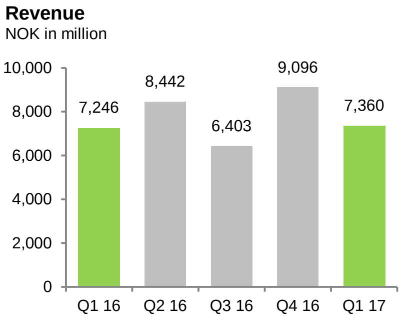
Q1 2017 Interim Report

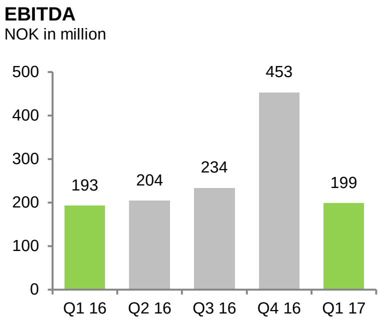
Atea continued to increase revenue and profitability in Q1 2017, despite a negative impact from currency fluctuations. EBIT increased by 20% from last year.

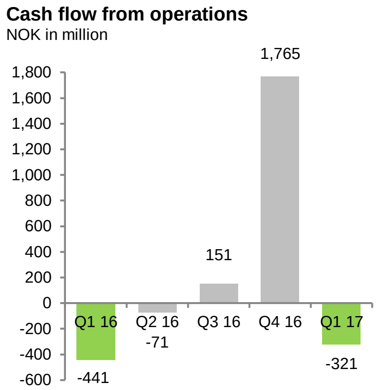
Steinar Sønsteby
CEO of ATEA

Highlights

- Revenue of NOK 7,360 million, up 1.6% y-o-y
- EBITDA of NOK 199 million, up 3.1% y-o-y
- EBITDA margin of 2.7%, same level as last year
- EBIT of NOK 105 million, up 20.1% y-o-y
- Cash flow from operations of NOK -321 million, up from NOK -441 million last year







Key figures*

	Q1 2017	Q1 2016	Full year 2016
Group revenue (NOK in million)	7,360	7,246	31,188
Gross margin (%)	23.0	23.4	22.2
EBITDA (NOK in million)	199	193	1,085
EBITDA margin (%)	2.7	2.7	3.5
EBIT (NOK in million)	105	88	677
Net profit (NOK in million)	69	59	512
Earnings per share (NOK)	0.65	0.56	4.87
Diluted earnings per share (NOK)	0.64	0.56	4.80
Cash flow from operations (NOK in million)	(321)	(441)	1,404
Free cash flow (NOK in million)	(382)	(510)	1,075

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Net financial position (NOK in million)	(702)	(1,294)	(350)
Liquidity reserve (NOK in million)	2,024	1,016	2,362
Working capital (NOK in million)	(906)	(330)	(1,385)
Working capital in relation to annualized revenue (%)	(3.1)	(1.1)	(4.4)
Equity ratio (%)	29.3	31.2	23.8
Number of full-time employees	6,904	6,790	6,882

* Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 20-22

Financial review Q1 2017

Group

Atea continued to increase revenue and profitability in Q1 2017, despite a negative impact from currency movements. EBITDA improved by 3.1% from last year, as revenue grew faster than operating expenses. EBIT improved by 20.1% from last year, as the group had lower depreciation costs based on reduced capital expenditure.

Group revenue increased 1.6% to NOK 7,360 million in Q1 2017, up from NOK 7,246 million in Q1 2016. Hardware revenue was up 0.9%, software revenue was up 4.1% and services revenue was up 0.2%. On a pro forma basis*, revenue growth was 6.8% in constant currency. Currency fluctuations had a negative impact of 5.0% in Q1 2017 compared to Q1 2016.

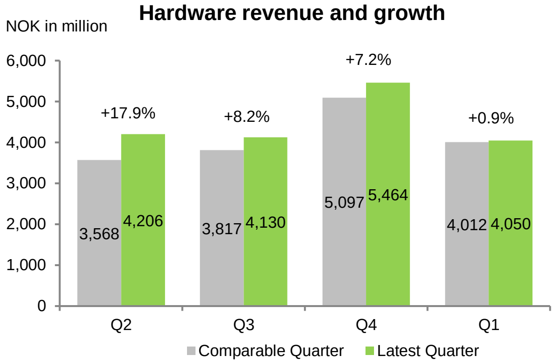
The growth in hardware revenue was primarily driven by increased sales in Finland and Denmark. The growth in software revenue was driven by higher sales to public sector customers in Denmark, Sweden and Finland. The increase in services revenue was based on 5.0% growth in contracted services (service contracts with a term of 1+ years), which in Q1 2017 constituted nearly 50% of total services revenue.

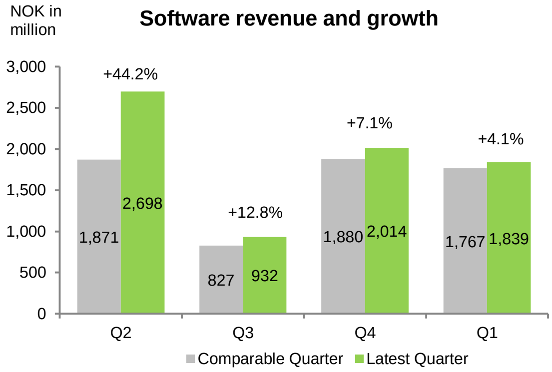
EBITDA in Q1 2017 increased by 3.1% to NOK 199 million. The improvement in profitability reflects revenue growth and lower operating expenses. The EBITDA margin remained flat at 2.7%, compared with Q1 2016.

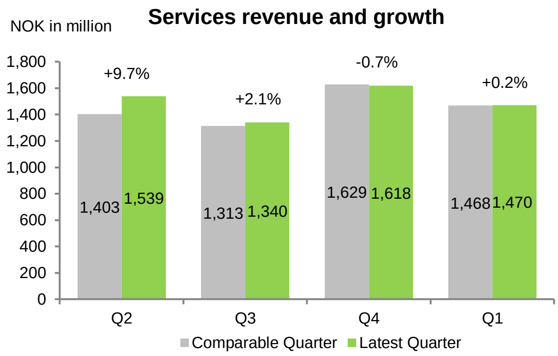
EBIT increased by 20.1% to NOK 105 million, as depreciation costs fell based on lower capital expenditure during the prior quarters. Net financial items were an expense of NOK 19 million, compared with an expense of NOK 18 million last year.

Profit before tax was NOK 86 million, compared with NOK 70 million last year. Income tax expense increased to NOK 17 million in Q1 2017 from NOK 11 million in Q1 2016. Further information on income tax can be found in Note 4.

Net profit after tax ended at NOK 69 million, compared with NOK 59 million last year.







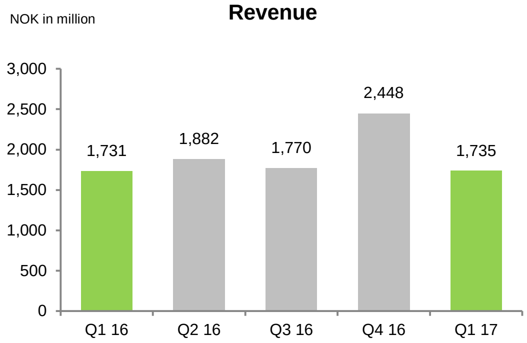
* Pro forma revenue growth includes revenue from companies acquired during 2016 and 2017 in both the current and prior full year.
Alternative perfomance measures (APM) presented in the text above are described in APM section on page 20-22

Norway

Atea Norway had a strong improvement in profitability during Q1 2017, based on higher gross margins across all business lines and lower staff levels compared with last year.

Revenue in Q1 2017 was NOK 1,735 million, up 0.2% compared with Q1 2016. Hardware revenue was up 4.4%, software revenue was down 12.9% and services revenue was up 2.2%.

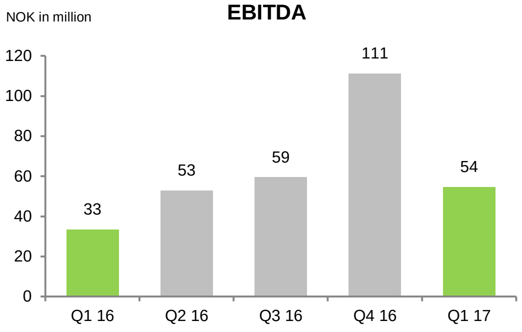
Hardware revenue growth was based on higher sales of client-related hardware to both private and public customers. The decrease in software revenue was primarily due to a very large software agreement in the comparable quarter last year. Growth in services revenue was driven by higher sales of contracted services, such as service and support agreements.



Total gross margin increased to 28.1%, up from 26.3% in Q1 2016, driven by higher margins within all three business lines. Product margin increased to 15.4% from 14.2% in Q1 2016, with an overall favorable business mix compared with last year. Services margin increased to 64.9%, up from 62.2% last year, due to a lower proportion of subcontracted services in the revenue mix as well as a review and termination of less profitable service contracts.

Atea Norway has taken action to reduce its staffing levels during the last year. As a result, the average number of full time employees during Q1 2017 was 78 (4.8%) below last year.

EBITDA in Q1 2017 increased to NOK 54 million, up from NOK 33 million in Q1 2016, based on an improved gross margin and a reduction in staff levels, The EBITDA margin increased to 3.1%, up from 1.9% last year.

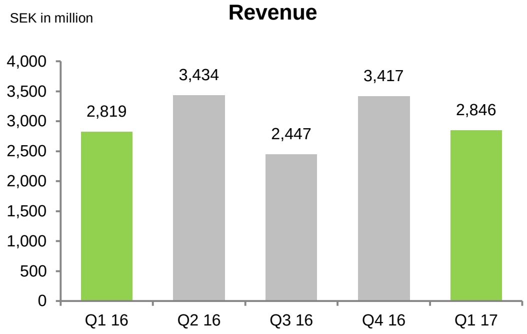


Sweden

Atea Sweden had high growth in profitability during the first quarter of 2017, driven by increased gross margin in hardware and services. EBITDA increased by 8.9% from the prior year.

Revenue in Q1 2017 was SEK 2,846 million, up 1.0% compared with last year. Hardware revenue was down 4.6%, software revenue was up 10.3% and services revenue was up 4.9%. Adjusting for the acquisition of Barrett AB in March 2016, revenue growth on a pro forma basis* was 0.7%.

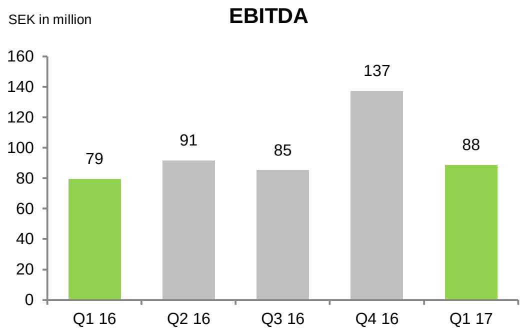
The decrease of hardware revenue was primarily due to postponement of deliveries on public frame agreements. Software revenue growth was driven by high demand from public sector customers across multiple categories. Services revenue grew compared with last year, based on an increase in the number of services consultants and due to higher sales of contracted services, such as service and support agreements and datacenter outsourcing.



Total gross margin was 22.4% in Q1 2017 up from 21.0% last year. Product margin increased to 12.8% from 12.2% last year, driven by higher margins on client and datacenter products. Services margin increased to 66.6% from 63.4% last year due to a lower proportion of revenue from subcontracted services.

Operating costs increased by 6.7% to SEK 543 million due to an increase in the average number of full time employees of 67 (3.3%) compared to last year and due to a general salary inflation.

EBITDA in Q1 2017 increased to SEK 88 million, up from SEK 79 million in Q1 2016, reflecting the improved gross margin. The EBITDA margin increased to 3.1% from 2.8% last year, also due to the higher gross margin.



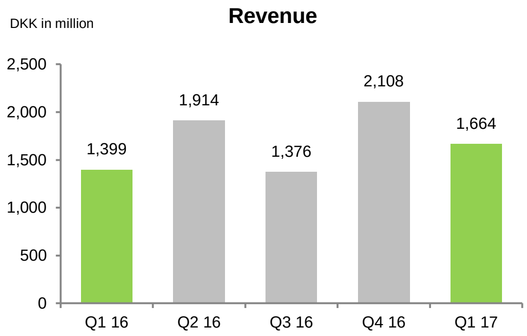
* Pro forma revenue growth includes revenue from companies acquired during 2016 and 2017 in both the current and prior full year.
Alternative perfomance measures (APM) presented in the text above are described in APM section on page 20-22

Denmark

Atea Denmark had rapid growth in revenue in Q1 2017, but lower profitability due to a lower gross margin and higher costs compared with last year.

During the last several quarters, the Danish business has aggressively captured market share by winning large new public frame agreements at highly competitive pricing. These new agreements have generated higher sales across all three business areas.

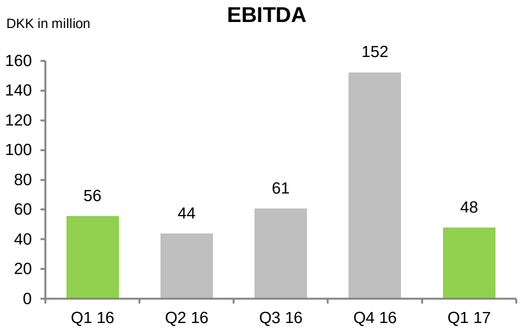
Revenue in Q1 2017 was DKK 1,664 million, up 19.0% from last year. Hardware revenue was up 17.7%, software revenue was up 41.5%, and services revenue was up 7.7%. Growth in software revenue during Q1 was further boosted by the renewal of a large software license deal, which was originally sold in Q2 last year.



These new frame agreements have put pressure on the overall gross margin. Total gross margin ended at 21.4% this year compared with 25.3% in Q1 2016. Product margin decreased to 8.8% from 10.8% last year. Services margin fell to 63.8% from 68.3% last year, with lower margins on contracted network services.

Operating expenses grew by 3.7% to DKK 307 million, as the average number of full time employees increased by 63 (4.1%).

EBITDA in Q1 2017 was DKK 48 million, down from DKK 56 million in Q1 2016. The EBITDA margin ended at 2.9% this year, compared with 4.0% last year.

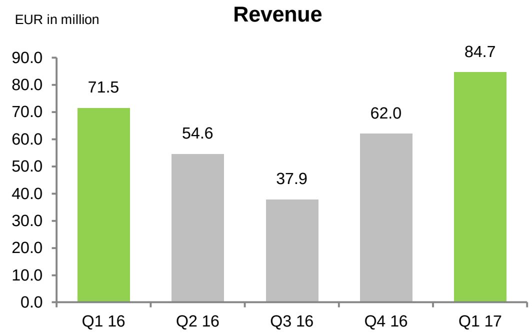


Finland

Atea Finland reported strong growth in revenue and EBITDA during the first quarter of 2017. Growth was primarily driven by increased sales of clients to public sector customers.

Revenue in Q1 2017 was EUR 84.7 million, up 18.4% compared with last year. Hardware revenue was up 33.9%, software revenue was up 8.1% and services revenue was up 7.7%.

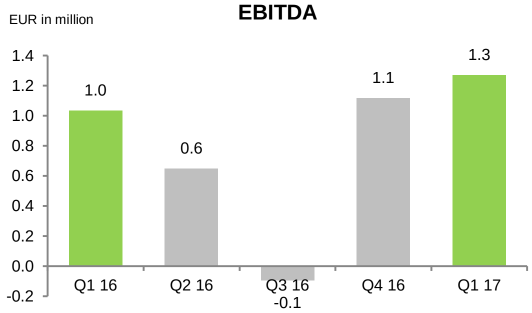
Hardware revenue saw a general positive development across the customer base and business areas, but was particularly driven by deliveries of clients on public sector frame agreements. Software revenue grew due to higher demand from public sector clients. Services revenue increased based on higher sales of contracted services, such as managed client agreements and datacenter outsourcing.



Total gross margin ended at 11.9% for Q1 2017, compared with 12.7% last year. The decrease in gross margin was a result of lower product margin on the public frame agreements and a lower proportion of services in the revenue mix.

Operating costs increased by 9.3% to EUR 8.8 million due to an increase in the average number of full time employees of 17 (5.2%) compared to last year and an increase in variable compensation.

EBITDA in Q1 2017 increased 23.0% to EUR 1.3 million, up from EUR 1.0 million in Q1 2016, based on higher sales. The EBITDA margin increased to 1.5%, up from 1.4% last year.

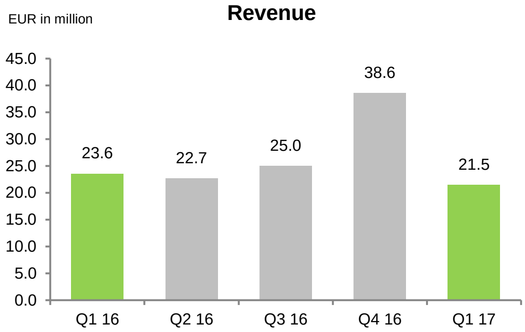


The Baltics

Atea Baltics reported a decline in revenue and EBITDA during the first quarter of 2017 due to decreased software volumes to private customers and an increase in personnel expenses.

Revenue in Q1 2017 was EUR 21.5 million, down by 8.8% compared to last year. Hardware revenue was up 2.6%, software revenue was down 61.3% and services revenue was up 11.0%.

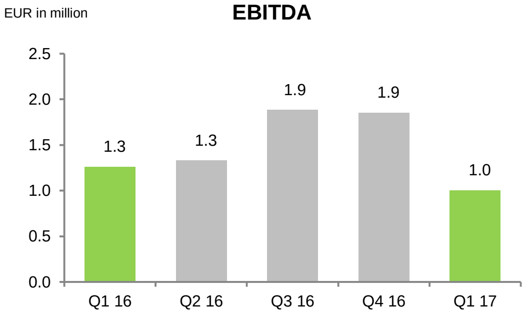
Growth in hardware revenue was driven by public sector projects related to security. The decrease in software revenue was primarily due to a very large software agreement in the comparable quarter last year. Growth in services revenue was driven by an increase in datacenter outsourcing contracts and due to the higher number of services consultants.



Total gross margin increased to 28.3% from 24.4% last year. The improvement in gross margin was based on a higher proportion of services in the revenue mix and a increased software margin due to a smaller proportion of revenue from large deals.

Operating expenses grew by 14.3% to EUR 5.0 million. Personnel expenses increased by 10.0%, due to salary inflation and an increase in the average number of full time employees by 22 (3.2%) from last year.

EBITDA in Q1 was EUR 1.0 million, down 20.4% from EUR 1.3 million last year. The EBITDA margin fell to 4.7% from 5.3% last year, as a result of increased operating expenses.



Balance sheet

As of 31 March 2017, Atea had total assets of NOK 11,311 million. Current assets such as cash, receivables and inventory represented NOK 6,111 million of this total. Non-current assets represented NOK 5,199 million of this total, and primarily consisted of goodwill (NOK 3,683 million), deferred tax assets (NOK 561 million), and property, plant and equipment (NOK 658 million).

Atea had total liabilities of NOK 7,991 million as of 31 March 2017, of which NOK 6,648 million were current liabilities. Equity was NOK 3,320 million, corresponding to an equity ratio of 29.3%.

At the end of Q1 2017, Atea's net financial position was NOK -702 million compared with NOK -1,294 million at the end of Q1 2016. Atea's bond covenants require that the Group maintains a maximum net interest bearing debt of 2.5x pro forma EBITDA over the last twelve months. Atea is currently well within this limit, and maintains liquidity reserves, including unutilized credit facilities, of NOK 2,024 million as of 31 March 2017.

Cash flow

Atea had cash flow from operating activities of NOK -321 million in the first quarter of 2017, compared with NOK -441 million in Q1 2016. The first quarter is seasonally a negative quarter for cash flow, as working capital levels increase. The improved cash flow in Q1 2017 was driven by higher profitability and a smaller increase in working capital levels compared with the first quarter last year. Atea's net working capital balance at the end of Q1 2017 was NOK -906 million compared to NOK -330 million last year.

Cash flow from investing activities related to capital expenditure was NOK -56 million in Q1 2017 down from NOK -61 million in the corresponding quarter last year. The decline reflects an overall strategy and management focus on controlling capital expenditure throughout Atea.

Cash flow from financing activities was NOK -47 million in Q1 2017. Atea had an inflow of NOK 17 million from a share capital increase related to employees' exercise of share options. Additionally, short-term debt of NOK 67 million was repaid. At quarter end, Atea had a cash balance of NOK 465 million comparing with NOK 137 million at the end of Q1 2016.

Shares

Atea had 6,995 shareholders on 31 March 2017 compared with 7,151 shareholders on 31 March 2016.

The 10 largest shareholders as of 31 March 2017 were:

Main Shareholders *	Shares	%
Systemintegration APS **	26,658,510	25.11%
Folketrygdfondet	8,649,818	8.15%
State Street Bank & Trust Co. ***	8,021,946	7.56%
Handelsbanken Norden Selektiv	3,800,000	3.58%
Odin Norge	2,817,975	2.65%
Odin Norden	2,672,977	2.52%
RBC Investor Services Trust ***	2,561,341	2.41%
Skandinaviske Enskilda Banken AB ***	2,374,980	2.24%
State Street Bank and Trust Co. ***	2,028,174	1.91%
JP Morgan Chase Bank, NA ***	2,019,624	1.90%
Other	44,569,169	41.98%
Total number of shares	**106,174,514**	**100.00%**

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

As of 31 March 2017, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.4% of the shares, including the shares held by Systemintegration APS.

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 more than 18% market share in 2016. Roughly half 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, despite challenging conditions in the global economy. According to estimates from IDC* , the market for IT infrastructure and related services has grown at an average rate of 3% per year from 2007 – 2016.

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 86 cities in the Nordic and Baltic region and more than 6,900 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 EMC. 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, which is transforming society and the workplace.

Across private enterprise and throughout the public sector, organizations are increasingly relying on new and innovative IT solutions to improve productivity and living standards. While the specific applications for information technology are unique for each organization, the changing demands on internal IT departments follow several common themes.

Organizations require their IT infrastructure to efficiently and securely capture, process and store ever larger amounts of data from diverse sources. This information must be available wherever it may be required in a secure manner, within or outside the workplace. Finally, IT systems must allow individuals to communicate, collaborate and be productive across a broad range of technology platforms.

As a result of these trends, the number of unique devices for capturing or receiving data is rapidly increasing, and the amount of data which is transferred between them and the data center is growing exponentially. At the same time, 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 a system integrator with expertise across multiple platforms. Through its breadth of competency and depth of system integration expertise, Atea supports IT departments in adapting to the growing complexity of today's IT infrastructure and security requirements. Atea helps its customers to design, implement and support IT solutions tailored for their organization.

* International IT research company, International Data Corporation

Business overview (cont'd)

Business outlook

Group:
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.

Furthermore, the company aims to improve its profit margin through a combination of revenue growth, expansion within higher value added products and services, improved procurement and supply chain processes, and a tight management of operating expenses.

In 2016, Atea had an organic revenue growth in constant currency of 8.8%, a very high premium to the market growth rate of 3%. At the same time, Atea improved its EBITDA margins to 3.5% in 2016, up from 3.3% in the previous year.

In 2017, Management expects Atea to continue to grow faster than the overall IT infrastructure market, although at a slower rate than in 2016. Management expects to increase EBITDA margin in 2017 through selling higher margin products and services and through containing operating expenses.

The Outlook by country:

Sweden:
Sweden is Atea's largest market, representing 38% of Group revenue in the full year 2016. In the first quarter of 2017, the Swedish business reported revenue growth of 1.0% and EBITDA growth of 11.5%.

Growth in the Swedish business has come from sales of products, where the organization has been very effective in leveraging Atea's market strength and winning new customer agreements.

Atea Sweden has made significant changes to its services business during the last year, refocusing its internal capabilities within growth areas, such as cloud and managed infrastructure solutions. These initatives are expected to drive growth in revenue and profitability within services during 2017.

Atea expects continued improvement from its Swedish business during 2017, although with slower growth in product revenue and more moderate growth in EBITDA than in previous years.

Denmark:
Denmark is Atea's second largest market, representing 27% of Group revenue in the full year 2016. In the first quarter of 2017, the Danish business reported revenue growth of 19.0% and EBITDA decrease of 14.1%.

Since late-2015, the Danish business has aggressively captured market share by winning large new public frame agreements, particularly within software. These new frame agreements have been won at a relatively low gross margin, driving revenue but putting pressure on the EBITDA margin. This trend of aggressive revenue growth continued in the first quarter of 2017.

During the remainder of 2017, Management will focus on improving the profitability of the Danish business, through changes to its revenue mix, improvements in supply chain management, and initiatives to reduce operating expenses.

Business overview (cont'd)

Business outlook (cont'd)

Norway:
Norway represented 25% of Group revenue in the full year 2016. In the first quarter of 2017, the Norwegian business reported revenue growth of 0.2% and EBITDA growth of 62.9%.

The Norwegian economy is heavily exposed to the oil and gas industries, and the downturn in these areas has impacted private sector demand for IT equipment. At the same time, public sector demand has been very strong. The public sector continues to invest in IT solutions to expand government services and to improve efficiency and quality.

In response to the market environment, Atea Norway has restructured parts of its organization in order to reduce costs and sharpen focus on growth opportunities. In Q1 2017, average headcount was 78 FTE's (4.8%) below last year. The Norwegian business is particularly focused on improving the profitability of its consulting and services businesses, which represents the majority of the organization's headcount.

While the business expects growth in product sales to slow from 2016, EBITDA margin is expected to improve based on a higher margin product and services mix and a continued focus on cost management.

Finland:
Finland represented 7% of Group revenue in the full year 2016. In the first quarter of 2017, the Finnish business reported revenue growth of 18.4% and EBITDA growth of 23.0%.

Atea has won several large new frame agreements to the public sector since 2015. These new public frame agreements drove revenue growth for Atea Finland in the first quarter of 2017.

In 2017 Atea Finland is expected to continue to outgrow the market, particularly within sales to the public sector and within services.

Baltics:
The Baltic region represented 3% of Group revenue in the full year 2016. In the first quarter of 2017, the Baltic business reported revenue decrease of 8.8% and EBITDA fell by 20.4%. Atea has operations and strong market positions in all the three Baltic countries but the majority of the business is conducted in Lithuania.

Public sector IT spending in the Baltics is heavily dependent on EU funding for large IT infrastructure projects. As one 5-year funding program from the EU has been recently completed, and another has just commenced, demand from the public sector is currently weak.

EU funded public sector projects are delayed compared to initial estimates, but Atea's current estimates are that the first projects will come in the second half of 2017. In the interim, the company is taking actions to reduce the cost base. Otherwise, the company expects to see solid growth in its outsourcing services business, based on recent investments in the services organization including the acquisition of Baltneta in 2015.

Condensed financial information for the 3 months ended 31 March 2017

Consolidated income statement

NOK in million	Note	Q1 2017	Q1 2016	Full year 2016
Revenue	2, 5	7,360	7,246	31,188
Cost of goods sold		(5,666)	(5,548)	(24,249)
Personnel costs		(1,251)	(1,254)	(4,919)
Other operating costs		(230)	(235)	(892)
EBITDA (adjusted)	**2**	**213**	**209**	**1,129**
Share based compensation		(15)	(12)	(39)
Expenses/income related to acquisitions		-	(4)	(5)
EBITDA		**199**	**193**	**1,085**
Depreciation and amortization		(85)	(93)	(365)
Amortization related to acquisitions		(9)	(12)	(42)
Operating profit (EBIT)	**2**	**105**	**88**	**677**
Net financial items		(19)	(18)	(60)
Profit before tax		**86**	**70**	**617**
Tax	4	(17)	(11)	(105)
Profit for the period		**69**	**59**	**512**
Earnings per share				
- earnings per share		0.65	0.56	4.87
- diluted earnings per share		0.64	0.56	4.80

Consolidated statement of comprehensive income

NOK in million	Q1 2017	Q1 2016	Full year 2016
Profit for the period	**69**	**59**	**512**
Currency translation differences	28	(67)	(206)
Forward contracts - cash flow hedging	1	(5)	1
Income tax OCI relating to items that may be reclassified to profit or loss	(2)	8	21
Items that may be reclassified subsequently to profit or loss	**28**	**(65)**	**(184)**
Other comprehensive income	28	(65)	(184)
Total comprehensive income for the period	**97**	**(6)**	**328**

Consolidated statement of financial position

NOK in million	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS				
Property, plant and equipment		658	703	682
Deferred tax assets	**4**	561	552	563
Goodwill		3,683	3,760	3,658
Other intangible assets		291	348	294
Shares in associated companies		-	8	-
Other long-term receivables		7	3	7
Non-current assets		**5,199**	**5,375**	**5,205**
Inventories		600	774	608
Trade receivables		4,157	3,991	5,975
Other receivables		888	893	785
Other financial assets		2	2	3
Cash and cash equivalents		465	137	880
Current assets		**6,111**	**5,797**	**8,251**
Total assets		**11,311**	**11,172**	**13,456**
EQUITY AND LIABILITIES				
Share capital and premium	**3**	286	1,181	269
Other unrecognised reserves		2,066	1,211	2,039
Retained earnings		967	1,094	892
Equity		**3,320**	**3,487**	**3,200**
Interest-bearing long-term liabilities		1,070	1,149	1,079
Other long-term liabilities		17	6	17
Deferred tax liabilities		255	259	253
Non-current liabilities		**1,343**	**1,413**	**1,348**
Trade payables		3,945	3,589	5,835
Interest-bearing current liabilities		96	282	152
VAT, taxes and government fees		653	618	783
Provisions		115	123	233
Other current liabilities		1,828	1,639	1,897
Other financial liabilities		13	21	9
Current liabilities		**6,648**	**6,272**	**8,908**
Total liabilities		**7,991**	**7,686**	**10,256**
Total equity and liabilities		**11,311**	**11,172**	**13,456**

Consolidated statement of changes in equity

NOK in million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Equity at start of period - 1 January	**3,200**	**3,480**	**3,480**
Currency translation differences	26	(61)	(184)
Forward contracts - cash flow hedging	1	(4)	1
Other comprehensive income	28	(65)	(184)
Profit for the period	69	59	512
Total recognised income for the year	**97**	**6**	**328**
Employee share-option schemes	5	9	24
Dividends	-	1	(682)
Changes related to own shares	-	3	21
Issue of share capital	17	-	30
Equity at end of period	**3,320**	**3,487**	**3,200**

Consolidated statement of cash flow

NOK in million	Q1 2017	Q1 2016	Full year 2016
Profit before tax	86	70	617
Taxes paid	(73)	(61)	(128)
Depreciation and amortisation	93	105	407
Share based compensation	5	9	30
Other corrections	-	-	(2)
Cash earnings	**111**	**122**	**924**
Change in trade receivables	1,836	1,893	(373)
Change in inventories	13	(28)	100
Change in trade payables	(1,911)	(2,016)	506
Other changes in working capital	(371)	(411)	247
Cash flow from operating activities	**(321)**	**(441)**	**1,404**
Capital expenditure	(56)	(61)	(280)
Purchase/sale of subsidiaries	-	(16)	(5)
Cash flow from investing activities	**(56)**	**(77)**	**(285)**
Dividend paid	3	1	(682)
Other equity transactions	17	3	44
Change in debt	(67)	42	(150)
Cash flow from financing activities	**(47)**	**45**	**(788)**
Net cash flow	**(424)**	**(472)**	**331**
Cash and cash equivalents at the start of the period	880	630	630
Foreign exchange effect on cash held in a foreign currency	9	(20)	(81)
Cash and cash equivalents at the end of the period	**465**	**137**	**880**

NOTES

NOTE 1 – General information and accounting policies

The condensed interim financial statements for the three months ending 31 March 2017 were approved for publication by the Board of Directors on 26 April 2017. 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 2016, which has been prepared according to IFRS as adopted by EU.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016. There are no changes in accounting policy effective from 1 January 2016 that have impact on the Group accounts. See Note 6 regarding effects of the new leasing standard IFRS 16, effective for annual reports beginning on or after 1 January 2019. Other preliminary assessment of effects of the new leasing standard are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2016.

In the interim financial statements for 2017, 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 2017 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2016.

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 86 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with approximately 6,900 employees. For management and reporting purposes, the Group is organized by these geographical areas. The performance of these geographical areas are evaluated on a regular basis by Atea’s Senior Management Group.

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

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

NOTE 2 – Operating segment information (cont'd)

Operating segment information – NOK

Revenue NOK in million	Q1 2017	Q1 2016	% change	Full year 2016
Norway	1,734.8	1,730.9	0.2%	7,830.4
Sweden	2,690.0	2,878.9	-6.6%	11,901.8
Denmark	2,010.8	1,785.7	12.6%	8,482.9
Finland	760.5	681.1	11.7%	2,100.3
The Baltics	193.2	224.7	-14.0%	1,021.7
Group Shared Services	1,026.5	1,085.0	-5.4%	4,777.2
Eliminations *	(1,055.9)	(1,139.9)		(4,926.3)
Atea Group	**7,360.0**	**7,246.4**	**1.6%**	**31,187.9**

EBITDA NOK in million	Q1 2017	Q1 2016	% change	Full year 2016
Norway	54.4	33.4	62.9%	256.6
Sweden	83.6	81.0	3.2%	386.0
Denmark	57.7	71.0	-18.7%	389.6
Finland	11.4	9.8	16.0%	25.1
The Baltics	9.0	12.0	-24.9%	58.8
Group Shared Services	0.9	(0.3)		29.3
Group cost	(18.2)	(14.0)	-29.6%	(60.9)
EBITDA	**198.8**	**192.9**	**3.1%**	**1,084.5**
EBITDA margin (%)	**2.7%**	**2.7%**		**3.5%**

EBIT NOK in million	Q1 2017	Q1 2016	% change	Full year 2016
Norway	37.1	18.6	99.5%	189.3
Sweden	71.1	66.2	7.3%	330.5
Denmark	9.0	13.1	-31.1%	166.2
Finland	9.0	6.9	31.0%	12.9
The Baltics	0.0	0.8	-94.2%	23.4
Group Shared Services	(1.9)	(3.6)	46.0%	16.4
Group cost	(18.8)	(14.2)	-32.8%	(61.4)
Operating profit (EBIT)	**105.5**	**87.8**	**20.1%**	**677.3**
Net financial items	(19.4)	(18.1)	-7.2%	(60.2)
Profit before tax	**86.0**	**69.7**	**23.4%**	**617.0**

Quarterly revenue and gross margin NOK in million	Q1 2017	Q1 2016	% change	Full year 2016
Product revenue	5,889.3	5,778.7	1.9%	25,222.1
Services revenue	1,470.4	1,467.6	0.2%	5,964.8
Other income	0.2	0.1	63.4%	0.9
Total revenue	**7,360.0**	**7,246.4**	**1.6%**	**31,187.9**
Gross contribution	1,694.0	1,698.2	-0.2%	6,938.7
Product margin	12.1%	12.3%		11.9%
Services margin	66.8%	67.2%		66.2%
Gross margin	**23.0%**	**23.4%**		**22.2%**

Quarterly revenue and gross margin NOK in million	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Product revenue	5,889.3	7,478.0	5,062.2	6,903.3	5,778.7
Services revenue	1,470.4	1,617.9	1,340.4	1,539.0	1,467.4
Other income	0.2	0.3	0.4	0.1	0.1
Total revenue	**7,360.0**	**9,096.2**	**6,402.9**	**8,442.4**	**7,246.3**
Gross contribution	1,694.0	1,965.9	1,503.9	1,770.6	1,698.0
Product margin	12.1%	11.8%	12.9%	10.8%	12.3%
Services margin	66.8%	67.0%	63.5%	66.7%	67.2%
Gross margin	**23.0%**	**21.6%**	**23.5%**	**21.0%**	**23.4%**

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

NOTE 2 – Operating segment information (cont'd)

Operating segment information – local currency

Revenue Local currency in million		Q1 2017	Q1 2016	% change	Full year 2016
Norway	NOK	1,734.8	1,730.9	0.2%	7,830.4
Sweden	SEK	2,846.2	2,818.6	1.0%	12,116.2
Denmark	DKK	1,664.2	1,398.6	19.0%	6,796.6
Finland	EUR	84.7	71.5	18.4%	226.0
The Baltics	EUR	21.5	23.6	-8.8%	109.9
Group Shared Services	NOK	1,026.5	1,085.0	-5.4%	4,777.2
Eliminations *	NOK	(1,055.9)	(1,139.9)		(4,926.3)
Atea Group	**NOK**	**7,360.0**	**7,246.4**	**1.6%**	**31,187.9**

EBITDA Local currency in million		Q1 2017	Q1 2016	% change	Full year 2016
Norway	NOK	54.4	33.4	62.9%	256.6
Sweden	SEK	88.4	79.3	11.5%	393.0
Denmark	DKK	47.8	55.6	-14.1%	312.2
Finland	EUR	1.3	1.0	23.0%	2.7
The Baltics	EUR	1.0	1.3	-20.4%	6.3
Group Shared Services	NOK	0.9	(0.3)		29.3
Eliminations *		-	-	0.0%	-
Group cost	NOK	(18.2)	(14.0)	-29.6%	(60.9)
EBITDA	**NOK**	**198.8**	**192.9**	**3.1%**	**1,084.5**
EBITDA margin (%)		**2.7%**	**2.7%**		**3.5%**

EBIT Local currency in million		Q1 2017	Q1 2016	% change	Full year 2016
Norway	NOK	37.1	18.6	99.5%	189.3
Sweden	SEK	75.2	64.9	15.9%	336.5
Denmark	DKK	7.4	10.2	-27.2%	133.2
Finland	EUR	1.0	0.7	38.9%	1.4
The Baltics	EUR	0.0	0.1	-93.8%	2.5
Group Shared Services	NOK	(1.9)	(3.6)	46.0%	16.4
Group cost	NOK	(18.8)	(14.2)	-32.8%	(61.4)
Operating profit (EBIT)	**NOK**	**105.5**	**87.8**	**20.1%**	**677.3**
Net financial items	NOK	(19.4)	(18.1)	-7.2%	(60.2)
Profit before tax	**NOK**	**86.0**	**69.7**	**23.4%**	**617.0**

NOTE 3 – Share capital and premium

	Number of shares		Share capital			
NOK in million, except number of shares	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total
At 1 January 2017	**105,769,672**	**(7,844)**	**106**	**(0)**	**163**	**269**
Issue of share capital**	404,842	-	0	-	17	17
At 31 March 2017	**106,174,514**	**(7,844)**	**106**	**(0)**	**180**	**286**

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

NOTE 4 – Taxes

NOK in million	Q1 2017	Effective rate	Q1 2016	Effective rate	Full year 2016	Effective rate
Profit before tax	86		70		617	
Tax payable expenses	(16)	18.4%	(13)	18.0%	(97)	15.7%
Deferred tax asset changes due to tax loss carry forward used	(3)	3.5%	-	0.0%	21	-3.5%
Other deferred tax changes	2	-2.1%	2	-2.8%	(29)	4.8%
Total tax expenses	**(17)**	**19,7%**	**(11)**	**15,2%**	**(105)**	**17,0%**

Income tax expense is recognized based on management's estimate of its weighted average tax rate. The estimated tax payable rate during the first 3 months of 2017 is 18.4%.

Deferred tax changes include tax loss carry forwards used, currency effects on equity loan and other deferred tax items which are recognized on the balance sheet during the period.

At the year end of 2016, the tax value of the tax loss carried forward within the Group was NOK 537 million and the full amount was recognized as Deferred Tax Assets on the balance sheet.

NOTE 5 – 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. This demand seasonality is based on the procurement cycles of large organizations in the Nordic and Baltic regions, and is particularly strong within the public sector.

NOTE 6 – Commitments

With reference to Note 25 – Commitments – in the Annual report for 2016, Atea ASA has issued guarantees in favor of financial institutions as security for the lending facilities provided to Atea ASA and subsidiaries. Part of these commitments concern sublease facilities. At the end of Q1 2017, the Group had sublease commitments of NOK 415 million to financial institutions, which are not reported on-balance sheet.

Under a new leasing standard, IFRS 16, the sublease commitments referred to above would be reflected as both an asset and liability on the balance sheet. IFRS 16 was issued in January 2016 and effective for annual reports beginning on or after 1 January 2019.

NOTE 7 – Risks and uncertainties

On March 2, 2017, Atea A/S (“Atea Denmark”) was presented with a formal prosecution (norsk: tiltale) as the legally responsible entity, of bribery and embezzlement carried out by four former employees in the company, in a time period from 2009-2014.

The four persons were employed at Atea Denmark at the time the actions took place. No current employees of Atea are charged or under prosecution in connection with the possible corruption case.

In the summer of 2014, Morten Felding and Steinar Sønsteby, both newly appointed in their roles as CEO of Atea Denmark and CEO of Atea ASA respectively, were informed that former employees had made decisions, approved expenditures and conducted themselves in an unacceptable manner that was in conflict with Atea's internal regulations. These actions affected the client Region Sjælland, which was notified, and that marked the start of a comprehensive police investigation in Denmark.

In addition to the former employees, a number of public officials in Denmark have also been charged as a result of the police investigation.

Since the summer of 2015, Atea has implemented a series of measures:

- In accordance with EU anti-corruption and tendering legislation, Atea Denmark has performed a thorough self-cleaning process
- Atea Denmark is undertaking a certification process on anti-corruption (ISO 37001 Anti-Bribery Systems)
- The Atea Group has established a thorough compliance system, including comprehensive control procedures
- The Code of Conduct of Atea has been updated and strengthened
- All employees of the Atea Group are required to complete a training program in ethics and the Code of Conduct
- The anonymous whistle-blower system has been strengthened for those who wish to report violations of the Code of Conduct or of relevant law
- A compliance committee has been established in the Board of Directors (Atea ASA)
- The CFO of Atea ASA, Robert Giori, has been appointed as Group Compliance Officer
- All business units report on compliance quarterly in order to make sure that the governance systems are working.

Because Atea Denmark has gone through a self-cleaning process in accordance with EU legislation, any prosecution or verdict will not automatically exclude Atea Denmark from competing in public tenders in Denmark. A verdict against Atea Denmark will not have any legal consequences for Atea's business in other countries.

NOTE 8 – Events after the balance sheet date

On 4 April 2017 Atea acquired 17.5% of Erate AS, a company which for several years has facilitated new entrants into the telecom market and provides a platform which facilitates the setup of virtual mobile operators in the telecom industry. The company is located in Oslo, Norway and has 20 employees with a revenue of NOK 161 million in 2016. In total, Atea paid NOK 10 million for its shareholding in Erate. The acquisition will strengthen Atea's ability to drive innovation, and product and service development to the mobile market.

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

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:

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

Pro forma revenue and EBITDA
Pro forma revenue and EBITDA includes revenue and EBITDA from companies acquired during 2017 and 2016 in both the current and prior full year. Pro forma financial results are used to calculate organic growth as well as bond 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 2017	Q1 2016	Full year 2016
Revenue	7,360	7,246	31,188
Adjustment for acquisitions	0	8	7
Pro forma revenue	**7,360**	**7,254**	**31,195**
Pro forma revenue on last year currency	7,749	6,775	30,422
Pro forma growth in constant currency	**6.8%**	**3.8%**	**8.8%**

NOK in million	Q1 2017	Q1 2016	Full year 2016
EBITDA	199	193	1,085
Adjustment for acquisitions	0	1	1
Pro forma EBITDA	**199**	**193**	**1,085**

EBITDA (adjusted)
Earnings before share-based compensation, expenses related to acquisition costs, interest, tax, depreciation and amortization (EBITDA) is a key financial metric for Atea. EBITDA (adjusted) is used to evaluate profitability from operating business activities.

NOK in million	Q1 2017	Q1 2016	Full year 2016
EBITDA	199	193	1,085
Shared based compensation	15	12	39
Expenses related to acquisition	-	4	5
EBITDA (adjusted)	**213**	**209**	**1,129**

Free cash flow
Free cash flow is defined as cash flow from operations, less capital expenditures. Capital expenditures include assets acquired through cash purchases and through financial leasing agreements.

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.

Alternative Performance Measures (cont'd)

NOK in million	Q1 2017	Q1 2016	Full year 2016
Cash flow from operations	(321)	(441)	1,404
Capital expenditures through cash	(56)	(61)	(280)
Capital expenditures through financial leasing	(4)	(9)	(49)
Free cash flow	**(382)**	**(510)**	**1,075**

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.

NOK in million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Interest-bearing long-term liabilities	(1,070)	(1,149)	(1,079)
Interest-bearing current liabilities	(96)	(282)	(152)
Cash and cash equivalents	465	137	880
Net financial position	**(702)**	**(1,294)**	**(350)**

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 and indicates how much funding is needed for business operations.

Due to seasonality of operation (see Note 5) Atea's net working capital fluctuates highly with a peak in the fourth quarter. Atea has sufficient debt facilities to finance its working capital fluctuations.

Net working capital in relation to annualized revenue indicates effectiveness in working capital management. Annualized revenue is estimated based on period results (quarterly revenue is multiplied by 4, half year revenue is multiplied by 2).

NOK in million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Inventories	600	774	608
Trade receivables	4,157	3,991	5,975
Other receivables	888	893	785
Other financial assets	2	2	3
Trade payables	(3,945)	(3,589)	(5,835)
VAT, taxes and government fees	(653)	(618)	(783)
Provisions	(115)	(123)	(233)
Other current liabilities	(1,828)	(1,639)	(1,897)
Other financial liabilities	(13)	(21)	(9)
Net working capital	**(906)**	**(330)**	**(1,385)**
Revenue	7,360	7,246	31,188
Annualized revenue	29,440	28,985	31,188
Net working capital in relation to annualized revenue (%)	**(3.1)**	**(1.1)**	**(4.4)**

Alternative Performance Measures (cont'd)

Liquidity reserve
Liquidity reserve is calculated as cash and cash equivalents including unutilized credit facilities from financial institutions.

The liquidity reserve is limited by the Group's leverage covenant in the bond agreement and bank facility agreements, which states a maximum leverage ratio of 2.5x EBITDA (net debt/last twelve months pro forma EBITDA). Twelve months pro forma EBITDA below presents data at the respective reporting date.

NOK in million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Last 12 months pro forma EBITDA	1,090	924	1,085
Bond covenant ratio	2.5	2.5	2.5
Liquidity reserve	**2,024**	**1,016**	**2,362**

Equity ratio
Equity ratio is defined as equity proportion of total asset and shows financial leverage. In accordance with Atea's risk management guidelines equity ratio should be above 20%.

NOK in million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Equity	3,320	3,487	3,200
Total assets	11,311	11,172	13,456
Equity ratio (%)	**29.3**	**31.2**	**23.8**

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