ATEA

# Q1

2020

# INTERIM REPORT

Revenue of NOK 9,043 million, down 1.0% y-o-y

EBIT before reorganization costs of NOK 103 million, down 10.9% y-o-y

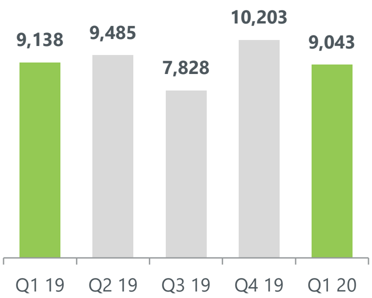
Gross Profit of NOK 1,997 million, up 3.1% y-o-y

Net financial position of NOK -519 million, compared with NOK -620 million last year

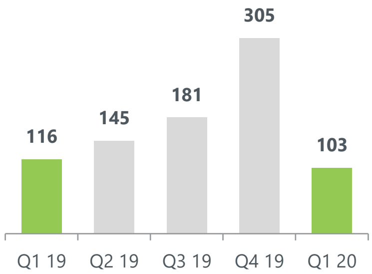
# KEY FIGURES* | Q1 | 2020

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Group revenue | 9,043 | 9,138 | 36,655 |
| Gross profit | 1,997 | 1,938 | 7,758 |
| Gross margin (%) | 22.1% | 21.2% | 21.2% |
| EBIT before reorganization costs | 103 | 116 | 747 |
| Reorganization costs | 71 | 0 | 0 |
| Net profit | 6 | 79 | 530 |
| Earnings per share (NOK) | 0.05 | 0.73 | 4.84 |
| Diluted earnings per share (NOK) | 0.05 | 0.72 | 4.78 |
| Cash flow from operations | -1,198 | -481 | 1,897 |
| Free cash flow | -1,307 | -570 | 1,644 |

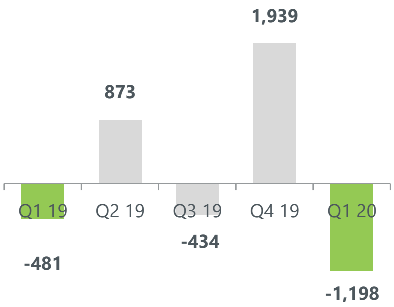
| | 31 Mar 2020 | 31 Mar 2019 | 31 Dec 2019 |
|---|---|---|---|
| Net financial position | -519 | -620 | 657 |
| Liquidity reserve | 2,643 | 2,163 | 3,995 |
| Working capital | -1,278 | -996 | -2,419 |
| Working capital in relation to annualized revenue (%) | -3.5% | -2.7% | -6.6% |
| Adjusted equity ratio (%) | 27.8% | 26.6% | 22.4% |
| Number of full-time employees | 7,505 | 7,362 | 7,585 |




**REVENUE** | NOK in million




**EBIT** | NOK in million
BEFORE REORGANIZATION COSTS




**CASH FLOW** | NOK in million
FROM OPERATIONS

*Alternative perfomance measures (APM) presented in the key figures table are described in Note 12 of this report

# FINANCIAL REVIEW | Q1 | 2020

## GROUP

Atea's revenue in the first quarter of 2020 was in line with last year despite a challenging market environment.

Atea had a low order backlog entering the quarter, due to weaker order intake from public sector customers at the end of 2019 and a generally softer market for hardware. From March, Atea saw improved demand for IT products, partly driven by higher sales of remote workplace solutions in response to the COVID-19 pandemic.

Revenue fell by 1.0% to NOK 9,043 million in Q1 2020. On a pro forma basis*, revenue declined by 5.6% in constant currency. Currency fluctuations had a positive impact of 4.8% on revenue growth in Q1 2020.

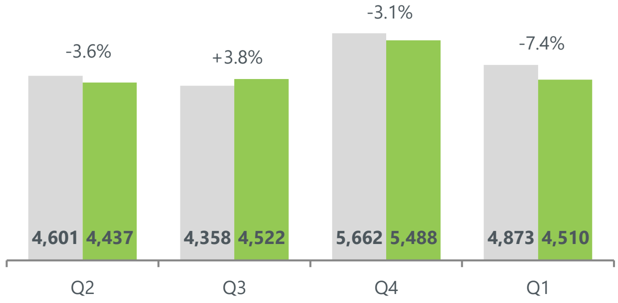
Hardware revenue was down 7.4%, software revenue was up 6.7% and services revenue was up 5.7%. During the last few years, Atea has seen its revenue mix shift from hardware toward software and services, a development which is attributed to general industry trends.

Gross profit grew by 3.1% to NOK 1,997 million. Gross margin increased to 22.1%, compared with 21.2% last year. The increase in gross margin was driven by a higher margin on product sales and an increased proportion of revenue from Atea's managed services business compared with last year.

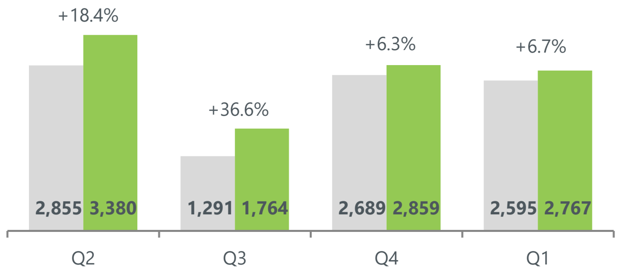
Total operating expenses excluding reorganization costs grew by 4.0% to NOK 1,894 million, due to an increase in average number of full time employees by 170 (2.3%) from last year. At the end of March, Atea placed several hundred employees on temporary leave as a result of the COVID-19 pandemic. These cost measures will result in lower operating expenses from April 2020.

Atea incurred NOK 71 million in reorganization costs during Q1 2020 related to a restructuring of its operations in Denmark and associated write downs. In January, Atea changed the managing director in Atea Denmark and implemented a cost efficiency program involving the reduction of 67 full-time employees. Additional information regarding reorganization costs is provided in Note 9.

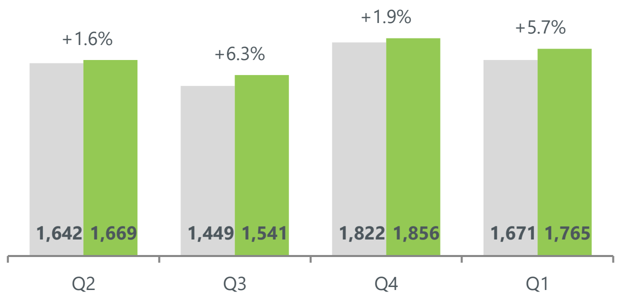
EBIT before reorganization costs was NOK 103 million, a decrease of 10.9% from last year. After reorganization costs, Atea's EBIT in Q1 2020 was NOK 32 million and its Net profit after tax was NOK 6 million.




**HARDWARE REVENUE AND GROWTH** | NOK in million




**SOFTWARE REVENUE AND GROWTH** | NOK in million




**SERVICES REVENUE AND GROWTH** | NOK in million

*Alternative perfomance measures (APM) presented in the key figures table are described in Note 12 of this report

# FINANCIAL REVIEW | Q1 | 2020

## NORWAY

| NOK in million | Q1 2020 | Q1 2019 | Change % |
|---|---|---|---|
| Products revenue | 1,670 | 1,929 | -13.4% |
| Services revenue | 572 | 512 | 11.6% |
| Total revenue | 2,242 | 2,442 | -8.2% |
| Gross profit | 572 | 563 | 1.5% |
| *Gross margin %* | *25.5%* | *23.1%* | *2.4%* |
| OPEX | 527 | 525 | 0.3% |
| EBIT | 45 | 38 | 17.1% |
| *EBIT %* | *2.0%* | *1.6%* | *0.4%* |

Atea Norway had strong growth in EBIT during the first quarter of 2020, driven by higher sales of services and flat operating expenses compared with last year.

Revenue in Q1 2020 was NOK 2,242 million, down 8.2% from last year. Revenue declined from a very strong Q1 last year, when there were several major hardware and software deliveries to the public sector. As a result, hardware revenue fell 12.2% and software revenue fell by 16.0% from last year, while services revenue increased by 11.6%.

Total gross margin was 25.5%, compared with 23.1% last year, primarily due to an increased proportion of services in the revenue mix. Product margin grew to 12.0% in Q1 2020 from 11.4% last year, as the large deliveries to the public sector last year had relatively low margin. Service margin fell to 64.9% compared with 67.0% last year, based on higher direct costs on managed service contracts.

Total operating expenses were NOK 527 million, almost the same as last year. The average number of full-time employees decreased by 5 (-0.3%) from last year.

Based on a strong increase in sales of services and flat operating costs compared with last year, EBIT in Q1 2020 grew by 17.1% to NOK 45 million. The EBIT margin was 2.0%, up from 1.6% last year.

# FINANCIAL REVIEW | Q1 | 2020

## SWEDEN

| SEK in million | Q1 2020 | Q1 2019 | Change % |
|---|---|---|---|
| Products revenue | 2,933 | 3,170 | -7.5% |
| Services revenue | 668 | 654 | 2.1% |
| Total revenue | 3,601 | 3,825 | -5.8% |
| Gross profit | 782 | 787 | -0.6% |
| *Gross margin %* | *21.7%* | *20.6%* | *1.2%* |
| OPEX | 680 | 675 | 0.8% |
| EBIT | 102 | 112 | -8.8% |
| *EBIT %* | *2.8%* | *2.9%* | *-0.1%* |

Atea Sweden reported lower EBIT in the first quarter of 2020, due to a decline in sales of products.

Revenue fell by 5.8% from last year to SEK 3,601 million. Hardware revenue was down 10.0%, software revenue was down 3.1% and services revenue was up 2.1%.

The decline in product revenue was due to a low order backlog from public sector customers at the start of the year. Product sales improved throughout the quarter and had strong growth in March. Services revenue growth was driven by higher sales of managed service contracts.

Total gross margin increased to 21.7% in Q1 2020, compared with 20.6% last year. Product margin increased to 11.7% in Q1 2020 from 11.1% last year, mostly due to a shift in the revenue mix toward higher margin hardware and software. Services margin decreased to 65.6% compared with 66.5% in Q1 2019, based on a higher direct costs on managed service contracts.

Total operating expenses increased by 0.8% to SEK 680 million. Growth was driven by an increase in the average number of full-time employees by 99 (4.0%) from last year.

EBIT in Q1 2020 was SEK 102 million, down by 8.8% from last year. The EBIT margin was 2.8%, down from 2.9% last year.

# FINANCIAL REVIEW | Q1 | 2020

## DENMARK

| DKK in million | Q1 2020 | Q1 2019 | Change % |
|---|---|---|---|
| Products revenue | 1,014 | 1,109 | -8.5% |
| Services revenue | 288 | 325 | -11.3% |
| Total revenue | 1,302 | 1,433 | -9.2% |
| Gross profit | 264 | 296 | -11.0% |
| *Gross margin %* | *20.2%* | *20.7%* | *-0.4%* |
| OPEX before reorganization costs | 302 | 316 | -4.4% |
| EBIT before reorganization costs | -39 | -20 | N/A |
| *EBIT %* | *-3.0%* | *-1.4%* | *-1.6%* |

Atea Denmark reported lower sales of hardware and services in Q1 2020, and incurred a large reorganization charge to reduce staff as part of a cost reduction program.

Total revenue in Denmark fell by 9.2% to DKK 1,302 million. Hardware revenue was down 19.1%, software revenue was up 19.4% and services revenue fell by 11.3%.

The decline in hardware revenue was driven by lower sales of clients and datacenter equipment compared with last year. Software revenue increased based on strong sales of client software to the public sector.

The decline in services revenue was due to lower revenue from managed service contracts. The company has won new managed service contracts with the public sector in Q1 2020, and these agreements will begin to generate revenue from the second quarter of 2020.

Total gross margin was 20.2% in Q1 2020 compared with 20.7% last year. Product margin was 9.0% in Q1 2020, down from 9.4% last year, mostly due to a higher proportion of revenue from low margin software agreements. Services margin increased to 59.8% from 59.2% last year based on higher margins on managed service agreements.

Total operating expenses excluding reorganization costs were DKK 302 million, a decline of 4.4% from Q1 2019. The average number of full-time employees decreased by 55 (-3.7%) from last year.

Atea Denmark incurred DKK 51 million in reorganization costs during Q1 2020 related to a restructuring of its operations and associated write downs. In January, Atea changed the managing director in Atea Denmark and implemented a cost efficiency program involving the reduction of 67 full-time employees. Additional information regarding reorganization costs is provided in Note 9.

EBIT before reorganization costs was an operating loss of DKK -39 million, compared with an operating loss of DKK -20 million in Q1 2019. EBIT after reorganization costs was an operating loss of DKK -90 million.

# FINANCIAL REVIEW | Q1 | 2020

## FINLAND

| EUR in million | Q1 2020 | Q1 2019 | Change % |
|---|---|---|---|
| Products revenue | 105.5 | 94.1 | 12.1% |
| Services revenue | 7.7 | 6.5 | 17.9% |
| Total revenue | 113.2 | 100.7 | 12.5% |
| Gross profit | 13.3 | 11.8 | 11.9% |
| *Gross margin %* | *11.7%* | *11.8%* | *-0.1%* |
| OPEX | 11.7 | 10.6 | 9.8% |
| EBIT | 1.6 | 1.2 | 30.5% |
| *EBIT %* | *1.4%* | *1.2%* | *0.2%* |

Atea Finland had very strong growth in revenue and profitability during the first quarter of 2020. Growth was spread across both products and services.

Revenue in Q1 2020 was EUR 113.2 million, up 12.5% from last year. Hardware revenue was up 4.1%, software revenue was up 19.0% and services revenue was up 17.9%.

Growth in hardware revenue was driven by higher sales of clients and networking equipment. Software revenue increased due to higher sales of client software to the public sector. Growth in services revenue was driven by higher demand for third party consulting services and managed service contracts.

Total gross margin was 11.7% in Q1 2020, compared with 11.8% last year. Product margin was 8.6%, up from 8.3% last year, mostly due to a shift in the revenue mix toward higher margin hardware and software. Services margin was 54.7% compared with 61.5% last year, due to a lower margin on managed service contracts and higher proportion of third party services in the revenue mix.

Total operating expenses were 9.8% higher than last year. Growth in operating expenses was primarily based on an increase in the average number of full-time employees by 64 (17.8%) 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 revenue and relatively lower growth in operating expenses, EBIT in Q1 2020 increased by 30.5% to EUR 1.6 million. The EBIT margin increased to 1.4%, from 1.2% last year.

# FINANCIAL REVIEW | Q1 | 2020

## THE BALTICS

| EUR in million | Q1 2020 | Q1 2019 | Change % |
|---|---|---|---|
| Products revenue | 23.7 | 22.6 | 5.0% |
| Services revenue | 8.3 | 8.7 | -5.0% |
| Total revenue | 32.0 | 31.3 | 2.2% |
| Gross profit | 8.0 | 7.4 | 8.4% |
| *Gross margin %* | *25.1%* | *23.7%* | *1.4%* |
| OPEX | 7.3 | 6.5 | 11.9% |
| EBIT | 0.7 | 0.9 | -16.9% |
| *EBIT %* | *2.3%* | *2.9%* | *-0.5%* |

Atea Baltics reported lower EBIT in the first quarter of 2020, based on slower growth and an increase in operating expenses.

Revenue in Q1 2020 was EUR 32.0 million, up by 2.2% compared with last year. Hardware revenue was down 15.1%, software revenue increased by 129.3% and services revenue was down by 5.0%.

Hardware revenue fell from last year due to fewer large contracts to the public sector compared with last year. Software revenue grew based on increased sales of software licenses to the central government in Lithuania and Estonia. Services revenue declined due to lower sales of third party services.

Total gross margin improved to 25.1% in Q1 2020, compared with 23.7% last year. Product margin increased to 10.0%, from 9.4% last year, due to a higher margin on hardware sales. Services margin improved to 68.4% from 60.6% last year, based on increased sales of Atea's own consultants.

Total operating expenses were EUR 7.3 million in Q1 2020, an increase of 11.9% from last year. The average number of full-time employees increased by 10 (1.5%) from last year.

Operating expenses were driven by high salary inflation in the Baltic region during the last year and by a change in the employee mix towards more high-end consultants. Atea Baltics has put salary increases to staff on hold as a result of the COVID-19 pandemic.

EBIT in Q1 2020 was EUR 0.7 million, down by 16.9% from last year. The EBIT margin was 2.3%, down from 2.9% last year.

# BALANCE SHEET

As of 31 March 2020, Atea had total assets of NOK 14,482 million. Current assets such as cash, receivables and inventory represented NOK 7,525 million of this total. Non-current assets represented NOK 6,957 million of this total, and primarily consisted of goodwill (NOK 4,289 million), property, plant and equipment (NOK 558 million), right-of-use leased assets (NOK 1,262 million) and deferred tax assets (NOK 383 million).

Atea had total liabilities of NOK 10,886 million, and shareholders' equity of NOK 3,596 million as of 31 March 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 Q1 2020 was 27.8%. The calculation of this metric can be found in Note 12 of this report.

Atea's net financial position was negative NOK 519 million at the end of Q1 2020 as defined by Atea's debt covenants. The calculation of this metric can be found in the Note 12 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 0.4 pro forma EBITDA. Atea therefore maintains liquidity reserves of NOK 2,643 million before the debt covenant would be reached. See additional information on the liquidity reserve in Note 12 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 Q1 2020, Atea had sold receivables of NOK 1,679 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 outflow of NOK 1,198 million in the first quarter of 2020, due to ordinary seasonal fluctuations in working capital and due to a reduction in the volume of accounts receivable which were sold into the securitization program during the quarter.

Atea's cash flow from operations is highly impacted by fluctuations in working capital throughout the year. This results in high cash flow from operations in the fourth quarter of the year when working capital requirements fall, and negative cash flow in the first and second quarters of the year when working capital requirements increase. Additional information on the seasonality of Atea's operations can be found in Note 8 of this report.

In Q1 2020, cash flow from operations was also negatively impacted by NOK 418 million due to a decline in the volume of receivables sold into a securitization program during the quarter. In comparison, operating cash flow in Q1 2019 was positively impacted by NOK 505 million due to an increase in the volume of receivables sold into the securitization program. 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 109 million in Q1 2020, up from NOK 88 million in the corresponding quarter last year. The increased level of capital expenditure is related to data center investments.

Cash flow from financing activities was an inflow of NOK 119 million in Q1 2020, down from NOK 400 million in the corresponding quarter last year.

# SHARES

Atea had 7,498 shareholders on 31 March 2020 compared with 7,457 shareholders on 31 March 2019.

The 10 largest shareholders as of 31 March 2020 were:

| **Main Shareholders*** | **Shares** | **%** |
|---|---|---|
| Systemintegration APS ** | 27,285,333 | 24.8% |
| Folketrygdfondet | 9,680,235 | 8.8% |
| State Street Bank & Trust Co. *** | 6,062,430 | 5.5% |
| State Street Bank and Trust Co. *** | 4,576,521 | 4.2% |
| State Street Bank and Trust Co. *** | 4,421,267 | 4.0% |
| RBC Investor Services Trust | 3,769,281 | 3.4% |
| Verdipapirfond Odin Norden | 3,256,029 | 3.0% |
| Verdipapirfond Odin Norge | 2,297,198 | 2.1% |
| State Street Bank and Trust Co. *** | 2,243,449 | 2.0% |
| J.P. Morgan Bank Luxembourg | 1,965,000 | 1.8% |
| Other | 44,424,303 | 40.4% |
| Total number of shares | 109,981,046 | 100.0% |

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

As of 31 March 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 31 March 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 more than 7,500 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

During the coming months, Atea's business will be impacted by the COVID-19 pandemic and its effects on the IT infrastructure market.

<u>COVID-19 and government response:</u>
On March 11, 2020, the global outbreak of coronavirus was characterized as a pandemic by the World Health Organization (WHO). During the following days, most of the Nordic and Baltic governments implemented strict measures to prevent the spread of coronavirus. This included the closure of schools and universities, as well as bars, restaurants and businesses involving personal care such a hair salons and skin treatments.

Residents of Nordic and Baltic countries are advised to stay at home, and discouraged from travel that is not strictly necessary. International borders have been closed to those without special permission, and those who enter the country must immediately take measures for self-quarantine. Most events have been banned.

All employees of businesses or public sector institutions are advised to work from home and to maintain social distancing from others. Many production, retail and office locations have been temporarily closed. A significant percentage of the Nordic and Baltic workforce has been placed on temporary leave (furlough) or has lost their employment.

In order to prevent large-scale unemployment and business failure during the COVID-19 pandemic, the governments of the Nordic countries have all implemented programs which reduce the cost to business of temporarily furloughing employees who are made redundant due to the current business environment. Part of the cost of these employees is shifted to the national government. The Nordic governments have also implemented temporary relief measures to companies which are facing short-term liquidity challenges.

<u>Impact of COVID-19 on Atea:</u>
The COVID-19 pandemic will have an extraordinary impact on Atea's business during 2020, but the extent and duration of the impact is not clear at this time.

Atea's business is structurally well-suited for the COVID-19 pandemic. Over 60% of Atea's revenue is from the public sector, and a majority of the remaining revenue is from large corporate customers in the Nordic region. This customer base is likely to maintain IT spending during the COVID-19 pandemic and any economic downturn which may result.

Since mid-March, Atea has seen increased customer orders for IT products as a result of the pandemic, as organizations have urgently required hardware and software to enable their employees to work from remote locations. This increase in demand has more than offset the negative impact on revenue of some large customer projects being postponed until workplaces are open and fully staffed.

Supply chain constraints are not a significant problem as of the date of this report. Our vendors have reported that production from Chinese factories is normalizing after a decline at the start of the year. Transportation of most products is not presently a major issue.

The impact of COVID-19 on the services business has been less clear. Growth in sales of Atea's consulting services flattened in March, while growth in managed services remained steady outside of Denmark. In Denmark, Atea reported a decline in its managed services business, but this was due to factors which predate the COVID-19 pandemic.

At the end of March, Atea had a significantly higher order backlog for product deliveries in Q2 than it did at the same time last year. However, Atea has limited visibility as to how COVID-19 may impact order intake and delivery of IT products and services after the next 1-2 months.

# BUSINESS OVERVIEW

## BUSINESS OUTLOOK (CONT'D)

Atea's response to the COVID-19 pandemic

Atea is actively supporting its customers' IT requirements as their workforces become increasingly dependent on IT solutions to operate from remote locations. 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 this may result in an acceleration of the digitalization trend.

At the same time, Atea has taken measures to reduce its operating expenses due to an uncertain market environment and potential economic downturn. Atea management teams in each country are monitoring customer demand on a daily basis, and have developed crisis plans to rapidly reduce operating expenses in response to market conditions. The cost savings from these measures will be seen from April.

A hiring freeze has been implemented across Atea. Several hundred employees whose work has been made redundant have already been placed on temporary leave through national government programs to support business during the pandemic. All salary increases have been put on hold.

Managers across Atea have taken voluntary salary cuts during the coronavirus. Many non-management employees in the Atea Denmark subsidiary have also taken voluntary salary cuts. Performance-based bonus compensation will automatically decline if the business does not achieve its operating targets. Budgets for travel, marketing and facility operations have all been greatly reduced.

It is not possible to accurately estimate the duration of the pandemic and its impact on Atea's business at this time. Atea's business model is well-suited for the COVID-19 pandemic, given its exposure to public sector and large corporate customers, and given the dependence of these large organizations on maintaining and upgrading their IT infrastructure. Atea will reduce its operating expenses as necessary to respond to fluctuations in customer demand. 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 3 MONTHS ENDED 31 MARCH 2020

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| NOK in million | Note | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|---|
| Revenue | 2, 3, 8 | 9,043 | 9,138 | 36,655 |
| Cost of goods sold | | -7,046 | -7,200 | -28,897 |
| Gross profit | 12 | 1,997 | 1,938 | 7,758 |
| Employee benefits expense | | -1,547 | -1,445 | -5,584 |
| Other operating costs | 12 | -234 | -215 | -766 |
| Restructuring costs | 9 | -36 | 0 | 0 |
| Share based compensation | | 8 | -21 | -73 |
| EBITDA | 12 | 188 | 257 | 1,335 |
| Depreciation and amortization | | -155 | -139 | -584 |
| Amortization related to acquisitions | | -1 | -2 | -5 |
| Operating profit (EBIT) | 2 | 32 | 116 | 747 |
| Net financial items | 5 | -26 | -17 | -90 |
| Profit before tax | | 6 | 99 | 657 |
| Tax | 7 | 0 | -19 | -127 |
| Profit for the period | | 6 | 79 | 530 |
| | | | | |
| Earnings per share | | | | |
| - earnings per share (NOK) | 4 | 0.05 | 0.73 | 4.84 |
| - diluted earnings per share (NOK) | 4 | 0.05 | 0.72 | 4.78 |
| | | | | |
| Profit for the period | | 6 | 79 | 530 |
| Currency translation differences | | 479 | -111 | -58 |
| Forward contracts - cash flow hedging | | -1 | -1 | 0 |
| Income tax OCI relating to items that may be reclassified to profit or loss | | 0 | 0 | 0 |
| Items that may be reclassified subsequently to profit or loss | | 478 | -112 | -58 |
| Other comprehensive income | | 478 | -112 | -58 |
| Total comprehensive income for the period | | 484 | -32 | 472 |
| | | | | |
| Total comprehensive income for the period attributable to: | | | | |
| Shareholders of Atea ASA | | 484 | -32 | 472 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| NOK in million | Note | 31 Mar 2020 | 31 Mar 2019 | 31 Dec 2019 |
|---|---|---|---|---|
| ASSETS | | | | |
| Property, plant and equipment | | 558 | 530 | 498 |
| Right-of-use assets | | 1,262 | 692 | 996 |
| Deferred tax assets | 7 | 383 | 407 | 354 |
| Goodwill | | 4,289 | 3,811 | 3,881 |
| Other intangible assets | | 310 | 230 | 237 |
| Investment in associated companies | | 15 | 13 | 15 |
| Long-term subleasing receivables | | 111 | 191 | 102 |
| Other long-term receivables | | 29 | 27 | 25 |
| Non-current assets | | 6,957 | 5,901 | 6,108 |
| Inventories | | 978 | 995 | 798 |
| Trade receivables | | 3,685 | 3,817 | 4,380 |
| Other receivables | | 1,880 | 1,647 | 1,752 |
| Short term subleasing receivables | | 161 | 93 | 149 |
| Other financial assets | | -2 | 0 | 1 |
| Cash and cash equivalents | | 822 | 552 | 1,769 |
| Current assets | | 7,525 | 7,104 | 8,849 |
| Total assets | | 14,482 | 13,005 | 14,957 |
| | | | | |
| EQUITY AND LIABILITIES | | | | |
| Share capital and premium | 4 | 491 | 430 | 464 |
| Other reserves | | 1,827 | 1,306 | 1,360 |
| Retained earnings | | 1,277 | 1,465 | 1,251 |
| Equity | | 3,596 | 3,201 | 3,075 |
| Interest-bearing long-term liabilities | 6 | 472 | 484 | 472 |
| Long-term sublease liabilities | | 111 | 191 | 102 |
| Long-term leasing liabilities | | 1,004 | 538 | 768 |
| Other long-term liabilities | | 8 | 8 | 8 |
| Deferred tax liabilities | | 205 | 225 | 185 |
| Non-current liabilities | | 1,801 | 1,447 | 1,534 |
| Trade payables | | 4,816 | 4,721 | 6,113 |
| Interest-bearing current liabilities | 6 | 797 | 610 | 575 |
| Current sublease liabilities | | 161 | 93 | 149 |
| Current leasing liabilities | | 307 | 199 | 273 |
| VAT, taxes and government fees | | 717 | 748 | 952 |
| Provisions | | 86 | 93 | 111 |
| Other current liabilities | | 2,198 | 1,888 | 2,167 |
| Other financial liabilities | | 1 | 5 | 8 |
| Current liabilities | | 9,085 | 8,358 | 10,348 |
| Total liabilities | | 10,886 | 9,804 | 11,882 |
| Total equity and liabilities | | 14,482 | 13,005 | 14,957 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| NOK in million | Note | 31 Mar 2020 | 31 Mar 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 | | 479 | -111 | -58 |
| Forward contracts - cash flow hedging | | -1 | -1 | 0 |
| Other comprehensive income | | 478 | -112 | -58 |
| Profit for the period | | 6 | 79 | 530 |
| Total recognised income for the year | | 484 | -32 | 472 |
| Employee share-option schemes | | 9 | 14 | 57 |
| Dividends | | 0 | 0 | -710 |
| Issue of share capital | 4 | 28 | 19 | 53 |
| Equity at end of period | | 3,596 | 3,201 | 3,075 |

## CONSOLIDATED STATEMENT OF CASH FLOW

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Profit before tax | 6 | 99 | 657 |
| Adjusted for: | | | |
| Depreciation and amortisation | 156 | 141 | 588 |
| Share based compensation | 9 | 14 | 57 |
| Gains/Losses on disposals of PPE and intangible asset | 0 | 0 | -5 |
| Net interest expenses | 22 | 17 | 75 |
| Taxes paid | -122 | -113 | -150 |
| Net interest paid | -18 | -13 | -72 |
| Cash earnings | 54 | 144 | 1,151 |
| Change in trade receivables | 1,118 | 2,490 | 1,948 |
| Change in inventories | -83 | -196 | 16 |
| Change in trade payables | -1,820 | -2,218 | -905 |
| Other changes in working capital | -467 | -700 | -312 |
| Cash flow from operating activities | -1,198 | -481 | 1,897 |
| Purchase of PPE and intangible assets | -114 | -90 | -325 |
| Sale of PPE and intangible assets | 5 | 2 | 73 |
| Acquisition of subsidiaries/businesses | - | - | -21 |
| Cash flow from investing activities | -109 | -88 | -274 |
| Dividend paid | - | - | -710 |
| Proceeds from new shares issue | 28 | 19 | 53 |
| Proceeds from sublease | 7 | 22 | 59 |
| Payments of sublease liabilities | -7 | -22 | -59 |
| Payments of lease liabilities | -83 | -72 | -303 |
| Change in debt | 175 | 453 | 346 |
| Cash flow from financing activities | 119 | 400 | -615 |
| Net cash flow | -1,188 | -169 | 1,008 |
| Cash and cash equivalents at the start of the period | 1,769 | 764 | 764 |
| Foreign exchange effect on cash held in a foreign currency | 241 | -42 | -3 |
| Cash and cash equivalents at the end of the period | 822 | 552 | 1,769 |

# NOTE 1

## GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for three months ending 31 March 2020 were approved for publication by the Board of Directors on 21 April 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.

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 more than 7,500 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**<br>**NOK in million** | **Q1**<br>**2020** | **Q1**<br>**2019** | **Full year**<br>**2019** |
|---|---:|---:|---:|
| Norway | 2,241.9 | 2,441.6 | 9,426.6 |
| Sweden | 3,526.9 | 3,575.3 | 14,796.4 |
| Denmark | 1,822.0 | 1,870.9 | 8,088.3 |
| Finland | 1,183.9 | 980.5 | 3,269.8 |
| The Baltics | 334.3 | 304.8 | 1,258.6 |
| Group Shared Services | 1,715.6 | 1,557.5 | 6,473.7 |
| Eliminations* | -1,781.6 | -1,592.3 | -6,658.7 |
| Atea Group | 9,043.0 | 9,138.2 | 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<br>NOK in million | Q1<br>2020 | Q1<br>2019 | Full year<br>2019 |
|---|---|---|---|
| Norway | 45.0 | 38.4 | 297.1 |
| Sweden | 100.1 | 104.8 | 483.3 |
| Denmark | -125.6 | -26.0 | -63.8 |
| Finland | 16.5 | 11.8 | 62.6 |
| The Baltics | 7.8 | 8.7 | 38.1 |
| Group Shared Services | 3.8 | 2.5 | 11.0 |
| Group cost | -15.7 | -24.3 | -81.6 |
| Operating profit (EBIT) | 31.9 | 115.9 | 746.7 |
| Net financial items | -25.6 | -17.3 | -89.9 |
| Profit before tax | 6.3 | 98.6 | 656.8 |

| Quarterly revenue and gross margin<br>NOK in million | Q1<br>2020 | Q1<br>2019 | Full year<br>2019 |
|---|---|---|---|
| Product revenue | 7,277.6 | 7,467.7 | 29,918.6 |
| Services revenue | 1,765.4 | 1,670.5 | 6,736.2 |
| Total revenue | 9,043.0 | 9,138.2 | 36,654.8 |
| Gross contribution | 1,997.3 | 1,937.8 | 7,757.8 |
| Product margin | 11.4% | 10.9% | 11.0% |
| Services margin | 66.1% | 67.4% | 66.3% |
| Gross margin | 22.1% | 21.2% | 21.2% |

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

# NOTE 2

## OPERATING SEGMENT INFORMATION (CONT'D)

### LOCAL CURRENCY

| Revenue<br>Local currency in million | | Q1<br>2020 | Q1<br>2019 | Full year<br>2019 |
|---|---|---|---|---|
| Norway | NOK | 2,241.9 | 2,441.6 | 9,426.6 |
| Sweden | SEK | 3,601.1 | 3,824.7 | 15,901.5 |
| Denmark | DKK | 1,302.1 | 1,433.3 | 6,130.8 |
| Finland | EUR | 113.2 | 100.7 | 332.0 |
| The Baltics | EUR | 32.0 | 31.3 | 127.8 |
| Group Shared Services | NOK | 1,715.6 | 1,557.5 | 6,473.7 |
| Eliminations* | NOK | -1,781.6 | -1,592.3 | -6,658.7 |
| Atea Group | NOK | 9,043.0 | 9,138.2 | 36,654.8 |

| EBIT<br>Local currency in million | | Q1<br>2020 | Q1<br>2019 | Full year<br>2019 |
|---|---|---|---|---|
| Norway | NOK | 45.0 | 38.4 | 297.1 |
| Sweden | SEK | 102.2 | 112.1 | 519.4 |
| Denmark | DKK | -89.8 | -19.9 | -48.4 |
| Finland | EUR | 1.6 | 1.2 | 6.4 |
| The Baltics | EUR | 0.7 | 0.9 | 3.9 |
| Group Shared Services | NOK | 3.8 | 2.5 | 11.0 |
| Group cost | NOK | -15.7 | -24.3 | -81.6 |
| Operating profit (EBIT) | NOK | 31.9 | 115.9 | 746.7 |
| Net financial items | NOK | -25.6 | -17.3 | -89.9 |
| Profit before tax | NOK | 6.3 | 98.6 | 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 revenues 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**<br>**Local currency in million** | | **Q1**<br>**2020** | **Q1**<br>**2019** | **Full year**<br>**2019** |
|---|---|---|---|---|
| Norway | NOK | 1,154.7 | 1,315.6 | 5,224.2 |
| Sweden | SEK | 1,813.1 | 2,014.3 | 8,072.5 |
| Denmark | DKK | 651.1 | 804.5 | 3,118.4 |
| Finland | EUR | 45.3 | 43.5 | 174.5 |
| The Baltics | EUR | 16.5 | 19.4 | 72.4 |
| Group Shared Services | NOK | 1,589.0 | 1,439.0 | 6,007.3 |
| Eliminations* | NOK | -1,566.4 | -1,427.7 | -5,968.1 |
| Atea Group | NOK | 4,510.1 | 4,872.9 | 19,320.5 |

| **Software**<br>**Local currency in million** | | **Q1**<br>**2020** | **Q1**<br>**2019** | **Full year**<br>**2019** |
|---|---|---|---|---|
| Norway | NOK | 515.4 | 613.7 | 2,078.5 |
| Sweden | SEK | 1,119.9 | 1,156.0 | 5,191.1 |
| Denmark | DKK | 363.0 | 304.1 | 1,767.4 |
| Finland | EUR | 60.2 | 50.6 | 127.4 |
| The Baltics | EUR | 7.2 | 3.1 | 18.4 |
| Group Shared Services | NOK | 5.2 | 0.9 | 12.8 |
| Eliminations* | NOK | -63.0 | -21.1 | -91.6 |
| Atea Group | NOK | 2,767.5 | 2,594.8 | 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<br>Local currency in million | | Q1<br>2020 | Q1<br>2019 | Full year<br>2019 |
|---|---|---|---|---|
| Norway | NOK | 571.8 | 512.3 | 2,123.9 |
| Sweden | SEK | 668.1 | 654.4 | 2,637.9 |
| Denmark | DKK | 288.0 | 324.7 | 1,245.0 |
| Finland | EUR | 7.7 | 6.5 | 30.0 |
| The Baltics | EUR | 8.3 | 8.7 | 37.0 |
| Group Shared Services | NOK | 121.4 | 117.6 | 453.7 |
| Eliminations* | NOK | -152.2 | -143.5 | -599.0 |
| Atea Group | NOK | 1,765.4 | 1,670.5 | 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 31 March 2020 | 109,981,046 | -7,844 | 110 | 0 | 381 | 491 |

Average number of shares outstanding

The average number of shares outstanding during the first 3 months of 2020 was 109,844,375. 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 3 months of 2020 was 110,610,534. 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 3 months of 2020, and the remaining vesting period of the options, the dilution impact of the share option program is 766,159 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)

| 31 March 2020 | Number of share options | Average Nominal Strike price | Adjusted Nominal Strike price* | Weighted average number of shares outstanding |
|---|---|---|---|---|
| Basic EPS calculation | | | | 109,844,375 |
| | | | | |
| Dilution effect of share options | | | | |
| Total share options | | | | |
| Fully vested, with adjusted strike price below share price | 2,269,145 | 75 | 75 | 729,353 |
| Unvested*, with adjusted strike price below share price | 1,695,959 | 101 | 107 | 36,805 |
| Unvested*, with adjusted strike price above share price | 3,943,669 | 107 | 124 | - |
| All Share options | 7,963,773 | 97 | 108 | 766,159 |
| | | | | |
| Fully diluted EPS calculation** | | | | 110,610,534 |

# NOTE 5

## NET FINANCIAL ITEMS

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Interest income | 2 | 2 | 6 |
| Interest income, subleasing | 1 | - | 9 |
| Other financial income | 0 | 0 | 2 |
| Total financial income | 4 | 2 | 17 |
| | | | |
| Interest costs on loans | -14 | -10 | -44 |
| Interest costs on leases | -11 | -9 | -37 |
| Interest expenses, subleasing | -1 | - | -9 |
| Foreign exchange effects | -2 | 0 | -8 |
| Other financial expenses | -2 | -1 | -9 |
| Total financial expenses | -30 | -20 | -107 |
| Total net financial items | -26 | -17 | -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 109 from January 1 – March 31, 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 access to a revolving credit line of NOK 200 million through the money market. 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** | **31 Mar 2020** | **31 Mar 2020** | **31 Mar 2019** |
| Long-term | | | |
| EIB loan | 475 | 472 | 470 |
| Other | | - | 14 |
| Short-term | | | |
| Receivables facility | 1,100 | 758 | 594 |
| Overdraft facility | 300 | - | - |
| Money market line | 200 | - | - |
| Current interest-bearing leasing liabilities | | 23 | 23 |
| Long-term interest-bearing leasing liabilities | | 49 | 54 |
| Other | | 39 | 16 |
| Total debt | | 1,341 | 1,172 |
| Securitization - sale of receivables | 1,900 | 1,679 | 844 |
| Total borrowing utilized | | 3,020 | 2,016 |

# NOTE 7

## TAXES

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Profit before tax | 6 | 99 | 657 |
| | | | |
| Tax payable expenses | -27 | -26 | -123 |
| Deferred tax asset changes due to tax loss carry forward used | 27 | 5 | -38 |
| Other deferred tax changes | 0 | 2 | 33 |
| Total tax expenses | 0 | -19 | -127 |
| Effective rate | 4.8% | 19.4% | 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 Q1 of 2020 is 4.8%. The tax rate has been significantly affected by revaluation of deferred tax assets and liabilities in Sweden and Denmark to Norwegian krone on consolidated balance.

Deferred tax changes 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 36 million), which were recognized as a restructuring charge during the first quarter of 2020.

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

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Restructuring costs | 36 | 0 | 0 |
| Other writedowns and provisions | 35 | 0 | 0 |
| Reorganization costs | 71 | 0 | 0 |
| EBIT before reorganization costs | 103 | 116 | 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 an 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

## 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 12

## 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 | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Revenue | 9,043 | 9,138 | 36,655 |
| Adjustment for acquisitions | - | 4 | 12 |
| Pro forma revenue | 9,043 | 9,142 | 36,666 |
| Pro forma revenue on last year currency | 8,630 | 9,237 | 36,451 |
| Pro forma growth in constant currency | -5.6% | 10.8% | 4.8% |

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

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| EBITDA | 188 | 257 | 1,335 |
| Adjustment for acquisitions | - | 2 | 0 |
| Pro forma EBITDA | 188 | 258 | 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 | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Revenue | 9,043 | 9,138 | 36,655 |
| Cost of goods sold | -7,046 | -7,200 | -28,897 |
| Gross profit | 1,997 | 1,938 | 7,758 |

# NOTE 12

## OPERATING EXPENSES

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

| NOK in million | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Employee benefits expense | 1,547 | 1,445 | 5,584 |
| Other operating costs | 234 | 215 | 766 |
| Share based compensation | -8 | 21 | 73 |
| Restructuring costs | 36 | 0 | 0 |
| Depreciation and amortization | 155 | 139 | 584 |
| Amortization related to acquisitions | 1 | 2 | 5 |
| Total operating expenses | 1,965 | 1,822 | 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 | Q1 2020 | Q1 2019 | Full year 2019 |
|---|---|---|---|
| Cash flow from operations | -1,198 | -481 | 1,897 |
| Purchase of PPE and intangible assets | -114 | -90 | -325 |
| Sale of PPE and intangible assets | 5 | 2 | 73 |
| Capital expenditures through cash | -109 | -88 | -252 |
| Free cash flow | -1,307 | -570 | 1,644 |

# NOTE 12

## 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 | 31 Mar 2020 | 31 Mar 2019 | 31 Dec 2019 |
|---|---|---|---|
| Interest-bearing long-term liabilities | -472 | -484 | -472 |
| Interest-bearing long-term leasing liabilities | -49 | -54 | -45 |
| Interest-bearing current liabilities | -797 | -610 | -575 |
| Interest-bearing current leasing liabilities | -23 | -23 | -19 |
| Cash and cash equivalents | 822 | 552 | 1,769 |
| Net financial position | -519 | -620 | 657 |
| | | | |
| Long-term ROU assets leasing liabilities | -955 | -483 | -723 |
| Current ROU assets leasing liabilities | -284 | -176 | -253 |
| Long-term subleasing liabilities | -111 | -191 | -102 |
| Short-term subleasing liabilities | -161 | -93 | -149 |
| Long-term subleasing receivables | 111 | 191 | 102 |
| Short-term subleasing receivables | 161 | 93 | 149 |
| Incremental net lease liabilities due to IFRS 16 adoption | -1,240 | -659 | -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 | 31 Mar 2020 | 31 Mar 2019 | 31 Dec 2019 |
|---|---|---|---|
| Last 12 months pro forma EBITDA | 1,265 | 1,113 | 1,335 |
| Maximum debt covenant ratio | 2.5 | 2.5 | 2.5 |
| Net debt limit | 3,162 | 2,782 | 3,338 |
| Net debt | -519 | -620 | 657 |
| Liquidity reserve | 2,643 | 2,163 | 3,995 |
| | | | |
| Net debt/ pro forma EBITDA | 0.4 | 0.6 | -0.5 |

# NOTE 12

## 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 | 31 Mar 2020 | 31 Mar 2019 | 31 Dec 2019 |
|---|---|---|---|
| Inventories | 978 | 995 | 798 |
| Trade receivables | 3,685 | 3,817 | 4,380 |
| Other receivables | 1,880 | 1,647 | 1,752 |
| Other financial assets | -2 | 0 | 1 |
| Trade payables | -4,816 | -4,721 | -6,113 |
| VAT, taxes and government fees | -717 | -748 | -952 |
| Provisions | -86 | -93 | -111 |
| Other current liabilities | -2,198 | -1,888 | -2,167 |
| Other financial liabilities | -1 | -5 | -8 |
| Working capital | -1,278 | -996 | -2,419 |
| Securitization effect | 1,679 | 844 | 1,862 |
| Working capital before securitization | 401 | -152 | -557 |
| | | | |
| Year to date revenue | 9,043 | 9,138 | 36,655 |
| Annualized revenue | 36,172 | 36,553 | 36,655 |
| Working capital in relation to annualized revenue | -3.5% | -2.7% | -6.6% |

# NOTE 12

## 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 | 31 Mar 2020 | 31 Mar 2019 | 31 Dec 2019 |
|---|---|---|---|
| Total assets | 14,482 | 13,005 | 14,957 |
| Deduct: incremental lease assets due to IFRS 16 adoption | | | |
| Right-of-use assets | -1,262 | -692 | -996 |
| Long-term subleasing receivables | -111 | -191 | -102 |
| Short-term subleasing receivables | -161 | -93 | -149 |
| Adjusted total assets | 12,947 | 12,029 | 13,710 |
| Equity | 3,596 | 3,201 | 3,075 |
| Equity ratio | 27.8% | 26.6% | 22.4% |

ATEA

# Q1

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