ATEA

Q1

2019

INTERIM REPORT

Revenue of NOK 9,139 million, up 9.6% y-o-y

EBIT of NOK 116 million, down 5.5% y-o-y

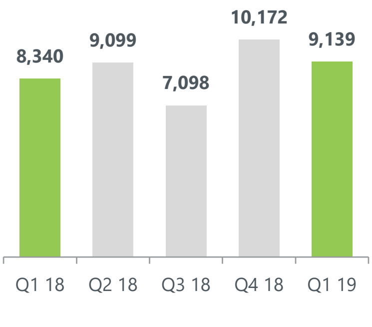
Cash flow from operations of NOK -481 million, compared with NOK -842 million last year

Net financial position of NOK -620 million, compared with NOK -868 million last year

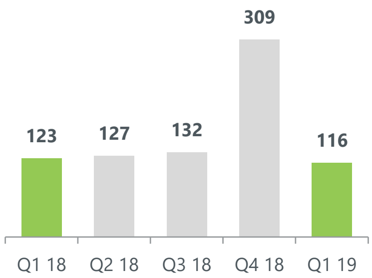
KEY FIGURES* | Q1 | 2019

NOK in million	Q1 2019	Q1 2018	Full year 2018
Group revenue	9,139	8,340	34,709
Gross profit	1,939	1,838	7,536
Gross margin (%)	21.2%	22.0%	21.7%
EBIT	116	123	690
EBIT margin (%)	1.3%	1.5%	2.0%
Net profit	79	87	467
Earnings per share (NOK)	0.73	0.81	4.33
Diluted earnings per share (NOK)	0.72	0.80	4.26
Cash flow from operations	-481	-842	946
Free cash flow	-570	-921	641

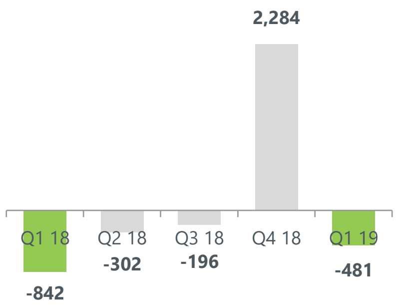
	31 Mar 2019	31 Mar 2018	31 Dec 2018
Net financial position**	-620	-868	-17
Liquidity reserve**	2,147	2,134	2,655
Working capital	-996	-613	-1,699
Working capital in relation to annualized revenue (%)	-2.7%	-1.8%	-4.9%
Adjusted equity ratio** (%)	26.6%	28.1%	22.0%
Number of full-time employees	7,362	7,013	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 | Q1 | 2019

GROUP

Atea reported strong revenue growth across all lines of business in Q1 2019. EBIT was below last year due to higher operating expenses, as the company increased its consulting staff to pursue a growth strategy within services.

In total, Group revenue grew by 9.6% to NOK 9,139 million in Q1 2019. On a pro forma basis*, revenue growth was 10.4% in constant currency. Currency fluctuations had a negative impact of 1.0% on revenue growth in Q1 2019.

Hardware revenue increased by 8.7%, due to increased sales of clients and datacenter equipment. Software revenue increased by 11.4%, driven by large software deals to the public sector in Norway, Finland and Baltics. Services revenue grew by 9.4%, as Atea increased its consulting workforce from last year.

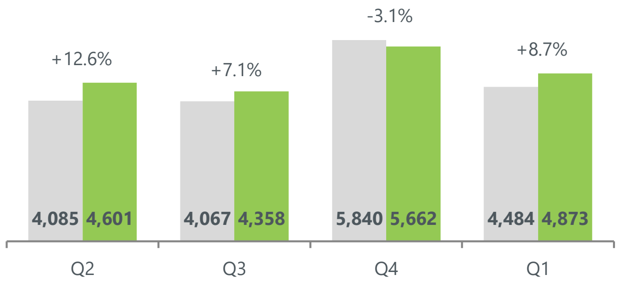
Group EBIT in Q1 2019 fell to NOK 116 million from NOK 123 million last year, as high growth in revenue was offset by lower gross margins and higher operating expenses. Gross margin fell to 21.2%, compared with 22.0% last year. The decline was concentrated in Norway, where the business had several large deliveries at very low gross margin during the quarter.

Total operating expenses grew by 6.3% to NOK 1,823 million. Growth in operating expenses was primarily due to an increase in the average number of full-time employees by 399 (5.7%) from last year, as the company increased staff to pursue a growth strategy within services.

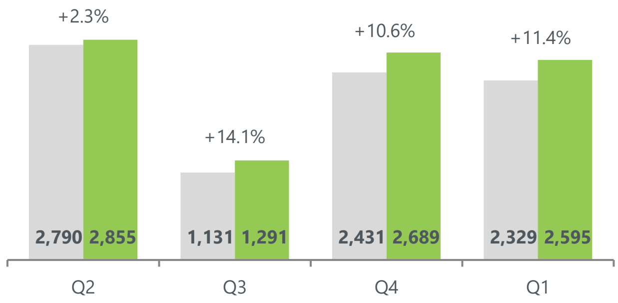
Net financial items were an expense of NOK 17 million, compared with an expense of NOK 11 million last year. The increase was due to a change in the accounting of lease expenses following the implementation of the new IFRS 16 standard from 1 January 2019. In Q1 2019, the new accounting standard resulted in a shift of NOK 7 million in lease-related expenses from Other costs to Net Financial Items on the Income Statement. Additional information regarding the implementation of IFRS 16 can be found in Note 1 of this report.

Profit before tax was NOK 99 million, compared with NOK 111 million last year. Income tax expense was NOK 19 million, an effective tax rate of 19.4%.

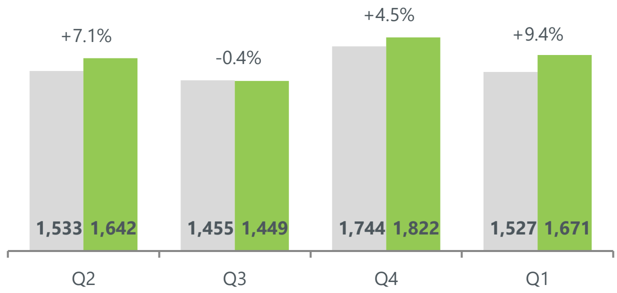
Net profit after tax decreased to NOK 79 million, compared with NOK 87 million last year.



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

FINANCIAL REVIEW | Q1 | 2019

NORWAY

NOK in million	Q1 2019	Q1 2018	Change %
Products revenue	1,929	1,443	33.7%
Services revenue	512	459	11.7%
Total revenue	2,442	1,901	28.5%
Gross profit	564	522	8.0%
Gross margin %	*23.1%*	*27.5%*	*-4.4%*
OPEX	526	480	9.6%
EBIT	38	43	-9.7%
EBIT %	*1.6%*	*2.2%*	*-0.7%*

Atea Norway reported exceptionally high growth in revenue during Q1 2019. EBIT fell from last year, as revenue growth was offset by lower product margin and higher operating expenses.

Revenue in Q1 2019 was NOK 2,442 million, an increase of 28.5% from last year. Hardware revenue was up 23.5%, software revenue was up 62.5% and services revenue was up 11.7%. Adjusting for the acquisition of Sherpa Consulting AS in September 2018, revenue growth on a pro forma basis* was 27.2%.

Growth in hardware and software revenue was driven by large deliveries of clients and software licenses to major public sector customers. Services revenue growth was driven by an increased number of consultants in new growth areas, including data analytics.

Total gross margin ended at 23.1%, compared with 27.5% last year. Product margin fell to 11.4% in Q1 2019 compared with 15.4% last year, as revenue growth was driven by large hardware and software deliveries at very low margin. Service margins increased to 67.0% from 65.3% last year based on an increased proportion of consulting services within the revenue mix.

Total operating expenses grew by 9.6% to NOK 526 million, primarily due to an increase in the average number of full-time employees by 121 (7.6%) from last year. Atea has hired additional consultants to meet growing demand for infrastructure services.

EBIT in Q1 2019 decreased by 9.7% to NOK 38 million, due to lower product margin and higher operating expenses. The EBIT margin ended at 1.6%, down from 2.2% last year.

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

FINANCIAL REVIEW | Q1 | 2019

SWEDEN

SEK in million	Q1 2019	Q1 2018	Change %
Products revenue	3,170	2,865	10.7%
Services revenue	654	565	15.8%
Total revenue	3,825	3,430	11.5%
Gross profit	787	722	9.0%
Gross margin %	*20.6%*	*21.1%*	*-0.5%*
OPEX	675	623	8.4%
EBIT	112	99	12.6%
EBIT %	*2.9%*	*2.9%*	*0.0%*

Atea Sweden continued to capture market share and improve profitability in the first quarter of 2019. Sales growth was strong across all product and service lines, with high demand from both the public and private sector.

Revenue in Q1 2019 was SEK 3,825 million, up 11.5% compared with last year. Hardware revenue was up 9.7%, software revenue was up 12.4% and services revenue was up 15.8%.

Growth in hardware and software revenue was driven by high order intake on recently renewed frame agreements to the public sector. In addition, demand from large corporate customers remained strong. Growth in services revenue was driven by higher sales of consulting and service agreements.

Total gross margin was 20.6% in Q1 2019, compared with 21.1% last year. Product margin fell to 11.1% in Q1 2019 compared with 11.7% last year, due to higher sales on recently renewed frame agreements to the public sector. Services margin decreased to 66.5% from 68.6% last year, due to an increased proportion of third party services in the revenue mix.

Total operating expenses grew by 8.4% to SEK 675 million, based on an increase in the average number of full-time employees by 192 (8.4%) from last year. Atea Sweden has significantly increased its consulting workforce from last year, based on a strong market demand for infrastructure services.

EBIT increased by 12.6% to SEK 112 million based on high revenue growth and relatively lower growth in operating expenses. EBIT margin was 2.9%, on the same level as last year.

FINANCIAL REVIEW | Q1 | 2019

DENMARK

DKK in million	Q1 2019	Q1 2018	Change %
Products revenue	1,109	1,241	-10.6%
Services revenue	325	314	3.3%
Total revenue	1,433	1,555	-7.8%
Gross profit	296	310	-4.5%
Gross margin %	*20.7%*	*19.9%*	*0.7%*
OPEX	316	318	-0.7%
EBIT	-20	-8	-139.1%
EBIT %	*-1.4%*	*-0.5%*	*-0.9%*

Atea Denmark had lower revenue and EBIT in Q1 2019, compared with last year. The decline in EBIT was softer than in previous quarters, as demand from the private sector began to improve.

Revenue in Q1 2019 was DKK 1,433 million, down 7.8% compared with last year. Hardware revenue was down 3.7% based on lower sales of clients, following the loss of a large frame agreement to the public sector. Software revenue decreased by 24.9% from a very strong corresponding quarter last year when Atea Denmark had large deliveries of software licenses to the public sector. Services revenue was up 3.3%, based on increased demand for datacenter outsourcing services.

Total gross margin increased to 20.7% in Q1 2019, compared with 19.9% last year, driven by a higher product margin. Product margin was 9.4% compared with 8.7% in Q1 2018, the revenue mix shifted from large public sector frame agreements toward sales to the private sector. Services margin decreased to 59.2% from 64.2% last year, due to higher cost on support agreements.

Total operating expenses remained at last year's level. The number of employees at the end of the quarter was slightly below last year, and is expected to fall further during the next quarters as hiring restrictions implemented in late-2018 have an increasing effect.

Based on lower revenue, EBIT was an operating loss of DKK -20 million in Q1 2019, compared with an operating loss of DKK -8 million in Q1 2018. The decline in EBIT was much softer than in previous quarters due to improved product margins and stable operating expenses.

FINANCIAL REVIEW | Q1 | 2019

FINLAND

EUR in million	Q1 2019	Q1 2018	Change %
Products revenue	94.1	83.6	12.6%
Services revenue	6.5	7.2	-8.7%
Total revenue	100.7	90.7	10.9%
Gross profit	11.8	10.6	12.0%
Gross margin %	*11.8%*	*11.7%*	*0.1%*
OPEX	10.6	9.4	13.1%
EBIT	1.2	1.2	3.3%
EBIT %	*1.2%*	*1.3%*	*-0.1%*

Atea Finland reported modest growth in EBIT in the first quarter of 2019, as rapid growth in revenue was offset by higher operating expenses.

Revenue in Q1 2019 was EUR 100.7 million, up 10.9% compared with last year. Hardware revenue was up 9.3%, software revenue was up 15.7% and services revenue was down 8.7%.

Growth in hardware revenue was driven by increased sales of datacenter equipment to the public sector. Software revenue was primarily driven by sales of client software to the public sector. Services revenue fell from a strong first quarter last year, when sales were positively impacted by a large consulting project to a public customer.

Total gross margin was 11.8% in Q1 2019, on the same level as last year. Product margin was 8.3%, up from 7.8% last year due to a higher proportion of datacenter and network equipment in the revenue mix. Services margin improved to 61.5% from 57.2% last year, due to a higher gross margin on datacenter services.

Total operating expenses were 13.1% higher than last year. Growth in operating expenses was primarily based on an increase in the average number of full-time employees by 38 (11.8%) from last year. Atea Finland has hired additional consultants as part of its long-term growth strategy to expand within services.

EBIT in Q1 2019 increased by 3.3% to EUR 1.2 million, driven by growth in product revenue. The EBIT margin was 1.2%, down from 1.3% last year.

FINANCIAL REVIEW | Q1 | 2019

THE BALTICS

EUR in million	Q1 2019	Q1 2018	Change %
Products revenue	22.6	18.5	21.8%
Services revenue	8.7	7.7	14.1%
Total revenue	31.3	26.2	19.6%
Gross profit	7.4	6.7	11.4%
Gross margin %	*23.7%*	*25.5%*	*-1.7%*
OPEX	6.5	6.6	-0.9%
EBIT	0.9	0.1	1093.7%
EBIT %	*2.9%*	*0.3%*	*2.6%*

In Q1 2019, Atea Baltics reported strong EBIT growth, with higher sales across all product and service lines and lower operating expenses than last year.

Revenue in Q1 2019 was EUR 31.3 million, up 19.6% compared with last year. Hardware revenue was up 17.1%, software revenue increased by 62.6% and services revenue was up 14.1%.

Growth in hardware revenue was based on large deliveries to major public sector costumers. Software revenue was primarily driven by sales of client software to the public sector. Services revenue growth was based on strong demand for software development and datacenter outsourcing services.

Total gross margin decreased to 23.7% in Q1 2019 compared with 25.5% last year. Product margin fell to 9.4% from 11.5% last year, as the revenue mix shifted toward large hardware and software deliveries at low margin. Services margin was 60.6% compared with 59.2% last year, due to improved margin in the datacenter services business.

Total operating expenses were EUR 6.5 million in Q1 2019, a decrease of 0.9% from last year. The decline was due to a lower number of full-time employees and a one-time expense of EUR 0.3 million in Q1 2018 related to a legal dispute. The average number of full-time employees decreased by 19 (2.8%) from last year.

EBIT in Q1 2019 was EUR 0.9 million, up from EUR 0.1 million last year. The EBIT margin was 2.9%, up from 0.3% last year.

BALANCE SHEET

As of 31 March 2019, Atea had total assets of NOK 13,005 million. Current assets such as cash, receivables and inventory represented NOK 7,104 million of this total. Non-current assets represented NOK 5,901 million of this total, and primarily consisted of goodwill (NOK 3,811 million), deferred tax assets (NOK 407 million), property, plant and equipment (NOK 530 million), and right-of-use leased assets (NOK 692 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 9,804 million, and shareholders' equity of NOK 3,201 million as of 31 March 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 Q1 2019 was 26.6%. The calculation of this metric can be found in the Alternative Performance Measures section of this report.

Atea's net financial position was NOK -620 million at the end of Q1 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, including unutilized credit facilities, of NOK 2,147 million as of 31 March 2019.

CASH FLOW

Cash flow from operations was NOK -481 million in the first quarter of 2019. Atea's cash flow from operations is highly impacted by fluctuations in working capital throughout the year. This results in high cash flow from operations in the fourth quarter of the year when working capital requirements fall, and negative cash flow in the first half of the year when working capital requirements increase.

In addition to seasonal volatility, Atea's working capital balance during Q1 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 until the third quarter of the year.

In order to reduce the volatility of its working capital requirements and its debt balance throughout the year, Atea sells specified receivables through a securitization program organized by its bank. At the end of Q1 2019, Atea sold receivables of NOK 844 million under the securitization program. Additional information on the securitization program can be found in Note 6 of this report.

Cash flow from investing activities were NOK -88 million in Q1 2019, up from NOK -80 million in the corresponding quarter last year. The increased level of capital expenditure is related to investments in the new logistics center under construction in Växjö, Sweden.

Cash flow from financing activities was NOK 400 million in Q1 2019, up from NOK 164 million in the corresponding quarter last year.

SHARES

Atea had 7,457 shareholders on 31 March 2019 compared with 7,397 shareholders on 31 March 2018.

The 10 largest shareholders as of 31 March 2019 were:

Main Shareholders*	Shares	%
Systemintegration APS **	27,246,398	25.0%
Folketrygdfondet	10,149,129	9.3%
Odin Norden	3,680,120	3.4%
State Street Bank & Trust Co. ***	3,415,000	3.1%
Handelsbanken Norden Selektiv	3,256,029	3.0%
State Street Bank and Trust Co. ***	3,102,133	2.8%
State Street Bank & Trust Co. ***	2,787,092	2.6%
Odin Norge	2,447,198	2.2%
State Street Bank & Trust Co. ***	2,324,886	2.1%
JP Morgan Chase Bank	2,305,771	2.1%
Other	48,400,382	44.4%
Total number of shares	109,114,138	100.0%

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

As of 31 March 2019, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.1% of the shares, including the shares held by Systemintegration APS.

As of 31 March 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 7,300 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 creative energy, 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 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.

During the last year, Atea has significantly increased its services staff to pursue its business strategy and develop its competence in key growth areas. The recruitment of services staff resulted in higher operating expenses during Q1 2019. Services revenue also increased during Q1 2019 but billing rates have not yet reached full maturity. This is expected to improve in the coming quarters.

The outlook for each business segment is as follows:

Sweden:

Sweden is Atea's largest market, representing 39% of Group revenue in the first quarter 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 2019, driven by increased product sales and a higher services revenue within key growth segments.

Norway:

Norway is Atea's second largest market, representing 27% of Group revenue in the first quarter 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 over 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. Based on healthy market demand for IT infrastructure in Norway, Atea expects strong revenue and EBIT performance during 2019.

Denmark:

Denmark is Atea's third largest market, representing 20% of Group revenue in the first quarter 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 Denmark is in the process of recovering from the court conviction. EBIT continued to fall from last year's level during Q1 2019, but at a much lower rate than in prior quarters. Demand from the private sector grew in Q1 2019, and operating expenses were flat from last year.

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 in 2019 after a very challenging 2018.

Finland:

Finland represented 11% of Group revenue in the first quarter 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, market conditions in Finland have 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.

BUSINESS OVERVIEW

BUSINESS OUTLOOK (CONT'D)

Baltics:

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

Growth in revenue and profitability was driven by Atea's cloud services subsidiary in Lithuania. Product sales have historically fluctuated greatly in Atea Baltics, as demand is heavily driven by large public projects which are dependent on EU funding and vary from year to year.

In 2019, Atea will expand its cloud services business in the Baltics by opening a new data center, and expects continued growth in this area. 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 by far 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 Q1 2019, AppXite had an operating loss of EUR -0.4 million. In 2019, the subsidiary is expected to have an operating loss of EUR 1 – 2 million as its business continues to scale.

CONDENSED FINANCIAL INFORMATION

FOR THE 3 MONTHS ENDED 31 MARCH 2019

CONSOLIDATED INCOME STATEMENT

NOK in million	Note	Q1 2019	Q1 2018	Full year 2018
Revenue	2, 3, 8	9,139	8,340	34,709
Gross profit		1,939	1,838	7,536
Employee benefits expense		-1,445	-1,346	-5,396
Other operating costs	1	-216	-258	-1,018
Share based compensation		-21	-17	-61
EBITDA	1	257	217	1,061
Depreciation and amortization	1	-139	-86	-339
Amortization related to acquisitions		-2	-8	-31
Operating profit (EBIT)	1, 2	116	123	690
Net financial items	5	-17	-11	-56
Profit before tax		99	111	634
Tax	7	-19	-24	-167
Profit for the period		79	87	467
Earnings per share				
- earnings per share	4	0.73	0.81	4.33
- diluted earnings per share	4	0.72	0.80	4.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK in million	Q1 2019	Q1 2018	Full year 2018
Profit for the period	79	87	467
Currency translation differences	-111	-115	-14
Forward contracts - cash flow hedging	-1	-2	9
Income tax OCI relating to items that may be reclassified to profit or loss	0	0	-2
Items that may be reclassified subsequently to profit or loss	-112	-117	-7
Other comprehensive income	-112	-117	-7
Total comprehensive income for the period	-32	-30	460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in million	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS				
Property, plant and equipment		530	495	525
Right-of-use (ROU) leased assets	1	692	119	92
Deferred tax assets	7	407	482	401
Goodwill		3,811	3,755	3,901
Other intangible assets		230	254	237
Investment in associated companies		13	11	13
Long-term subleasing receivables	1	191	-	-
Other long-term receivables		27	5	28
Non-current assets		5,901	5,121	5,196
Inventories		995	776	830
Trade receivables		3,817	4,317	6,445
Other receivables		1,647	1,585	1,541
Short-term subleasing receivables	1	93	-	-
Other financial assets		0	0	1
Cash and cash equivalents		552	294	764
Current assets		7,104	6,973	9,581
Total assets		13,005	12,094	14,778
EQUITY AND LIABILITIES				
Share capital and premium	4	430	362	410
Other reserves		1,306	1,309	1,418
Retained earnings	1	1,465	1,691	1,409
Equity		3,201	3,361	3,237
Interest-bearing long-term liabilities	6	539	111	557
Long-term sublease liabilities	1	191	-	-
Long-term lease liabilities on ROU assets	1	483	-	-
Other long-term liabilities		8	13	8
Deferred tax liabilities		225	266	234
Non-current liabilities		1,447	390	799
Trade payables		4,721	4,563	7,125
Interest-bearing current liabilities	6	633	1,051	224
Current sublease liabilities	1	93	-	-
Current lease liabilities on ROU assets	1	176	-	-
VAT, taxes and government fees		748	661	952
Provisions		93	104	247
Other current liabilities		1,888	1,959	2,183
Other financial liabilities		5	4	10
Current liabilities		8,358	8,343	10,741
Total liabilities		9,804	8,732	11,540
Total equity and liabilities		13,005	12,094	14,778

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK in million	Note	31 Mar 2019	31 Mar 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		3,200	3,373	3,373
Currency translation differences		-111	-115	-14
Forward contracts - cash flow hedging		-1	-1	7
Other comprehensive income		-112	-117	-7
Profit for the period		79	87	467
Total recognised income for the year		-32	-30	460
Employee share-option schemes		14	11	49
Dividends		-	-	-700
Issue of share capital	4	19	7	56
Equity at end of period		3,201	3,361	3,237

CONSOLIDATED STATEMENT OF CASH FLOW

NOK in million	Q1 2019	Q1 2018	Full year 2018
Profit before tax	99	111	634
Adjusted for:			
Depreciation and amortisation	141	94	370
Share based compensation	14	11	49
Gains/Losses on disposals of PPE and intangible asset	0	0	0
Net interest expenses	17	9	36
Taxes paid	-113	-66	-108
Net interest paid	-13	-9	-44
Cash earnings	144	149	937
Change in trade receivables	2,490	2,147	203
Change in inventories	-196	-216	-239
Change in trade payables	-2,218	-1,990	416
Other changes in working capital	-700	-932	-371
Cash flow from operating activities	-481	-842	946
Capital expenditure	-88	-80	-305
Acquisition of subsidiaries/businesses	-	-	-62
Cash flow from investing activities	-88	-80	-367
Dividend paid	-	-	-700
Proceeds from new shares issue	19	8	56
Proceeds from sublease	22	-	-
Payments of sublease liabilities	-22	-	-
Change in debt	381	156	-252
Cash flow from financing activities	400	164	-896
Net cash flow	-169	-757	-317
Cash and cash equivalents at the start of the period	764	1,125	1,125
Foreign exchange effect on cash held in a foreign currency	-42	-74	-44
Cash and cash equivalents at the end of the period	552	294	764

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for three months ending 31 March 2019 were approved for publication by the Board of Directors on 29 April 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 will have a significant positive impact on EBITDA in the Group's consolidated income statement and increase 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.

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 31 March 2019:

1. Operating lease expenses recognised as Employee benefits expense and Other operational costs is decreased by NOK 78 million.
2. Depreciation is increased by NOK 71 million as a result of depreciation of ROU assets.
3. Net interest expense is increased by NOK 7 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 effects on leases on the Consolidated statement of Financial position on 1 January 2019 was following:

1. NOK 649 million on ROU assets, and NOK 699 million on lease liabilities.
2. NOK 320 million on subleasing receivables, and NOK 308 million on subleasing liabilities.
3. Retained earnings is 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 reconciliation to the opening balance for the lease liabilities as at 1 January 2018 is based upon the operating lease obligations as at 31 December 2018:

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 as at 31 March 2019:

NOK in million	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Right-of-use assets - Buildings and property	480	-	-
Right-of-use assets - Computer equipment	81	109	85
Right-of-use assets - Motor vehicles	130	9	8
Right-of-use assets - Office machines	0	-	-
Total right-of-use assets	692	119	92

More information about the impact of IFRS 16, 'Leases', is provided in Note 2 in the Annual report for 2018.

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 7,300 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**	**Q1** **2019**	**Q1** **2018**	**Full year** **2018**
Norway	2,442.4	1,901.4	8,737.1
Sweden	3,575.3	3,314.4	14,049.0
Denmark	1,870.9	2,011.3	8,026.2
Finland	980.5	873.9	2,889.3
The Baltics	305.0	252.2	1,150.8
Group Shared Services	1,551.9	1,253.5	5,495.9
AppXite	5.6	4.7	17.0
Eliminations*	-1,592.3	-1,271.4	-5,655.9
Atea Group	9,139.4	8,340.1	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	Q1 2019	Q1 2018	Full year 2018
Norway	38.4	42.5	308.3
Sweden	104.8	96.1	453.2
Denmark	-26.0	-10.8	-94.3
Finland	11.8	11.3	59.1
The Baltics	8.7	0.7	27.7
Group Shared Services	6.2	8.7	41.2
AppXite	-3.7	-4.3	-23.1
Group cost	-24.3	-21.5	-81.8
Operating profit (EBIT)	115.9	122.7	690.3
Net financial items	-17.3	-11.4	-56.2
Profit before tax	98.6	111.3	634.1

Quarterly revenue and gross margin NOK in million	Q1 2019	Q1 2018	Full year 2018
Product revenue	7,467.7	6,812.9	28,268.0
Services revenue	1,670.5	1,527.0	6,440.3
Other income	1.1	0.2	1.1
Total revenue	9,139.4	8,340.1	34,709.4
Gross contribution	1,938.9	1,838.0	7,535.6
Product margin	10.9%	11.8%	11.7%
Services margin	67.4%	67.8%	65.6%
Gross margin	21.2%	22.0%	21.7%

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

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

LOCAL CURRENCY

Revenue **Local currency in million**		**Q1** **2019**	**Q1** **2018**	**Full year** **2018**
Norway	NOK	2,442.4	1,901.4	8,737.1
Sweden	SEK	3,824.7	3,430.0	15,004.8
Denmark	DKK	1,433.3	1,555.0	6,231.5
Finland	EUR	100.7	90.7	301.0
The Baltics	EUR	31.3	26.2	119.9
Group Shared Services	NOK	1,551.9	1,253.5	5,495.9
AppXite	EUR	0.6	0.5	1.8
Eliminations*	NOK	-1,592.3	-1,271.4	-5,655.9
Atea Group	NOK	9,139.4	8,340.1	34,709.4

EBIT **Local currency in million**		**Q1** **2019**	**Q1** **2018**	**Full year** **2018**
Norway	NOK	38.4	42.5	308.3
Sweden	SEK	112.1	99.5	484.0
Denmark	DKK	-19.9	-8.3	-73.2
Finland	EUR	1.2	1.2	6.2
The Baltics	EUR	0.9	0.1	2.9
Group Shared Services	NOK	6.2	8.7	41.2
AppXite	EUR	-0.4	-0.5	-2.4
Group cost	NOK	-24.3	-21.5	-81.8
Operating profit (EBIT)	NOK	115.9	122.7	690.3
Net financial items	NOK	-17.3	-11.4	-56.2
Profit before tax	NOK	98.6	111.3	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**		**Q1 2019**	**Q1 2018**	**Full year 2018**
Norway	NOK	1,315.6	1,065.1	5,193.1
Sweden	SEK	2,014.3	1,836.3	8,034.5
Denmark	DKK	804.5	835.7	3,173.7
Finland	EUR	43.5	39.8	161.1
The Baltics	EUR	19.4	16.6	74.2
Group Shared Services	NOK	1,439.0	1,165.7	5,121.4
AppXite	EUR	-	-	-
Eliminations*	NOK	-1,427.7	-1,145.1	-5,079.0
Atea Group	NOK	4,872.9	4,484.1	19,104.6

Software **Local currency in million**		**Q1 2019**	**Q1 2018**	**Full year 2018**
Norway	NOK	613.7	377.7	1,621.7
Sweden	SEK	1,156.0	1,028.8	4,540.7
Denmark	DKK	304.1	405.0	1,668.9
Finland	EUR	50.6	43.8	112.8
The Baltics	EUR	3.1	1.9	13.1
Group Shared Services	NOK	0.9	0.7	3.3
AppXite	EUR	-	-	-
Eliminations*	NOK	-21.1	-7.8	-71.1
Atea Group	NOK	2,594.8	2,328.8	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		Q1 2019	Q1 2018	Full year 2018
Norway	NOK	512.3	458.6	1,922.3
Sweden	SEK	654.4	564.9	2,429.6
Denmark	DKK	324.7	314.3	1,388.9
Finland	EUR	6.5	7.2	27.1
The Baltics	EUR	8.7	7.7	32.6
Group Shared Services	NOK	112.0	87.2	371.2
AppXite	EUR	0.6	0.5	1.7
Eliminations*	NOK	-143.5	-118.5	-505.8
Atea Group	NOK	1,670.5	1,527.0	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**	423,621	0	0	-	19	19
At 31 March 2019	109,114,138	-7,844	109	0	321	430

Average number of shares outstanding

The average number of shares outstanding during the first quarter of 2019 was 108,903,897 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 quarter of 2019 was 109,978,379. 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 Q1 2019, and the remaining vesting period of the options, the dilution impact of the share option program is 1,074,482 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)

Q1 2019	Number of share options	Average Nominal Strike price	Adjusted Nominal Strike price*	Weighted average number of shares outstanding
Shares outstanding, basic EPS calculation				108,903,897
Dilution effect of share options				
Total share options				
Fully vested, with adjusted strike price below share price	1,391,929	45	45	979,898
Unvested*, with adjusted strike price below share price	1,917,832	106	114	94,584
Unvested*, with adjusted strike price above share price	4,024,669	109	126	-
All Share options	7,334,430	96	108	1,074,482
Shares outstanding, fully diluted EPS calculation**				109,978,379

NOTE 5

NET FINANCIAL ITEMS

NOK in million	Q1 2019	Q1 2018	Full year 2018
Interest income	2	1	7
Other financial income	0	0	3
Total financial income	2	1	10
Interest costs on loans	-10	-8	-36
Interest costs on leases	-9	-2	-7
Foreign exchange effects	0	-2	-16
Other financial expenses	-1	-1	-7
Total financial expenses	-20	-13	-66
Total net financial items	-17	-11	-56

Interest costs on leases include NOK 7 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 service to be provided during remainder of vesting period, in accordance with IFRS 2 Share-based Payment
**Based on an average share price of 119.54 from January 1 - March 31, 2019

NOTE 6

BORROWING

Interest-bearing long-term liabilities as of 31 March 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 31 March 2019 consisted of financial lease liabilities (mainly for lease of IT equipment) and revolving credit facility secured by receivables.

Atea countries had NOK 78 million in financial leases and NOK 610 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 1,500 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 800 million secured by other receivables. Pricing on the facility is IBOR 3M + 1.00%.

As of 31 March 2019, Atea Norway and Atea Denmark sold receivables of NOK 844 million under the first facility. Atea Sweden plans to commence participation in the program during the Q2 of 2019.

NOTE 7

TAXES

NOK in million	Q1 2019	Effective rate	Q1 2018	Effective rate	Full year 2018	Effective rate
Profit before tax	99		111		634	
Tax payable expenses	-26	26.9%	-21	19.2%	-117	18.4%
Deferred tax asset changes due to tax loss carry forward	5	-5.5%	-4	4.0%	-45	7.2%
Other deferred tax changes	2	-2.0%	1	-1.3%	-5	0.8%
Total tax expenses	-19	19.4%	-24	21.8%	-167	26.4%

Income tax expense is recognised based on management's estimate of its weighted average tax rate. The estimated effective tax rate during Q1 2019 is 19.4%.

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.

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

NOTE 9

EVENTS AFTER THE BALANCE SHEET DATE

On February 6, 2019 the Board of Atea ASA resolved to propose a dividend of NOK 6.50 per share at the next Annual General Meeting to be held on April 30, 2019.The dividend will be split into two equal payments of NOK 3.25 which will take place in May and November 2019. For Norwegian tax purposes, the dividend shall be considered as repayment of paid in capital. Further details on the dividend payment will be provided in the Notice to the Annual General Meeting.

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	Q1 2019	Q1 2018	Full year 2018
Revenue	9,139	8,340	34,709
Adjustment for acquisitions	-	19	52
Pro forma revenue	9,139	8,359	34,761
Pro forma revenue on last year currency	9,228	8,078	34,912
Pro forma growth in constant currency	10.4%	9.5%	7.4%

NOK in million	Q1 2019	Q1 2018	Full year 2018
EBITDA	257	217	1,061
Adjustment for acquisitions	-	2	8
Pro forma EBITDA	257	219	1,069

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

OPERATING EXPENSES

Operating expenses include personnel costs, other operating expenses, share based compensation, depreciation and amortization costs.

NOK in million	Q1 2019	Q1 2018	Full year 2018
Personnel costs	1,445	1,346	5,396
Other operating costs	216	258	1,018
Share based compensation	21	17	61
Depreciation and amortization	68	68	269
Depreciation of right-of-use assets	71	18	70
Amortization related to acquisitions	2	8	31
Total operating expenses	1,823	1,715	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	Q1 2019	Q1 2018	Full year 2018
Cash flow from operations	-481	-842	946
Capital expenditures through cash	-88	-80	-305
Free cash flow	-570	-921	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	31 Mar 2019	31 Mar 2018	31 Dec 2018
Interest-bearing long-term liabilities	-539	-111	-557
Interest-bearing current liabilities	-633	-1,051	-224
Cash and cash equivalents	552	294	764
Net financial position	-620	-868	-17
Long-term ROU assets leasing liabilities	-483	-	-
Current ROU assets leasing liabilities	-176	-	-
Long-term subleasing liabilities	-191	-	-
Short-term subleasing liabilities	-93	-	-
Long-term subleasing receivables	191	-	-
Short-term subleasing receivables	93	-	-
Incremental net lease liabilities due to IFRS 16 adoption	-659	-	-

NET WORKING CAPITAL

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

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

NOK in million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Inventories	995	776	830
Trade receivables	3,817	4,317	6,445
Other receivables	1,647	1,585	1,541
Other financial assets	0	0	1
Trade payables	-4,721	-4,563	-7,125
VAT, taxes and government fees	-748	-661	-952
Provisions	-93	-104	-247
Other current liabilities	-1,888	-1,959	-2,183
Other financial liabilities	-5	-4	-10
Working capital	-996	-613	-1,699
Securitization effect	-844	-	-349
Working capital before securitization	-152	-613	-1,350
Year to date revenue	9,139	8,340	34,709
Annualized revenue	36,557	33,360	34,709
Working capital in relation to annualized revenue	-2.7%	-1.8%	-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	31 Mar 2019	31 Mar 2018	31 Dec 2018
Last 12 months pro forma EBITDA	1,107	1,201	1,069
Debt covenant ratio	2.5	2.5	2.5
Net debt limit	2,767	3,002	2,672
Net financial position	-620	-868	-17
Liquidity reserve	2,147	2,134	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	31 Mar 2019	31 Mar 2018	31 Dec 2018
Total assets	13,005	12,094	14,778
Deduct: incremental lease assets due to IFRS 16 adoption			
Right-of-use assets	-692	-119	-92
Long-term subleasing receivables	-191	-	-
Short-term subleasing receivables	-93	-	-
Adjusted total assets	12,029	11,975	14,685
Equity	3,201	3,361	3,237
Adjusted equity ratio	26.6%	28.1%	22.0%

Q1

2019

HOLDING
ATEA ASA

Brynsalleen 2
Box 6472 Etterstad
NO-0605 Oslo
Tel: +47 22 09 50 00
Org.no 920 237 126
investor@atea.com
atea.com

NORWAY
ATEA AS

Brynsalleen 2
Box 6472 Etterstad
NO-0605 Oslo
Tel: +47 22 09 50 00
Org.no 976 239 997
info@atea.no
atea.no

SWEDEN
ATEA AB

Kronborgsgränd 1
Box 18
SE-164 93 Kista
Tel: +46 (0)8 477 47 00
Org.no 556448-0282
info@atea.se
atea.se

DENMARK
ATEA A/S

Lautrupvang st. 6
DK-2750 Ballerup
Tel: +45 70 25 25 50
Org.no 25511484
info@atea.dk
atea.dk

FINLAND
ATEA OY

Jaakonkatu 2
PL 39
FI-01621 Vantaa
Tel: +358 (0)10 613 611
Org.no 091 9156-0
customercare@atea.fi
atea.fi

LITHUANIA
ATEA UAB

J. Rutkausko st. 6
LT-05132 Vilnius
Tel: +370 5 239 7899
Org.no 122 588 443
info@atea.lt
atea.lt

LATVIA
ATEA SIA

Unijas iela 15
LV-1039 Riga
Tel: +371 67 819050
Org.no 40003312822
info@atea.lv
atea.lv

ESTONIA
ATEA AS

Pärnu mnt. 139C, 1
EE-1317 Tallinn
Tel: +372 610 5920
Org.no 10088390
info@atea.ee
atea.ee

GROUP LOGISTICS
ATEA LOGISTICS AB

Smedjegatan 12
Box 159
SE-351 04 Växjö
Tel: +46 (0)470 77 16 00
Org.no 556354-4690
customer.care@atea.se

GROUP SHARED SERVICES
ATEA GLOBAL SERVICES SIA

Mukusalas Street 15
LV-1004 Riga
Org.no 50203101431
rigainfo@atea.com
ateaglobal.com

GROUP FUNCTIONS
ATEA GROUP FUNCTIONS A/S

Lautrupvang st. 6
DK-2750 Ballerup
Org.no 39097060
info@atea.dk

APPXITE
APPXITE SIA

Matrozu Street 15
LV-1048 Riga
Org.no 40003843899
info@appxite.com
appxite.com