ATEA

Q2

2020

INTERIM REPORT

Revenue of NOK 10,598 million, up 11.7% y-o-y

EBIT of NOK 220 million, up 51.4% y-o-y

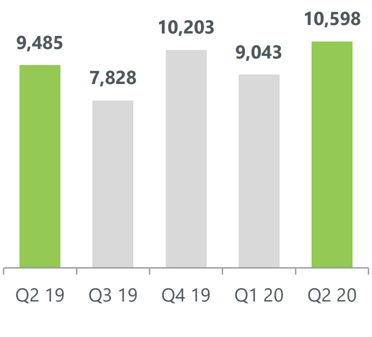
Cash flow from operations of NOK 1,010 million, compared with NOK 873 million last year

Net financial position of NOK 459 million, compared with NOK -289 million last year

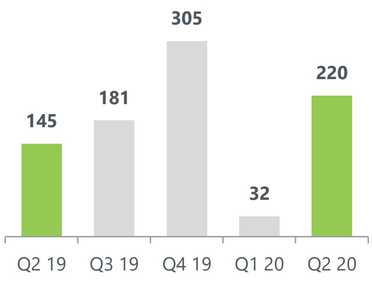
KEY FIGURES* | Q2 | 2020

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Group revenue	10,598	9,485	19,641	18,624	36,655
Gross profit	2,065	1,904	4,062	3,841	7,758
Gross margin (%)	19.5%	20.1%	20.7%	20.6%	21.2%
EBIT	220	145	252	261	747
EBIT margin (%)	2.1%	1.5%	1.3%	1.4%	2.0%
Net profit	151	97	157	177	530
Earnings per share (NOK)	1.37	0.89	1.43	1.62	4.84
Diluted earnings per share (NOK)	1.36	0.88	1.42	1.60	4.78
Cash flow from operations	1,010	873	-188	392	1,897
Free cash flow	960	795	-347	225	1,644

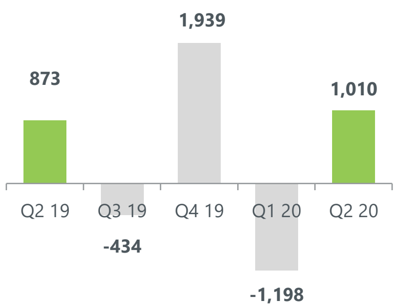
	30 Jun 2020	30 Jun 2019	31 Dec 2019
Net financial position	459	-289	657
Liquidity reserve	3,850	2,649	3,995
Working capital	-2,026	-1,571	-2,412
Working capital in relation to annualized revenue (%)	-5.2%	-4.2%	-6.6%
Adjusted equity ratio (%)	26.8%	24.0%	22.4%
Number of full-time employees	7,222	7,419	7,585



REVENUE | NOK in million



EBIT | NOK in million



CASH FLOW FROM OPERATIONS | NOK in million

*Alternative perfomance measures (APM) presented in the key figures table are described in Note 13 of this report

FINANCIAL REVIEW | Q2 | 2020

GROUP

In Q2 2020, Atea reported record high revenue and EBIT for the second quarter despite an adverse economic environment.

Revenue increased by 11.7% to NOK 10,598 million in Q2 2020. Currency fluctuations had a positive impact of 9.7% on revenue growth in Q2 2020.

Hardware revenue was up 6.3%, software revenue was up 20.7% and services revenue was up 8.1%. During the last few years, an increased proportion of Atea's revenue has come from software and services, a development which is attributed to general industry trends.

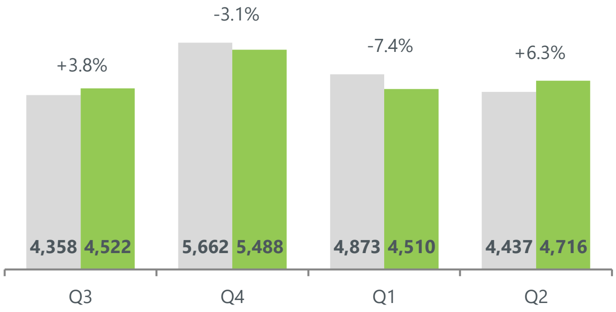
Gross profit grew by 8.5% to NOK 2,065 million. Gross margin was 19.5% compared to 20.1% last year. The decline in gross margin was based on an increased proportion of revenue from lower margin software compared with last year.

Total operating expenses were NOK 1,845 million, up 4.9% from last year. Adjusted for currency movements, operating expenses were lower than last year. The average number of full time employees fell by 229 (-3.1%) from last year, as management implemented furlough programs in response to the COVID-19 pandemic and placed several hundred employees on partial or full time leave.

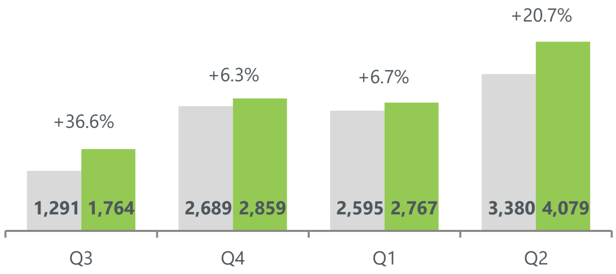
As a result of higher revenue and relatively lower growth in operating expenses, EBIT grew by 51.4% to NOK 220 million, up from NOK 145 million last year. Net financial items were an expense of NOK 30 million, compared with an expense of NOK 21 million last year.

Profit before tax was NOK 190 million, up from NOK 124 million last year. Income tax expense was NOK 39 million, an effective tax rate of 20.6%.

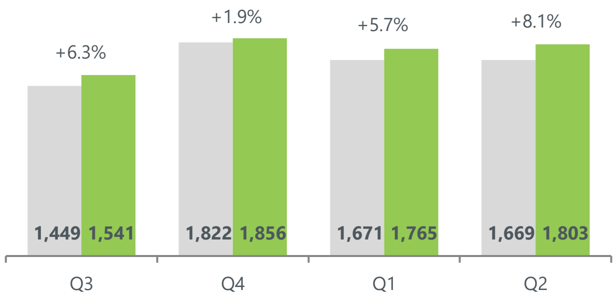
Net profit after tax increased to NOK 151 million, up from NOK 97 million last year.



HARDWARE REVENUE AND GROWTH | NOK in million



SOFTWARE REVENUE AND GROWTH | NOK in million



SERVICES REVENUE AND GROWTH | NOK in million

FIRST HALF OF 2020

Group revenue increased by 5.5% to NOK 19,641 million in the first half of 2020. Hardware revenue was down 0.9%, software revenue was up 14.6% and services revenue was up 6.9%. Currency fluctuations had a positive impact of 7.2% in the first half of 2020.

Atea incurred NOK 72 million in reorganization costs during Q1 2020 related to a restructuring of its operations in Denmark and associated write-downs. EBIT before reorganization costs in the first half of 2020 was NOK 324 million, an increase of 24.1% from last year. After reorganization costs, Atea's EBIT was NOK 252 million, a decrease of 3.6% from last year.

FINANCIAL REVIEW | Q2 | 2020

NORWAY

NOK in million	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %
Products revenue	1,752	1,624	7.9%	3,422	3,553	-3.7%
Services revenue	555	553	0.3%	1,126	1,066	5.7%
Total revenue	2,307	2,177	5.9%	4,548	4,619	-1.5%
Gross profit	550	550	0.0%	1,121	1,113	0.8%
Gross margin %	*23.8%*	*25.2%*	*-1.4%*	*24.7%*	*24.1%*	*0.6%*
OPEX	470	479	-1.9%	996	1,004	-0.8%
EBIT	80	71	13.2%	125	109	14.6%
EBIT %	*3.5%*	*3.3%*	*0.2%*	*2.8%*	*2.4%*	*0.4%*

Atea Norway reported all time high financial results for the second quarter of 2020, based on higher sales of software and consulting and lower operating expenses compared with last year.

Revenue in Q2 2020 was NOK 2,307 million, an increase of 5.9% from last year. Hardware revenue was up 1.4%, based on higher sales of datacenter and communication equipment. Software revenue was up 24.6% due to increased demand from the public sector. Services revenue was in line with last year as higher demand for managed cloud and consulting services was offset by lower sales of product support agreements.

Total gross margin was 23.8%, compared with 25.2% last year. Product margin declined to 11.2% from 13.0% last year, primarily due to an increased proportion of revenue from low margin software agreements. Service margin increased to 63.7% compared with 61.2% last year, due to improved billing rates on Atea's own consultants and lower direct costs on service and support agreements.

Total operating expenses were NOK 470 million, down 1.9% from last year. The reduction in operating expenses was due to a reduction in the number of full-time employees by 59 (-3.5%) from last year, and due to lower travel and office expenses. Atea Norway had fewer employees compared with last year as management implemented furlough programs in response to the COVID-19 pandemic.

Based on higher revenue and lower operating expenses, EBIT in Q2 2020 grew by 13.2% to NOK 80 million. The EBIT margin was 3.5%, up from 3.3% last year.

FINANCIAL REVIEW | Q2 | 2020

SWEDEN

SEK in million	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %
Products revenue	3,761	3,690	1.9%	6,694	6,860	-2.4%
Services revenue	687	657	4.5%	1,355	1,311	3.3%
Total revenue	4,448	4,347	2.3%	8,049	8,172	-1.5%
Gross profit	803	812	-1.2%	1,585	1,599	-0.9%
Gross margin %	*18.0%*	*18.7%*	*-0.6%*	*19.7%*	*19.6%*	*0.1%*
OPEX	690	682	1.2%	1,371	1,357	1.0%
EBIT	112	130	-13.8%	214	242	-11.5%
EBIT %	*2.5%*	*3.0%*	*-0.5%*	*2.7%*	*3.0%*	*-0.3%*

Atea Sweden reported lower EBIT in the second quarter of 2020, as sales of consulting services fell from last year.

Revenue increased by 2.3% from last year to SEK 4,448 million. Hardware revenue was in line with last year. Software revenue was up 3.8% based on an increased sales of licenses and cloud subscriptions to the public sector. Services revenue was up 4.5% as increased sales of third party support agreements offset lower demand for consultants.

Total gross margin decreased to 18.0% in Q2 2020, compared with 18.7% last year. Product margin improved to 10.2% in Q2 2020 from 10.0% last year, mostly due to a shift in the revenue mix toward high margin cloud subscriptions. Services margin fell to 60.9% compared to 67.7% last year, due to a lower proportion of revenue from consulting services compared to third party support agreements.

Total operating expenses grew by 1.2% to SEK 690 million, driven by higher depreciation costs on facility right-of-use assets. The average number of full-time employees fell by 37 (-1.5%) from last year. Atea Sweden had fewer employees compared with last year as management implemented furlough programs in response to the COVID-19 pandemic.

EBIT in Q2 2020 was SEK 112 million, down 13.8% from last year. The EBIT margin was 2.5%, down from 3.0% last year.

FINANCIAL REVIEW | Q2 | 2020

DENMARK

DKK in million	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %
Products revenue	1,482	1,485	-0.2%	2,496	2,594	-3.8%
Services revenue	277	313	-11.3%	565	637	-11.3%
Total revenue	1,759	1,798	-2.1%	3,061	3,231	-5.2%
Gross profit	268	298	-10.1%	531	594	-10.5%
Gross margin %	*15.2%*	*16.6%*	*-1.3%*	*17.4%*	*18.4%*	*-1.0%*
OPEX before reorganization costs	276	328	-16.0%	578	644	-10.3%
EBIT before reorganization costs	-8	-30	N/A	-47	-50	N/A
EBIT %	*-0.4%*	*-1.7%*	*1.2%*	*-1.5%*	*-1.6%*	*0.0%*

Atea Denmark reported improved EBIT in the second quarter of 2020, based on lower personnel and other operating expenses.

Total revenue in Denmark fell by 2.1% to DKK 1,759 million. Hardware revenue was down 14.4%, software revenue was up 13.4% and services revenue fell by 11.3%.

The decline in hardware revenue was driven by lower demand for PCs and datacenter equipment from the private sector. Software revenue increased based on strong sales of licenses and cloud subscriptions to both the public and private sector. Services revenue fell due to lower revenue from managed service agreements.

Total gross margin was 15.2% in Q2 2020 compared with 16.6% last year. Product margin was 6.4% in Q2 2020, down from 7.1% last year, mostly due to a higher proportion of revenue from low margin software agreements. Services margin increased to 62.3% from 61.3% last year based on a higher proportion of consulting services in the revenue mix.

Total operating expenses were DKK 276 million, a decline of 16.0% from Q2 2019. The decline in operating expenses was primarily driven by lower personnel and travel costs. The average number of full-time employees decreased by 135 (-9.3%) from last year. Approximately 50 of these staff reductions were related to temporary furlough programs implemented by management in response to the COVID-19 pandemic.

In addition to staff reductions, a large percentage of employees accepted a voluntary salary reduction during Q2 2020. The salary reduction was temporary, and ended at the start of July.

As a result of lower operating costs, EBIT in Q2 2020 was an operating loss of DKK -8 million, compared with a loss of DKK -30 million in Q2 2019.

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FINLAND

EUR in million	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %
Products revenue	70.0	70.2	-0.2%	175.6	164.3	6.8%
Services revenue	8.1	7.0	15.3%	15.8	13.5	16.6%
Total revenue	78.1	77.2	1.2%	191.3	177.8	7.6%
Gross profit	12.3	11.9	3.1%	25.6	23.8	7.5%
Gross margin %	*15.8%*	*15.5%*	*0.3%*	*13.4%*	*13.4%*	*0.0%*
OPEX	10.5	10.7	-1.2%	22.2	21.3	4.3%
EBIT	1.8	1.3	40.3%	3.3	2.5	35.5%
EBIT %	*2.3%*	*1.6%*	*0.6%*	*1.7%*	*1.4%*	*0.4%*

In Q2 2020, Atea Finland had all time high revenue and EBIT for the second quarter. The profit improvement was driven by very strong growth in sales of services and by lower operating expenses compared with last year.

Revenue in Q2 2020 was EUR 78.1 million, up 1.2% from last year. Hardware revenue was down 3.7%, software revenue was up 5.7% and services revenue was up 15.3%.

Hardware revenue fell due to lower sales of network and datacenter equipment. Software revenue increased due to higher sales of software licenses and cloud subscriptions to the public sector. Growth in services revenue was driven by higher demand for consulting and datacenter outsourcing services.

Total gross margin was 15.8% in Q2 2020, compared with 15.5% last year. Product margin was 10.6%, down from 11.0% last year, mostly due to a shift in the revenue mix toward lower margin software. Services margin was 60.3%, the same level as last year.

Total operating expenses were 1.2% lower than last year. The decline in operating expenses was primarily driven by lower travel expenses. The average number of full-time employees increased by 33 (8.5%) from last year. Atea Finland has increased staffing during the past year to develop its services business, but has put additional recruitment plans on hold as a result of the COVID-19 pandemic.

Based on higher services revenue and lower operating expenses, EBIT in Q2 2020 increased by 40.3% to EUR 1.8 million. The EBIT margin increased to 2.3%, from 1.6% last year.

FINANCIAL REVIEW | Q2 | 2020

THE BALTICS

EUR in million	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %
Products revenue	18.4	20.8	-11.3%	42.1	43.3	-2.8%
Services revenue	8.3	9.0	-7.9%	16.6	17.7	-6.5%
Total revenue	26.7	29.7	-10.3%	58.7	61.0	-3.9%
Gross profit	7.4	7.5	-1.8%	15.4	14.9	3.3%
Gross margin %	*27.7%*	*25.3%*	*2.4%*	*26.3%*	*24.5%*	*1.8%*
OPEX	6.3	6.9	-8.1%	13.6	13.4	1.6%
EBIT	1.1	0.7	64.3%	1.8	1.5	17.3%
EBIT %	*4.0%*	*2.2%*	*1.8%*	*3.1%*	*2.5%*	*0.6%*

Atea Baltics reported higher EBIT in the second quarter of 2020, based on increased sales of managed cloud services and a decline in operating expenses.

Revenue in Q2 2020 was EUR 26.7 million, down 10.3% compared with last year. Hardware revenue was down 9.1%, software revenue was down 24.2% and services revenue was down 7.9%.

Hardware revenue fell from a strong corresponding quarter last year when Atea Baltics delivered a large installation of network equipment to the public sector. Software revenue decreased due to lower demand from the private sector. Services revenue decline was driven by lower sales of subcontracted services associated with large projects.

Total gross margin improved to 27.7% in Q2 2020, compared with 25.3% last year. Product margin was 9.6%, on the same level as last year. Services margin improved to 67.9% from 61.2% last year, based on increased sales of managed cloud services in the revenue mix.

Total operating expenses were EUR 6.3 million in Q2 2020, a decrease of 8.1% from last year. The reduction in operating expenses was primarily driven by a decline in personnel and travel cost. The average number of full-time employees fell by 61 (-9.4%) from last year. Atea Baltics had fewer employees compared with last year as management implemented furlough programs in response to the COVID-19 pandemic.

EBIT in Q2 2020 was EUR 1.1 million, up by 64.3% from last year. The EBIT margin was 4.0%, up from 2.2% last year.

BALANCE SHEET

As of 30 June 2020, Atea had total assets of NOK 15,062 million. Current assets such as cash, receivables and inventory represented NOK 8,315 million of this total. Non-current assets represented NOK 6,748 million of this total, and primarily consisted of goodwill (NOK 4,172 million), property, plant and equipment (NOK 533 million), right-of-use leased assets (NOK 1,244 million) and deferred tax assets (NOK 378 million).

Atea had total liabilities of NOK 11,425 million, and shareholders' equity of NOK 3,638 million as of 30 June 2020. Atea's policy is to maintain an equity ratio above 20%, adjusting for the impact of IFRS 16 ("adjusted equity ratio"). The adjusted equity ratio at the end of Q2 2020 was 26.8%. The calculation of this metric can be found in Note 13 of this report.

Atea's net financial position was cash positive of NOK 459 million at the end of Q2 2020 as defined by Atea's debt covenants. The calculation of this metric can be found in the Note 13 of this report. Atea's debt covenants require that the Group maintains a maximum net interest bearing debt of 2.5x pro forma EBITDA over the last twelve months. Based on the calculation of the debt covenants, Atea's net interest bearing debt is -0.3 pro forma EBITDA. Atea therefore maintains liquidity reserves of NOK 3,850 million before the debt covenant would be reached. See additional information on the liquidity reserve in Note 13 of this report.

In order to reduce the volatility of its working capital and debt balances throughout the year, Atea sells specified accounts receivable through a securitization program organized by its bank. At the end of Q2 2020, Atea had sold receivables of NOK 1,170 million under the securitization program. Additional information on the securitization program can be found in Note 6 of this report.

CASH FLOW

Cash flow from operations was an inflow of NOK 1,010 million in the second quarter of 2020, compared with an inflow of NOK 873 million last year. Cash flow was positively impacted by a reduction of working capital during Q2 2020.

Working capital was unusually low at the end of Q2 2020. Atea reduced its balance of overdue receivables through strict collection routines. In addition, many IT vendors extended payment terms to Atea and other large resellers to provide short-term support during the COVID-19 pandemic. These extended payment terms are scheduled to return to normal during the second half of 2020.

Atea sold fewer of its accounts receivable into a securitization program during Q2 2020, which partially offset the positive impact of lower working capital on cash flow. The lower utilization of the securitization program had a negative impact of NOK 519 million on cash flow from operations in Q2 2020 (compared with a positive impact of NOK 1,063 million in Q2 2019). Additional information regarding the securitization program can be found in Note 6 of this report.

Cash flow from investing activities was an outflow of NOK 49 million in Q2 2020, compared with an outflow of NOK 80 million last year. In Q2 last year, Atea made large capital investments in a new logistics center in Växjö, Sweden.

Cash flow from financing activities was an outflow of NOK 829 million in Q2 2020, as Atea reduced its short-term debt balance based on strong cash flow from operations.

SHARES

Atea had 7,670 shareholders on 30 June 2020 compared with 7,120 shareholders on 30 June 2019.

The 10 largest shareholders as of 30 June 2020 were:

Main Shareholders*	Shares	%
Systemintegration APS **	27,512,073	25.0%
Folketrygdfondet	9,950,885	9.0%
State Street Bank & Trust Co. ***	6,094,216	5.5%
State Street Bank and Trust Co. ***	4,444,525	4.0%
RBC Investor Services Trust	3,951,115	3.6%
Verdipapirfond Odin Norden	3,336,029	3.0%
State Street Bank and Trust Co. ***	2,526,276	2.3%
Verdipapirfond Odin Norge	2,297,198	2.1%
J.P. Morgan Bank Luxembourg	2,275,000	2.1%
State Street Bank and Trust Co. ***	2,188,349	2.0%
Other	45,405,380	41.3%
Total number of shares	109,981,046	100.0%

* Source: Verdipapirsentralen
** Includes shares held by Ib Kunøe
*** Includes client nominee accounts

As of 30 June 2020, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.4% of the shares, including the shares held by Systemintegration APS.

As of 30 June 2020, Atea's senior management team held 132,721 shares.

BUSINESS OVERVIEW

BACKGROUND

Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic regions. The company is the largest player by far in its local markets, with an estimated 19% market share in 2019. Approximately 60% of Atea's sales are to the public sector, with the remainder of sales to private companies.

The market for IT infrastructure in the Nordic and Baltic regions has grown steadily during the last several years. According to estimates from IDC*, the market for IT infrastructure and related services has grown at an average rate of 3.3% per year from 2007 – 2019.

Atea's competence and leading market position in IT infrastructure has enabled the company to grow at a rate significantly higher than that of the market. Since 2007, the company has averaged an organic revenue growth rate of 5.5% per year.

In addition to organic growth, Atea has successfully pursued an M&A strategy to strengthen and consolidate its market position. Atea's current organization structure is the result of the merger of the leading IT infrastructure companies in Denmark, Norway, Sweden, Finland and the Baltics in 2006 and 2007. Since 2007, Atea has acquired more than 50 companies, at valuation multiples significantly below the Group.

Atea's market share in the Nordic and Baltic regions far exceeds that of other IT infrastructure providers. Today, the company has offices in 85 cities in the Nordic and Baltic region and over 7,000 employees. This scale provides Atea with critical competitive advantages in purchasing, local market presence, breadth and depth of product offering, system integration competence, and efficient shared service and logistics functions.

To address the needs of the Nordic and Baltic markets, Atea works closely with leading international IT companies, such as Microsoft, Cisco, HP Inc., Hewlett Packard Enterprise, IBM, Apple, Lenovo, VMware, Citrix, and Dell Technologies. These companies view the Nordic region as a critical market for the early adoption of new technologies, and work closely with Atea to penetrate these markets. In recent years, Atea's cooperation with its technology partners has intensified. This enables Atea to stay at the forefront of the latest IT trends, and to offer its customers new and innovative IT solutions.

IT MARKET TRENDS

The market for information technology is in the midst of dramatic change, with profound effects on society known as the "digital transformation".

Across private enterprise and throughout the public sector, organizations are converting vast amounts of information into digital form. As information is made digital, it can be collected, processed, managed, and distributed with methods and at a scale which was previously impossible. This "digitization" enables public and private organizations to completely redefine how they provide goods and services, and how these goods and services are consumed and shared.

The resulting "digital transformation" is driving innovation in all sectors of the economy and all public services, including health, welfare, education, defense, policing and infrastructure management. Collectively, this can result in major improvements in productivity and living standards.

At the same time, the "digital transformation" places even greater demands on organizations' IT environments, as the amount of data which is being managed grows exponentially across a broadening range of devices. Furthermore, as digital information and processes become central to the definition of goods, services and of work itself, the capabilities and stability of the IT environment become essential for organizations to function. Consequently, the risk of security breaches becomes ever greater. All of this creates a level of complexity which IT departments struggle to support.

This presents a significant opportunity for Atea, as the leading provider of IT infrastructure and system integration in the Nordic and Baltic regions. Through its breadth of competency and depth of expertise. Atea helps its customers to design, implement and operate the IT infrastructure upon which they are dependent as their operations become increasingly digital.

*International IT research company, International Data Corporation

BUSINESS OVERVIEW

BUSINESS STRATEGY

As the IT market evolves, Atea needs to develop its capabilities in numerous areas to support its customers' digital transformation projects. Therefore, Atea has updated its business strategy to broaden its range of IT solutions and expand its value proposition to customers.

This renewal of Atea's business strategy has involved extensive discussions with its customers' CIOs and with management across the company. The result is very much an evolution of the direction Atea has been taking for many years, but is now clarified in a new statement of business strategy and value creation for customers.

Atea's solution offering:

The range of solutions Atea provides its customers can be categorized in three major areas: "Hybrid Platforms", "Digital Workplace" and "Information Management".

"Hybrid Platforms" are the data center and network infrastructure through which organizations process, store, and distribute information from applications and databases.

"Digital Workplace" consists of all the devices and software through which users conduct work, access data and applications, and interact with each other. Examples include PCs, mobile phones and tablets, audio/video and conferencing solutions, smart displays, printers, and more.

"Information management" consists of all the tools through which organizations collect data, and then extract intelligence or automate processes from this information. This is a relatively new growth area for Atea.

By offering a range of solutions across these three areas, Atea can help customers significantly improve their productivity and redefine how work is completed in their organizations.

Atea's value proposition to the customer:

As Atea expands its solution offering, its service value proposition to customers is also evolving. In particular, Atea is continuing to develop its competence and add a higher services component to every solution it sells.

Our value proposition to the customer can be broken into three areas. We aim to be the market leader in each of these areas.

"Reseller": Atea has for many years been the leading reseller of IT infrastructure in the Nordic and Baltic regions. This market position is what gives Atea a unique partnership with the largest global vendors of IT infrastructure.

"System integrator": Atea is also rapidly expanding its service offering as an integrator of IT infrastructure. Through its breadth of competency and depth of expertise, Atea provides consulting support in solution architecture, integration and information management to help customers address the continuous growth and increased complexity of their IT environments.

"Managed Services": Finally, Atea is a managed service provider which helps customers operate their IT environments either on-premise or from the cloud. Atea's managed services enable customers to utilize the capabilities and resources of Atea so that they can dedicate less time and resources on IT operations and focus instead on their core objectives.

BUSINESS OVERVIEW

BUSINESS OUTLOOK

Based on its competitive advantages and leading market position in the Nordic and Baltic regions, Atea is well-positioned to maintain a long-term growth rate faster than the IT infrastructure market in general.

At the same time, Atea expects to steadily increase its operating profit over the long term through a combination of revenue growth, expansion in higher margin products and services, internal efficiencies, and tight control of operating expenses.

In recent years, Atea has seen its revenue mix shift from hardware toward software and services. This shift is in line with industry trends and Atea's overall strategy to address new growth opportunities within "Hybrid Platforms", "Digital "Workplace" and "Information Management". These new growth areas are more dependent on advanced software than traditional IT infrastructure.

These growth areas also enable Atea to sell more high-value consulting and managed services, as customers need expertise to implement, integrate, operate, and derive value from advanced software solutions.

COVID-19 BUSINESS IMPACT

The COVID-19 pandemic has had a very adverse impact on the global economic environment during the first half of 2020. The duration of its impact on the global economy is not clear at this time.

While all businesses face uncertainty with the COVID-19 pandemic, Atea is structurally well-suited for the current economic environment. Atea has a stable revenue base, with over 60% of its sales to the public sector and a majority of its remaining revenue from large corporate customers in the Nordic region. These organizations are highly dependent on information technology, and are likely to maintain spending on their IT infrastructure throughout the pandemic and economic downturn.

During Q2 2020, Atea experienced increased demand for IT products and services. The pandemic has driven higher customer demand in some business areas, while other areas projects have had lower sales due to business uncertainty and the closure of offices. At the end of June, Atea had a higher order backlog for delivery in Q3 than it did at the same time last year. There have been intermittent supply chain challenges due to COVID-19 during Q2 2020, but these have not had a significant impact on Atea's revenue.

The COVID-19 pandemic is forcing many customers to invest in IT solutions to enable their employees to be productive from remote work locations and to collaborate in virtual settings during travel restrictions. Many customers have communicated with Atea that the COVID-19 pandemic has forced them to rethink the design and operation of their IT infrastructure, and have initiated discussions with Atea on future investments. Over the long-term, Atea sees that the pandemic may result in an acceleration of the digitalization trend.

In order to prepare for an uncertain economic environment, Atea took strong measures in March and the start of Q2 to reduce its operating expenses. A hiring freeze was implemented across Atea, and budgets for travel, marketing and facility operations were greatly reduced. Salary increases were put on hold, and senior management in all regions accepted voluntary salary reductions during the second quarter. Several hundred employees were placed on partial or full time leave for much of the second quarter, with a portion of their salary costs reimbursed through national government programs to support business during the pandemic. These programs are due to end during the coming months.

Atea has managed to operate successfully with a lower cost base during the pandemic, while delivering record high sales during the second quarter. All areas of the organization have adapted to become more productive during this time. Going forward, Atea will continue to take action to drive productivity across its business and reduce operating expenses as necessary in specific areas to respond to fluctuations in the customer demand.

Based on its market leadership position in a growing industry and its stable base of public sector and large corporate customers, management expects that Atea can continue to deliver strong results in a more challenging economic environment. Over the longer-term, the economic impact of the pandemic is expected to drive further consolidation in the IT infrastructure market, a trend which will benefit Atea.

CONDENSED FINANCIAL INFORMATION

FOR THE 6 MONTHS ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK in million	Note	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Revenue	2, 3, 8	10,598	9,485	19,641	18,624	36,655
Cost of goods sold		-8,534	-7,582	-15,579	-14,782	-28,897
Gross profit	13	2,065	1,904	4,062	3,841	7,758
Employee benefits expense	1,11	-1,510	-1,426	-3,057	-2,871	-5,584
Other operating costs	13	-159	-178	-393	-392	-766
Restructuring costs	9	-1	0	-37	0	0
Share based compensation		-13	-11	-5	-32	-73
EBITDA	13	382	289	570	546	1,335
Depreciation and amortization		-161	-143	-316	-282	-584
Amortization related to acquisitions		-1	-1	-2	-3	-5
Operating profit (EBIT)	2	220	145	252	261	747
Net financial items	5	-30	-21	-55	-39	-90
Profit before tax		190	124	196	222	657
Tax	7	-39	-27	-39	-46	-127
Profit for the period		151	97	157	177	530
Earnings per share						
- earnings per share (NOK)	4	1.37	0.89	1.43	1.62	4.84
- diluted earnings per share (NOK)	4	1.36	0.88	1.42	1.60	4.78
Profit for the period		151	97	157	177	530
Currency translation differences		-121	-9	358	-120	-58
Forward contracts - cash flow hedging		1	0	0	0	0
Income tax OCI relating to items that may be reclassified to profit or loss		0	0	0	0	0
Items that may be reclassified subsequently to profit or loss		-120	-9	358	-121	-58
Other comprehensive income		-120	-9	358	-121	-58
Total comprehensive income for the period		31	88	515	56	472
Total comprehensive income for the period attributable to:						
Shareholders of Atea ASA		31	88	515	56	472

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in million	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Property, plant and equipment		533	542	498
Right-of-use assets		1,244	840	996
Deferred tax assets	7	378	409	354
Goodwill		4,172	3,809	3,881
Other intangible assets		282	232	237
Investment in associated companies		16	14	15
Long-term subleasing receivables		96	164	102
Other long-term receivables		28	27	25
Non-current assets		6,748	6,037	6,108
Inventories		1,095	1,046	798
Trade receivables		4,157	3,907	4,380
Other receivables		1,891	1,639	1,752
Short term subleasing receivables		146	105	149
Other financial assets		1	1	1
Cash and cash equivalents		1,024	738	1,769
Current assets		8,315	7,435	8,849
Total assets		15,062	13,473	14,957
EQUITY AND LIABILITIES				
Share capital and premium	4	491	446	464
Other reserves		1,719	1,297	1,360
Retained earnings		1,428	1,223	1,251
Equity		3,638	2,966	3,075
Interest-bearing long-term liabilities	6	473	485	472
Long-term sublease liabilities		96	164	102
Long-term leasing liabilities		983	679	768
Other long-term liabilities		7	4	8
Deferred tax liabilities		205	224	185
Non-current liabilities		1,764	1,556	1,534
Trade payables		6,070	5,378	6,113
Interest-bearing current liabilities	6	30	474	575
Current sublease liabilities		146	105	149
Current leasing liabilities		311	205	273
VAT, taxes and government fees		791	732	952
Provisions		114	100	111
Other current liabilities		2,195	1,953	2,167
Other financial liabilities		3	5	8
Current liabilities		9,661	8,951	10,348
Total liabilities		11,425	10,507	11,882
Total equity and liabilities		15,062	13,473	14,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK in million	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity at start of period - 1 January		3,075	3,237	3,237
Impact of change in accounting policy		0	-38	-35
Adjusted equity		3,075	3,200	3,203
Currency translation differences		358	-120	-58
Forward contracts - cash flow hedging		0	0	0
Other comprehensive income		358	-121	-58
Profit for the period		157	177	530
Total recognised income for the year		515	56	472
Employee share-option schemes		20	30	57
Dividends		0	-355	-710
Issue of share capital	4	28	35	53
Equity at end of period		3,638	2,966	3,075

CONSOLIDATED STATEMENT OF CASH FLOW

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Profit before tax	190	124	196	222	657
Adjusted for:					
Depreciation and amortisation	162	144	318	285	588
Share based compensation	11	15	20	30	57
Gains/Losses on disposals of PPE and intangible asset	-1	0	0	0	-5
Net interest expenses	19	19	42	36	75
Taxes paid	-33	-14	-155	-127	-150
Net interest paid	-23	-21	-41	-34	-72
Cash earnings	326	267	380	411	1,151
Change in trade receivables	-491	-198	627	2,292	1,948
Change in inventories	-130	-56	-213	-253	16
Change in trade payables	1,276	692	-543	-1,526	-905
Other changes in working capital	28	168	-439	-533	-312
Cash flow from operating activities	1,010	873	-188	392	1,897
Purchase of PPE and intangible assets	-52	-79	-166	-169	-325
Sale of PPE and intangible assets	3	1	8	3	73
Acquisition of subsidiaries/businesses	-	-3	-	-3	-21
Cash flow from investing activities	-49	-80	-158	-169	-274
Dividend paid	-	-355	-	-355	-710
Proceeds from new shares issue	-	16	28	35	53
Proceeds from sublease	26	16	33	37	59
Payments of sublease liabilities	-26	-16	-33	-37	-59
Payments of lease liabilities	-86	-78	-169	-150	-303
Change in debt	-743	-172	-568	281	346
Cash flow from financing activities	-829	-588	-710	-188	-615
Net cash flow	131	204	-1,056	35	1,008
Cash and cash equivalents at the start of the period	822	552	1,769	764	764
Foreign exchange effect on cash held in a foreign currency	70	-18	311	-60	-3
Cash and cash equivalents at the end of the period	1,024	738	1,024	738	1,769

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for six months ending 30 June 2020 were approved for publication by the Board of Directors on 14 July 2020. These Group financial statements have not been subject to audit or review.

Atea ASA is a public limited company incorporated and domiciled in Norway whose shares are listed on the Oslo Stock Exchange. Atea (the Group) consists of Atea ASA (the Company) and its subsidiaries. Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic region.

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 "Interim Financial Reporting". The condensed interim financial statements do not include all information and disclosures required in the annual financial statement, and should be read in accordance with the Group's Annual Report for 2019, which has been prepared according to IFRS as adopted by EU. There are no changes in accounting policy effective from 1 January 2020 that have impact on the Group accounts.

The Group has received Government grants due to COVID-19 in Q2 2020. The assistance from the governments are related to compensation paid directly from the Government to the Group for employees on furlough. Government grants are reported as a deduction of Employee benefits expense in the Consolidated statement of Comprehensive income. See Note 11 in this report.

In the interim financial statements for 2020, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2020 and the major sources of uncertainty in the statements are similar to those found in the Annual accounts for 2019. See Note 10 regarding change in risk factor due to the COVID-19 situation.

The Board confirms that these interim financial statements have been prepared on a going concern basis. As a result of rounding differences numbers or percentages may not add up to the total.

The carrying amounts of Financial assets and Financial liabilities recognized in the Consolidated statement of financial position approximate their fair values, according to Management's assessment.

NOTE 2

OPERATING SEGMENT INFORMATION

Atea is located in 85 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with over 7,000 employees. For management and reporting purposes, the Group is organized by these geographical areas. The performance of these geographical areas is evaluated on a regular basis by Atea's Executive Team, consisting of among others the Managing Directors of each geographical segment.

In addition to the geographical areas, the Group operates Shared Services functions (Atea Logistics, Atea Global Services, Atea Group Functions, Atea Service Center AB and AppXite) and central administration. These costs are reported separately as Group Shared Service and Group cost.

From 1 January 2020 Atea is not reporting AppXite as a separate business segment. AppXite provides a cloud platform for enabling software vendors and service providers to transform their business from transactional sales to subscription and consumption-based service delivery. The largest user of the platform is Atea. For management and reporting purposes, AppXite will be included in Group Shared Services from 1 January 2020. The corresponding information from earlier periods is restated.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

NOK

Revenue **NOK in million**	**Q2** **2020**	**Q2** **2019**	**H1** **2020**	**H1** **2019**	**Full year** **2019**
Norway	2,306.5	2,177.4	4,548.5	4,619.0	9,426.6
Sweden	4,575.7	3,984.2	8,102.6	7,559.5	14,796.4
Denmark	2,581.9	2,339.9	4,403.9	4,210.7	8,088.3
Finland	870.3	749.5	2,054.2	1,730.0	3,269.8
The Baltics	295.5	288.9	629.8	593.7	1,258.6
Group Shared Services	1,815.0	1,464.7	3,530.6	3,022.2	6,473.7
Eliminations*	-1,846.4	-1,519.1	-3,628.0	-3,111.9	-6,658.7
Atea Group	10,598.5	9,485.5	19,641.4	18,623.7	36,654.8

*Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services, Atea Group Functions and AppXite

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

NOK

EBIT **NOK in million**	**Q2** **2020**	**Q2** **2019**	**H1** **2020**	**H1** **2019**	**Full year** **2019**
Norway	80.2	70.8	125.1	109.2	297.1
Sweden	115.8	119.3	215.9	224.1	483.3
Denmark	-14.8	-39.6	-140.5	-65.6	-63.8
Finland	19.4	12.2	35.9	24.0	62.6
The Baltics	11.7	6.3	19.5	15.1	38.1
Group Shared Services	25.7	-5.4	29.5	-2.9	11.0
Group cost	-18.3	-18.7	-33.9	-43.0	-81.6
Operating profit (EBIT)	219.7	145.1	251.5	261.0	746.7
Net financial items	-29.7	-21.2	-55.3	-38.5	-89.9
Profit before tax	189.9	123.9	196.2	222.4	656.8

Quarterly revenue and gross margin **NOK in million**	**Q2** **2020**	**Q2** **2019**	**H1** **2020**	**H1** **2019**	**Full year** **2019**
Product revenue	8,795.0	7,816.5	16,072.6	15,284.3	29,918.6
Services revenue	1,803.4	1,668.9	3,568.9	3,339.4	6,736.2
Total revenue	10,598.5	9,485.5	19,641.4	18,623.7	36,654.8
Gross contribution	2,064.6	1,903.6	4,061.9	3,841.4	7,757.8
Product margin	10.1%	10.4%	10.7%	10.6%	11.0%
Services margin	65.4%	65.3%	65.8%	66.4%	66.3%
Gross margin	19.5%	20.1%	20.7%	20.6%	21.2%

Quarterly revenue and gross margin **NOK in million**	**Q2** **2020**	**Q1** **2020**	**Q4** **2019**	**Q3** **2019**	**Q2** **2019**	**Q1** **2019**
Product revenue	8,795.0	7,277.6	8,347.4	6,286.9	7,816.5	7,467.7
Services revenue	1,803.4	1,765.4	1,855.9	1,540.9	1,668.9	1,670.5
Total revenue	10,598.5	9,043.0	10,203.3	7,827.7	9,485.5	9,138.2
Gross contribution	2,064.6	1,997.3	2,161.6	1,754.8	1,903.6	1,937.8
Product margin	10.1%	11.4%	11.2%	11.7%	10.4%	10.9%
Services margin	65.4%	66.1%	66.2%	66.2%	65.3%	67.4%
Gross margin	19.5%	22.1%	21.2%	22.4%	20.1%	21.2%

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

LOCAL CURRENCY

Revenue **Local currency in million**		**Q2 2020**	**Q2 2019**	**H1 2020**	**H1 2019**	**Full year 2019**
Norway	NOK	2,306.5	2,177.4	4,548.5	4,619.0	9,426.6
Sweden	SEK	4,447.5	4,346.9	8,048.6	8,171.6	15,901.5
Denmark	DKK	1,759.3	1,797.5	3,061.4	3,230.8	6,130.8
Finland	EUR	78.1	77.2	191.3	177.8	332.0
The Baltics	EUR	26.7	29.7	58.7	61.0	127.8
Group Shared Services	NOK	1,815.0	1,464.7	3,530.6	3,022.2	6,473.7
Eliminations*	NOK	-1,846.4	-1,519.1	-3,628.0	-3,111.9	-6,658.7
Atea Group	NOK	10,598.5	9,485.5	19,641.4	18,623.7	36,654.8

EBIT **Local currency in million**		**Q2 2020**	**Q2 2019**	**H1 2020**	**H1 2019**	**Full year 2019**
Norway	NOK	80.2	70.8	125.1	109.2	297.1
Sweden	SEK	112.2	130.1	214.4	242.2	519.4
Denmark	DKK	-7.9	-30.4	-97.6	-50.3	-48.4
Finland	EUR	1.8	1.3	3.3	2.5	6.4
The Baltics	EUR	1.1	0.7	1.8	1.5	3.9
Group Shared Services	NOK	25.7	-5.4	29.5	-2.9	11.0
Group cost	NOK	-18.3	-18.7	-33.9	-43.0	-81.6
Operating profit (EBIT)	NOK	219.7	145.1	251.5	261.0	746.7
Net financial items	NOK	-29.7	-21.2	-55.3	-38.5	-89.9
Profit before tax	NOK	189.9	123.9	196.2	222.4	656.8

*Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services, Atea Group Functions and AppXite

NOTE 3

DISAGGREGATION OF REVENUE

Information about the main revenue streams and the timing of the revenue recognition are described in Note 2- Summary of significant accounting principles – in the Annual report for 2019.

The Group has disclosed geographical information about revenue from external customers. In addition, the Group has disclosed revenue based on two main categories: products (hardware and software) and services.

In the table below, the revenue from the operating segment information in Note 2 is disaggregated to the main categories of revenue.

Hardware Local currency in million		Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Norway	NOK	1,188.2	1,172.0	2,342.9	2,487.6	5,224.2
Sweden	SEK	1,867.6	1,866.1	3,680.7	3,880.4	8,072.5
Denmark	DKK	623.8	728.4	1,274.8	1,532.9	3,118.4
Finland	EUR	42.9	44.5	88.2	88.0	174.5
The Baltics	EUR	16.1	17.7	32.6	37.2	72.4
Group Shared Services	NOK	1,682.5	1,353.5	3,271.5	2,792.5	6,007.3
Eliminations*	NOK	-1,658.4	-1,348.2	-3,224.7	-2,775.9	-5,968.1
Atea Group	NOK	4,716.1	4,436.8	9,226.2	9,309.7	19,320.5

Software Local currency in million		Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Norway	NOK	563.7	452.2	1,079.1	1,065.9	2,078.5
Sweden	SEK	1,893.1	1,823.7	3,013.0	2,979.7	5,191.1
Denmark	DKK	858.4	756.6	1,221.4	1,060.7	1,767.4
Finland	EUR	27.1	25.6	87.3	76.3	127.4
The Baltics	EUR	2.3	3.0	9.5	6.2	18.4
Group Shared Services	NOK	6.7	2.9	11.9	3.8	12.8
Eliminations*	NOK	-11.5	-14.9	-74.5	-36.5	-91.6
Atea Group	NOK	4,079.0	3,379.7	6,846.4	5,974.6	10,598.0

*Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services, Atea Group Functions and AppXite

NOTE 3

DISAGGREGATION OF REVENUE (CONT'D)

Services Local currency in million		Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Norway	NOK	554.7	553.2	1,126.5	1,065.5	2,123.9
Sweden	SEK	686.8	657.1	1,354.9	1,311.5	2,637.9
Denmark	DKK	277.2	312.6	565.2	637.3	1,245.0
Finland	EUR	8.1	7.0	15.8	13.5	30.0
The Baltics	EUR	8.3	9.0	16.6	17.7	37.0
Group Shared Services	NOK	125.8	108.3	247.2	225.9	453.7
Eliminations*	NOK	-176.5	-156.0	-328.8	-299.5	-599.0
Atea Group	NOK	1,803.4	1,668.9	3,568.9	3,339.4	6,736.2

NOTE 4

SHARE CAPITAL AND PREMIUM

NOK in million,	Number of shares		Share capital			
except number of shares	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total
At 1 January 2020	109,708,413	-7,844	110	0	354	464
Issue of Share capital**	272,633	-	0	-	28	28
At 30 June 2020	109,981,046	-7,844	110	0	381	491

Average number of shares outstanding

The average number of shares outstanding during the first half of 2020 was 109,908,789. This number is used in the calculation of Basic Earnings per Share.

When calculating Fully Diluted Earnings per Share, the average number of shares outstanding during the first half of 2020 was 110,539,881. The difference relates to the dilution effect of the Employee Share Option program.

Based on the number of share options outstanding, the strike price of the options, the average share price during the first half of 2020, and the remaining vesting period of the options, the dilution impact of the share option program is 631,093 shares. This calculation is in accordance with IAS 33 Earnings per Share.

*Most of Atea's internal sales are related to Group Shared Services, which consists of Atea Logistics, Atea Global Services, Atea Group Functions and AppXite
**Issue of share capital is related to share options for the Management and selected employees

NOTE 4

SHARE CAPITAL AND PREMIUM (CONT'D)

30 June 2020	Number of share options	Average Nominal Strike price	Adjusted Nominal Strike price*	Weighted average number of shares outstanding
Basic EPS calculation				109,908,789
Dilution effect of share options				
Total share options				
Fully vested, with adjusted strike price below share price	2,307,145	74	74	629,446
Unvested*, with adjusted strike price below share price	34,500	86	95	1,647
Unvested*, with adjusted strike price above share price	7,707,793	103	119	-
All Share options	10,136,438	97	108	631,093
Fully diluted EPS calculation**				110,539,881

NOTE 5

NET FINANCIAL ITEMS

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Interest income	2	2	4	4	6
Interest income, subleasing	1	-	2	-	9
Other financial income	1	1	1	1	2
Total financial income	3	2	8	5	17
Interest costs on loans	-7	-12	-21	-22	-44
Interest costs on leases	-14	-9	-25	-18	-37
Interest expenses, subleasing	-1	-	-2	-	-9
Foreign exchange effects	-9	-1	-11	-1	-8
Other financial expenses	-2	-2	-4	-3	-9
Total financial expenses	-33	-24	-63	-43	-107
Total net financial items	-30	-21	-55	-39	-90

*Adjusted nominal strike price includes fair value of services to be provided during remainder of vesting period, in accordance with IFRS 2 Share-based Payment
**Based on an average share price of NOK 102 from January 1 – June 30, 2020

NOTE 6

BORROWING

Credit facilities
Atea has the following credit facilities with lenders, in addition to smaller equipment lease agreements:

EIB loan
Atea has entered into an unsecured loan agreement for NOK 475 million with the European Investment Bank in May 2018. The loan has a term of 5 years, and a rate of interest of NIBOR 6M + 0.99%.

Receivables facility
Atea has a revolving credit facility of NOK 1,100 million secured by other receivables through a securitization program. Pricing on the facility is IBOR 3M + 1.00%.

Overdraft facility
Atea ASA has an overdraft facility of NOK 300 million through its primary bank. The facility has standard terms and conditions for this type of financing.

Money market line
Atea ASA has secured access to additional NOK 750 million to a revolving credit line during Q2 2020. At the end Q2 2020. Atea ASA has access to a revolving credit line of NOK 950 million in total through the money market. The facility has standard terms and conditions for this type of financing.

Term loan
Atea ASA has secured access to the term loan amounting NOK 250 million during Q2 2020. The facility has standard terms and conditions for this type of financing.

Sale of receivables
In December 2018, Atea entered into a securitization contract organized by its primary bank which enables Atea to sell specified accounts receivable at an implicit discount rate of IBOR 3M + 0.60%. This securitization contract is separate from the Receivables facility described above.

The securitization contract has a three-year term, and the maximum balance of accounts receivable which may be sold at any time during the term is NOK 1,900 million.

Overview of facilities used:

	Available facility	Utilized facility	
NOK in million	**30 Jun 2020**	**30 Jun 2020**	**30 Jun 2019**
Long-term			
EIB loan	475	473	471
Long-term interest-bearing leasing liabilities*		47	50
Other		-	14
Short-term			
Receivables facility	1,100	-	460
Overdraft facility	300	-	-
Money market line	950	-	-
Term loan	250	-	-
Current interest-bearing leasing liabilities*		15	19
Other		30	14
Total debt		565	1,027
Securitization - sale of receivables	1,900	1,170	1,899
Total borrowing utilized		1,736	2,926

* Total debt does not include incremental net lease liabilities due to the adoption of IFRS 16 from 1 January 2019, as defined by Atea loans covenants. See note 13 for more information.

NOTE 7

TAXES

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Profit before tax	190	124	196	222	657
Tax payable expenses	-34	-29	-61	-55	-123
Deferred tax asset changes due to tax loss carry forward used	21	2	48	7	-38
Other deferred tax changes	-27	0	-26	2	33
Total tax expenses	-39	-27	-39	-46	-127
Effective rate	20.6%	21.6%	20.1%	20.6%	19.4%

Income tax expense is recognized based on management's estimate of its weighted average tax rate. The estimated effective tax rate during the Q2 of 2020 is 20.6%.

Deferred tax changes mainly include tax loss carryforwards used and other deferred tax items which are recognized on the balance sheet during the period.

At the year end of 2019, the tax value of the tax loss carried forward within the Group was NOK 361 million and the full amount was recognized as Deferred Tax Assets on the balance sheet.

NOTE 8

SEASONALITY OF OPERATIONS

Atea's revenue and cash flow are affected by the seasonality of demand for IT infrastructure investments. Demand for IT infrastructure among Atea's customers peaks in the fourth quarter of the year, leading to higher revenue and cash flow for Atea in the fourth quarter.

NOTE 9

REORGANIZATION COSTS

Atea Denmark implemented a cost efficiency program in January 2020 which involved a reduction of 67 full time employees and change of Managing Director.

The program resulted in severance costs of DKK 26 million (NOK 37 million), which were recognized as a restructuring charge during the first half of 2020.

The program also resulted in additional write-downs and provisions of DKK 25 million (NOK 35 million). These costs are recognized as Other operating costs during the first half of 2020.

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Restructuring costs	1	-	37	-	-
Other write-downs and provisions	-	-	35	-	-
Reorganization costs	1	-	72	-	-
EBIT before reorganization costs	221	145	324	261	747

NOTE 10

RISKS AND UNCERTAINTIES

Reference is made to Board of Directors' report 2019, as included in the 2019 Annual Report. The Annual Report was published on March 17, 2020.

The Board of Directors' report 2019 provides a description of risk factors for Atea, and includes the COVID-19 pandemic as an extraordinary risk factor. An update on the impact and business risk of the COVID-19 pandemic is provided in the Business Outlook section of this report.

NOTE 11

GOVERNMENT GRANTS

Atea has received COVID-19 assistance from the governments of Sweden and Denmark in Q2 2020. The total assistance is approximately NOK 17 million during Q2 2020, and is recognized as a reduction of Employee benefits expense.

NOTE 12

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date which could affect the evaluation of the reported accounts.

NOTE 13

ALTERNATIVE PERFORMANCE MEASURES

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Atea's performance. As defined in ESMAs guidelines on alternative performance measures (APM), an APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the International Financial Reporting Standards as adopted by EU.

Atea uses the following APMs:

PRO FORMA REVENUE AND EBITDA

Pro forma revenue and EBITDA includes revenue and EBITDA from companies acquired during 2020 and 2019 in both the current and prior full year. Pro forma financial results are used to calculate organic growth as well as loan covenant requirements (see below).

Pro forma revenue in constant currency excludes the effect of foreign currency rate fluctuations. Growth in constant currency is translating revenue recognized during the current period using exchange rates for the previous period.

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Revenue	10,598	9,485	19,641	18,624	36,655
Adjustment for acquisitions	-	3	-	7	12
Pro forma revenue	10,598	9,488	19,641	18,631	36,666
Pro forma revenue on last year currency	9,644	9,491	18,264	18,728	36,451
Pro forma growth in constant currency	1.6%	4.1%	-2.0%	7.1%	4.8%

EBITDA is defined as Operating profit (EBIT) before depreciation and amortization.

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
EBITDA	382	289	570	546	1,335
Adjustment for acquisitions	-	1	-	3	0
Pro forma EBITDA	382	290	570	548	1,335

GROSS PROFIT

Gross profit is defined as revenue less cost of goods sold. The Groups revenue is recognized either gross or net depending on revenue streams. Costs of goods sold include products and services bought from suppliers and resold to customers. Costs of goods sold include all direct expenses for goods and services directly connected to the sales. Direct costs related to services include leasing, outsourcing, and freight.

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Revenue	10,598	9,485	19,641	18,624	36,655
Cost of goods sold	-8,534	-7,582	-15,579	-14,782	-28,897
Gross profit	2,065	1,904	4,062	3,841	7,758

NOTE 13

OPERATING EXPENSES

Operating expenses include employee benefits expense, other operating expenses, share based compensation, depreciation and amortization costs.

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Employee benefits expense	1,510	1,426	3,057	2,871	5,584
Other operating costs	159	178	393	392	766
Share based compensation	13	11	5	32	73
Restructuring costs	1	0	37	0	0
Depreciation and amortization	161	143	316	282	584
Amortization related to acquisitions	1	1	2	3	5
Total operating expenses	1,845	1,759	3,810	3,580	7,011

FREE CASH FLOW

Free cash flow is defined as cash flow from operations, less capital expenditures. Capital expenditure is a net of cash payments to acquire or develop property, plant and equipment, intangible assets and proceeds from sale of assets.

Atea's policy is to distribute over 70 percent of free cash flow over time to shareholders in the form of a dividend. Any dividends proposed by the Board of directors to the annual general meeting shall be justified based on the company's dividend policy and its capital requirements.

NOK in million	Q2 2020	Q2 2019	H1 2020	H1 2019	Full year 2019
Cash flow from operations	1,010	873	-188	392	1,897
Purchase of PPE and intangible assets	-52	-79	-166	-169	-325
Sale of PPE and intangible assets	3	1	8	3	73
Capital expenditures through cash	-49	-78	-158	-166	-252
Free cash flow	960	795	-347	225	1,644

NOTE 13

NET FINANCIAL POSITION

Net financial position consists of both current and non-current interest-bearing liabilities, less cash and cash equivalents.

Net financial position is one of the key metrics used in Atea to assess both the cash position and its indebtedness. It is also used in Atea's covenants on debt agreements.

Net financial position does not include incremental net lease liabilities due to the adoption of IFRS 16 from 1 January 2019. IFRS 16 requires lessees to recognize most lease contracts on their balance sheet, including subleases and lease liabilities for Right-of-Use (ROU) assets (such as facility rental contracts). Atea's financial covenants specifically exclude incremental net lease liabilities due to the adoption of IFRS 16 from the definition of net financial position.

NOK in million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Interest-bearing long-term liabilities	-473	-485	-472
Interest-bearing long-term leasing liabilities	-47	-50	-45
Interest-bearing current liabilities	-30	-474	-575
Interest-bearing current leasing liabilities	-15	-19	-19
Cash and cash equivalents	1,024	738	1,769
Net financial position	459	-289	657
Long-term ROU assets leasing liabilities	-936	-628	-723
Current ROU assets leasing liabilities	-296	-187	-253
Long-term subleasing liabilities	-96	-164	-102
Short-term subleasing liabilities	-146	-105	-149
Long-term subleasing receivables	96	164	102
Short-term subleasing receivables	146	105	149
Incremental net lease liabilities due to IFRS 16 adoption	-1,233	-815	-977

LIQUIDITY RESERVE

Liquidity reserve is calculated as the difference between Atea's net debt limit according to its debt covenants, and Atea's net debt on the balance sheet date.

Atea's debt covenants require that Atea limit its net debt on a Group level to 2.5x pro forma EBITDA for the last 12 months.

NOK in million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Last 12 months pro forma EBITDA	1,356	1,175	1,335
Debt covenant ratio	2.5	2.5	2.5
Net debt limit	3,391	2,938	3,338
Net financial position	459	-289	657
Liquidity reserve	3,850	2,649	3,995
Net debt/ pro forma EBITDA	-0.3	0.2	-0.5

NOTE 13

NET WORKING CAPITAL

Net working capital is defined as non-interest-bearing current assets net of cash and cash equivalents less non-interest-bearing current liabilities. The net working capital balance impacts how much funding is needed for business operations. Net working capital is positively affected by the securitization program, see Note 6 for more details.

Atea's net working capital balance has high seasonal fluctuations, with a low balance in the fourth quarter. See Note 8 for additional information regarding seasonality of operations.

NOK in million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Inventories	1,095	1,046	798
Trade receivables	4,157	3,907	4,380
Other receivables	1,891	1,639	1,752
Trade payables	-6,070	-5,378	-6,113
VAT, taxes and government fees	-791	-732	-952
Provisions	-114	-100	-111
Other current liabilities	-2,195	-1,953	-2,167
Working capital	-2,026	-1,571	-2,412
Securitization effect	1,170	1,899	1,862
Working capital before securitization	-856	328	-550
Year to date revenue	19,641	18,624	36,655
Annualized revenue	39,283	37,247	36,655
Working capital in relation to annualized revenue	-5.2%	-4.2%	-6.6%

NOTE 13

ADJUSTED EQUITY RATIO

Atea's adjusted equity ratio is defined as its equity as a percentage of its adjusted total assets. Atea's adjusted total assets are calculated by deducting incremental lease assets due to the adoption of IFRS 16 (such as right-of-use assets and sublease receivables) from the total asset balance.

In accordance with Atea's risk management guidelines, Atea's adjusted equity ratio should be above 20%.

NOK in million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Total assets	15,062	13,473	14,957
Deduct: incremental lease assets due to IFRS 16 adoption			
Right-of-use assets	-1,244	-840	-996
Long-term subleasing receivables	-96	-164	-102
Short-term subleasing receivables	-146	-105	-149
Adjusted total assets	13,577	12,364	13,710
Equity	3,638	2,966	3,075
Equity ratio	26.8%	24.0%	22.4%

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2020, has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report, to the best of our knowledge, includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related parties' transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Oslo, 14 July 2020

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Chairman of the Board

Saloume Djoudat

Chr. Våge
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