ATEA

Q3

2019

INTERIM REPORT

Revenue of NOK 7,829 million, up 10.3% y-o-y

Net profit of NOK 135 million, up 47.5% y-o-y

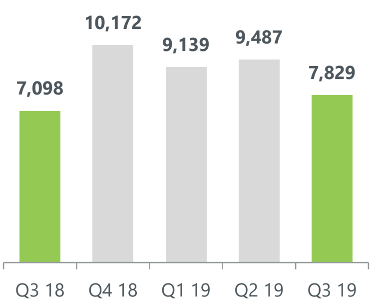
EBIT of NOK 181 million, up 37.3% y-o-y

Net financial position of NOK -889 million, compared with NOK -1,926 million last year

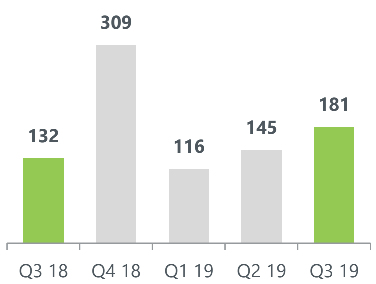
KEY FIGURES* | Q3 | 2019

NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Group revenue	7,829	7,098	26,455	24,537	34,709
Gross profit	1,756	1,682	5,600	5,408	7,536
Gross margin (%)	22.4%	23.7%	21.2%	22.0%	21.7%
EBIT	181	132	442	382	690
EBIT margin (%)	2.3%	1.9%	1.7%	1.6%	2.0%
Net profit	135	92	312	263	467
Earnings per share (NOK)	1.24	0.85	2.85	2.44	4.33
Diluted earnings per share (NOK)	1.23	0.84	2.83	2.40	4.26
Cash flow from operations	-434	-195	-43	-1,338	946
Free cash flow	-500	-273	-275	-1,564	641

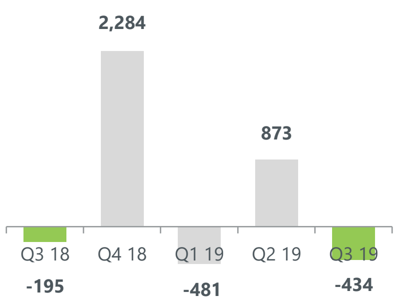
	30 Sept 2019	30 Sept 2018	31 Dec 2018
Net financial position**	-889	-1,926	-17
Liquidity reserve**	2,304	967	2,655
Working capital	-819	287	-1,699
Working capital in relation to annualized revenue (%)	-2.3%	0.9%	-4.9%
Adjusted equity ratio** (%)	25.2%	24.1%	22.0%
Number of full-time employees	7,450	7,244	7,385



REVENUE | NOK in million



EBIT | NOK in million



CASH FLOW FROM OPERATIONS | NOK in million

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

FINANCIAL REVIEW | Q3 | 2019

GROUP

Atea reported strong growth in revenue and EBIT in Q3 2019, driven by higher sales across all lines of business and a flat trend in operating expenses compared with last year.

Revenue grew by 10.3% to NOK 7,829 million in Q3 2019. On a pro forma basis*, revenue growth was 8.6% in constant currency. Currency fluctuations had a positive impact of 1.3% on revenue growth in Q3 2019.

Hardware revenue was up 3.8%, software revenue was up 36.6% and services revenue was up 6.3%. The increase in hardware revenue was driven by a strong recovery in demand from Denmark. Software revenue grew rapidly in all countries and across multiple business areas. The increase in services revenue was based on higher sales of consulting and managed cloud solutions.

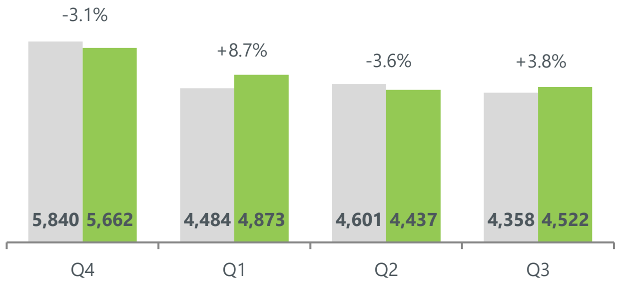
Gross profit grew by 4.4% to NOK 1,756 million, as higher revenue was partly offset by lower gross margin. Gross margin fell to 22.4% from 23.7% last year, based on an increase in sales of low margin software in the revenue mix.

Total operating expenses grew by 1.6% to NOK 1,575 million. Growth in operating expenses was driven by an increase in the average number of full-time employees by 215 (3.0%) from last year. Higher salary costs for new employees were partly offset by lower variable compensation compared with last year.

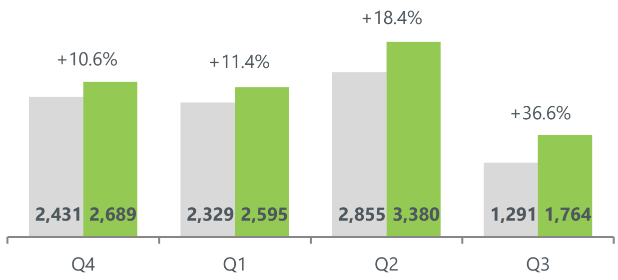
EBIT grew by 37.3% to NOK 181 million, based on strong revenue growth and a flat trend in operating expenses. Net financial items were an expense of NOK 10 million, compared with an expense of NOK 12 million last year. A detailed breakdown of net financial items can be found in Note 5 of this report.

Profit before tax was NOK 171 million, up 43.2% from NOK 120 million last year. Income tax expense was NOK 36 million, an effective tax rate of 21.2%.

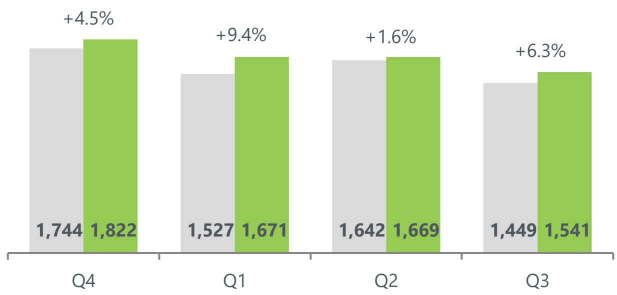
Net profit after tax increased to NOK 135 million, up 47.5% from NOK 92 million last year.



HARDWARE REVENUE AND GROWTH | NOK in million



SOFTWARE REVENUE AND GROWTH | NOK in million



SERVICES REVENUE AND GROWTH | NOK in million

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

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NORWAY

NOK in million	Q3 2019	Q3 2018	Change %	YTD 2019	YTD 2018	Change %
Products revenue	1,683	1,688	-0.3%	5,236	4,660	12.4%
Services revenue	512	455	12.3%	1,577	1,390	13.5%
Total revenue	2,195	2,144	2.4%	6,816	6,049	12.7%
Gross profit	529	513	3.1%	1,644	1,568	4.9%
Gross margin %	*24.1%*	*23.9%*	*0.2%*	*24.1%*	*25.9%*	*-1.8%*
OPEX	452	431	5.0%	1,458	1,378	5.8%
EBIT	77	83	-6.6%	186	190	-1.9%
EBIT %	*3.5%*	*3.8%*	*-0.3%*	*2.7%*	*3.1%*	*-0.4%*

Atea Norway had lower EBIT in the third quarter of 2019, as strong growth in services was offset by a lower margin on product sales.

Revenue grew by 2.4% from last year to NOK 2,195 million. Hardware revenue was down by 6.3%, software revenue was up 22.0% and services revenue was up 12.3%. Adjusting for the acquisition of Sherpa Consulting AS in September 2018, revenue growth on a pro forma basis* was 1.7%.

Hardware revenue fell due to lower sales of client hardware (e.g., PCs, mobile devices) and data center equipment. Software revenue grew based on strong demand for client, collaboration and networking solutions. Growth in services revenue was driven by higher demand for consultants in new business areas such as data analytics, and by higher revenue from managed service agreements.

Total gross margin was 24.1%, compared with 23.9% last year, due to a higher proportion of services in the revenue mix. Product margin fell to 12.0% in Q3 2019 from 12.5% last year, as the revenue mix shifted toward lower margin software sales. Service margin was 63.7% compared with 66.4% last year due to higher direct costs on managed service contracts.

Total operating expenses grew by 5.0% to NOK 452 million. Growth was driven by an increase in the average number of full-time employees by 69 (4.3%) from last year. During the last year, Atea has increased its consulting workforce to meet growing demand for infrastructure services.

EBIT in Q3 2019 was NOK 77 million, down by 6.6% from last year, due to lower margin on product sales. The EBIT margin was 3.5%, down from 3.8% last year.

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

FINANCIAL REVIEW | Q3 | 2019

SWEDEN

SEK in million	Q3 2019	Q3 2018	Change %	YTD 2019	YTD 2018	Change %
Products revenue	2,681	2,494	7.5%	9,541	8,969	6.4%
Services revenue	581	542	7.3%	1,893	1,731	9.3%
Total revenue	3,262	3,036	7.5%	11,433	10,700	6.9%
Gross profit	696	688	1.2%	2,296	2,195	4.6%
Gross margin %	*21.3%*	*22.7%*	*-1.3%*	*20.1%*	*20.5%*	*-0.4%*
OPEX	566	576	-1.7%	1,923	1,868	2.9%
EBIT	131	112	16.4%	373	328	13.8%
EBIT %	*4.0%*	*3.7%*	*0.3%*	*3.3%*	*3.1%*	*0.2%*

Atea Sweden continued to show strong growth in EBIT in Q3 2019, driven by higher sales of software and services and tight control of operating expenses.

Revenue grew by 7.5% from last year to SEK 3,262 million. Hardware revenue was up 1.3%, software revenue was up 29.1% and services revenue was up 7.3%.

Hardware revenue growth was driven by increased sales of school PCs compared with last year. Software revenue growth was driven by large agreements to the public sector within data center software. Services revenue growth was driven by higher sales of managed service contracts.

Total gross margin was 21.3% in Q3 2019, compared with 22.7% last year. Product margin fell to 11.6% in Q3 2019 from 13.0% last year, mostly due to a shift in the revenue mix toward lower margin hardware and software. Services margin was 66.1% compared with 67.3% in Q3 2018, based on a higher direct costs on managed service contracts and a lower proportion of consulting services in the revenue mix.

Total operating expenses declined by 1.7% to SEK 566 million, mostly due to lower variable compensation compared with last year. The average number of full-time employees increased by 118 (4.9%) from last year.

EBIT in Q3 2019 was SEK 131 million, up by 16.4% from last year. The EBIT margin was 4.0%, up from 3.7% last year.

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DENMARK

DKK in million	Q3 2019	Q3 2018	Change %	YTD 2019	YTD 2018	Change %
Products revenue	989	724	36.7%	3,583	3,383	5.9%
Services revenue	281	304	-7.6%	918	997	-7.9%
Total revenue	1,270	1,028	23.6%	4,501	4,380	2.8%
Gross profit	268	262	2.4%	862	899	-4.1%
Gross margin %	*21.1%*	*25.5%*	*-4.4%*	*19.2%*	*20.5%*	*-1.4%*
OPEX	283	301	-6.0%	927	981	-5.4%
EBIT	-15	-39	N/A	-65	-81	N/A
EBIT %	*-1.2%*	*-3.8%*	*2.6%*	*-1.4%*	*-1.9%*	*0.4%*

In Q3 2019, Atea Denmark had strong growth in sales of products and lower operating expenses compared with last year. This was partly offset by lower sales of services, where demand remained lower than last year. With the services business slowing the overall business recovery, Atea Denmark improved its EBIT but still ran a loss for the quarter.

Total revenue in Denmark increased by 23.6% from last year to DKK 1,270 million, with strong sales growth from both the public and private sectors. Hardware revenue was up 22.5%, software revenue was up 90.7% and services revenue fell by 7.6% from last year.

Hardware revenue growth was driven by higher sales of data center and network equipment. Software revenue grew rapidly based on recently renewed frame agreements to the public sector. Services revenue fell, due to lower revenue from managed service contracts.

Total gross margin was 21.1% in Q3 2019 compared with 25.5% last year, due to a decline in the software margin and a lower proportion of services in the revenue mix. Product margin was 9.9% compared with 11.3% in Q3 2018, as the revenue mix shifted to lower margin software. Services margin increased to 60.5% from 59.4% last year, with a lower proportion of third party services in the revenue mix.

Total operating expenses were DKK 283 million, a decline of 6.0% from Q3 2018. The decline in operating expenses was due to a reduction in the number of full-time employees by 86 (-5.6%) from last year.

Based on higher sales of products and lower operating expenses, Atea Denmark improved its profitability in Q3 2019, with an EBIT loss of DKK -15 million, compared with a loss of DKK -39 million in Q3 2018.

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FINLAND

EUR in million	Q3 2019	Q3 2018	Change %	YTD 2019	YTD 2018	Change %
Products revenue	64.6	61.4	5.2%	228.9	205.1	11.6%
Services revenue	7.5	5.8	29.0%	21.0	19.8	6.4%
Total revenue	72.1	67.3	7.2%	249.9	224.8	11.2%
Gross profit	10.9	9.2	18.3%	34.6	29.8	16.2%
Gross margin %	*15.1%*	*13.7%*	*1.4%*	*13.9%*	*13.3%*	*0.6%*
OPEX	9.6	8.2	16.5%	30.9	26.6	16.1%
EBIT	1.3	1.0	34.1%	3.8	3.2	16.7%
EBIT %	*1.8%*	*1.4%*	*0.4%*	*1.5%*	*1.4%*	*0.1%*

Atea Finland reported rapid growth in revenue and EBIT in the third quarter of 2019, driven by higher sales of software and services.

Revenue in Q3 2019 was EUR 72.1 million, up 7.2% from last year. Hardware revenue was up 2.7%, software revenue was up 9.0% and services revenue was up 29.0%.

Growth in hardware revenue was driven by higher sales of clients (e.g., PCs, mobile devices) and collaboration solutions. Software revenue increased due to higher sales of client software to the public sector. Growth in services revenue was driven by higher demand for consulting services and support agreements.

Total gross margin increased to 15.1% in Q3 2019, compared with 13.7% last year. Product margin was 10.3%, up from 9.9% last year, due to improved software margin. Services margin increased to 56.1% from 53.3% last year, due to a higher proportion of consulting services in the revenue mix.

Total operating expenses were 16.5% higher than last year. Growth in operating expenses was primarily based on an increase in the average number of full-time employees by 59 (17.4%) from last year, in order to support an aggressive growth plan in Finland.

EBIT in Q3 2019 increased by 34.1% to EUR 1.3 million. The EBIT margin was 1.8%, up from 1.4% last year.

FINANCIAL REVIEW | Q3 | 2019

THE BALTICS

EUR in million	Q3 2019	Q3 2018	Change %	YTD 2019	YTD 2018	Change %
Products revenue	18.8	18.1	3.6%	62.1	55.8	11.3%
Services revenue	8.4	8.3	1.9%	26.1	23.6	10.9%
Total revenue	27.2	26.4	3.1%	88.3	79.4	11.2%
Gross profit	7.2	7.0	3.8%	22.2	20.4	8.9%
Gross margin %	*26.6%*	*26.4%*	*0.2%*	*25.2%*	*25.7%*	*-0.5%*
OPEX	6.7	6.1	8.6%	20.1	19.1	5.0%
EBIT	0.6	0.8	-32.2%	2.1	1.3	68.0%
EBIT %	*2.1%*	*3.1%*	*-1.1%*	*2.4%*	*1.6%*	*0.8%*

Atea Baltics reported lower EBIT in Q3 2019, as revenue growth was offset by higher operating expenses.

Revenue in Q3 2019 was EUR 27.2 million, up 3.1% compared with last year. Hardware revenue was down 3.6%, software revenue increased by 49.2% and services revenue was up 1.9%.

Hardware revenue fell from last year due to lower sales of data center and networking equipment. Software revenue grew based on a major project to the central government in Estonia. Services revenue grew based on higher demand for consulting services and support agreements.

Total gross margin improved to 26.6% in Q3 2019 compared with 26.4% last year. Product margin fell to 9.4% from 12.7% last year, based on a shift in the revenue mix toward lower margin hardware and software. Services margin increased to 64.8% from 56.5% last year, due to a higher proportion of consulting in the revenue mix.

Total operating expenses were EUR 6.7 million in Q3 2019, an increase of 8.6% from last year. Growth in operating expenses was primarily due to salary inflation in the Baltic labor markets and a change in the employee mix toward higher-skilled consultants. The average number of full-time employees increased by 2 (0.3%) from last year.

With revenue growing at a slower rate than operating costs, EBIT in Q3 2019 was EUR 0.6 million, down 32.2% from EUR 0.8 million last year. The EBIT margin was 2.1%, down from 3.1% last year.

BALANCE SHEET

As of 30 September 2019, Atea had total assets of NOK 12,313 million. Current assets such as cash, receivables and inventory represented NOK 6,262 million of this total. Non-current assets represented NOK 6,051 million of this total, and primarily consisted of goodwill (NOK 3,855 million), deferred tax assets (NOK 404 million), property, plant and equipment (NOK 549 million), and right-of-use leased assets (NOK 892 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 9,500 million, and shareholders' equity of NOK 2,813 million as of 30 September 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 Q3 2019 was 25.2%. The calculation of this metric can be found in the Alternative Performance Measures section of this report.

Atea's net financial position was NOK -889 million at the end of Q3 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 2,304 million as of 30 September 2019.

CASH FLOW

Cash flow from operations was an outflow of NOK 434 million in the third 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. During 2019, cash flow from operations has also been impacted by a change in Atea's revenue mix toward vendors with shorter payment terms and toward services.

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 Q3 2019, Atea had sold receivables of NOK 1,535 million under the securitization program, compared with NOK 1,899 million of sold receivables at the end of Q2 2019. The reduction in the volume of sold receivables during Q3 2019 had a negative impact of MNOK 384 on cash flow from operations during the quarter. Additional information on the securitization program can be found in Note 6 of this report.

Cash flow from investing activities was an outflow of NOK 87 million during Q3 2019. This consisted of capital expenditure of NOK 66 million and a NOK 20 million investment to acquire DatabaseForum AS. Atea will begin to consolidate DatabaseForum AS in its Group accounts from Q4 2019.

Cash flow from financing activities was an inflow of NOK 475 million in Q3 2019, up from NOK 301 million in the corresponding quarter last year.

SHARES

Atea had 7,161 shareholders on 30 September 2019 compared with 7,196 shareholders on 30 September 2018.

The 10 largest shareholders as of 30 September 2019 were:

Main Shareholders*	**Shares**	**%**
Systemintegration APS**	27,283,353	24.9%
Folketrygdfondet	9,787,507	8.9%
State Street Bank & Trust Co.***	4,518,428	4.1%
State Street Bank and Trust Co.***	4,039,101	3.7%
JP Morgan Chase Bank	3,373,377	3.1%
Odin Norden	3,256,029	3.0%
Handelsbanken Norden Selektiv	3,255,000	3.0%
State Street Bank & Trust Co.***	3,107,800	2.8%
RBC Investor Services Trust	2,672,953	2.4%
Didner and Gerge Smabolag	2,658,860	2.4%
Other	45,467,981	41.6%
Total number of shares	109,420,389	100.0%

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

As of 30 September 2019, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.05% of the shares, including the shares held by Systemintegration APS.

As of 30 September 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 an estimated 19% market share in 2018. Approximately 60% of Atea's sales are to the public sector, with the remainder of sales to private companies.

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

Atea's solution offering:

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

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

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

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

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

Atea's value proposition to the customer:

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

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

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

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

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

BUSINESS OVERVIEW

BUSINESS OUTLOOK

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

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

Business trends:

In recent years, Atea has seen higher growth from software and services in its revenue mix. This shift is in line with Atea's overall strategy to address new growth opportunities within "Hybrid Platforms", "Digital "Workplace" and "Information Management". These new growth areas are more dependent on advanced software than traditional IT infrastructure. These growth areas also enable Atea to sell more high-value consulting and managed services, as customers need expertise to implement, integrate, operate, and derive value from these software solutions.

In some cases, Atea will resell a large advanced software project at low margin in order to establish a customer relationship which enables Atea to sell in its consulting and managed service offering. These large projects contribute to higher software revenue for Atea but with a lower gross margin from software sales.

As the market shifts toward advanced software and services, including cloud solutions, Atea's traditional IT infrastructure business is seeing some margin compression. This is driven both by competitive pressures and by changes in IT vendors' incentive programs to channel partners such as Atea. This margin compression in traditional IT infrastructure is contributing to further consolidation of the market toward fewer resellers, a trend which favors Atea. At the same time, this also contributes to higher software revenue for Atea but with lower gross margin.

The trend toward higher growth in software revenue at lower margin is expected to continue for the medium term. Over time, Atea expects higher sales of advanced software / cloud solutions and higher sales of services to offset any negative impact of these trends.

Market trends:

The outlook for each business segment is as follows:

Sweden:

Sweden is Atea's largest market, representing 40% of Group revenue in the first three quarters 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.

In recent quarters, Atea has seen slowing growth in hardware sales in the Swedish market, a trend which is consistent with market intelligence. During Q4 2019 and 2020, Atea expects continued revenue and EBIT growth from its Swedish business, but at a lower rate than in recent years.

Norway:

Norway is Atea's second largest market, representing 26% of Group revenue in the first three quarters of 2019.

Atea Norway has invested heavily in expanding its services organization during the past year in order to meet growing market demand. In September 2019, Atea Norway acquired DatabaseForum AS with 16 skilled consultants in data analytics, and now has a team of over 100 consultants in this growth area. The DatabaseForum business will be included in the Atea Group financial reporting from Q4 2019.

In recent quarters, Atea has seen slower demand for hardware in the Norwegian market. In response, Atea Norway has taken steps to reduce its operating expenses.

Atea continues to see strong prospects for growth in the Norwegian market, despite a challenging 2019 to date. Atea expects a return to EBIT growth in its Norwegian business in Q4 2019, and a solid recovery in 2020 based on higher revenue and low growth in operating expenses.

Denmark:

Denmark is Atea's third largest market, representing 22% of Group revenue in the first three quarters of 2019.

Atea's business in Denmark was greatly impacted by a police investigation relating to misconduct by former employees from 2008 – 2014. The investigation resulted in a court conviction of Atea Denmark in June 2018.

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. Atea was the first company in Denmark to be awarded the ISO 37001 Anti Bribery Systems certification for its efforts.

BUSINESS OVERVIEW

BUSINESS OUTLOOK (CONT'D)

Atea's business in Denmark is in the process of recovering from the court conviction. Atea product resale business in Denmark has improved greatly since start of 2019, and reported very strong growth in revenue and gross profit during Q3 2019.

Product revenue and gross profit in Denmark was higher in Q3 2019 than in the corresponding quarter of 2017, a year of profitability before the court conviction was received. In addition, Atea Denmark has reduced its headcount and operating expenses significantly from Q3 2017.

Atea's services business has been slower to recover than the product resale business, due to longer sales cycles for complex consulting projects and increased competition for managed service contracts. This slow recovery in the services business has delayed the return to profitability in Denmark compared to management's expectations.

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 during Q4 2019 and 2020.

Finland:
Finland represented 9% of Group revenue in the first three quarters of 2019.

Atea Finland has reported rapid growth in revenue and profitability during the last few years, driven by high growth in product sales. Product revenue has been driven by large new frame agreements to the public sector, as well as higher demand from private sector customers.

During the last year, Atea Finland has invested in strengthening its consulting and managed services businesses to supplement its product resale business. Atea Finland's services business is underdeveloped relative to other Atea countries, which presents a significant growth opportunity.
These investments began to generate results in Q3 2019, as the services business grew rapidly. Atea expects its services business to continue to show strong growth during Q4 2019 and 2020, and offset potentially slower growth from its product business.

Baltics:
The Baltics represented 3% of Group revenue in the first three quarters of 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 however fluctuated greatly, with demand heavily driven by large public projects which are dependent on EU funding and vary from year to year.

In Q4 2019 and 2020, Atea expects continued growth in demand for cloud and consulting services. 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 Q3 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 9 MONTHS ENDED 30 SEPTEMBER 2019

CONSOLIDATED INCOME STATEMENT

NOK in million	Note	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Revenue	2, 3, 8	7,829	7,098	26,455	24,537	34,709
Gross profit		1,756	1,682	5,600	5,408	7,536
Employee benefits expense		-1,234	-1,193	-4,105	-3,933	-5,396
Other operating costs	1	-176	-239	-571	-758	-1,018
Share based compensation		-16	-26	-48	-58	-61
EBITDA	1	330	223	876	659	1,061
Depreciation and amortization	1	-148	-84	-430	-255	-339
Amortization related to acquisitions		-1	-8	-3	-23	-31
Operating profit (EBIT)	1, 2	181	132	442	382	690
Net financial items	5	-10	-12	-48	-41	-56
Profit before tax		171	120	394	340	634
Tax	7	-36	-28	-82	-78	-167
Profit for the period		135	92	312	263	467
Earnings per share						
- earnings per share		1.24	0.85	2.85	2.44	4.33
- diluted earnings per share		1.23	0.84	2.83	2.40	4.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Profit for the period	135	92	312	263	467
Currency translation differences	51	-3	-69	-177	-14
Forward contracts - cash flow hedging	0	5	-1	8	9
Income tax OCI relating to items that may be reclassified to profit or loss	0	-1	0	-2	-2
Items that may be reclassified subsequently to profit or loss	51	1	-70	-171	-7
Other comprehensive income	51	1	-70	-171	-7
Total comprehensive income for the period	186	93	242	91	460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in million	Note	30 Sept 2019	30 Sept 2018	31 Dec 2018
ASSETS				
Property, plant and equipment		549	494	525
Right-of-use assets	1	892	104	92
Deferred tax assets	7	404	460	401
Goodwill		3,855	3,703	3,901
Other intangible assets		231	224	237
Investment in associated companies		14	13	13
Long-term subleasing receivables	1	79	-	-
Other long-term receivables		27	67	28
Non-current assets		6,051	5,065	5,196
Inventories		813	771	830
Trade receivables		2,727	4,273	6,445
Other receivables		1,838	1,633	1,541
Short term subleasing receivables	1	176	-	-
Other financial assets		2	0	1
Cash and cash equivalents		706	24	764
Current assets		6,262	6,701	9,581
Total assets		12,313	11,767	14,778
EQUITY AND LIABILITIES				
Share capital and premium	4	446	368	410
Other reserves		1,348	1,254	1,418
Retained earnings	1	1,019	1,191	1,409
Equity		2,813	2,814	3,237
Interest-bearing long-term liabilities	6	536	576	557
Long-term sublease liabilities	1	79	-	-
Long-term ROU assets leasing liabilities	1	695	-	-
Other long-term liabilities		4	8	8
Deferred tax liabilities		226	254	234
Non-current liabilities		1,541	838	799
Trade payables		3,548	3,771	7,125
Interest-bearing current liabilities	6	1,059	1,374	224
Current sublease liabilities	1	176	-	-
Current ROU assets leasing liabilities	1	170	-	-
VAT, taxes and government fees		799	674	952
Provisions		107	178	247
Dividend payable		356	350	-
Other current liabilities		1,738	1,767	2,183
Other financial liabilities		7	1	10
Current liabilities		7,959	8,115	10,741
Total liabilities		9,500	8,953	11,540
Total equity and liabilities		12,313	11,767	14,778

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK in million	Note	30 Sept 2019	30 Sept 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	-	-
Adjusted equity at start of period 1 January 2019		3,199	3,373	3,373
Currency translation differences		-69	-177	-14
Forward contracts - cash flow hedging		0	6	7
Other comprehensive income		-70	-171	-7
Profit for the period		312	263	467
Total recognised income for the year		242	91	460
Employee share-option schemes		47	36	49
Dividends		-710	-700	-700
Issue of share capital	4	35	13	56
Equity at end of period		2,813	2,814	3,237

CONSOLIDATED STATEMENT OF CASH FLOW

NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Profit before tax	171	120	394	340	634
Adjusted for:					
Depreciation and amortisation	149	91	434	278	370
Share based compensation	18	10	47	36	49
Gains/Losses on disposals of PPE and intangible asset	0	0	0	0	0
Net interest expenses	16	10	52	28	36
Taxes paid	-9	-7	-136	-80	-108
Net interest paid	-16	-9	-50	-27	-44
Cash earnings	330	214	741	576	937
Change in trade receivables	1,229	1,158	3,521	2,099	203
Change in inventories	243	24	-9	-220	-239
Change in trade payables	-1,881	-1,427	-3,406	-2,699	416
Other changes in working capital	-356	-164	-889	-1,094	-371
Cash flow from operating activities	-434	-195	-43	-1,338	946
Capital expenditure	-66	-78	-232	-226	-305
Acquisition of subsidiaries/businesses	-20	-62	-23	-62	-62
Cash flow from investing activities	-87	-139	-255	-287	-367
Dividend paid	0	0	-355	-350	-700
Payment from changes in treasury shares	-19	-	-19	-	-
Proceeds from new shares issue	-	-1	35	14	56
Proceeds from sublease	17	-	54	-	-
Payments of sublease liabilities	-17	-	-54	-	-
Change in debt	494	301	626	958	-252
Cash flow from financing activities	475	301	287	622	-896
Net cash flow	-46	-33	-11	-1,003	-317
Cash and cash equivalents at the start of the period	706	24	764	1,125	1,125
Foreign exchange effect on cash held in a foreign currency	46	34	-47	-97	-44
Cash and cash equivalents at the end of the period	706	24	706	24	764

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for nine months ending 30 September 2019 were approved for publication by the Board of Directors on 17 October 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 September 2019:

1. Operating lease expenses recognized as Employee benefits expense and Other operational costs is decreased by NOK 248 million.
2. Depreciation is increased by NOK 225 million as a result of depreciation of ROU assets.
3. Net interest expense is increased by NOK 23 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 Sept 2019	30 Sept 2018	31 Dec 2018
ASSETS			
Right-of-use assets - Buildings and property	665	-	-
Right-of-use assets - Computer equipment	78	96	85
Right-of-use assets - Motor vehicles	149	8	8
Right-of-use assets - Office machines	0	-	-
Total right-of-use assets	892	104	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, Atea Group Functions and Atea Service Center AB) 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	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Norway	2,195.1	2,143.7	6,815.7	6,049.4	8,737.1
Sweden	3,011.8	2,780.3	10,571.3	10,026.6	14,049.0
Denmark	1,680.5	1,318.9	5,891.3	5,636.6	8,026.2
Finland	711.9	644.1	2,441.9	2,155.9	2,889.3
The Baltics	268.1	252.6	862.4	760.9	1,150.8
Group Shared Services	1,605.8	1,401.0	4,615.5	3,966.4	5,495.9
AppXite	8.4	3.9	21.1	12.3	17.0
Eliminations*	-1,652.8	-1,446.2	-4,764.7	-4,071.0	-5,655.9
Atea Group	7,828.9	7,098.4	26,455.0	24,537.1	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	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Norway	77.1	82.5	186.3	189.9	308.3
Sweden	120.7	103.4	344.8	307.0	453.2
Denmark	-19.5	-50.2	-85.2	-104.8	-94.3
Finland	12.7	9.2	36.7	30.9	59.1
The Baltics	5.5	7.9	20.6	12.0	27.7
Group Shared Services	4.6	11.2	8.0	29.5	41.2
AppXite	-2.9	-7.9	-9.2	-17.3	-23.1
Group cost	-17.0	-24.2	-59.9	-65.8	-81.8
Operating profit (EBIT)	181.2	131.9	442.1	381.5	690.3
Net financial items	-9.7	-12.2	-48.2	-41.1	-56.2
Profit before tax	171.5	119.8	393.9	340.4	634.1

Quarterly revenue and gross margin NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Product revenue	6,286.9	5,648.9	21,571.1	19,917.9	28,268.0
Services revenue	1,540.9	1,449.4	4,880.3	4,618.7	6,440.3
Other income	1.1	0.1	3.6	0.5	1.1
Total revenue	7,828.9	7,098.4	26,455.0	24,537.1	34,709.4
Gross contribution	1,756.0	1,681.9	5,599.8	5,408.3	7,535.6
Product margin	11.7%	12.8%	10.9%	11.7%	11.7%
Services margin	66.2%	66.2%	66.3%	66.5%	65.6%
Gross margin	22.4%	23.7%	21.2%	22.0%	21.7%

Quarterly revenue and gross margin NOK in million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Product revenue	6,286.9	7,816.5	7,467.7	8,350.1	5,648.9	7,456.0	6,812.9
Services revenue	1,540.9	1,668.9	1,670.5	1,821.6	1,449.4	1,642.4	1,527.0
Other income	1.1	1.3	1.1	0.6	0.1	0.2	0.2
Total revenue	7,828.9	9,486.8	9,139.4	10,172.3	7,098.4	9,098.6	8,340.1
Gross contribution	1,756.0	1,905.0	1,938.9	2,127.3	1,681.9	1,888.4	1,838.0
Product margin	11.7%	10.4%	10.9%	11.7%	12.8%	10.9%	11.8%
Services margin	66.2%	65.3%	67.4%	63.2%	66.2%	65.6%	67.8%
Gross margin	22.4%	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**		**Q3 2019**	**Q3 2018**	**YTD 2019**	**YTD 2018**	**Full year 2018**
Norway	NOK	2,195.1	2,143.7	6,815.7	6,049.4	8,737.1
Sweden	SEK	3,261.9	3,035.6	11,433.4	10,699.7	15,004.8
Denmark	DKK	1,270.1	1,027.7	4,500.9	4,379.6	6,231.5
Finland	EUR	72.1	67.3	249.9	224.8	301.0
The Baltics	EUR	27.2	26.4	88.3	79.4	119.9
Group Shared Services	NOK	1,605.8	1,401.0	4,615.5	3,966.4	5,495.9
AppXite	EUR	0.9	0.4	2.2	1.3	1.8
Eliminations*	NOK	-1,652.8	-1,446.2	-4,764.7	-4,071.0	-5,655.9
Atea Group	NOK	7,828.9	7,098.4	26,455.0	24,537.1	34,709.4

EBIT **Local currency in million**		**Q3 2019**	**Q3 2018**	**YTD 2019**	**YTD 2018**	**Full year 2018**
Norway	NOK	77.1	82.5	186.3	189.9	308.3
Sweden	SEK	130.7	112.2	372.9	327.6	484.0
Denmark	DKK	-14.7	-39.0	-65.1	-81.5	-73.2
Finland	EUR	1.3	1.0	3.8	3.2	6.2
The Baltics	EUR	0.6	0.8	2.1	1.3	2.9
Group Shared Services	NOK	4.6	11.2	8.0	29.5	41.2
AppXite	EUR	-0.3	-0.8	-0.9	-1.8	-2.4
Group cost	NOK	-17.0	-24.2	-59.9	-65.8	-81.8
Operating profit (EBIT)	NOK	181.2	131.9	442.1	381.5	690.3
Net financial items	NOK	-9.7	-12.2	-48.2	-41.1	-56.2
Profit before tax	NOK	171.5	119.8	393.9	340.4	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**		**Q3 2019**	**Q3 2018**	**YTD 2019**	**YTD 2018**	**Full year 2018**
Norway	NOK	1,247.5	1,331.7	3,735.1	3,575.6	5,193.1
Sweden	SEK	1,967.4	1,941.4	5,847.8	5,799.4	8,034.5
Denmark	DKK	701.5	572.8	2,234.3	2,214.4	3,173.7
Finland	EUR	38.1	37.1	126.1	113.2	161.1
The Baltics	EUR	15.1	15.6	52.2	48.3	74.2
Group Shared Services	NOK	1,510.7	1,311.0	4,303.1	3,689.8	5,121.4
AppXite	EUR	0.0	0.0	0.0	0.0	0.0
Eliminations*	NOK	-1,504.2	-1,312.7	-4,280.1	-3,655.9	-5,079.0
Atea Group	NOK	4,522.5	4,357.6	13,832.2	13,443.0	19,104.6

Software **Local currency in million**		**Q3 2019**	**Q3 2018**	**YTD 2019**	**YTD 2018**	**Full year 2018**
Norway	NOK	435.2	356.7	1,501.2	1,084.2	1,621.7
Sweden	SEK	713.4	552.5	3,693.1	3,169.5	4,540.7
Denmark	DKK	287.6	150.9	1,348.4	1,168.4	1,668.9
Finland	EUR	26.5	24.3	102.8	91.9	112.8
The Baltics	EUR	3.7	2.5	9.8	7.4	13.1
Group Shared Services	NOK	0.5	0.7	1.7	2.0	3.3
AppXite	EUR	0.4	0.0	0.6	0.0	0.0
Eliminations*	NOK	-13.6	-11.3	-50.1	-37.3	-71.1
Atea Group	NOK	1,764.4	1,291.3	7,738.9	6,474.9	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		Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Norway	NOK	511.5	455.3	1,577.1	1,389.6	1,922.3
Sweden	SEK	581.1	541.7	1,892.6	1,730.8	2,429.6
Denmark	DKK	281.0	304.1	918.3	996.8	1,388.9
Finland	EUR	7.5	5.8	21.0	19.8	27.1
The Baltics	EUR	8.4	8.3	26.1	23.6	32.6
Group Shared Services	NOK	94.6	89.3	310.7	274.6	371.2
AppXite	EUR	0.5	0.4	1.5	1.3	1.7
Eliminations*	NOK	-135.0	-122.3	-434.5	-377.8	-505.8
Atea Group	NOK	1,540.9	1,449.4	4,880.3	4,618.7	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 September 2019	109,420,389	-7,844	109	0	336	446

Average number of shares outstanding

The average number of shares outstanding during the first nine months of 2019 was 109,199,987. 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 nine months of 2019 was 110,315,629. 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 nine months of 2019, and the remaining vesting period of the options, the dilution impact of the share option program is 1,115,642 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 (CONT'D)

30 September 2019	Number of share options	Average Nominal Strike price	Adjusted Nominal Strike price*	Weighted average number of shares outstanding
Basic EPS calculation				109,199,987
Dilution effect of share options				
Total share options				
Fully vested, with adjusted strike price below share price	1,164,790	42	42	872,304
Unvested*, with adjusted strike price below share price	3,561,664	105	111	243,338
Unvested*, with adjusted strike price above share price	4,191,169	111	131	-
All Share options	8,917,623	99	108	1,115,642
Fully diluted EPS calculation**				110,315,629

NOTE 5

NET FINANCIAL ITEMS

NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Interest income	0	2	4	5	7
Interest income, subleasing	7	-	7	-	-
Other financial income	0	1	2	2	3
Total financial income	7	3	12	7	10
Interest costs on loans	-8	-10	-29	-28	-36
Interest costs on leases	-9	-2	-27	-5	-7
Interest expenses, subleasing	-7	-	-7	-	-
Foreign exchange effects	8	-2	7	-9	-16
Other financial expenses	-1	-1	-5	-5	-7
Total financial expenses	-17	-15	-60	-48	-66
Total net financial items	-10	-12	-48	-41	-56

Interest costs on leases for Q3 2019 include NOK 8 million interest from lease liabilities related to right-of-use assets under IFRS 16 (from 1 January 2019). Additional information on the implementation of IFRS 16 can be found in Note 1.

*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 119 from January 1 – September 30, 2019

NOTE 6

BORROWING

Interest-bearing long-term liabilities as of 30 September 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 September 2019 consisted of financial lease liabilities (mainly for lease of IT equipment) and 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. 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 1,100 million secured by other receivables. Pricing on the facility is IBOR 3M + 1.00%.

As of 30 September 2019, Atea Norway, Atea Sweden and Atea Denmark sold receivables of NOK 1,535 million under the first facility.

NOTE 7

TAXES

NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Profit before tax	171	120	394	340	634
Tax payable expenses	-31	-17	-86	-57	-117
Deferred tax asset changes due to tax loss carry forward used	-5	-13	2	-25	-45
Other deferred tax changes	0	1	2	4	-5
Total tax expenses	-36	-28	-82	-78	-167
Effective rate	21.2%	23.5%	20.9%	22.9%	26.4%

Income tax expense is recognised based on management's estimate of its weighted average tax rate. The estimated effective tax rate during Q3 2019 is 21.2%.

Deferred tax changes include tax loss carryforwards used 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	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Revenue	7,829	7,098	26,455	24,537	34,709
Adjustment for acquisitions	-	15	-	52	52
Pro forma revenue	7,829	7,114	26,455	24,589	34,761
Pro forma revenue on last year currency	7,726	7,277	26,438	24,565	34,912
Pro forma growth in constant currency	8.6%	9.3%	7.5%	9.4%	7.4%

NOK in million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
EBITDA	330	223	876	659	1,061
Adjustment for acquisitions	0	0	0	8	8
Pro forma EBITDA	330	223	876	668	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	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Employee benefits expense	1,234	1,193	4,105	3,933	5,396
Other operating costs	176	239	571	758	1,018
Share based compensation	16	26	48	58	61
Depreciation and amortization	70	66	206	200	269
Depreciation of right-of-use assets	78	18	225	54	70
Amortization related to acquisitions	1	8	3	23	31
Total operating expenses	1,575	1,550	5,158	5,027	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	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Cash flow from operations	-434	-195	-43	-1,338	946
Capital expenditures through cash	-66	-78	-232	-226	-305
Free cash flow	-500	-273	-275	-1,564	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 Sept 2019	30 Sept 2018	31 Dec 2018
Interest-bearing long-term liabilities	-536	-576	-557
Interest-bearing current liabilities	-1,059	-1,374	-224
Cash and cash equivalents	706	24	764
Net financial position	-889	-1,926	-17
Long-term ROU assets leasing liabilities	-695	-	-
Current ROU assets leasing liabilities	-170	-	-
Long-term subleasing liabilities	-79	-	-
Short-term subleasing liabilities	-176	-	-
Long-term subleasing receivables	79	-	-
Short-term subleasing receivables	176	-	-
Incremental net lease liabilities due to IFRS 16 adoption	-865	-	-

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 Sept 2019	30 Sept 2018	31 Dec 2018
Inventories	813	771	830
Trade receivables	2,727	4,273	6,445
Other receivables	1,838	1,633	1,541
Other financial assets	2	0	1
Trade payables	-3,548	-3,771	-7,125
VAT, taxes and government fees	-799	-674	-952
Provisions	-107	-178	-247
Other current liabilities	-1,738	-1,767	-2,183
Other financial liabilities	-7	-1	-10
Working capital	-819	287	-1,699
Securitization effect	1,535	-	349
Working capital before securitization	716	287	-1,350
Year to date revenue	26,455	24,537	34,709
Annualized revenue	35,273	32,716	34,709
Working capital in relation to annualized revenue	-2.3%	0.9%	-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 Sept 2019	30 Sept 2018	31 Dec 2018
Last 12 months pro forma EBITDA	1,277	1,157	1,069
Debt covenant ratio	2.5	2.5	2.5
Net debt limit	3,193	2,894	2,672
Net financial position	-889	-1,926	-17
Liquidity reserve	2,304	967	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 Sept 2019	30 Sept 2018	31 Dec 2018
Total assets	12,313	11,767	14,778
Deduct: incremental lease assets due to IFRS 16 adoption			
Right-of-use assets	-892	-104	-92
Long-term subleasing receivables	-79	-	-
Short-term subleasing receivables	-176	-	-
Adjusted total assets	11,167	11,663	14,685
Equity	2,813	2,814	3,237
Equity ratio	25.2%	24.1%	22.0%

ATEA

Q3

2019

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