ATEA

Q2

2019

INTERIM REPORT

Revenue of NOK 9,487 million, up 4.3% y-o-y

EBIT of NOK 145 million, up 14.3% y-o-y

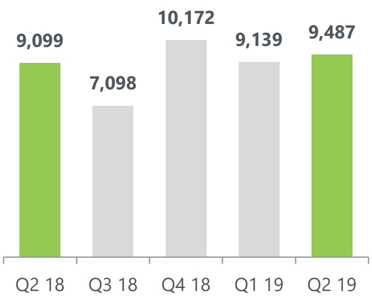
Cash flow from operations of NOK 873 million, compared with NOK -302 million last year

Net financial position of NOK -289 million, compared with NOK -1,595 million last year

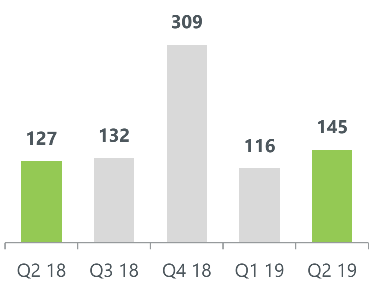
KEY FIGURES* | Q2 | 2019

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Group revenue	9,487	9,099	18,626	17,439	34,709
Gross profit	1,905	1,888	3,844	3,726	7,536
Gross margin (%)	20.1%	20.8%	20.6%	21.4%	21.7%
EBIT	145	127	261	250	690
EBIT margin (%)	1.5%	1.4%	1.4%	1.4%	2.0%
Net profit	97	84	177	171	467
Earnings per share (NOK)	0.89	0.78	1.62	1.59	4.33
Diluted earnings per share (NOK)	0.88	0.77	1.60	1.56	4.26
Cash flow from operations	873	-302	392	-1,143	946
Free cash flow	795	-370	225	-1,291	641

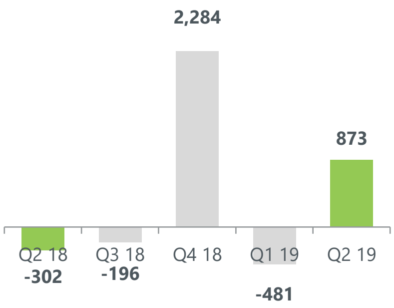
	30 Jun 2019	30 Jun 2018	31 Dec 2018
Net financial position**	-289	-1,595	-17
Liquidity reserve**	2,636	1,410	2,655
Working capital	-1,576	-115	-1,699
Working capital in relation to annualized revenue (%)	-4.2%	-0.3%	-4.9%
Adjusted equity ratio** (%)	24.0%	23.9%	22.0%
Number of full-time employees	7,419	7,205	7,385



REVENUE | NOK in million



EBIT | NOK in million



CASH FLOW | NOK in million
FROM OPERATIONS

*Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 27-30
**Adjusted for IFRS 16 effect (from 1 January 2019)

FINANCIAL REVIEW | Q2 | 2019

GROUP

Atea reported higher revenue and EBIT across all geographies in Q2 2019, driven by rapid growth in software sales and lower operating expenses.

Revenue grew by 4.3% to NOK 9,487 million in Q2 2019. On a pro forma basis*, revenue growth was 4.0% in constant currency. Currency fluctuations had almost no impact on revenue growth in Q2 2019.

Hardware revenue declined by 3.6%, due to lower sales of PCs and mobile devices. Software revenue increased by 18.4%, driven by large contracts with the public sector. Services revenue grew by 1.6%, as Atea increased its consulting workforce from last year.

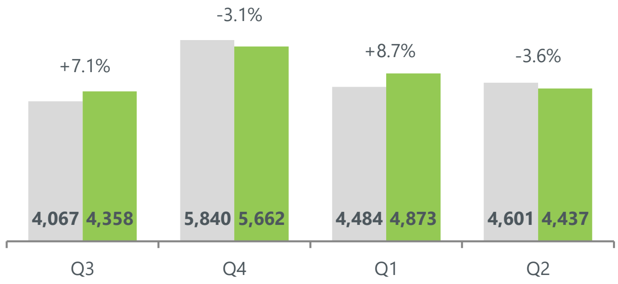
Gross profit grew by 0.9% to NOK 1,905 million, as higher revenue was offset by lower gross margin. Gross margin fell to 20.1% from 20.8% last year, based on an increased proportion of lower margin software sales in the revenue mix.

Total operating expenses were NOK 1,760 million, slightly below last year's level. The average number of full-time employees was 239 (3.3%) higher than last year, but this was offset by lower variable compensation and other expenses compared with last year.

As a result of higher revenue and lower operating expenses, EBIT grew by 14.3% to NOK 145 million, up from NOK 127 million last year. Net financial items were an expense of NOK 21 million, compared with an expense of NOK 18 million last year. The increase was due to a change in the accounting of lease expenses following the implementation of the new IFRS 16 standard from 1 January 2019. Additional information regarding the implementation of IFRS 16 can be found in Note 1 of this report.

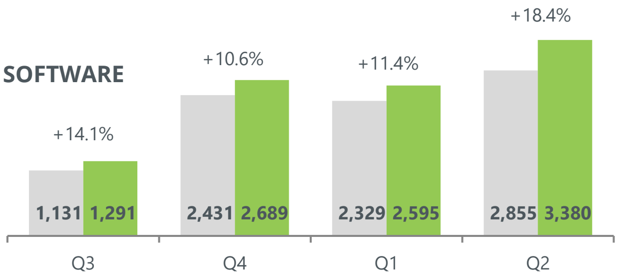
Profit before tax was NOK 124 million, up from NOK 109 million last year. Income tax expense was NOK 27 million, an effective tax rate of 21.6%.

Net profit after tax increased to NOK 97 million, up from NOK 84 million last year.

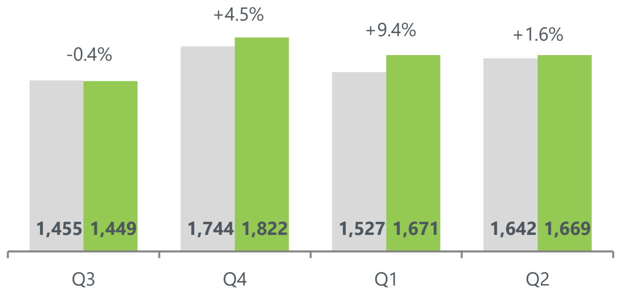


HARDWARE REVENUE AND GROWTH | NOK in million

SOFTWARE



REVENUE AND GROWTH | NOK in million



SERVICES REVENUE AND GROWTH | NOK in million

FIRST HALF OF 2019

Group revenue increased by 6.8% to NOK 18,626 million in the first half of 2019. Hardware revenue was up 2.5%, software revenue was up 15.3% and services revenue was up 5.4%. Currency effects had a negative impact of 0.5% in the first half of 2019. On a pro forma basis*, revenue growth was 7.1% in constant currency.

EBIT in the first half of 2019 was NOK 261 million, an increase of 4.6% from last year. The EBIT margin was 1.4%, on the same level as last year.

*Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 27-30

FINANCIAL REVIEW | Q2 | 2019

NORWAY

NOK in million	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %
Products revenue	1,624	1,529	6.2%	3,553	2,971	19.6%
Services revenue	553	476	16.3%	1,066	934	14.0%
Total revenue	2,178	2,004	8.7%	4,621	3,906	18.3%
Gross profit	550	532	3.4%	1,115	1,055	5.7%
Gross margin %	*25.3%*	*26.6%*	*-1.3%*	*24.1%*	*27.0%*	*-2.9%*
OPEX	480	467	2.6%	1,005	947	6.1%
EBIT	71	65	9.1%	109	107	1.7%
EBIT %	*3.3%*	*3.2%*	*0.0%*	*2.4%*	*2.8%*	*-0.4%*

Atea Norway had solid growth in revenue and EBIT during Q2 2019, based on higher sales of software and services.

Revenue grew by 8.7% from last year to NOK 2,178 million. Hardware revenue was down by 0.6%, software revenue was up 29.3% and services revenue was up 16.3%. Adjusting for the acquisition of Sherpa Consulting AS in September 2018, revenue growth on a pro forma basis* was 7.7%.

Hardware revenue fell slightly due to lower sales of PCs and mobile devices. Software revenue grew rapidly based on large software agreements with public sector customers. Services revenue growth was driven by an increased number of consultants in new growth areas and higher sales of service and support contracts.

Total gross margin was 25.3%, compared with 26.6% last year. Product margin fell to 13.0% in Q2 2019 from 14.1% last year, as the revenue mix shifted toward lower margin software sales. Service margin was 61.2% compared with 66.5% last year due to a lower proportion of consulting services within the revenue mix and higher direct costs on service and support contracts.

Total operating expenses grew by 2.6% to NOK 480 million, primarily due to an increase in the average number of full-time employees by 73 (4.6%) from last year. During the last year, Atea has increased its consulting workforce to meet growing demand for infrastructure services.

EBIT in Q2 2019 grew by 9.1% to NOK 71 million, based on strong growth in revenue and relatively lower growth in operating expenses. The EBIT margin was 3.3%, up from 3.2% last year.

*Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 27-30

FINANCIAL REVIEW | Q2 | 2019

SWEDEN

SEK in million	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %
Products revenue	3,690	3,610	2.2%	6,860	6,475	5.9%
Services revenue	657	624	5.3%	1,311	1,189	10.3%
Total revenue	4,347	4,234	2.7%	8,172	7,664	6.6%
Gross profit	812	785	3.4%	1,599	1,507	6.1%
Gross margin %	*18.7%*	*18.5%*	*0.1%*	*19.6%*	*19.7%*	*-0.1%*
OPEX	682	669	1.9%	1,357	1,292	5.0%
EBIT	130	116	12.3%	242	215	12.5%
EBIT %	*3.0%*	*2.7%*	*0.3%*	*3.0%*	*2.8%*	*0.2%*

Atea Sweden continued to show strong growth in EBIT in Q2 2019, driven by higher sales of software and services.

Revenue in Q2 2019 was SEK 4,347 million, up 2.7% from a very strong comparable period last year. Hardware revenue was down 7.7%, software revenue was up 14.8% and services revenue was up 5.3%.

Hardware revenue fell due to lower sales of PCs and mobile devices compared with a strong Q2 2018. Software revenue increased based on very strong demand from the public sector. Services revenue growth was driven by higher sales of consulting and contracted services.

Total gross margin increased to 18.7% in Q2 2019, compared with 18.5% last year. Product margin fell to 10.0% in Q2 2019 from 10.4% last year, due to a shift in the revenue mix toward lower margin software contracts. Services margin increased to 67.7% from 65.6% last year, based on an increased proportion of consulting within the revenue mix.

Total operating expenses grew by 1.9% to SEK 682 million, due to an increase in the average number of full-time employees by 158 (6.7%) from last year.

EBIT in Q2 2019 was SEK 130 million, up by 12.3% from last year. EBIT margin was 3.0%, up from 2.7% last year.

FINANCIAL REVIEW | Q2 | 2019

DENMARK

DKK in million	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %
Products revenue	1,485	1,418	4.7%	2,594	2,659	-2.5%
Services revenue	313	378	-17.4%	637	693	-8.0%
Total revenue	1,798	1,797	0.0%	3,231	3,352	-3.6%
Gross profit	298	327	-8.9%	594	637	-6.8%
Gross margin %	*16.6%*	*18.2%*	*-1.6%*	*18.4%*	*19.0%*	*-0.6%*
OPEX	328	361	-9.1%	644	680	-5.2%
EBIT	-30	-34	N/A	-50	-42	N/A
EBIT %	*-1.7%*	*-1.9%*	*0.2%*	*-1.6%*	*-1.3%*	*-0.3%*

In Q2 2019, Atea Denmark reported revenue in line with last year, as higher sales of software offset a decline in sales of hardware and services. The EBIT loss was less than last year, based on lower operating expenses.

Total revenue in Denmark was DKK 1,798 million, with moderate sales growth to the private sector offsetting lower demand from the public sector. In the public sector, Atea has recently won several frame agreements which are expected to drive higher revenue in the coming quarters.

Hardware revenue was down 9.6%, driven by lower sales of PCs to the public sector after the loss of a large frame agreement in 2018. Software revenue increased by 23.5%, driven by sales on a recently renewed frame agreement to the public sector. Services revenue was down 17.4%, with lower sales of consulting and contracted services.

Total gross margin was 16.6% in Q2 2019 compared with 18.2% last year, based on a lower proportion of services in the revenue mix. Product margin was 7.1% compared with 7.3% in Q2 2018, as the revenue mix shifted to lower margin software agreements. Services margin increased to 61.3% from 59.0% last year, based on lower direct costs on service and support agreements.

Total operating expenses were DKK 328 million, a decline of 9.1% from Q2 2018. The decline in operating expenses was due to a reduction in the number of full-time employees by 64 (-4.2%) from last year and due to a one-time legal penalty of DKK 10 million in Q2 2018.

Based on lower operating expenses, EBIT was an operating loss of DKK -30 million in Q2 2019, compared with an operating loss of DKK -34 million in Q2 2018.

FINANCIAL REVIEW | Q2 | 2019

FINLAND

EUR in million	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %
Products revenue	70.2	60.1	16.8%	164.3	143.6	14.4%
Services revenue	7.0	6.8	2.9%	13.5	13.9	-3.1%
Total revenue	77.2	66.9	15.4%	177.8	157.6	12.8%
Gross profit	11.9	10.1	18.7%	23.8	20.6	15.3%
Gross margin %	*15.5%*	*15.0%*	*0.4%*	*13.4%*	*13.1%*	*0.3%*
OPEX	10.7	9.0	19.0%	21.3	18.4	16.0%
EBIT	1.3	1.1	15.8%	2.5	2.3	9.3%
EBIT %	*1.6%*	*1.6%*	*0.0%*	*1.4%*	*1.4%*	*0.0%*

Atea Finland reported rapid growth in revenue and EBIT in the second quarter of 2019, driven by increased sales of products to both the public and private sectors.

Revenue in Q2 2019 was EUR 77.2 million, up 15.4% from last year. Hardware revenue was up 22.7%, software revenue was up 7.8% and services revenue was up 2.9%.

Growth in hardware revenue was driven by increased sales of datacenter and network equipment. Software revenue was primarily driven by sales of client software to the public sector. Growth in services revenue was driven by higher sales of consulting.

Total gross margin was 15.5% in Q2 2019, compared with 15.0% last year. Product margin was 11.0%, up from 10.5% last year due to a higher proportion of datacenter and network equipment in the revenue mix. Services margin improved to 60.3% from 55.5% last year, due to a higher proportion of consulting in the revenue mix.

Total operating expenses were 19.0% higher than last year. Growth in operating expenses was primarily based on an increase in the average number of full-time employees by 51 (15.3%) from last year, in order to support the aggressive growth strategy in Finland.

EBIT in Q2 2019 increased by 15.8% to EUR 1.3 million, based on strong growth in product sales. The EBIT margin was 1.6%, the same level as last year.

FINANCIAL REVIEW | Q2 | 2019

THE BALTICS

EUR in million	Q2 2019	Q2 2018	Change %	H1 2019	H1 2018	Change %
Products revenue	20.8	19.2	8.4%	43.3	37.7	15.0%
Services revenue	9.0	7.6	17.5%	17.7	15.3	15.8%
Total revenue	29.8	26.8	11.1%	61.1	53.0	15.3%
Gross profit	7.6	6.8	11.7%	15.0	13.4	11.6%
Gross margin %	*25.4%*	*25.2%*	*0.1%*	*24.5%*	*25.4%*	*-0.8%*
OPEX	6.9	6.4	7.7%	13.4	13.0	3.3%
EBIT	0.7	0.4	83.6%	1.5	0.4	259.7%
EBIT %	*2.2%*	*1.3%*	*0.9%*	*2.5%*	*0.8%*	*1.7%*

In Q2 2019, Atea Baltics reported strong EBIT growth, driven by higher sales of consulting and contracted services.

Revenue in Q2 2019 was EUR 29.8 million, up 11.1% compared with last year. Hardware revenue was up 10.1%, software revenue decreased slightly by 0.9% and services revenue was up 17.5%.

Growth in hardware revenue was driven by a few large projects to the public sector. Software revenue fell slightly, due to lower sales of client software to the public sector. Services revenue growth was based on higher demand for software development and managed cloud services.

Total gross margin improved to 25.4% in Q2 2019 compared with 25.2% last year. Product margin fell to 9.7% from 11.2% last year, as the revenue mix shifted toward large hardware deliveries to the public sector at low margin. Services margin was 61.2% compared with 60.3% last year, due to a higher gross margin in the managed cloud business.

Total operating expenses were EUR 6.9 million in Q2 2019, an increase of 7.7% from last year, primarily due to local salary inflation and a change in the employee mix towards more high-end consultants. The average number of full-time employees decreased by 4 (-0.6%) from last year.

EBIT in Q2 2019 was EUR 0.7 million, up 83.6% from EUR 0.4 million last year. The EBIT margin was 2.2%, an increase from 1.3% last year.

BALANCE SHEET

As of 30 June 2019, Atea had total assets of NOK 13,473 million. Current assets such as cash, receivables and inventory represented NOK 7,435 million of this total. Non-current assets represented NOK 6,037 million of this total, and primarily consisted of goodwill (NOK 3,809 million), deferred tax assets (NOK 409 million), property, plant and equipment (NOK 542 million), and right-of-use leased assets (NOK 840 million).

Following the adoption of the new IFRS 16 'Leases' standard from 1 January 2019, the net present value of nearly all lease contracts are now recognized as assets on the balance sheet, and depreciated over the life of the contract. This includes sublease contracts and right-of-use leased assets such as facility rental agreements. The outstanding lease payments associated with these assets are recognized as liabilities on the balance sheet. These lease assets and liabilities are not reflected in the corresponding balance sheets from 2018 or in prior years, as IFRS 16 was not in effect at this time. Additional information regarding the impact of IFRS 16 on the financial statements can be found in Note 1 of this report.

Atea had total liabilities of NOK 10,507 million, and shareholders' equity of NOK 2, 966 million as of 30 June 2019. Atea's policy is to maintain an equity ratio above 20%, adjusting for the impact of IFRS 16 ("adjusted equity ratio"). The adjusted equity ratio at the end of Q2 2019 was 24.0%. The calculation of this metric can be found in the Alternative Performance Measures section of this report.

Atea's net financial position was NOK -289 million at the end of Q2 2019 as defined by Atea's debt covenants. The calculation of this metric can be found in the Alternative Performance Measures section 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. Atea is currently well within this limit, and maintains liquidity reserves of NOK 2,636 million as of 30 June 2019.

CASH FLOW

Cash flow from operations was NOK 873 million in the second quarter of 2019. Atea's cash flow from operations is highly impacted by seasonal variations in its customers' order volumes, which create significant fluctuations in working capital throughout the year. Additional information regarding the seasonality of Atea's business can be found in Note 8 of this report.

In order to reduce the volatility of its working capital and debt balances throughout the year, Atea sells specified receivables through a securitization program organized by its bank. At the end of Q2 2019, Atea had sold receivables of NOK 1,899 million under the securitization program. Additional information on the securitization program can be found in Note 6 of this report.

In addition to seasonal volatility, Atea's working capital balance during Q2 2019 was impacted by higher inventory levels, as Atea preordered PC inventory to secure deliveries to customers in response to a worldwide shortage of PC components in the supply chain. Atea's inventory levels are expected to remain high through the third quarter of 2019.

Cash flow from investing activities were NOK -80 million in Q2 2019, up from NOK -68 million in the corresponding quarter last year. The increased level of capital expenditure is related to investments in the new logistics center in Växjö, Sweden.

Cash flow from financing activities was an outflow of NOK -588 million in Q2 2019, down from NOK 158 million in the corresponding quarter last year.

SHARES

Atea had 7,120 shareholders on 30 June 2019 compared with 7,183 shareholders on 30 June 2018.

The 10 largest shareholders as of 30 June 2019 were:

Main Shareholders*	**Shares**	**%**
Systemintegration APS **	27,246,398	24.9%
Folketrygdfondet	10,614,507	9.7%
State Street Bank & Trust Co. ***	3,525,529	3.2%
JP Morgan Chase Bank	3,386,427	3.1%
Handelsbanken Norden Selektiv	3,320,476	3.0%
State Street Bank and Trust Co. ***	3,275,000	3.0%
Handelsbanken Norden Selektiv	3,256,029	3.0%
Odin Norden	3,103,536	2.8%
State Street Bank & Trust Co. ***	2,638,032	2.4%
RBC Investor Services Trust	2,459,765	2.2%
Other	46,594,690	42.6%
Total number of shares	109,420,389	100.0%

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

As of 30 June 2019, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.01% of the shares, including the shares held by Systemintegration APS.

As of 30 June 2019, 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 approximately 19% market share in 2018. 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. 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 2008 – 2018.

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 2008, the company has averaged an organic revenue growth rate of 6% 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 87 cities in the Nordic and Baltic region and more than 7,400 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, 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.

<u>Atea's solution offering:</u>

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.

<u>Atea's value proposition to the customer:</u>

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 through a monthly fee and service level agreement. 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 through a combination of revenue growth, expansion in higher margin products and services, internal efficiencies, and tight control of operating expenses.

The outlook for each business segment is as follows:

Sweden:
Sweden is Atea's largest market, representing 40% of Group revenue in the first half of 2019.

For the last several years, Atea Sweden has leveraged Atea's market strength to aggressively win new customer agreements, particularly within the public sector. At the same time, Atea Sweden has been building its services organization to pursue growth opportunities in areas such as cloud, security and managed infrastructure solutions.

Atea expects continued revenue and EBIT growth from its Swedish business during the remainder of 2019, driven by increased product sales and a higher services revenue within key growth segments.

Norway:
Norway is Atea's second largest market, representing 25% of Group revenue in the first half of 2019.

Atea Norway has invested heavily in expanding its services organization during the past year in order to meet growing market demand for infrastructure services. In September 2018, Atea Norway acquired Sherpa Consulting AS, one of the largest independent providers of business intelligence and data analytics consulting in Norway. Atea now has almost 100 consultants within data analytics and business intelligence in its "Atea Insight" services team.

During 2019, Atea expects to improve the billing rate of its consulting and managed services organization, while continuing to grow its product sales. At the same time, the company has taken steps to reduce backoffice expenses during Q2 2019. These actions will result in lower operating expenses from Q3 2019.

Based on healthy market demand for IT infrastructure in Norway and a focus on cost efficiency, Atea expects solid revenue and EBIT growth during the remainder of 2019.

Denmark:
Denmark is Atea's third largest market, representing 23% of Group revenue in the first half of 2019.

Atea's business in Denmark was greatly impacted by a police investigation and court conviction relating to misconduct by former employees from 2008 – 2014. In June - September 2018, the largest public procurement organizations in Denmark temporarily recommended that the public sector in Denmark suspend purchasing from Atea.

The Board and Management of Atea are strongly opposed to all forms of corruption and unethical behavior. Atea has implemented a series of programs to prevent future misconduct by strengthening its compliance organization, code of conduct, business controls and employee policies.

In Denmark, Atea was the first company to be awarded the ISO 37001 Anti Bribery Systems certification for its efforts. Atea's policies have also been reviewed and accepted by the public purchasing authorities in Denmark together with the state attorney.

Atea's business in Denmark is in the process of recovering from the court conviction. Q2 2019 was the first quarter since the court conviction that the Danish business did not report a revenue decline from the previous year.

The recovery in sales during Q2 2019 has been driven by higher sales of products to the private sector, and renewals of existing frame agreements to the public sector. Atea is currently a supplier on nearly all frame agreements for IT infrastructure which have been awarded by SKI, the primary public procurement organization to the Danish central and municipal governments, as well as many other public sector frame agreements. These recently renewed frame agreements are expected to generate increasing revenue to the public sector in the coming quarters.

Services is the business area which has been slowest to recover, due to longer sales cycles for complex consulting projects and contracted service agreements.

Atea remains by far the largest IT infrastructure provider in Denmark, with a breadth of product and service competence which is unrivalled by competitors. Based on this competitive position and on tight control of costs, Atea expects greatly improved EBIT performance during the second half of 2019.

BUSINESS OVERVIEW

BUSINESS OUTLOOK (CONT'D)

Finland:

Finland represented 9% of Group revenue in the first half of 2019.

Atea Finland has reported rapid growth in revenue and profitability during the last few years. Much of the growth has been driven by large new frame agreements with the public sector. In addition, demand from private sector customers has improved greatly after an extended recessionary period.

Revenue growth has been concentrated within product sales, where Atea has seen market growth across all lines of business. In 2019, Atea Finland expects continued growth in sales of IT equipment, but is also investing in developing its consulting and managed services businesses. Atea's services business is underdeveloped in Finland relative to other countries, which presents a significant growth opportunity for Atea.

Baltics:

The Baltics represented 3% of Group revenue in the first half on 2019.

During the last few years, Atea Baltics has had very strong revenue and profit growth from its cloud services subsidiary in Lithuania. Atea's hardware and software resale business has instead fluctuated greatly, with demand heavily driven by large public projects which are dependent on EU funding and vary from year to year.

In 2019, Atea expects continued growth in demand for cloud services and will expand the data center of its cloud services subsidiary. Demand for product sales is also expected to increase, based on new public sector investments in IT. Atea has a very strong market presence in the Baltic region, and is well positioned to capture revenue from large projects to the public sector.

Investment in AppXite:

As part of its growth strategy, Atea works with its key technology partners to develop innovative IT infrastructure solutions for customers. During 2018, Atea began selling a solution called "AppXite" which Atea has developed in close collaboration with its technology partners.

The solution is a cloud platform which enables managed service providers and software vendors, resellers and distributors to transform their business from transactional sales to subscription and consumption-based services. The solution is sold by AppXite SIA, a fully owned subsidiary of Atea in Latvia.

Atea is the largest customer of AppXite SIA, as the Atea countries use the AppXite solution when reselling cloud software subscriptions or software-as-a-service. During 2019, AppXite's first priority will continue to be to provide an optimal platform for Atea's software resale business.

AppXite is also marketing its solution toward external software vendors, resellers and distributors. If successful, AppXite has the potential to develop into a significant new external business area for Atea, as the market for managed services and software-as-a-service is projected to grow rapidly.

During Q2 2019, AppXite had an operating loss of EUR -0.3 million. For the full year 2019, the subsidiary is expected to have an operating loss of EUR 1 – 2 million.

CONDENSED FINANCIAL INFORMATION

FOR THE 6 MONTHS ENDED 30 JUNE 2019

CONSOLIDATED INCOME STATEMENT

NOK in million	Note	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Revenue	2, 3, 8	9,487	9,099	18,626	17,439	34,709
Gross profit		1,905	1,888	3,844	3,726	7,536
Employee benefits expense		-1,426	-1,393	-2,871	-2,739	-5,396
Other operating costs	1	-179	-261	-395	-519	-1,018
Share based compensation		-11	-15	-32	-32	-61
EBITDA	1	289	220	546	436	1,061
Depreciation and amortization	1	-143	-85	-282	-171	-339
Amortization related to acquisitions		-1	-8	-3	-15	-31
Operating profit (EBIT)	1, 2	145	127	261	250	690
Net financial items	5	-21	-18	-39	-29	-56
Profit before tax		124	109	222	221	634
Tax	7	-27	-25	-46	-50	-167
Profit for the period		97	84	177	171	467
Earnings per share						
- earnings per share		0.89	0.78	1.62	1.59	4.33
- diluted earnings per share		0.88	0.77	1.60	1.56	4.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Profit for the period	97	84	177	171	467
Currency translation differences	-9	-59	-120	-175	-14
Forward contracts - cash flow hedging	0	-1	0	-3	9
Income tax OCI relating to items that may be reclassified to profit or loss	0	0	0	1	-2
Items that may be reclassified subsequently to profit or loss	-9	-60	-121	-177	-7
Other comprehensive income	-9	-60	-121	-177	-7
Total comprehensive income for the period	88	24	56	-6	460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS				
Property, plant and equipment		542	485	525
Right-of-use assets	1	840	112	92
Deferred tax assets	7	409	474	401
Goodwill		3,809	3,706	3,901
Other intangible assets		232	239	237
Investment in associated companies		14	12	13
Long-term subleasing receivables	1	164	0	0
Other long-term receivables		27	6	28
Non-current assets		6,037	5,033	5,196
Inventories		1,046	789	830
Trade receivables		3,907	5,405	6,445
Other receivables		1,639	1,652	1,541
Short term subleasing receivables	1	105	0	0
Other financial assets		1	0	1
Cash and cash equivalents		738	59	764
Current assets		7,435	7,905	9,581
Total assets		13,473	12,939	14,778
EQUITY AND LIABILITIES				
Share capital and premium	4	446	368	410
Other reserves		1,297	2,082	1,418
Retained earnings	1	1,223	608	1,409
Equity		2,966	3,057	3,237
Interest-bearing long-term liabilities	6	535	581	557
Long-term sublease liabilities	1	164	0	0
Long-term ROU assets leasing liabilities	1	628	0	0
Other long-term liabilities		4	8	8
Deferred tax liabilities		224	258	234
Non-current liabilities		1,556	847	799
Trade payables		5,378	5,161	7,125
Interest-bearing current liabilities	6	492	1,073	224
Current sublease liabilities	1	105	0	0
Current ROU assets leasing liabilities	1	186	0	0
VAT, taxes and government fees		732	673	952
Provisions		100	143	247
Other current liabilities		1,953	1,978	2,183
Other financial liabilities		5	6	10
Current liabilities		8,951	9,034	10,741
Total liabilities		10,507	9,881	11,540
Total equity and liabilities		13,473	12,939	14,778

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK in million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
Equity at start of period - 1 January		3,237	3,373	3,373
Impact of change in accounting policy	1	-38	0	0
Adjusted equity at start of period 1 January 2019		3,200	3,373	3,373
Currency translation differences		-120	-175	-14
Forward contracts - cash flow hedging		0	-2	7
Other comprehensive income		-121	-177	-7
Profit for the period		177	171	467
Total recognised income for the year		56	-6	460
Employee share-option schemes		30	27	49
Dividends		-355	-350	-700
Issue of share capital	4	35	13	56
Equity at end of period		2,966	3,057	3,237

CONSOLIDATED STATEMENT OF CASH FLOW

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Profit before tax	124	109	222	221	634
Adjusted for:					
Depreciation and amortisation	144	93	285	187	370
Share based compensation	15	16	30	27	49
Gains/Losses on disposals of PPE and intangible asset	0	0	0	0	0
Net interest expenses	19	10	36	18	36
Taxes paid	-14	-6	-127	-73	-108
Net interest paid	-21	-10	-34	-18	-44
Cash earnings	267	212	411	361	937
Change in trade receivables	-198	-1,206	2,292	941	203
Change in inventories	-56	-28	-253	-244	-239
Change in trade payables	692	717	-1,526	-1,272	416
Other changes in working capital	168	2	-532	-930	-371
Cash flow from operating activities	873	-302	392	-1,143	946
Capital expenditure	-78	-68	-166	-148	-305
Acquisition of subsidiaries/businesses	-3	-	-3	-	-62
Cash flow from investing activities	-80	-68	-169	-148	-367
Dividend paid	-355	-350	-355	-350	-700
Proceeds from new shares issue	16	7	35	15	56
Proceeds from sublease	16	-	37	-	-
Payments of sublease liabilities	-16	-	-37	-	-
Change in debt	-250	501	132	657	-252
Cash flow from financing activities	-588	158	-188	322	-896
Net cash flow	204	-213	35	-970	-317
Cash and cash equivalents at the start of the period	552	294	764	1,125	1,125
Foreign exchange effect on cash held in a foreign currency	-18	-22	-60	-96	-44
Cash and cash equivalents at the end of the period	738	59	738	59	764

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for six months ending 30 June 2019 were approved for publication by the Board of Directors on 11 July 2019. 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 2018, which has been prepared according to IFRS as adopted by EU. Assessment of effects of the new and revised International Financial Reporting Standards (IFRS) from 1 January 2019 are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2018.

In the interim financial statements for 2019, 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 2019 and the major sources of uncertainty in the statements are similar to those found in the Annual accounts for 2018.

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 recognised in the Consolidated statement of financial position approximate their fair values, according to Management's assessment.

CHANGES IN ACCOUNTING POLICIES

IFRS 16, 'Leases' has significantly changed the accounting principles for many lease contracts, including leased premises, vehicles, equipment leases, and subleases. The standard require lessees to recognise most leases on their balance sheets as lease liabilities with corresponding assets for all leases with a lease term of more than 12 months, unless the underlying asset is of low value. As a consequence, a lessee recognises depreciation of the right-of-use asset (ROU asset) and interest expense on the lease liability, instead of recognising the expenses under Other operating costs as was previously the case.

Impact on financial statements in 2019

The adoption of IFRS 16 from 1 January 2019 has a significant positive impact on EBITDA in the Group's consolidated income statement and increases the total assets and liabilities relative to the corresponding period in 2018. The Group transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted.

Reference is made to Note 2 Implementation of IFRS 16 in Atea's Annual report for 2018 for a detailed description of policy choices, transition alternatives and conclusions to judgmental accounting matters made upon the implementation of the standard. There have been no changes to these elements compared to the description in the Annual report for 2018.

Consolidated Income statement

The implementation of the new standard has had the following effect on the Financial statement for the period from 1 January to 30 June 2019:

1. Operating lease expenses recognized as Employee benefits expense and Other operational costs is decreased by NOK 162 million.
2. Depreciation is increased by NOK 147 million as a result of depreciation of ROU assets.
3. Net interest expense is increased by NOK 15 million as a result of recognition of the lease liability.
4. Profit for the period is not affected significantly.

The change to IFRS 16 will have no significant effect on the estimated tax expense.

NOTE 1

CHANGES IN ACCOUNTING POLICIES (CONT'D)

Consolidated statement of Financial position

The adoption of IFRS 16 had the following effect on the Consolidated statement of Financial position as of 1 January 2019:

1. NOK 661 million of ROU assets, and NOK 699 million of lease liabilities were recognized.
2. NOK 308 million of subleasing receivables, and NOK 308 million on subleasing liabilities were recognized.
3. Retained earnings was reduced by NOK 38 million at 1 January 2019.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average discount rate was 4.5%.

The following table provides reconciliation from operating lease commitments as of 31 December 2018 under IAS 17 and lease liabilities recognized in the Consolidated statement of financial position as of 1 January 2019:

NOK in million	1 Jan 2019
Operating lease commitment at 31 December 2018	965
Discounted using the incremental borrowing rate 1 January 2019	449
Finance lease liabilities recognised at 31 December 2018	100
Recognition exemption for:	
Short-term leases (-)	-21
Leases of low value assets (-)	-5
Extension and termination options reasonable certain to be exercised	277
Subleasing liabilities recognised in the balance sheet	308
Lease liabilities recognised at 1 January 2019	1,109

The table below shows the recognised right-of-use assets related to the following types of assets:

NOK in million	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Right-of-use assets - Buildings and property	621	0	0
Right-of-use assets - Computer equipment	75	103	85
Right-of-use assets - Motor vehicles	144	9	8
Right-of-use assets - Office machines	0	0	0
Right-of-use assets - Furniture and fittings	0	0	0
Total right-of-use assets	840	112	92

NOTE 2

OPERATING SEGMENT INFORMATION

Atea is located in 87 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with more than 7,400 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 and Atea Group Functions) and central administration. These costs are reported separately as Group Shared Service and Group cost.

In addition to the geographical areas above, Atea began reporting a new business segment starting from 2018. 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. Additional information regarding AppXite is found in the Business Outlook section of this report.

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

NOK

Revenue NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Norway	2,178.3	2,004.4	4,620.6	3,905.7	8,737.1
Sweden	3,984.2	3,932.0	7,559.5	7,246.4	14,049.0
Denmark	2,339.9	2,306.3	4,210.7	4,317.6	8,026.2
Finland	749.5	637.9	1,730.0	1,511.8	2,889.3
The Baltics	289.3	256.1	594.3	508.3	1,150.8
Group Shared Services	1,457.8	1,311.8	3,009.7	2,565.4	5,495.9
AppXite	7.0	3.7	12.6	8.4	17.0
Eliminations*	-1,519.1	-1,353.4	-3,111.9	-2,624.8	-5,655.9
Atea Group	9,486.8	9,098.6	18,626.2	17,438.7	34,709.4

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

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

NOK

EBIT NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Norway	70.8	64.9	109.2	107.4	308.3
Sweden	119.3	107.5	224.1	203.6	453.2
Denmark	-39.6	-43.9	-65.6	-54.6	-94.3
Finland	12.2	10.4	24.0	21.7	59.1
The Baltics	6.3	3.4	15.1	4.1	27.7
Group Shared Services	-2.7	9.6	3.4	18.3	41.2
AppXite	-2.6	-5.1	-6.3	-9.4	-23.1
Group cost	-18.7	-20.0	-43.0	-41.6	-81.8
Operating profit (EBIT)	145.1	126.9	261.0	249.6	690.3
Net financial items	-21.2	-17.5	-38.5	-28.9	-56.2
Profit before tax	123.9	109.4	222.4	220.7	634.1

Quarterly revenue and gross margin NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Product revenue	7,816.5	7,456.0	15,284.3	14,269.0	28,268.0
Services revenue	1,668.9	1,642.4	3,339.4	3,169.3	6,440.3
Other income	1.3	0.2	2.5	0.4	1.1
Total revenue	9,486.8	9,098.6	18,626.2	17,438.7	34,709.4
Gross contribution	1,905.0	1,888.4	3,843.9	3,726.4	7,535.6
Product margin	10.4%	10.9%	10.6%	11.3%	11.7%
Services margin	65.3%	65.6%	66.4%	66.7%	65.6%
Gross margin	20.1%	20.8%	20.6%	21.4%	21.7%

Quarterly revenue and gross margin NOK in million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Product revenue	7,816.5	7,467.7	8,350.1	5,648.9	7,456.0	6,812.9
Services revenue	1,668.9	1,670.5	1,821.6	1,449.4	1,642.4	1,527.0
Other income	1.3	1.1	0.6	0.1	0.2	0.2
Total revenue	9,486.8	9,139.4	10,172.3	7,098.4	9,098.6	8,340.1
Gross contribution	1,905.0	1,938.9	2,127.3	1,681.9	1,888.4	1,838.0
Product margin	10.4%	10.9%	11.7%	12.8%	10.9%	11.8%
Services margin	65.3%	67.4%	63.2%	66.2%	65.6%	67.8%
Gross margin	20.1%	21.2%	20.9%	23.7%	20.8%	22.0%

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

LOCAL CURRENCY

Revenue **Local currency in million**		**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**	**Full year 2018**
Norway	NOK	2,178.3	2,004.4	4,620.6	3,905.7	8,737.1
Sweden	SEK	4,346.9	4,234.1	8,171.6	7,664.0	15,004.8
Denmark	DKK	1,797.5	1,797.0	3,230.8	3,351.9	6,231.5
Finland	EUR	77.2	66.9	177.8	157.6	301.0
The Baltics	EUR	29.8	26.8	61.1	53.0	119.9
Group Shared Services	NOK	1,457.8	1,311.8	3,009.7	2,565.4	5,495.9
AppXite	EUR	0.7	0.4	1.3	0.9	1.8
Eliminations*	NOK	-1,519.1	-1,353.4	-3,111.9	-2,624.8	-5,655.9
Atea Group	NOK	9,486.8	9,098.6	18,626.2	17,438.7	34,709.4

EBIT **Local currency in million**		**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**	**Full year 2018**
Norway	NOK	70.8	64.9	109.2	107.4	308.3
Sweden	SEK	130.1	115.9	242.2	215.4	484.0
Denmark	DKK	-30.4	-34.1	-50.3	-42.4	-73.2
Finland	EUR	1.3	1.1	2.5	2.3	6.2
The Baltics	EUR	0.7	0.4	1.5	0.4	2.9
Group Shared Services	NOK	-2.7	9.6	3.4	18.3	41.2
AppXite	EUR	-0.3	-0.5	-0.6	-1.0	-2.4
Group cost	NOK	-18.7	-20.0	-43.0	-41.6	-81.8
Operating profit (EBIT)	NOK	145.1	126.9	261.0	249.6	690.3
Net financial items	NOK	-21.2	-17.5	-38.5	-28.9	-56.2
Profit before tax	NOK	123.9	109.4	222.4	220.7	634.1

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

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 2018.

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 **Local currency in million**		**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**	**Full year 2018**
Norway	NOK	1,172.0	1,178.9	2,487.6	2,243.9	5,193.1
Sweden	SEK	1,866.1	2,021.7	3,880.4	3,858.0	8,034.5
Denmark	DKK	728.4	806.0	1,532.9	1,641.6	3,173.7
Finland	EUR	44.5	36.3	88.0	76.1	161.1
The Baltics	EUR	17.7	16.1	37.2	32.7	74.2
Group Shared Services	NOK	1,353.5	1,213.1	2,792.5	2,378.8	5,121.4
AppXite	EUR	0.0	0.0	0.0	0.0	0.0
Eliminations*	NOK	-1,348.2	-1,198.1	-2,775.9	-2,343.3	-5,079.0
Atea Group	NOK	4,436.8	4,601.2	9,309.7	9,085.3	19,104.6

Software **Local currency in million**		**Q2 2019**	**Q2 2018**	**H1 2019**	**H1 2018**	**Full year 2018**
Norway	NOK	452.2	349.8	1,065.9	727.5	1,621.7
Sweden	SEK	1,823.7	1,588.2	2,979.7	2,617.0	4,540.7
Denmark	DKK	756.6	612.5	1,060.7	1,017.6	1,668.9
Finland	EUR	25.6	23.8	76.3	67.5	112.8
The Baltics	EUR	3.0	3.1	6.2	5.0	13.1
Group Shared Services	NOK	0.3	0.7	1.2	1.4	3.3
AppXite	EUR	0.3	0.0	0.3	0.0	0.0
Eliminations*	NOK	-14.9	-18.3	-36.5	-26.1	-71.1
Atea Group	NOK	3,379.7	2,854.8	5,974.6	5,183.7	9,163.5

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

NOTE 3

DISAGGREGATION OF REVENUE (CONT'D)

Services Local currency in million		Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Norway	NOK	553.2	475.7	1,065.5	934.3	1,922.3
Sweden	SEK	657.1	624.2	1,311.5	1,189.1	2,429.6
Denmark	DKK	312.6	378.5	637.3	692.7	1,388.9
Finland	EUR	7.0	6.8	13.5	13.9	27.1
The Baltics	EUR	9.0	7.6	17.7	15.3	32.6
Group Shared Services	NOK	104.1	98.0	216.1	185.2	371.2
AppXite	EUR	0.4	0.4	1.0	0.9	1.7
Eliminations*	NOK	-156.0	-137.0	-299.5	-255.5	-505.8
Atea Group	NOK	1,668.9	1,642.4	3,339.4	3,169.3	6,440.3

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 2019	108,690,517	-7,844	109	0	302	410
Issue of Share capital**	729,872	-	1	-	35	35
At 30 June 2019	109,420,389	-7,844	109	0	336	446

Average number of shares outstanding

The average number of shares outstanding during the first six months of 2019 was 109,091,946. 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 six months of 2019 was 110,250,826. 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 six months of 2019, and the remaining vesting period of the options, the dilution impact of the share option program is 1,158,880 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 and Atea Group Functions
**Issue of share capital is related to share options for the Management and selected employees

NOTE 4

SHARE CAPITAL AND PREMIUM (CON'T)

30 June 2019	Number of share options	Average Nominal Strike price	Adjusted Nominal Strike price*	Weighted average number of shares outstanding
Basic EPS calculation				109,091,946
Dilution effect of share options				
Total share options				
Fully vested, with adjusted strike price below share price	1,155,678	42	42	936,201
Unvested*, with adjusted strike price below share price	3,724,664	105	113	222,679
Unvested*, with adjusted strike price above share price	4,281,169	110	133	-
All Share options	9,161,511	99	108	1,158,880
Fully diluted EPS calculation**				110,250,826

NOTE 5

NET FINANCIAL ITEMS

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Interest income	2	2	4	3	7
Other financial income	1	1	1	1	3
Total financial income	2	3	5	4	10
Interest costs on loans	-12	-10	-22	-18	-36
Interest costs on leases	-9	-2	-18	-4	-7
Foreign exchange effects	-1	-6	-1	-8	-16
Other financial expenses	-2	-2	-3	-4	-7
Total financial expenses	-24	-20	-43	-33	-66
Total net financial items	-21	-18	-39	-29	-56

Interest costs on leases for Q2 2019 include NOK 8 million interest from lease liabilities related to right-of-use assets under IFRS 16 (from 1 January 2019)

*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 121 from January 1 – June 30, 2019

NOTE 6

BORROWING

Interest-bearing long-term liabilities as of 30 June 2019 consisted mainly of an unsecured loan of NOK 475 million from European Investment Bank, issued in May 2018. The loan has a term of 5 years, and a rate of interest of NIBOR 6M + 0.99%.

Interest-bearing current liabilities as of 30 June 2019 consisted of financial lease liabilities (mainly for lease of IT equipment) and revolving credit facility secured by receivables.

Atea countries had NOK 69 million in financial leases and NOK 475 million in revolving credit facility secured by receivables.

Securitization
In December 2018, Atea ASA and its subsidiaries in Norway, Sweden and Denmark entered into a securitization contract organized by a bank, consisting of 2 facilities.

The first facility enables Atea to sell specified receivables of up to NOK 1,900 million (limit was increased from NOK 1,500 million in May 2019). The facility has a three year term, and has an implicit discount rate of IBOR 3M + 0.60%.

The second facility is an uncommitted revolving credit facility of NOK 800 million secured by other receivables. Pricing on the facility is IBOR 3M + 1.00%.

As of 30 June 2019, Atea Norway, Atea Sweden and Atea Denmark sold receivables of NOK 1,899 million under the first facility.

NOTE 7

TAXES

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Profit before tax	124	109	222	221	634
Tax payable expenses	-29	-19	-55	-40	-117
Deferred tax asset changes due to tax loss carry forward used	2	-4	7	-12	-45
Other deferred tax changes	0	-2	2	3	-5
Total tax expenses	-27	-25	-46	-50	-167
Effective rate	21.6%	23.2%	20.6%	22.5%	26.4%

Income tax expense is recognised based on management's estimate of its weighted average tax rate. The estimated effective tax rate during Q2 2019 is 21.6%.

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

At the year end of 2018, the tax value of the tax loss carryforward within the Group was NOK 399 million and the full amount was recognised within 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

RISKS AND UNCERTAINTIES

Reference is made to Board of Directors' report 2018, as included in the 2018 Annual Report. The Board of Directors' report 2018 provides an analysis of risk factors for Atea.

There are no material changes to these risk factors as of the date of this interim report.

NOTE 10

EVENTS AFTER THE BALANCE SHEET DATE

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 2019 and 2018 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 recognised during the current period using exchange rates for the previous period.

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Revenue	9,487	9,099	18,626	17,439	34,709
Adjustment for acquisitions	-	18	-	37	52
Pro forma revenue	9,487	9,116	18,626	17,475	34,761
Pro forma revenue on last year currency	9,483	9,211	18,711	17,289	34,912
Pro forma growth in constant currency	4.0%	9.3%	7.1%	9.4%	7.4%

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
EBITDA	289	220	546	436	1,061
Adjustment for acquisitions	0	6	0	8	8
Pro forma EBITDA	289	226	546	444	1,069

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

OPERATING EXPENSES

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

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Employee benefits expense	1,426	1,393	2,871	2,739	5,396
Other operating costs	179	261	395	519	1,018
Share based compensation	11	15	32	32	61
Depreciation and amortization	67	67	135	135	269
Depreciation of right-of-use assets	76	18	147	36	70
Amortization related to acquisitions	1	8	3	15	31
Total operating expenses	1,760	1,761	3,583	3,477	6,845

FREE CASH FLOW

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

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

NOK in million	Q2 2019	Q2 2018	H1 2019	H1 2018	Full year 2018
Cash flow from operations	873	-302	392	-1,143	946
Capital expenditures through cash	-78	-68	-166	-148	-305
Free cash flow	795	-370	225	-1,291	641

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 recognise 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.

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

NOK in million	30 Jun 2019	30 Jun 2018	31 Dec 2018
Interest-bearing long-term liabilities	-535	-581	-557
Interest-bearing current liabilities	-492	-1,073	-224
Cash and cash equivalents	738	59	764
Net financial position	-289	-1,595	-17
Long-term ROU assets leasing liabilities	-628	-	-
Current ROU assets leasing liabilities	-186	-	-
Long-term subleasing liabilities	-164	-	-
Short-term subleasing liabilities	-105	-	-
Long-term subleasing receivables	164	-	-
Short-term subleasing receivables	105	-	-
Incremental net lease liabilities due to IFRS 16 adoption	-815	-	-

NET WORKING CAPITAL

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

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

NOK in million	30 Jun 2019	30 Jun 2018	31 Dec 2018
Inventories	1,046	789	830
Trade receivables	3,907	5,405	6,445
Other receivables	1,639	1,652	1,541
Other financial assets	1	0	1
Trade payables	-5,378	-5,161	-7,125
VAT, taxes and government fees	-732	-673	-952
Provisions	-100	-143	-247
Other current liabilities	-1,953	-1,978	-2,183
Other financial liabilities	-5	-6	-10
Working capital	-1,576	-115	-1,699
Securitization effect	1,899	-	349
Working capital before securitization	323	-115	-1,350
Year to date revenue	9,487	9,099	34,709
Annualized revenue	37,947	36,394	34,709
Working capital in relation to annualized revenue	-4.2%	-0.3%	-4.9%

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

LIQUIDITY RESERVE

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

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

NOK in million	30 Jun 2019	30 Jun 2018	31 Dec 2018
Last 12 months pro forma EBITDA	1,170	1,202	1,069
Debt covenant ratio	2.5	2.5	2.5
Net debt limit	2,926	3,006	2,672
Net financial position	-289	-1,595	-17
Liquidity reserve	2,636	1,410	2,655

ADJUSTED EQUITY RATIO

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

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

NOK in million	30 Jun 2019	30 Jun 2018	31 Dec 2018
Total assets	13,473	12,939	14,778
Deduct: incremental lease assets due to IFRS 16 adoption			
Right-of-use assets	-840	-112	-92
Long-term subleasing receivables	-164	-	-
Short-term subleasing receivables	-105	-	-
Adjusted total assets	12,364	12,827	14,685
Equity	2,966	3,062	3,237
Equity ratio	24.0%	23.9%	22.0%

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2019, has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report, to the best of our knowledge, includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related parties' transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Oslo, 11 July 2019

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Chairman of the Board

Saloume Djoudat

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