
Gross Profit	**208 797**	**169 607**	***23 %***	**425 910**	**331 652**	***28 %***	**684 153**
Gross Margin	*92.7 %*	*92.4 %*	*0.3 pts*	*93.5 %*	*92.2 %*	*1.2 pts*	*93.0 %*
Personnel expenses	165 089	127 986	*29 %*	323 043	244 963	*32 %*	515 118
Other operating expenses	17 336	12 808	*35 %*	35 685	24 560	*45 %*	60 063
Depreciation and amortisation	8 000	7 318	*9 %*	15 589	14 488	*8 %*	31 753
Total operating expenses	**206 864**	**162 012**	***28 %***	**403 950**	**311 882**	***30 %***	**658 622**
EBITDA	**26 372**	**28 813**	***(8 %)***	**67 183**	**62 130**	***8 %***	**108 971**
Operating profit (EBIT)	**18 372**	**21 495**	***(15 %)***	**51 594**	**47 641**	***8 %***	**77 218**
Other financial income	(1 529)	837	*(283 %)*	631	1 317	*(52 %)*	1 925
Other financial expenses	(2 310)	556	*(516 %)*	1 338	1 140	*17 %*	938
Net financial income (expenses)	**781**	**281**	***178 %***	**(708)**	**177**	***(501 %)***	**987**
Profit before taxes	**19 153**	**21 777**	***(12 %)***	**50 886**	**47 818**	***6 %***	**78 206**
Income taxes	4 371	5 230	*(16 %)*	11 626	11 277	*3 %*	16 777
Net income from continuing operations	**14 782**	**16 547**	***(11 %)***	**39 260**	**36 540**	***7 %***	**61 429**
Net income from discontinued operations*	**-**	**(1 786)**	***100 %***	**-**	**-10 438**	***100 %***	**(10 438)**
Net income	**14 782**	**14 760**	***0 %***	**39 260**	**26 102**	***50 %***	**50 990**
Other comprehensive income							
Translation diff. on net investm. in foreign operations	877	1 900	*(54 %)*	2 672	1 404	*90 %*	440
Total comprehensive income	**15 660**	**16 660**	***(6 %)***	**41 932**	**27 506**	***52 %***	**51 430**
Total comprehensive income attributable to:							
Shareholders in parent company	**15 660**	**16 660**	***(6 %)***	**41 932**	**27 506**	***52 %***	**51 430**
Earnings per share continuing operations	0.18	0.20	*(11 %)*	0.48	0.45	*7 %*	0.76
Fully diluted earnings per share continuing operations	0.18	0.20	*(11 %)*	0.48	0.45	*7 %*	0.76

*) See note 4 for information about discontinued operations.

Consolidated statement of financial position

Amounts in NOK thousand	2023 30 Jun	2022 30 Jun	*change*	*change %*	2022 31 Dec
ASSETS					
Non-current assets					
Deferred tax assets	4,399	4,707	*(309)*	*(7 %)*	4,388
R&D	31,964	33,687	*(1,723)*	*(5 %)*	32,676
Other intangible assets	393	579	*(187)*	*(32 %)*	509
Property, plant and equipment	13,359	15,998	*(2,639)*	*(16 %)*	12,790
Right-of-use assets	68,880	27,207	*41,672*	*153 %*	28,271
Total non-current assets	**118,994**	**82,180**	***36,815***	***45 %***	**78,634**
Current assets					
Contract assets	3,696	(293)	*3,989*	*1,364 %*	225
Contract costs	-	2,690	*(2,690)*	*(100 %)*	1,345
Accounts receivable	125,346	99,096	*26,250*	*26 %*	98,971
Other receivables	18,269	19,907	*(1,638)*	*(8 %)*	12,661
Cash and cash equivalents	51,982	27,083	*24,899*	*92 %*	41,934
Total current assets	**199,293**	**148,484**	***50,809***	***34 %***	**155,136**
TOTAL ASSETS	**318,288**	**230,664**	***87,624***	***38 %***	**233,771**
EQUITY AND LIABILITIES					
Equity					
Share capital	24,656	24,656	*-*	*0 %*	24,656
Other equity	10,752	6,739	*4,014*	*60 %*	(78,489)
Net income for the period	39,267	26,102	*13,165*	*50 %*	103,274
Total equity	**74,675**	**57,497**	***17,179***	***30 %***	**49,442**
Non-current liabilities					
Other provisions and liabilities	1,435	1,104	*331*	*30 %*	1,304
Lease liabilities - long-term portion	58,631	16,668	*41,964*	*252 %*	20,420
Total non-current liabilities	**60,067**	**17,772**	***42,295***	***238 %***	**21,724**
Current liabilities					
Accounts payable	17,825	19,207	*(1,382)*	*(7 %)*	16,760
Tax payable	11,929	4,532	*7,397*	*163 %*	12,112
Public duties payable	49,576	36,971	*12,606*	*34 %*	47,828
Contract liabilities	18,063	21,107	*(3,044)*	*(14 %)*	14,840
Lease liabilities - short term	11,971	12,509	*(538)*	*(4 %)*	9,175
Other current liabilities	74,181	61,069	*13,112*	*21 %*	61,891
Total current liabilities	**183,546**	**155,395**	***28,151***	***18 %***	**162,606**
Total liabilities	**243,612**	**173,167**	***70,446***	***41 %***	**184,330**
TOTAL EQUITY AND LIABILITIES	**318,288**	**230,664**	***87,624***	***38 %***	**233,771**
Equity ratio	**23.5 %**	**24.9 %**		***-1.5 pts***	**21.1 %**

Consolidated statement of cash flow

Amounts in NOK thousand	2023 4-6	2022 4-6	*change*	2023 1-6	2022 1-6	*change*	2022 1-12
Profit before taxes	18,657	19,486	(830)	50,389	34,435	15,954	64,823
Income taxes paid	(4,087)	(2,578)	(1,508)	(12,005)	(11,252)	(753)	(7,980)
Depreciation and amortisation	8,000	7,318	682	15,589	15,246	343	32,510
Share option costs	1,132	306	826	1,532	567	965	1,454
Change in contract assets	(1,852)	8,115	(9,967)	(3,471)	1,413	(4,884)	895
Change in accounts receivable	9,348	(11,329)	20,677	(26,375)	(23,004)	(3,371)	(22,879)
Change in accounts payable	2,514	3,268	(754)	1,065	361	704	(2,086)
Change in other accruals	(158)	(11,294)	11,135	1,456	(5,611)	7,067	7,094
Effect of changes in exchange rates	(561)	(653)	92	12,995	(377)	13,372	1,382
Net cash flow from operating activities	**33,009**	**12,992**	**20,017**	**40,887**	**12,593**	**28,294**	**76,027**
- of which included in discontinued operations	-	*(738)*	*738*		*(13,260)*	*13,260*	*(13,260)*
Payment from sale of fixed assets	28	1,055	(1,027)	332	1,055	(723)	-
Investment in fixed assets	(1,529)	(2,557)	1,029	(3,362)	(3,754)	392	(6,503)
Investment in intangible assets	(2,176)	(2,429)	253	(4,584)	(5,283)	699	(9,773)
Net cash flow from investing activities	**(3,677)**	**(3,931)**	**254**	**(7,614)**	**(7,982)**	**367**	**(15,222)**
- of which included in discontinued operations	-	*1,055*	*(1,055)*		*1,055*	*(1,055)*	*1,055*
Purchase of own shares	-	-	-	(80)	(621)	542	(9,086)
Sales of own shares	-	6,559	(6,559)	6,237	6,559	(322)	6,559
Equity settlement of options contract	267	-	267	-	-	-	-
Principal elements of lease payments	(3,480)	(3,939)	459	(6,754)	(7,733)	979	(15,537)
Instalment of sublease receivable	-	810	(810)	-	1,750	(1,750)	1,750
Dividends paid to equity holders of Itera ASA	(24,656)	(16,099)	(8,557)	(24,656)	(16,099)	(8,557)	(40,451)
Net cash flow from financing activities	**(27,869)**	**(12,669)**	**(15,200)**	**(24,984)**	**(16,144)**	**(8,840)**	**(56,767)**
- of which included in discontinued operations	-	*(468)*	*468*	-	*(982)*	*982*	*(982)*
Effects of FX rate changes on cash and cash equiv.	778	1,161	(382)	1,760	1,160	600	437
Net change in cash and cash equivalents	**2,242**	**(2,447)**	**4,689**	**10,048**	**(10,373)**	**20,421**	**4,475**
Cash and cash equivalents at the beg. of the period	49,741	29,530	20,210	41,935	37,457	4,478	37,457
Cash and cash equivalents at the end of the period	**51,982**	**27,083**	**24,899**	**51,982**	**27,083**	**24,899**	**41,933**

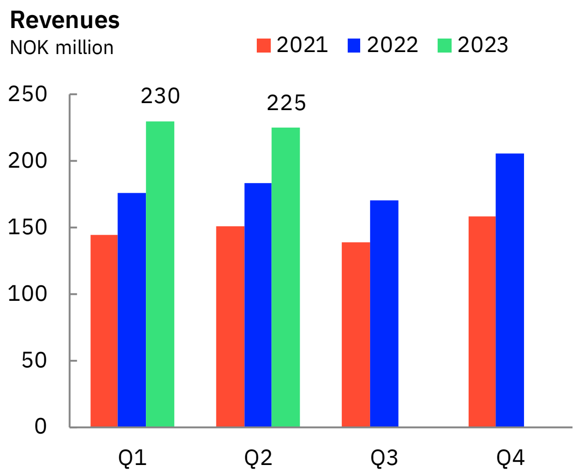
Consolidated statement of changes in equity

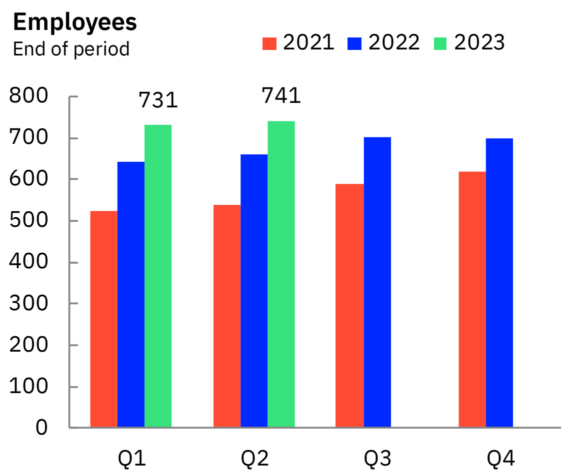
Amounts in NOK thousand	Share capital	Own shares	Other paid in equity	Cumulative translation differences	Other equity	Total equity
Equity as of 1 Jan 2022	**24 655**	**(492)**	**(32 811)**	**820**	**47 362**	**39 536**
Net income for the period	-	-	-	-	50 990	**50 990**
Other comprehensive income for 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)			**(9 085)**
Sale of own shares	-	204	6 355	-	-	**6 558**
Dividends	-	-	-	-	(40 451)	**(40 451)**
Equity as of 31 Dec 2022	**24 655**	**(485)**	**(33 891)**	**1 259**	**57 902**	**49 442**
Net income for the period	-	-	-	-	39 260	**39 260**
Other comprehensive income for the period	-	-	-	2 672	-	**2 672**
Share option costs	-	-	1 532	-	-	**1 532**
Cash settlement of options contract	-	-	-	-	-	**-**
Equity settlement of options contract	-	7	260	-	-	**267**
Sales of own shares	-	194	6 043	-	-	**6 237**
Purchase of own shares	-	(2)	(77)	-	-	**(80)**
Dividends	-	-	-	-	(24 656)	**(24 656)**
Equity as of 30 Jun 2023	**24 655**	**(286)**	**(26 133)**	**3 931**	**72 506**	**74 675**

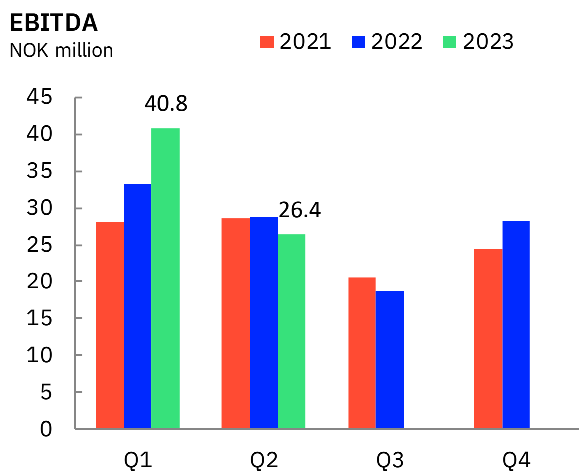
Key figures

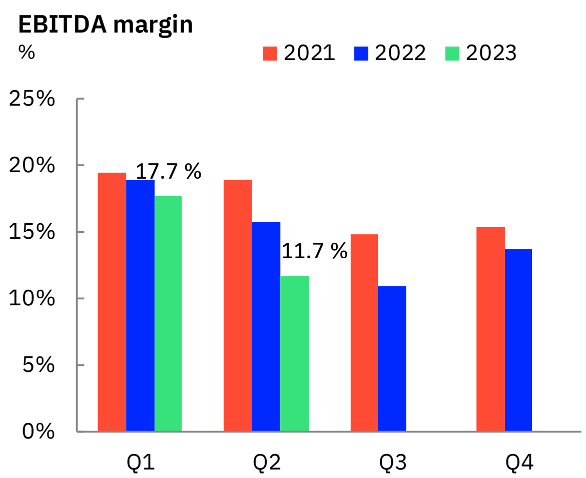
Amounts in NOK thousand	2023 4-6	2022 4-6	change %	2023 1-6	2022 1-6	change %	2022 1-12
Profit & Loss continuing operations							
Operating revenue	225 236	183 507	*23%*	455 543	359 523	*27%*	735 840
Gross profit	208 797	169 607	*23%*	425 910	331 652	*28%*	684 153
EBITDA	26 372	28 813	*-8%*	67 183	62 130	*8%*	108 971
EBITDA margin	*11.7%*	*15.7 %*	*-4 pts*	*14.7%*	*17.3 %*	*-2.5 pts*	*14.8 %*
Operating profit (EBIT)	18 372	21 495	*-15%*	51 594	47 641	*8%*	77 218
EBIT margin	*8.2%*	*11.7 %*	*-3.6 pts*	*11.3%*	*13.3 %*	*-1.9 pts*	*10.5 %*
Profit before taxes	19 153	21 777	*-12%*	50 886	47 818	*6%*	78 206
Net income	14 782	16 547	*-11%*	39 260	36 540	*7%*	61 429
Net income incl. discont. operations	14 782	14 760	*0%*	39 260	26 102	*50%*	50 990
Balance sheet							
Non-current assets	118 994	82 180	*45%*	118 994	82 180	*45%*	78 634
Bank deposits	51 982	27 083	*92 %*	51 982	27 083	*92 %*	41 934
Other current assets	199 293	148 484	*34 %*	199 293	148 484	*34 %*	155 136
Total assets	318 288	230 664	*38 %*	318 288	230 664	*38 %*	233 771
Equity	74 675	57 497	*30 %*	74 675	57 497	*30 %*	49 442
Total non-current liabilities	60 067	17 772	*238 %*	60 067	17 772	*238 %*	21 724
Total current liabilities	183 546	155 395	*18 %*	183 546	155 395	*18 %*	162 606
Equity ratio	*23.5%*	*24.9 %*	*-1.5 pts*	*23.5%*	*24.9 %*	*-1.5 pts*	*21.1 %*
Current ratio	1.37	1.13	*21 %*	1.37	1.13	*21 %*	1.21
Cash flow							
Net cash flow from operating activities	33 009	12 992	*154 %*	40 887	12 593	*225 %*	76 028
Net cash flow	2 242	(2 447)	*192 %*	10 048	(10 373)	*197 %*	4 478
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	81 226 898	80 834 820	*0 %*	81 061 012	80 678 469	*0 %*	80 851 746
Weighted average diluted shares outstanding	81 500 364	80 955 438	*1 %*	81 262 994	80 917 477	*0 %*	81 100 219
Earnings per share continuing business	0.18	0.20	*(11%)*	0.48	0.45	*7 %*	0.76
Diluted Earnings per share contin. operations	0.18	0.20	*(11%)*	0.48	0.45	*7 %*	0.76
EBITDA per share continuing operations	0.32	0.36	*(9%)*	0.83	0.77	*8 %*	1.35
Equity per share	0.92	0.71	*29 %*	0.92	0.71	*29 %*	0.61
Dividend per share	0.30	0.20	*50 %*	0.30	0.20	*50 %*	0.50
Employees continuing business							
Number of employees at the end of the period	741	661	*12 %*	741	661	*12 %*	698
Average number of employees	736	667	*10 %*	725	664	*9 %*	677
Operating revenue per employee	306	275	*11 %*	628	542	*16 %*	1 087
Gross profit per employee	284	254	*12 %*	587	500	*18 %*	1 011
Personnel expenses per employee	224	192	*17 %*	445	369	*21 %*	761
Other operating expenses per employee	24	19	*23 %*	49	37	*33 %*	89
EBITDA per employee	36	43	*(17%)*	93	94	*(1%)*	161
EBIT per employee	25	32	*(23%)*	71	72	*(1%)*	114

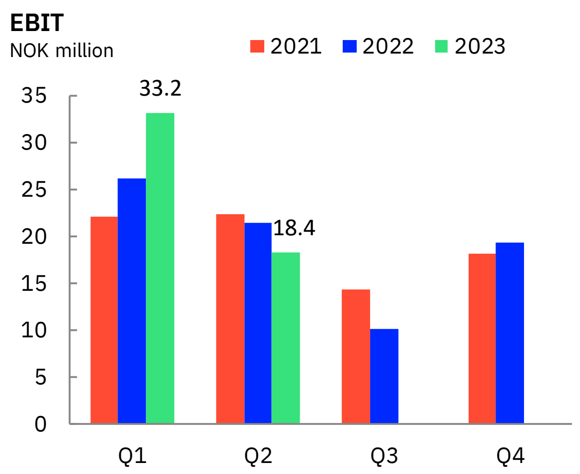
Quarterly development 2021-2023

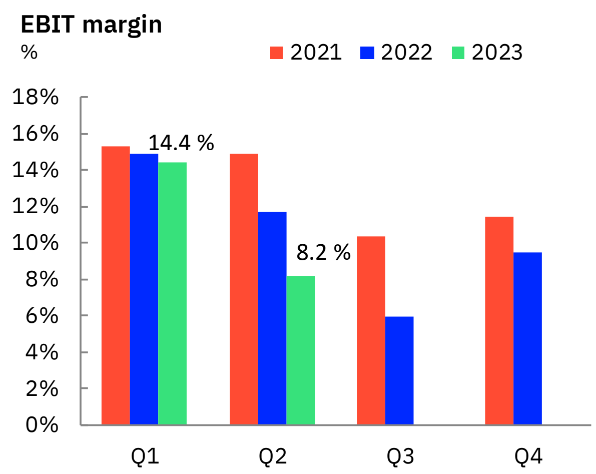












Notes

Note 1: Transactions with related parties

There have been no material transactions with related parties during the reporting period 1 January 2023 to 30 June 2023.

Note 2: Events after the balance sheet date

There have been no events after 30 June 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 second 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 second 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.

NOK million	**2023** **4-6**	2022 4-6	*change*	**2023** **1-6**	2022 1-6	*change*	2022 1-12
Operating revenue	0.0	-0.5	0.5	0.0	7.3	-7.3	7.3
Cost of sales	0.0	0.6	-0.6	0.0	4.7	-4.7	4.7
Gross profit	0.0	-1.1	1.1	0.0	2.6	-2.6	2.6
Personnel expenses	0.0	0.8	-0.8	0.0	12.7	-12.7	12.7
Other operating expenses	0.0	0.4	-0.4	0.0	2.5	-2.5	2.5
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.8	-0.8	0.8
Total operating expenses	0.0	1.8	-1.8	0.0	20.7	-20.7	20.7
EBIT	0.0	-2.3	2.3	0.0	-13.4	13.4	-13.4
EBIT margin	*0.0%*	*458.0%*	*-458.0%*	*0.0%*	*-182.3%*	*182.3%*	*-182.3%*
Income taxes	0.0	-0.5	0.5	0.0	-2.9	2.9	-2.9
Net income from discontinued operations	0.0	-1.8	1.8	0.0	-10.4	10.4	-10.4

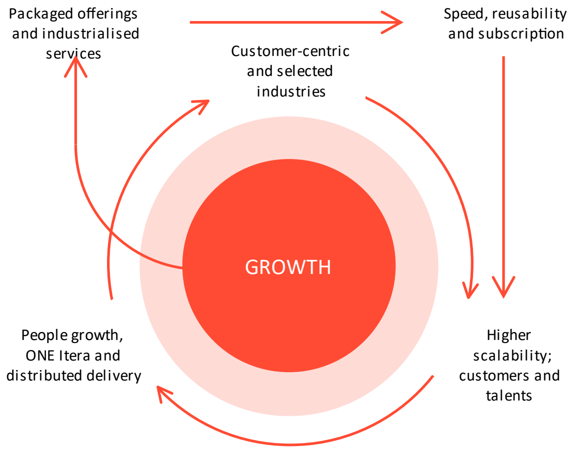
About Itera

Our strategic position

Itera is a leading international tech company that helps businesses and organisations accelerate their sustainable digital transformation and contribute to the advancement of society.

As companies embrace digital transformation, they come to us as their trusted partner to build their digital core with cloud-based technology because of our full range of services across digital strategy, consulting and execution, customer experience, technology and cloud operations. Our integrated services meet customer needs rapidly and at scale through our distributed multi-disciplined teams and our world-class cross-border Digital Factory at Scale that enables more for less.

There is no more powerful contributor to business growth than digital technology. Digital technology will accelerate growth beyond what was previously possible with people and machines. When talking to executives, Itera always finds that they highlight speed and results from digital initiatives as their top priorities.



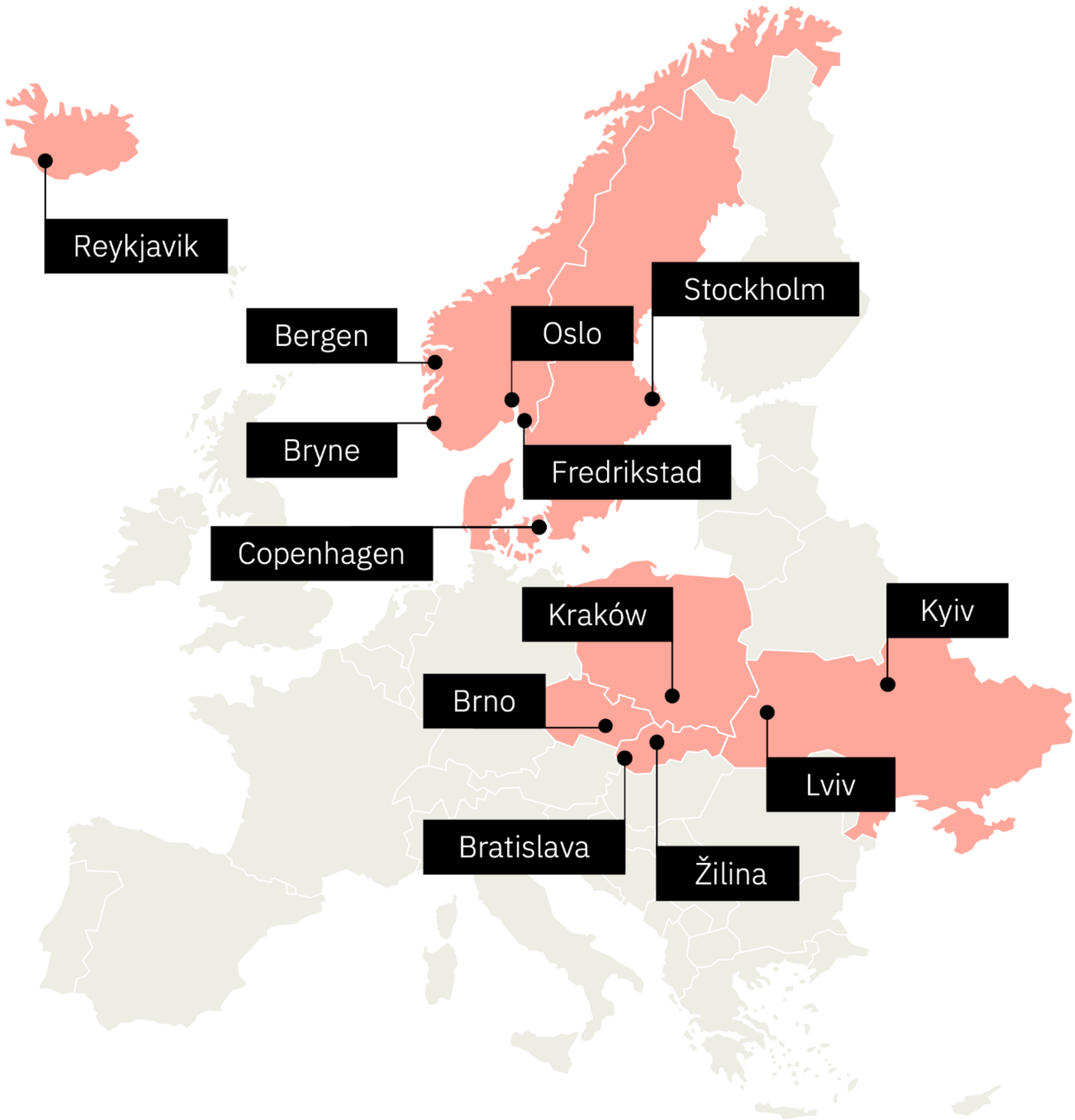
We have a focused customer-centric strategy in selected industries and ONE operating model across all locations that offers the right mix of autonomy and alignment. Our entrepreneurial culture is grounded in a strong growth mindset of '*grow our people, our customers and our company'*. Our business model consists of us combining both consulting services (the inner circle in the figurer to the left) with subscription-based managed services such as package offerings and industrialised services (the outer circle).

We are seeing all emerging technology become digital capabilities in the cloud that represent a dynamic continuum from public and hybrid cloud to edge and everything in between. Every business will need to become sustainable and digital, and data will be the key to success. Our success is grounded in our ability to anticipate the future and to provide digital capabilities for their transformation.

These changes will simultaneously create more challenging jobs and career paths for our skilled people. Working from our 13 offices in the Nordics and Central and Eastern Europe, we serve customers in 20 countries worldwide. We leverage our scale and international footprint, our innovation-led culture and our strong partnerships, together with our Digital Factory at Scale, 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.

Our locations



ITERA

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