ATEA

Q4

2019

INTERIM REPORT

Revenue of NOK 10,203 million, up 0.3% y-o-y

Net profit of NOK 218 million, up 6.7% y-o-y

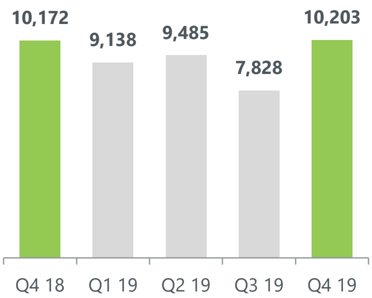
Cash flow from operations of NOK 1,939 million, compared with NOK 2,284 million last year

Net financial position of NOK 657 million, compared with NOK -17 million last year

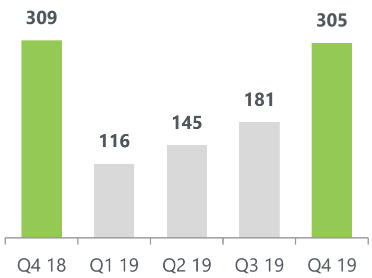
KEY FIGURES* | Q4 | 2019

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Group revenue	10,203	10,172	36,655	34,708
Gross profit	2,162	2,127	7,758	7,534
Gross margin (%)	21.2%	20.9%	21.2%	21.7%
EBIT	305	309	747	690
EBIT margin (%)	3.0%	3.0%	2.0%	2.0%
Net profit	218	204	530	467
Earnings per share (NOK)	1.99	1.88	4.84	4.33
Diluted earnings per share (NOK)	1.96	1.86	4.78	4.26
Cash flow from operations	1,939	2,284	1,897	946
Free cash flow	1,919	2,205	1,644	641

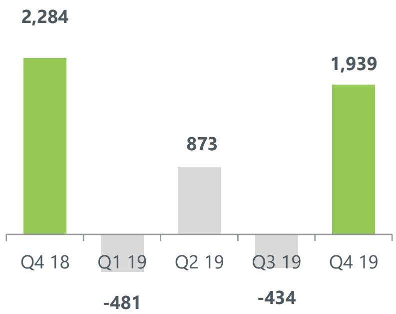
	31 Dec 2019	31 Dec 2018
Net financial position**	657	-17
Liquidity reserve**	3,995	2,669
Working capital	-2,419	-1,699
Working capital in relation to annualized revenue (%)	-6.6%	-4.9%
Adjusted equity ratio** (%)	22.4%	22.0%
Number of full-time employees	7,585	7,385



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 Note 12 of this report
**Adjusted for IFRS 16 effect (from 1 January 2019)

FINANCIAL REVIEW | Q4 | 2019

GROUP

Atea's revenue in Q4 2019 was in line with last year, as higher sales of software and services offset lower sales of hardware.

Revenue grew by 0.3% to NOK 10,203 million in Q4 2019. On a pro forma basis*, revenue declined by 1.7% in constant currency. Currency fluctuations had a positive impact of 2.0% on revenue growth in Q4 2019.

Hardware revenue was down 3.1%, software revenue was up 6.3% and services revenue was up 1.9%. The shift in Atea's revenue mix from hardware toward software and services could be seen across nearly all geographies and across the product range. The revenue development is attributed to industry trends and a more challenging market environment.

Gross profit grew by 1.6% to NOK 2,162 million. Gross margin was 21.2%, compared with 20.9% last year. The increase in gross margin was driven by a higher proportion of revenue from Atea's consulting services and managed services compared with last year.

Total operating expenses grew by 2.1% to NOK 1,857 million. Growth in operating expenses was due to an increase in the average number of full-time employees by 177 (2.4%) from last year, and an increase in share based compensation cost.

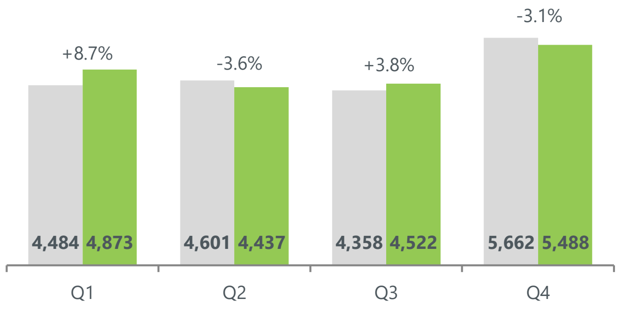
Share based compensation expense increased to NOK 25 million from NOK 3 million last year based on a strong appreciation in the Atea share price during Q4 2019, compared with a decline in the Atea share price last year. An increase in the share price requires Atea to recognize costs for future payroll tax expenses which the company will incur upon the exercise of employee share options.

EBIT before share based compensation was NOK 330 million, an increase of 5.6% from last year. After share based compensation, EBIT was NOK 305 million compared with NOK 309 million last year.

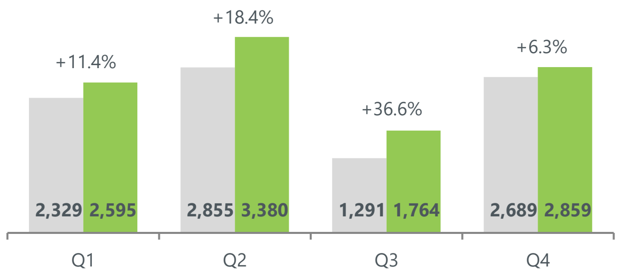
Net financial items were an expense of NOK 42 million, compared with an expense of NOK 15 million last year. The increase was primarily due to currency fluctuations and a change in the accounting of lease expenses following the implementation of the new IFRS 16 standard from 1 January 2019. A detailed breakdown of net financial items can be found in Note 5 of this report.

Income tax expense was NOK 45 million, compared with NOK 89 million last year. The difference was primarily due to changes in deferred tax during the periods. Further information on tax expense can be found in Note 7 of this report.

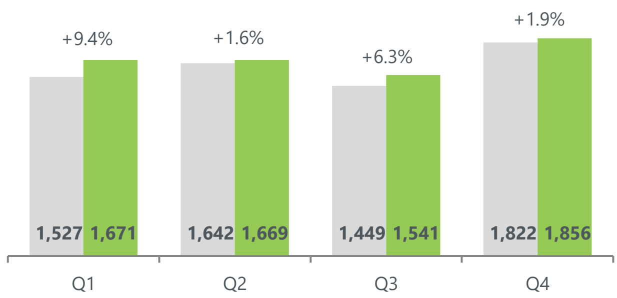
Net profit after tax was NOK 218 million, up 6.7% from NOK 204 million last year.



HARDWARE REVENUE AND GROWTH | NOK in million



SOFTWARE REVENUE AND GROWTH | NOK in million



SERVICES REVENUE AND GROWTH | NOK in million

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NORWAY

NOK in million	Q4 2019	Q4 2018	Change %	Full year 2019	Full year 2018	Change %
Products revenue	2,066	2,155	-4.1%	7,303	6,815	7.2%
Services revenue	547	533	2.7%	2,124	1,922	10.5%
Total revenue	2,613	2,688	-2.8%	9,427	8,737	7.9%
Gross profit	626	636	-1.5%	2,268	2,204	2.9%
Gross margin %	*24.0%*	*23.7%*	*0.3%*	*24.1%*	*25.2%*	*-1.2%*
OPEX	516	518	-0.4%	1,971	1,896	4.0%
EBIT	111	118	-6.3%	297	308	-3.6%
EBIT %	*4.2%*	*4.4%*	*-0.2%*	*3.2%*	*3.5%*	*-0.4%*

Atea Norway had lower revenue and EBIT in the fourth quarter of 2019, due to a decline in hardware sales.

Revenue in Q4 2019 was NOK 2,613 million, down 2.8% from last year. On a proforma basis, revenue fell by 2.9% adjusting for the acquisition of DatabaseForum in September 2019, Hardware revenue was down by 7.9%, while software revenue was up 7.4% and services revenue was up 2.7%.

The decline in hardware revenue was due to slower market conditions across all major product categories. Demand for software and services remained healthy, particularly within growth areas such as managed cloud, security and data analytics solutions.

Total gross margin was 24.0%, compared with 23.7% last year, due to a higher proportion of Atea consulting services and managed services in the revenue mix. Product margin fell to 12.4% in Q4 2019 from 13.2% last year, due to lower hardware margin and a higher proportion of low margin software sales in the revenue mix. Service margin increased to 67.8% compared with 66.2% last year, due to improved profitability on datacenter outsourcing agreements.

Total operating expenses declined by 0.4% to NOK 516 million, driven by lower marketing costs compared with last year. The average number of full-time employees increased by 16 (1.0%) from last year.

EBIT in Q4 2019 was NOK 111 million, down by 6.3% from last year due to lower hardware sales. The EBIT margin was 4.2%, down from 4.4% last year.

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SWEDEN

SEK in million	Q4 2019	Q4 2018	Change %	Full year 2019	Full year 2018	Change %
Products revenue	3,723	3,606	3.2%	13,264	12,575	5.5%
Services revenue	745	699	6.7%	2,638	2,430	8.6%
Total revenue	4,468	4,305	3.8%	15,902	15,005	6.0%
Gross profit	853	856	-0.3%	3,148	3,051	3.2%
Gross margin %	*19.1%*	*19.9%*	*-0.8%*	*19.8%*	*20.3%*	*-0.5%*
OPEX	706	699	1.0%	2,629	2,567	2.4%
EBIT	147	156	-6.3%	519	484	7.3%
EBIT %	*3.3%*	*3.6%*	*-0.4%*	*3.3%*	*3.2%*	*0.0%*

Atea Sweden reported solid revenue growth in the fourth quarter of 2019 despite challenging market conditions. EBIT fell from last year due to lower gross margins and an increase in share based compensation expense.

Revenue grew by 3.8% from last year to SEK 4,468 million. Hardware revenue was down 0.5%, software revenue was up 9.3% and services revenue was up 6.7%.

Hardware revenue fell slightly due to lower sales of datacenter equipment compared to last year. Software revenue growth was driven by higher demand from the public sector across multiple product categories. Services revenue growth was driven by higher sales of managed service contracts.

Total gross margin was 19.1% in Q4 2019, compared with 19.9% last year. Product margin fell to 10.2% in Q4 2019 from 11.3% last year, mostly due to a shift in the revenue mix toward lower margin hardware and software. Services margin was 63.3% compared with 63.9% in Q4 2018, based on a higher direct costs on managed service contracts.

Total operating expenses increased by 1.0% to SEK 706 million, due to increased share based compensation cost compared with last year. Share based compensation increased by SEK 10 million from last year, based on an appreciation in the Atea share price during Q4 2019.

EBIT in Q4 2019 was SEK 147 million, down by 6.3% from last year. The EBIT margin was 3.3%, down from 3.6% last year.

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DENMARK

DKK in million	Q4 2019	Q4 2018	Change %	Full year 2019	Full year 2018	Change %
Products revenue	1,303	1,460	-10.7%	4,886	4,843	0.9%
Services revenue	327	392	-16.7%	1,245	1,389	-10.4%
Total revenue	1,630	1,852	-12.0%	6,131	6,231	-1.6%
Gross profit	324	340	-4.8%	1,186	1,239	-4.3%
Gross margin %	*19.9%*	*18.4%*	*1.5%*	*19.3%*	*19.9%*	*-0.5%*
OPEX	307	332	-7.5%	1,234	1,313	-6.0%
EBIT	17	8	102.8%	-48	-73	33.9%
EBIT %	*1.0%*	*0.4%*	*0.6%*	*-0.8%*	*-1.2%*	*0.4%*

Atea Denmark reported improved EBIT in Q4 2019 based on higher gross margins and lower operating expenses compared with last year.

Total revenue in Denmark fell by 12.0% to DKK 1,630 million. Hardware revenue was down 7.8%, software revenue was down 16.3% and services revenue fell by 16.7%.

The decline in hardware and software revenue was concentrated in the public sector, and spread across multiple product categories. The decline in services revenue was based on lower sales of managed service contracts. The business recovery in managed services has been slower than consulting services due to the longer lead times to sell these agreements.

Total gross margin increased to 19.9% in Q4 2019 compared with 18.4% last year. Product margin was 9.3% in Q4 2019, up from 8.4% last year, due to an improved margin on software sales. Services margin increased to 62.0% from 55.6% last year, driven by an increase in Atea's consulting services within the revenue mix.

Total operating expenses were DKK 307 million, a decline of 7.5% from Q4 2018. The decline in operating expenses was mostly due to a reduction in the number of full-time employees by 71 (-4.6%) from last year.

Based on higher gross margin and lower operating expenses, Atea Denmark improved its profitability in Q4 2019. EBIT was DKK 17 million, up from DKK 8 million last year. The EBIT margin was 1.0%, up from 0.4% last year.

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FINLAND

EUR in million	Q4 2019	Q4 2018	Change %	Full year 2019	Full year 2018	Change %
Products revenue	73.0	68.8	6.1%	301.9	273.9	10.2%
Services revenue	9.0	7.3	23.0%	30.0	27.1	10.9%
Total revenue	82.0	76.1	7.7%	332.0	301.0	10.3%
Gross profit	13.3	12.4	7.7%	48.0	42.2	13.7%
Gross margin %	*16.3%*	*16.3%*	*0.0%*	*14.5%*	*14.0%*	*0.4%*
OPEX	10.7	9.5	13.6%	41.6	36.0	15.5%
EBIT	2.6	2.9	-11.6%	6.4	6.2	3.2%
EBIT %	*3.2%*	*3.9%*	*-0.7%*	*1.9%*	*2.0%*	*-0.1%*

Atea Finland reported strong growth in revenue in the fourth quarter of 2019, driven by higher sales of software and services.

Revenue in Q4 2019 was EUR 82.0 million, up 7.7% from last year. Hardware revenue was up 0.9%, software revenue was up 17.9% and services revenue was up 23.0%.

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

Total gross margin was 16.3% in Q4 2019, on the same level as last year. Product margin was 11.3%, down from 12.8% last year, mostly due to a higher proportion of revenue from low margin software agreements. Services margin increased to 56.3% from 48.8% last year, based on higher sales of Atea's consulting services and improved margins on datacenter outsourcing agreements.

Total operating expenses were 13.6% higher than last year. Growth in operating expenses was primarily based on an increase in the average number of full-time employees by 65 (18.5%) from last year. During the last year, Atea has increased staffing to develop its services business in Finland, which is now in an expansion phase but has not yet reached its full revenue potential.

Based on higher operating expenses, EBIT in Q4 2019 fell by 11.6% to EUR 2.6 million. The EBIT margin was 3.2%, down from 3.9% last year.

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THE BALTICS

EUR in million	Q4 2019	Q4 2018	Change %	Full year 2019	Full year 2018	Change %
Products revenue	28.7	31.5	-9.0%	90.7	87.3	4.0%
Services revenue	10.9	9.0	21.0%	37.0	32.6	13.7%
Total revenue	39.6	40.5	-2.3%	127.8	119.8	6.6%
Gross profit	9.6	8.4	14.0%	31.7	28.8	10.2%
Gross margin %	*24.2%*	*20.8%*	*3.5%*	*24.8%*	*24.0%*	*0.8%*
OPEX	7.8	6.8	15.5%	27.9	25.9	7.6%
EBIT	1.8	1.6	7.7%	3.9	2.9	33.9%
EBIT %	*4.4%*	*4.0%*	*0.4%*	*3.0%*	*2.4%*	*0.6%*

Atea Baltics reported higher EBIT in the fourth quarter of 2019, based on very strong growth in sales of services.

Revenue in Q4 2019 was EUR 39.6 million, down 2.3% compared with last year. Hardware revenue was down 22.1%, while software revenue increased by 50.9% and services revenue was up 21.0%.

Hardware revenue fell from last year due to fewer large contracts to the public sector, compared with last year. Software revenue grew based on a major project to the central government in Lithuania. Services revenue grew based on higher demand for consulting services and managed cloud agreements.

Total gross margin improved to 24.2% in Q4 2019, compared with 20.8% last year. Product margin was 9.9%, on the same level as last year. Services margin increased to 62.0% from 58.3% last year, due to higher sales of Atea's consultants and lower direct costs on managed service agreements.

Total operating expenses were EUR 7.8 million in Q4 2019, an increase of 15.5% from last year. Growth in operating expenses was primarily due to the growth of Atea's services business, with relatively high salary inflation for skilled IT consultants in the Baltic labor markets.

EBIT in Q4 2019 was EUR 1.8 million, up by 7.7% from last year. The EBIT margin was 4.4%, up from 4.0% last year.

BALANCE SHEET

As of 31 December 2019, Atea had total assets of NOK 14,957 million. Current assets such as cash, receivables and inventory represented NOK 8,849 million of this total. Non-current assets represented NOK 6,108 million of this total, and primarily consisted of goodwill (NOK 3,881 million), property, plant and equipment (NOK 498 million), right-of-use leased assets (NOK 996 million) and deferred tax assets (NOK 354 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. 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 11,882 million, and shareholders' equity of NOK 3,075 million as of 31 December 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 Q4 2019 was 22.4%. The calculation of this metric can be found in Note 12 of this report.

Atea's net financial position was a positive NOK 657 million at the end of Q4 2019 as defined by Atea's debt covenants. The calculation of this metric can be found in the Note 12 of this report. Atea's debt covenants require that the Group maintains a maximum net interest bearing debt of 2.5x pro forma EBITDA over the last twelve months. Atea is currently well within this limit and maintains liquidity reserves of NOK 3,995 million as of 31 December 2019.

In order to reduce the volatility of its working capital and debt balances throughout the year, Atea sells specified accounts receivable through a securitization program organized by its bank. At the end of Q4 2019, Atea had sold receivables of NOK 1,862 million under the securitization program. Additional information on the securitization program can be found in Note 6 of this report.

CASH FLOW

Cash flow from operations was an inflow of NOK 1,939 million in the fourth quarter of 2019. Cash flow from operations was positively impacted by a seasonal reduction in Atea's working capital balances during the quarter, which improved Atea's cash flow from operations by NOK 1,530 million.

Atea's working capital balances fluctuate greatly throughout the year, with net working capital at its lowest point at year end. Additional information on the seasonality of Atea's operations can be found in Note 9 of this report.

For the full year 2019, cash flow from operations was an inflow of NOK 1,897 million. Cash flow from operations was positively impacted by an increase in the volume of receivables sold into the securitization program at the end of Q4 2019 compared with last year. This impact was partly offset by a reduction in trade payables and other cost provisions during the year. The reduction in trade payables was due to a shift in Atea's revenue mix toward vendors with shorter payment terms and toward services.

Cash flow from investments was an outflow of NOK 18 million in Q4 2019. Capital expenditure was an outflow of NOK 90 million in Q4, driven by data center and IT investments. This was partly offset by the sale of a warehouse in Denmark, which provided a cash inflow of NOK 70 million.

Cash flow from financing activities was an outflow of NOK 902 million in Q4 2019. The outflow was due to a repayment of short term debt and a dividend payment in November 2019.

SHARES

Atea had 6,998 shareholders on 31 December 2019 compared with 7,263 shareholders on 31 December 2018.

The 10 largest shareholders as of 31 December 2019 were:

Main Shareholders*	**Shares**	**%**
Systemintegration APS **	27,308,353	24.9%
Folketrygdfondet	9,574,507	8.7%
State Street Bank & Trust Co. ***	5,547,666	5.1%
State Street Bank and Trust Co. ***	5,153,183	4.7%
State Street Bank and Trust Co. ***	4,063,183	3.7%
JP Morgan Chase Bank	3,366,581	3.1%
Verdipapirfond Odin Norden	3,256,029	3.0%
RBC Investor Services Trust	2,793,332	2.5%
Didner and Gerge Smabolag	2,525,623	2.3%
Verdipapirfond Odin Norge	2,447,198	2.2%
Other	43,672,758	39.8%
Total number of shares	109,708,413	100.0%

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

As of 31 December 2019, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.00% of the shares, including the shares held by Systemintegration APS.

As of 31 December 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 2019. Approximately 60% of Atea's sales are to the public sector, with the remainder of sales to private companies.

The market for IT infrastructure in the Nordic and Baltic regions has grown steadily during the last several years. According to estimates from IDC*, the market for IT infrastructure and related services has grown at an average rate of 3.3% per year from 2007 – 2019.

Atea's competence and leading market position in IT infrastructure has enabled the company to grow at a rate significantly higher than that of the market. Since 2007, the company has averaged an organic revenue growth rate of 5.5% per year.

In addition to organic growth, Atea has successfully pursued an M&A strategy to strengthen and consolidate its market position. Atea's current organization structure is the result of the merger of the leading IT infrastructure companies in Denmark, Norway, Sweden, Finland and the Baltics in 2006 and 2007. Since 2007, Atea has acquired more than 50 companies, at valuation multiples significantly below the Group.

Atea's market share in the Nordic and Baltic regions far exceeds that of other IT infrastructure providers. Today, the company has offices in 85 cities in the Nordic and Baltic region and more than 7,500 employees. This scale provides Atea with critical competitive advantages in purchasing, local market presence, breadth and depth of product offering, system integration competence, and efficient shared service and logistics functions.

To address the needs of the Nordic and Baltic markets, Atea works closely with leading international IT companies, such as Microsoft, Cisco, HP Inc., Hewlett Packard Enterprise, IBM, Apple, Lenovo, VMware, Citrix, and Dell Technologies. These companies view the Nordic region as a critical market for the early adoption of new technologies, and work closely with Atea to penetrate these markets. In recent years, Atea's cooperation with its technology partners has intensified. This enables Atea to stay at the forefront of the latest IT trends, and to offer its customers new and innovative IT solutions.

IT MARKET TRENDS

The market for information technology is in the midst of dramatic change, with profound effects on society known as the "digital transformation".

Across private enterprise and throughout the public sector, organizations are converting vast amounts of information into digital form. As information is made digital, it can be collected, processed, managed, and distributed with methods and at a scale which was previously impossible. This "digitization" enables public and private organizations to completely redefine how they provide goods and services, and how these goods and services are consumed and shared.

The resulting "digital transformation" is driving innovation in all sectors of the economy and all public services, including health, welfare, education, defense, policing and infrastructure management. Collectively, this can result in major improvements in productivity and living standards.

At the same time, the "digital transformation" places even greater demands on organizations' IT environments, as the amount of data which is being managed grows exponentially across a broadening range of devices. Furthermore, as digital information and processes become central to the definition of goods, services and of work itself, the capabilities and stability of the IT environment become essential for organizations to function. Consequently, the risk of security breaches becomes ever greater. All of this creates a level of complexity which IT departments struggle to support.

This presents a significant opportunity for Atea, as the leading provider of IT infrastructure and system integration in the Nordic and Baltic regions. Through its breadth of competency and depth of expertise. Atea helps its customers to design, implement and operate the IT infrastructure upon which they are dependent as their operations become increasingly digital.

*International IT research company, International Data Corporation

BUSINESS OVERVIEW

BUSINESS STRATEGY

As the IT market evolves, Atea needs to develop its capabilities in numerous areas to support its customers' digital transformation projects. Therefore, Atea has updated its business strategy to broaden its range of IT solutions and expand its value proposition to customers.

This renewal of Atea's business strategy has involved extensive discussions with its customers' CIOs and with management across the company. The result is very much an evolution of the direction Atea has been taking for many years, but is now clarified in a new statement of business strategy and value creation for customers.

Atea's solution offering:

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

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

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

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

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

Atea's value proposition to the customer:

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

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

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

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

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

BUSINESS OVERVIEW

BUSINESS OUTLOOK

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

At the same time, Atea expects to steadily increase its operating profit 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 2019.

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

In recent quarters, Atea has seen slowing demand for hardware in the Swedish market, a trend which is consistent with market intelligence. Atea's sales to the public sector have also been impacted by budget pressures on public sector finances at the regional and municipal level.

These budget pressures are attributed to a combination of demographic change and a reduction in funding from the central government. In 2019, sales to the public sector represented about 70% of Atea's revenue in Sweden.

During 2020, Atea expects continued revenue and EBIT growth from its Swedish business, but at a lower rate than in recent years due to more challenging market conditions.

Norway:
Norway is Atea's second largest market, representing 26% of Group revenue in 2019.

Atea Norway has invested heavily in expanding its consulting organization 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.

In recent quarters, Atea has seen slower demand for hardware in the Norwegian market. In response, Atea Norway has taken steps to reduce operating expenses within its traditional resale business and to develop its business within managed services and cloud solutions.

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

BUSINESS OVERVIEW

BUSINESS OUTLOOK (CONT'D)

Denmark:
Denmark is Atea's third largest market, representing 22% of Group revenue in 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 police investigation of Atea Denmark in June 2015 and a court conviction in June 2018.

During the police investigation and court process, Atea's operating profit in Denmark fell from an EBIT of DKK 172 million in 2014 to an EBIT loss of DKK 73 million in 2018.

Atea's business in Denmark is in the process of recovering from the court conviction, but the recovery has been slower than management's expectations. In 2019, Atea Denmark reported an EBIT loss of DKK 48 million. In Q4 2019, Atea reported lower sales of products to the public sector, and lower sales of managed services relative to Q4 2018.

In January 2020, Atea announced that the company had appointed its senior vice president of enterprise sales Kathrine Forsberg as the acting managing director for Atea Denmark. Forsberg has been employed at Atea Denmark since 2018, and has extensive experience in IT infrastructure sales from senior management positions at TDC and Cisco.

Atea Denmark also announced that it would implement a cost efficiency program involving the reduction of 67 full-time employees. The program will result in severance costs of DKK 26 million, which will be recognized as a restructuring charge during the first quarter of 2020.

In connection with the cost efficiency program, management was assessing extraordinary costs for asset writedowns and liability provisions related to its Danish operations. These extraordinary costs of up to DKK 25 million would also be recognized during the first quarter of 2020.

Atea remains by far the largest IT infrastructure provider in Denmark, with a breadth of product and service competence which is unrivalled by competitors. The company has won back market share from large private customers during 2019, and is well positioned to increase sales to the public sector based on new frame agreements which have been awarded during 2019.

Based on Atea's market position and on a lower level of operating costs, Atea expects business improvement to accelerate during the course of 2020.

Finland:
Finland represented 9% of Group revenue in 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.

During the second half of 2019, the services business showed very strong revenue growth. Atea expects its services business to continue to develop during 2020, and offset potentially slower growth from its product business.

Baltics:
The Baltics represented 3% of Group revenue in 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 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.

BUSINESS OVERVIEW

BUSINESS OUTLOOK (CONT'D)

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 2020, 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 Q4 2019, AppXite had an operating loss of EUR 0.3 million. For the full year 2019, the subsidiary had an operating loss of EUR 1.2 million

CONDENSED FINANCIAL INFORMATION

FOR THE 12 MONTHS ENDED 31 DECEMBER 2019

CONSOLIDATED INCOME STATEMENT

NOK in million	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Revenue	2, 3, 9	10,203	10,172	36,655	34,708
Cost of goods sold		-8,042	-8,045	-28,897	-27,174
Gross profit	12	2,162	2,127	7,758	7,534
Employee benefits expense		-1,479	-1,464	-5,584	-5,396
Other operating costs	1	-199	-259	-766	-1,017
Share based compensation		-25	-3	-73	-61
EBITDA	1, 12	459	401	1,335	1,061
Depreciation and amortization	1	-153	-84	-584	-339
Amortization related to acquisitions		-1	-8	-5	-31
Operating profit (EBIT)	1, 2	305	309	747	690
Net financial items	5	-42	-15	-90	-56
Profit before tax		263	294	657	634
Tax	7	-45	-89	-127	-167
Profit for the period		218	204	530	467
Earnings per share					
- earnings per share		1.99	1.88	4.84	4.33
- diluted earnings per share		1.96	1.86	4.78	4.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit for the period	218	204	530	467
Currency translation differences	12	163	-58	-14
Forward contracts - cash flow hedging	0	1	0	9
Income tax OCI relating to items that may be reclassified to profit or loss	0	0	0	-2
Items that may be reclassified subsequently to profit or loss	12	164	-58	-7
Other comprehensive income	12	164	-58	-7
Total comprehensive income for the period	230	368	472	460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Property, plant and equipment		498	525
Right-of-use assets	1	996	92
Deferred tax assets	7	354	401
Goodwill		3,881	3,901
Other intangible assets		237	237
Investment in associated companies		15	13
Long-term subleasing receivables	1	102	0
Other long-term receivables		25	28
Non-current assets		6,108	5,196
Inventories		798	830
Trade receivables		4,380	6,445
Other receivables		1,752	1,541
Short term subleasing receivables	1	149	0
Other financial assets		1	1
Cash and cash equivalents		1,769	764
Current assets		8,849	9,581
Total assets		14,957	14,778
EQUITY AND LIABILITIES			
Share capital and premium	4	464	410
Other reserves		1,360	1,418
Retained earnings	1	1,251	1,409
Equity		3,075	3,237
Interest-bearing long-term liabilities	6	517	557
Long-term sublease liabilities	1	102	0
Long-term ROU assets leasing liabilities	1	723	0
Other long-term liabilities		8	8
Deferred tax liabilities		185	234
Non-current liabilities		1,534	799
Trade payables		6,113	7,125
Interest-bearing current liabilities	6	595	224
Current sublease liabilities	1	149	0
Current ROU assets leasing liabilities	1	253	0
VAT, taxes and government fees		952	952
Provisions		111	247
Other current liabilities		2,167	2,183
Other financial liabilities		8	10
Current liabilities		10,348	10,741
Total liabilities		11,882	11,540
Total equity and liabilities		14,957	14,778

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK in million	Note	31 Dec 2019	31 Dec 2018
Equity at start of period - 1 January		3,237	3,373
Impact of change in accounting policy	1	-35	0
Adjusted equity at start of period 1 January 2019		3,203	3,373
Currency translation differences		-58	-14
Forward contracts - cash flow hedging		0	7
Other comprehensive income		-58	-7
Profit for the period		530	467
Total recognised income for the year		472	460
Employee share-option schemes		57	49
Dividends		-710	-700
Issue of share capital	4	53	56
Equity at end of period		3,075	3,237

CONSOLIDATED STATEMENT OF CASH FLOW

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit before tax	263	294	657	634
Adjusted for:				
Depreciation and amortisation	154	92	588	370
Share based compensation	10	13	57	49
Gains/Losses on disposals of PPE and intangible asset	-5	0	-5	0
Net interest expenses	23	8	75	36
Taxes paid	-14	-29	-150	-108
Net interest paid	-22	-17	-72	-44
Cash earnings	410	362	1,151	937
Change in trade receivables	-1,573	-1,896	1,948	203
Change in inventories	25	-20	16	-239
Change in trade payables	2,501	3,115	-905	416
Other changes in working capital	577	722	-312	-371
Cash flow from operating activities	1,939	2,284	1,897	946
Purchase of PPE and intangible assets	-90	-81	-325	-307
Sale of PPE and intangible assets	70	1	73	2
Acquisition of subsidiaries/businesses	2	-	-21	-62
Cash flow from investing activities	-18	-79	-274	-367
Dividend paid	-356	-350	-710	-700
Payment from changes in treasury shares	19	-	-	-
Proceeds from new shares issue	18	42	53	56
Proceeds from sublease	5	-	59	-
Payments of sublease liabilities	-5	-	-59	-
Payments of lease liabilities	-73	-14	-303	-76
Change in debt	-510	-1,197	346	-176
Cash flow from financing activities	-902	-1,519	-615	-896
Net cash flow	1,020	686	1,008	-317
Cash and cash equivalents at the start of the period	706	24	764	1,125
Foreign exchange effect on cash held in a foreign currency	43	53	-3	-44
Cash and cash equivalents at the end of the period	1,769	764	1,769	764

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for twelve months ending 31 December 2019 were approved for publication by the Board of Directors on 5 February 2020. These Group financial statements have not been subject to audit or review.

Atea ASA is a public limited company incorporated and domiciled in Norway whose shares are listed on the Oslo Stock Exchange. Atea (the Group) consists of Atea ASA (the Company) and its subsidiaries. Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic region.

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 "Interim Financial Reporting". The condensed interim financial statements do not include all information and disclosures required in the annual financial statement, and should be read in accordance with the Group's Annual Report for 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 31 December 2019:

1. Operating lease expenses recognized as Employee benefits expense and Other operational costs is decreased by NOK 336 million.
2. Depreciation is increased by NOK 304 million as a result of depreciation of ROU assets.
3. Net interest expense is increased by NOK 32 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 3 million as an increase of deferred tax assets were recognized.
3. NOK 308 million of subleasing receivables, and NOK 308 million on subleasing liabilities were recognized.
4. Retained earnings was reduced by NOK 35 million, net of deferred tax 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	31 Dec 2019	31 Dec 2018
ASSETS		
Right-of-use assets - Buildings and property	760	0
Right-of-use assets - Computer equipment	76	85
Right-of-use assets - Motor vehicles	160	8
Right-of-use assets - Office machines	0	0
Total right-of-use assets	996	92

NOTE 2

OPERATING SEGMENT INFORMATION

Atea is located in 85 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with more than 7,500 employees. For management and reporting purposes, the Group is organized by these geographical areas. The performance of these geographical areas is evaluated on a regular basis by Atea's Executive Team, consisting of among others the Managing Directors of each geographical segment.

In addition to the geographical areas, the Group operates Shared Services functions (Atea Logistics, Atea Global Services, Atea Group Functions 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	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Norway	2,613.3	2,687.7	9,426.6	8,737.1
Sweden	4,225.0	4,022.3	14,796.4	14,049.0
Denmark	2,197.0	2,389.6	8,088.3	8,026.2
Finland	827.9	733.4	3,269.8	2,889.3
The Baltics	397.0	389.7	1,258.6	1,150.3
Group Shared Services	1,827.6	1,529.5	6,443.1	5,495.9
AppXite	9.9	4.3	30.6	16.4
Eliminations*	-1,894.4	-1,584.9	-6,659.2	-5,655.9
Atea Group	10,203.3	10,171.7	36,654.8	34,708.3

*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	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Norway	110.8	118.3	297.1	308.3
Sweden	138.6	146.2	483.3	453.2
Denmark	21.3	10.5	-63.8	-94.3
Finland	25.8	28.2	62.6	59.1
The Baltics	17.5	15.7	38.1	27.7
Group Shared Services	14.8	11.6	22.8	41.2
AppXite	-2.5	-5.8	-11.7	-23.1
Group cost	-21.7	-16.0	-81.6	-81.8
Operating profit (EBIT)	304.6	308.7	746.7	690.3
Net financial items	-41.7	-15.1	-89.9	-56.2
Profit before tax	262.9	293.6	656.8	634.1

Quarterly revenue and gross margin NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Product revenue	8,347.4	8,350.1	29,918.6	28,268.0
Services revenue	1,855.9	1,821.6	6,736.2	6,440.3
Total revenue	10,203.3	10,171.7	36,654.8	34,708.3
Gross contribution	2,161.6	2,126.7	7,757.8	7,534.5
Product margin	11.2%	11.7%	11.0%	11.7%
Services margin	66.2%	63.2%	66.3%	65.6%
Gross margin	21.2%	20.9%	21.2%	21.7%

Quarterly revenue and gross margin NOK in million	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Product revenue	8,347.4	6,286.9	7,816.5	7,467.7	8,350.1	5,648.9	7,456.0	6,812.9
Services revenue	1,855.9	1,540.9	1,668.9	1,670.5	1,821.6	1,449.4	1,642.4	1,527.0
Total revenue	10,203.3	7,827.7	9,485.5	9,138.2	10,171.7	7,098.3	9,098.4	8,339.9
Gross contribution	2,161.6	1,754.8	1,903.6	1,937.8	2,126.7	1,681.8	1,888.2	1,837.8
Product margin	11.2%	11.7%	10.4%	10.9%	11.7%	12.8%	10.9%	11.8%
Services margin	66.2%	66.2%	65.3%	67.4%	63.2%	66.2%	65.6%	67.8%
Gross margin	21.2%	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		Q4 2019	Q4 2018	Full year 2019	Full year 2018
Norway	NOK	2,613.3	2,687.7	9,426.6	8,737.1
Sweden	SEK	4,468.1	4,305.1	15,901.5	15,004.8
Denmark	DKK	1,629.8	1,851.9	6,130.8	6,231.5
Finland	EUR	82.0	76.1	332.0	301.0
The Baltics	EUR	39.6	40.5	127.8	119.8
Group Shared Services	NOK	1,827.6	1,529.5	6,443.1	5,495.9
AppXite	EUR	1.0	0.4	3.1	1.7
Eliminations*	NOK	-1,894.4	-1,584.9	-6,659.2	-5,655.9
Atea Group	NOK	10,203.3	10,171.7	36,654.8	34,708.3

EBIT Local currency in million		Q4 2019	Q4 2018	Full year 2019	Full year 2018
Norway	NOK	110.8	118.3	297.1	308.3
Sweden	SEK	146.5	156.4	519.4	484.0
Denmark	DKK	16.7	8.2	-48.4	-73.2
Finland	EUR	2.6	2.9	6.4	6.2
The Baltics	EUR	1.8	1.6	3.9	2.9
Group Shared Services	NOK	14.8	11.6	22.8	41.2
AppXite	EUR	-0.3	-0.6	-1.2	-2.4
Group cost	NOK	-21.7	-16.0	-81.6	-81.8
Operating profit (EBIT)	NOK	304.6	308.7	746.7	690.3
Net financial items	NOK	-41.7	-15.1	-89.9	-56.2
Profit before tax	NOK	262.9	293.6	656.8	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**		**Q4** **2019**	**Q4** **2018**	**Full year** **2019**	**Full year** **2018**
Norway	NOK	1,489.1	1,617.5	5,224.2	5,193.1
Sweden	SEK	2,224.8	2,235.2	8,072.5	8,034.5
Denmark	DKK	884.1	959.3	3,118.4	3,173.7
Finland	EUR	48.4	47.9	174.5	161.1
The Baltics	EUR	20.1	25.8	72.4	74.2
Group Shared Services	NOK	1,704.1	1,431.7	6,007.3	5,121.4
AppXite	EUR	0.0	0.0	0.0	0.0
Eliminations*	NOK	-1,688.0	-1,423.1	-5,968.1	-5,079.0
Atea Group	NOK	5,488.3	5,661.6	19,320.5	19,104.6

Software **Local currency in million**		**Q4** **2019**	**Q4** **2018**	**Full year** **2019**	**Full year** **2018**
Norway	NOK	577.4	537.5	2,078.5	1,621.7
Sweden	SEK	1,498.0	1,371.2	5,191.1	4,540.7
Denmark	DKK	419.1	500.5	1,767.4	1,668.9
Finland	EUR	24.7	20.9	127.4	112.8
The Baltics	EUR	8.5	5.7	18.4	13.1
Group Shared Services	NOK	0.9	1.2	2.6	3.3
AppXite	EUR	0.4	0.0	1.0	0.0
Eliminations*	NOK	-41.9	-33.8	-92.0	-71.1
Atea Group	NOK	2,859.1	2,688.5	10,598.0	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		Q4 2019	Q4 2018	Full year 2019	Full year 2018
Norway	NOK	546.9	532.7	2,123.9	1,922.3
Sweden	SEK	745.3	698.8	2,637.9	2,429.6
Denmark	DKK	326.7	392.1	1,245.0	1,388.9
Finland	EUR	9.0	7.3	30.0	27.1
The Baltics	EUR	10.9	9.0	37.0	32.6
Group Shared Services	NOK	122.5	96.6	433.2	371.2
AppXite	EUR	0.6	0.4	2.1	1.7
Eliminations*	NOK	-164.5	-128.0	-599.0	-505.8
Atea Group	NOK	1,855.9	1,821.6	6,736.2	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**	1,017,896		1	-	52	53
At 31 December 2019	109,708,413	-7,844	110	0	354	464

Average number of shares outstanding

The average number of shares outstanding during full year 2019 was 109,306,433. 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 full year 2019 was 110,683,631. 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 full year 2019, and the remaining vesting period of the options, the dilution impact of the share option program is 1,377,197 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)

31 December 2019	Number of share options	Average Nominal Strike price	Adjusted Nominal Strike price*	Weighted average number of shares outstanding
Basic EPS calculation				109,306,433
Dilution effect of share options				
Total share options				
Fully vested, with adjusted strike price below share price	2,538,268	78	78	1,119,418
Unvested*, with adjusted strike price below share price	3,711,669	101	113	257,780
Unvested*, with adjusted strike price above share price	2,177,832	112	134	-
All Share options	8,427,769	97	108	1,377,197
Fully diluted EPS calculation**				110,683,631

NOTE 5

NET FINANCIAL ITEMS

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Interest income	2	2	6	7
Interest income, subleasing	3	-	9	-
Other financial income	1	1	2	3
Total financial income	5	3	17	10
Interest costs on loans	-15	-8	-44	-36
Interest costs on leases	-10	-2	-37	-7
Interest expenses, subleasing	-3	-	-9	-
Foreign exchange effects	-15	-6	-8	-16
Other financial expenses	-4	-3	-9	-7
Total financial expenses	-47	-19	-107	-66
Total net financial items	-42	-15	-90	-56

Interest costs on leases include interest from lease liabilities related to right-of-use assets under IFRS 16 (from 1 January 2019). Interest amounts NOK 9 million for Q4 2019 (NOK 32 million for full year 2019).

*Adjusted nominal strike price includes fair value of services to be provided during remainder of vesting period, in accordance with IFRS 2 Share-based Payment
**Based on an average share price of NOK 121 from January 1 – December 31, 2019

NOTE 6

BORROWING

Interest-bearing long-term liabilities as of 31 December 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 December 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 31 December 2019, Atea Norway, Atea Sweden and Atea Denmark sold receivables of NOK 1,862 million under the first facility and borrowed NOK 553 million under the second facility.

NOTE 7

TAXES

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit before tax	263	294	657	634
Tax payable expenses	-36	-60	-123	-117
Deferred tax asset changes due to tax loss carry forward used	-40	-13	-38	-45
Other deferred tax changes	31	-17	33	-5
Total tax expenses	-45	-89	-127	-167
Effective rate	17.1%	30.5%	19.4%	26.4%

The increase in tax payable expenses in 2019 compared with 2018 was primarily driven by higher profit. Change in deferred tax is related to tax loss carry forward used and other temporary differences.

In 2018, the value of Atea's deferred tax assets in Norway fell by NOK 18 million due to a reduction in the corporate tax rate in Norway from 23% to 22% starting in 2019. This resulted in a one-time tax expense of NOK 18 million for Atea in Q4 2018.

At the year end of 2019, the tax value of the tax loss carried forward within the Group was NOK 361 million and the full amount was recognized as Deferred Tax Assets on the balance sheet.

NOTE 8

BUSINESS COMBINATION

DatabaseForum AS. Atea acquired DatabaseForum AS in September 2019. DatabaseForum is a provider of business intelligence and data analytics. DatabaseForum is located in Stavanger (Norway), with a team of 16 highly skilled employees.

The financial statements of DatabaseForum AS were consolidated into the Atea Group from the fourth quarter of 2019. The financial performance from the acquisition date to the end of the year is considered to be immaterial from a Group perspective.

Due to the high knowledge and low capital requirements for operating an IT sales and consulting organization, acquisitions within this sector will typically result in a goodwill balance. This goodwill balance represents the surplus of the purchase price compared with the accounting value of the net fixed and intangible assets of the acquired company.

The breakdown of acquired net assets and goodwill in 2019 is stated below. The fair values have been determined on a provisional basis, as new information may occur.

NOK in million	DatabaseForum AS
Acquisition date	25 September 2019
Country	Norway
Voting rights/ownership interest	100.0%
Acquisition cost:	
Consideration*	24.8
Adjustment of cost price	-
Liabilities assumed	2.8
Total acquisition cost	27.6
Book value of equity (see table below)	5.4
Identification of excess value:	
Contracts and customer relationships	4.7
Deferred tax	-1.0
Net excess value	3.7
Fair value of net assets acquired, excluding goodwill	9.1
Controlling ownership interests	9.1
Goodwill	**18.6**

*Consideration that is dependent on future results is recognised as an obligation based on the fair value at the time of acqusition

NOTE 8

BUSINESS COMBINATION (CONT'D)

Assets and liabilities related to the acquisition in 2019 are as follows:

NOK in million	DatabaseForum AS
Property, plant and equipment	0.0
Trade receivables	3.4
Other receivables	0.1
Cash and cash equivalents	6.8
Total asset	10.3
Non-current liabilities	-
Current liabilities	-4.9
Total liabilities	-4.9
Net assets acquired	5.4

Net cash payments in connection with the acquisition are as follows:

NOK in million	DatabaseForum AS
Considerations and costs in cash and cash equivalents	24.8
Cash and cash equivalents in acquired companies	-6.8
Net cash payments for the acquisitions	18.0

If all acquired entities had been consolidated from 1 January 2019, the consolidated pro forma income statements for 2019 would show revenue and profit as follows:

NOK in million	FY 2019	FY 2018
Operating revenue	36,666	34,775
Operating profit (EBIT)	747	704

NOTE 9

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 10

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 11

EVENTS AFTER THE BALANCE SHEET DATE

On 30 January 2020, Atea announced a cost efficiency program and change of Managing Director in Atea Denmark.

Atea Denmark had improved profitability in the fourth quarter of 2019, but the business recovery has taken longer and been slower than management's expectations. Consequently, Atea Denmark is undertaking a cost efficiency program which involves the reduction of 67 full time employees, effective from January 2020. The program will result in severance costs of DKK 26 million, which will be recognized as a restructuring charge during the first quarter of 2020.

In connection with the cost efficiency program, management is currently reviewing extraordinary costs for asset write-downs and liability provisions related to its Danish operations. These extraordinary costs of up to DKK 25 million would also be recognized during the first quarter of 2020.

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

NOTE 12

ALTERNATIVE PERFORMANCE MEASURES

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Atea's performance. As defined in ESMAs guidelines on alternative performance measures (APM), an APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the International Financial Reporting Standards as adopted by EU.

NOTE 12

GROSS PROFIT

Gross profit is defined as revenue less cost of goods sold. The Groups revenue is recognized either gross or net depending on revenue streams. Costs of goods sold include products and services bought from suppliers and resold to customers. Costs of goods sold include all direct expenses for goods and services directly connected to the sales. Direct costs related to services include leasing, outsourcing, and freight

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Revenue	10,203	10,172	36,655	34,708
Cost of goods sold	-8,042	-8,045	-28,897	-27,174
Gross profit	2,162	2,127	7,758	7,534

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	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Revenue	10,203	10,172	36,655	34,708
Adjustment for acquisitions	-	4	12	67
Pro forma revenue	10,203	10,176	36,666	34,775
Pro forma revenue on last year currency	10,005	10,350	36,451	34,912
Pro forma growth in constant currency	-1.7%	3.2%	4.8%	7.4%

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
EBITDA	459	401	1,335	1,061
Adjustment for acquisitions	0	1	0	14
Pro forma EBITDA	459	402	1,335	1,075

NOTE 12

OPERATING EXPENSES

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

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Employee benefits expense	1,479	1,464	5,584	5,396
Other operating costs	199	259	766	1,017
Share based compensation	25	3	73	61
Depreciation and amortization	74	68	280	269
Depreciation of right-of-use assets	79	16	304	70
Amortization related to acquisitions	1	8	5	31
Total operating expenses	1,857	1,818	7,011	6,844

FREE CASH FLOW

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

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

NOK in million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Cash flow from operations	1,939	2,284	1,897	946
Purchase of PPE and intangible assets	-90	-81	-325	-307
Sale of PPE and intangible assets	70	1	73	2
Capital expenditures through cash	-20	-79	-252	-305
Free cash flow	1,919	2,205	1,644	641

NOTE 12

NET FINANCIAL POSITION

Net financial position consists of both current and non-current interest-bearing liabilities, less cash and cash equivalents.

Net financial position is one of the key metrics used in Atea to assess both the cash position and its indebtedness. It is also used in Atea's covenants on debt agreements.

Net financial position does not include incremental net lease liabilities due to the adoption of IFRS 16 from 1 January 2019. IFRS 16 requires lessees to 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.

NOK in million	31 Dec 2019	31 Dec 2018
Interest-bearing long-term liabilities	-517	-557
Interest-bearing current liabilities	-595	-224
Cash and cash equivalents	1,769	764
Net financial position	657	-17
Long-term ROU assets leasing liabilities	-723	-
Current ROU assets leasing liabilities	-253	-
Long-term subleasing liabilities	-102	-
Short-term subleasing liabilities	-149	-
Long-term subleasing receivables	102	-
Short-term subleasing receivables	149	-
Incremental net lease liabilities due to IFRS 16 adoption	-976	-

NOTE 12

NET WORKING CAPITAL

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

Atea's net working capital balance has high seasonal fluctuations, with a low balance in the fourth quarter. See Note 9 for additional information regarding seasonality of operations.

NOK in million	31 Dec 2019	31 Dec 2018
Inventories	798	830
Trade receivables	4,380	6,445
Other receivables	1,752	1,541
Other financial assets	1	1
Trade payables	-6,113	-7,125
VAT, taxes and government fees	-952	-952
Provisions	-111	-247
Other current liabilities	-2,167	-2,183
Other financial liabilities	-8	-10
Working capital	-2,419	-1,699
Securitization effect	1,862	349
Working capital before securitization	-557	-1,350
Year to date revenue	36,655	34,708
Working capital in relation to annualized revenue	-6.6%	-4.9%

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 Dec 2019	31 Dec 2018
Last 12 months pro forma EBITDA	1,335	1,075
Debt covenant ratio	2.5	2.5
Net debt limit	3,338	2,687
Net financial position	657	-17
Liquidity reserve	3,995	2,669

NOTE 12

ADJUSTED EQUITY RATIO

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

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

NOK in million	31 Dec 2019	31 Dec 2018
Total assets	14,957	14,778
Deduct: incremental lease assets due to IFRS 16 adoption		
Right-of-use assets	-996	-92
Long-term subleasing receivables	-102	-
Short-term subleasing receivables	-149	-
Adjusted total assets	13,710	14,685
Equity	3,075	3,237
Equity ratio	22.4%	22.0%

ATEA

Q4

2019

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