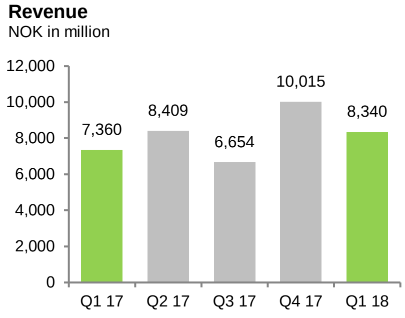
Q1 2018 Interim Report

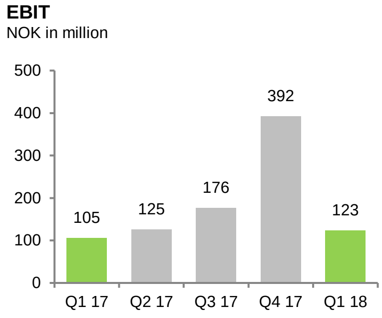
Atea captured market share and increased profitability across nearly all geographies during the first quarter of 2018. Revenue was up by over 13% and EBIT grew by over 16% from last year.

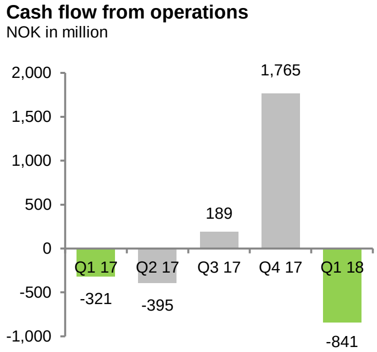
Steinar Sønsteby
CEO of ATEA

Highlights

- Revenue of NOK 8,340 million, up 13.3% y-o-y
- EBIT of NOK 123 million, up 16.3% y-o-y
- EBIT margin of 1.5%, up from 1.4% last year
- Cash flow from operations of NOK -841 million, down from NOK -321 million last year







Key figures*

NOK in million	Q1 2018	Q1 2017	Full year 2017
Group revenue	8,340	7,360	32,438
Gross margin (%)	22.0%	23.0%	22.3%
EBIT	123	105	799
EBIT margin (%)	1.5%	1.4%	2.5%
Net profit	87	69	543
Earnings per share (NOK)	0.81	0.65	5.10
Diluted earnings per share (NOK)	0.80	0.64	5.00
Cash flow from operations	(841)	(321)	1,238
Free cash flow	(930)	(382)	976

	31 Mar 2018	31 Mar 2017	31 Dec 2017
Net financial position	(868)	(702)	102
Liquidity reserve	2,113	2,024	3,040
Working capital	(613)	(906)	(1,692)
Working capital in relation to annualized revenue (%)	-1.8%	-3.1%	-5.2%
Equity ratio (%)	27.8%	29.3%	22.6%
Number of full-time employees	7,034	6,904	6,904

* Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 21-23

Financial review Q1 2018

Group

Atea had strong growth in revenue and profitability across all geographies except Denmark in Q1 2018. In Denmark, the company implemented a new organization structure and reduced costs to offset lower sales.

Group revenue increased by 13.3% to NOK 8,340 million in Q1 2018, based on strong demand for products. Hardware revenue was up 10.7%, software revenue was up 26.6% and services revenue was up 3.8%. Revenue growth in constant currency was 9.4%. Currency fluctuations had a positive impact of 3.5% in Q1 2018.

Hardware revenue growth was driven by increased sales of clients and data center equipment. Software revenue grew based on higher demand for PC and collaboration software. Services revenue growth was based on improved billing of Atea's consultants.

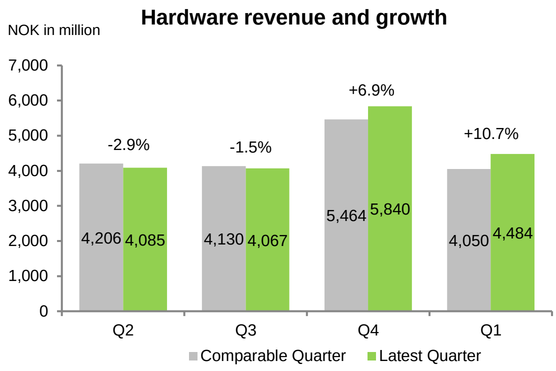
EBIT in Q1 2018 increased by 16.3% to NOK 123 million, as revenue grew faster than operating expenses. The average number of full-time employees during Q1 grew by only 1.4% from last year. Atea's EBIT margin was 1.5% in Q1 2018, up from 1.4% last year.

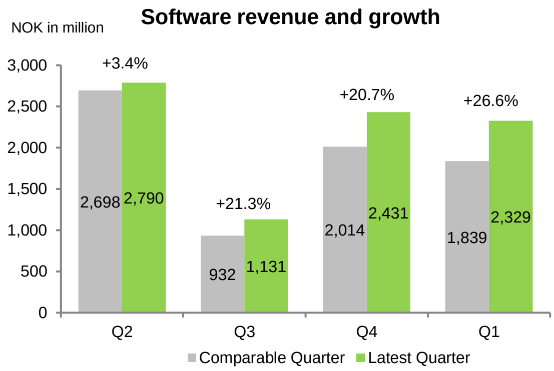
In January 2018, Atea established a new business unit called AppXite. AppXite has developed a cloud platform for software and service providers to transform their business from transactional commerce to subscription- and consumption- based service delivery. AppXite is expected to operate at a loss during its initial ramp-up. During Q1 2018, AppXite had an EBIT loss of NOK 4 million. Excluding the operating loss in AppXite, Atea had an EBIT of NOK 127 million, an increase of 20.4% compared with Q1 2017.

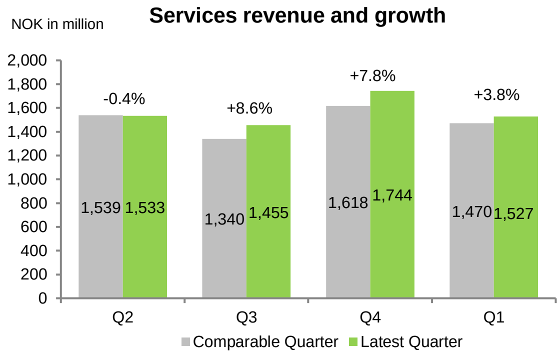
Net financial items were an expense of NOK 11 million, compared with an expense of NOK 19 million last year.

Profit before tax grew by 29.3% to NOK 111 million, compared with NOK 86 million last year. Income tax expense was NOK 24 million in Q1 2018, an effective tax rate of 21.8%.

Net profit after tax was NOK 87 million, compared with NOK 69 million last year.





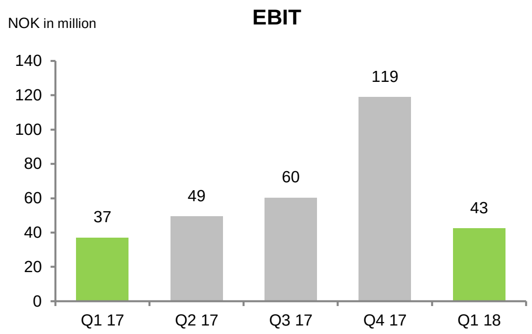


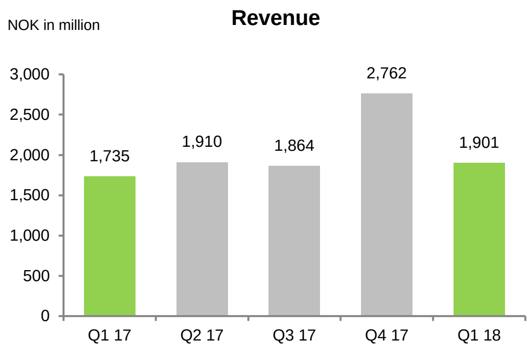
Norway

Atea Norway increased its revenue and profitability in Q1 2018 based on high growth in product sales.

Revenue in Q1 2018 was NOK 1,901 million, an increase of 9.6% from last year. Hardware revenue was up 9.0%, software revenue was up 20.6% and services revenue was up 3.2%.

Hardware revenue growth was primarily driven by increased sales of clients, such as PCs and mobile devices. Growth in software revenue was driven by large software projects to the public sector. Growth in services revenue was driven by higher sales of cloud and outsourcing services.





Total gross margin was 27.5% in Q1 2018, compared with 28.1% last year, based on a higher proportion of product sales in the revenue mix. Product margin was 15.4%, the same level as in Q1 2017. Services margin improved to 65.3%, from 64.9% last year, due to improved margins on service and support agreements.

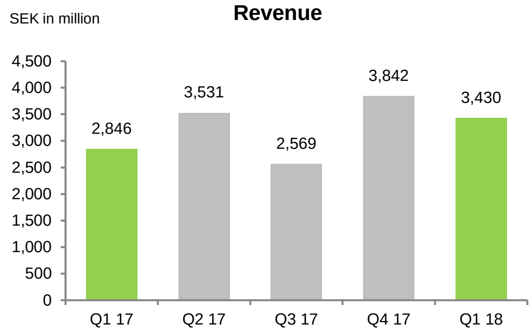
EBIT grew by 14.7% to NOK 43 million, based on higher revenue and relatively lower growth in operating costs. Total operating expenses were 6.7% higher than last year. The EBIT margin increased to 2.2%, up from 2.1% last year.

Sweden

Atea Sweden had very strong financial performance during the first quarter of 2018, driven by rapid sales growth across all lines of business.

Revenue in Q1 2018 was SEK 3,430 million, up 20.5% compared with last year. Hardware revenue was up 20.9%, software revenue was up 25.5% and services revenue was up 11.2%.

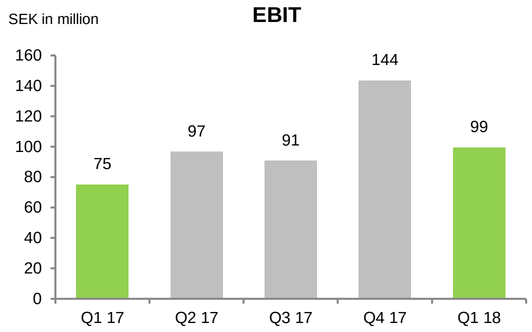
Growth in hardware revenue was high across all categories, but was particularly driven by increased sales of client and datacenter equipment. Software revenue also grew rapidly, based on large frame agreements with public sector customers which had recently been renewed. Services revenue grew compared with last year, based on higher sales of consulting services.



Total gross margin was 21.1% in Q1 2018, compared with 22.4% last year. Product margin fell to 11.7% in Q1 2018 compared with 12.8% last year, due to lower margins on new frame agreements. Services margin increased to 68.6% from 66.6% last year, due to an increase in consulting revenue in the sales mix.

Operating costs increased by 10.9% to SEK 623 million, based on an increase in the number of full-time employees by 202 (9.7%) from last year. Atea Sweden has significantly increased its consulting workforce from last year, based on a strong market for infrastructure services.

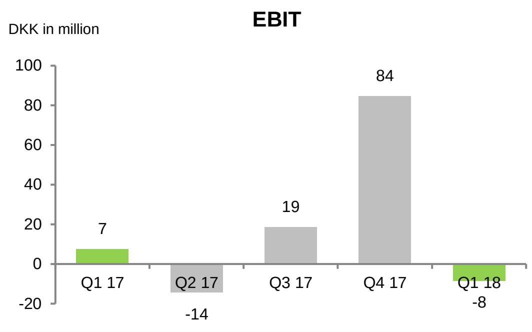
EBIT increased by 32.3% to SEK 99 million, reflecting higher revenue and relatively lower growth in operating expenses. The EBIT margin increased to 2.9% from 2.6% last year.

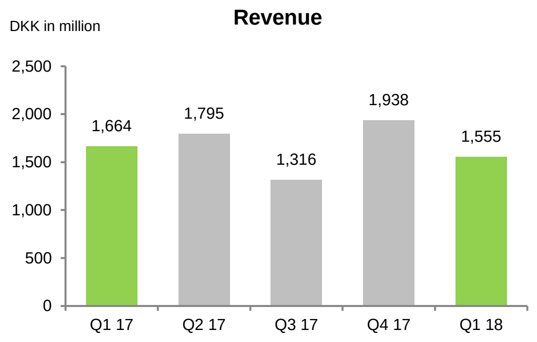


Denmark

Atea Denmark reported lower revenue and EBIT in the first quarter of 2018. The business partly offset lower sales by reducing headcount and operating expenses.

Revenue in Q1 2018 was DKK 1,555 million, down 6.6% from last year. Hardware revenue was down 13.4% primarily due to lower sales of datacenter and network solutions. Software revenue was up 26.9%, due to large deliveries of client software to the public sector. Services revenue fell by 17.3%, based on reduced customer demand and fewer consultants.





Total gross margin was 19.9% in Q1 2018, compared with 21.4% last year, due to a higher proportion of software in the revenue mix. Product margin fell slightly from 8.8% to 8.7% in Q1 2018 based on this change in product mix. Services margin increased to 64.2% from 63.8% last year, due to higher margins on datacenter outsourcing agreements.

In order to improve profitability, Atea Denmark has taken action to reduce its operating expenses. The average number of full time employees in Q1 2018 was 124 (7.8%) lower than in Q1 2017. Total operating expenses fell by 8.6% in Q1 2018 compared with Q1 2017.

Furthermore, Atea implemented a new organization structure in Denmark in January 2018, to focus on solution selling and cross-selling of products and services to customers. This reorganization aligns Atea Denmark with the key account team sales strategy that has successfully been operating in Atea's other countries.

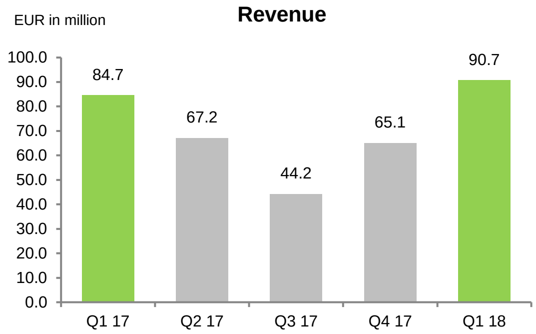
As a result of lower sales, EBIT in Q1 2018 was an operating loss of DKK -8 million, compared with an operating profit of DKK 7 million last year.

Finland

Atea Finland had solid revenue and EBIT growth in the first quarter of 2018, driven by increased sales of software and services.

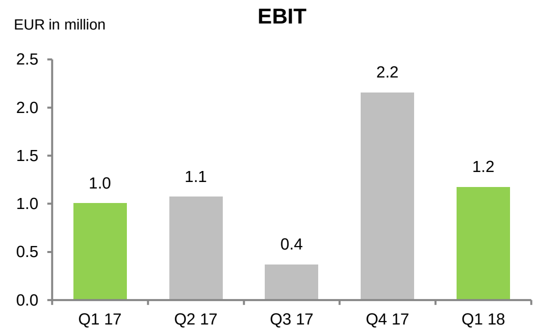
Revenue in Q1 2018 was EUR 90.7 million, up 7.2% from last year. Hardware revenue was up 3.6%, software revenue was up 10.2% and services revenue was up 9.9%.

Growth in hardware revenue was driven by higher sales of clients and mobility solutions. Software revenue grew based on increased demand for client software from the public sector. Services revenue growth was based on higher sales of consulting.



Total gross margin fell slightly to 11.7% in Q1 2018, from 11.9% last year. The decrease in gross margin was based on a shift in the revenue mix toward lower margin client hardware and software.

EBIT in Q1 2018 increased by 16.7% to EUR 1.2 million, as revenue grew faster than operating costs. Total operating expenses were 3.6% higher than last year. The EBIT margin improved to 1.3%, up from 1.2% last year.

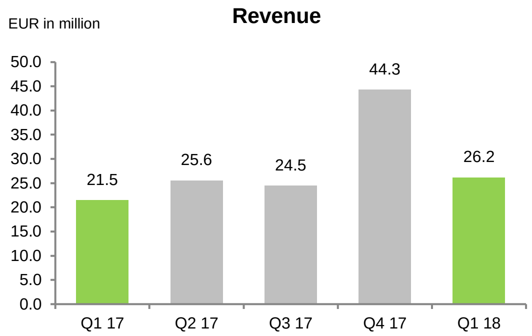


The Baltics

Atea Baltics had strong revenue growth in the first quarter of 2018, based on higher sales of hardware and services.

Revenue in Q1 2018 was EUR 26.2 million, up 21.7% compared to last year. Hardware revenue was up 29.6%, software revenue was flat compared to last year and services revenue was up 13.5%.

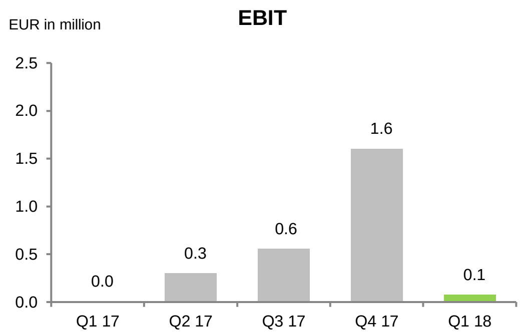
Hardware revenue growth was driven by a very large client agreement with a private sector customer. Services revenue growth was driven by higher sales of cloud and outsourcing services.



Total gross margin was 25.5% in Q1 2018 compared with 28.3% last year, based on an increased proportion of low margin client hardware in the revenue mix.

Total operating expenses were EUR 6.6 million in Q1 2018, an increase of EUR 0.5 million from last year. Most of the growth in operating expenses was due to a one-time cost of EUR 0.3 million related to a court judgement on a legal dispute from 2015.

EBIT in Q1 2018 increased to EUR 0.1 million, from EUR 0.0 million in Q1 2017. The EBIT margin was 0.3%, up from 0.0% last year.



Balance sheet

As of 31 March 2018, Atea had total assets of NOK 12,094 million. Current assets such as cash, receivables and inventory represented NOK 6,973 million of this total. Non-current assets represented NOK 5,121 million of this total, and primarily consisted of goodwill (NOK 3,755 million), deferred tax assets (NOK 482 million), and property, plant and equipment (NOK 614 million).

Atea had total liabilities of NOK 8,732 million as of 31 March 2018, of which NOK 8,343 million were current liabilities. Current liabilities include a bank loan of DKK 500 million and an unsecured bond of NOK 300 million which are maturing in June 2018. Atea has reached an agreement to refinance these obligations with new borrowing facilities which will be implemented before the maturity date. Total shareholder's equity was NOK 3,361 million, corresponding to an equity ratio of 27.8%.

At the end of Q1 2018, Atea's net financial position was NOK -868 million compared with NOK -702 million at the end of Q1 2017. Atea's bond covenants require that the Group maintains a maximum net interest bearing debt of 2.5x pro forma EBITDA over the last twelve months. Atea is currently well within this limit, and maintains liquidity reserves, including unutilized credit facilities, of NOK 2,113 million as of 31 March 2018.

Cash flow

Atea had cash flow from operating activities of NOK -841 million in the first quarter of 2018, compared with NOK -321 million in Q1 2017. Cash flow from operations was negatively impacted by an increase in the working capital balance of MNOK 991 during Q1 2018. Atea's working capital balance is highly seasonal and fluctuates greatly throughout the year. Working capital levels are generally at the lowest point at the end of Q4 and increase during the first half of the year.

Atea aims to maintain a working capital balance in line or below the same period last year. The net working capital balance at the end of Q1 2018 was NOK -613 million compared with NOK -906 million last year. The increase in the net working capital balance was due to higher inventory and receivables compared with last year. The increase in inventory was primarily due to customer projects due to be delivered in the second quarter. The increased receivables were the result of reduced collections during the Easter holiday, which took place at quarter end.

Cash flow from investing activities were NOK -80 million in Q1 2018, compared with NOK -56 million last year. The increased level of capital expenditure is related to higher investments in data center equipment.

Cash flow from financing activities was NOK 164 million in Q1 2018 reflecting an increase in short-term debt outstanding.

Shares

Atea had 7,397 shareholders on 31 March 2018 compared with 6,995 shareholders on 31 March 2017.

The 10 largest shareholders as of 31 March 2018 were:

Main Shareholders *	Shares	%
Systemintegration APS **	26,658,510	24.8%
Folketrygdfondet	9,312,009	8.6%
State Street Bank & Trust Co. ***	4,210,757	3.9%
Odin Norden	3,302,977	3.1%
Handelsbanken Norden Selektiv	2,832,214	2.6%
State Street Bank and Trust Co. ***	2,452,613	2.3%
Odin Norge	2,447,198	2.3%
Skandinaviske Enskilda Banken AB ***	2,140,000	2.0%
JP Morgan Chase Bank, NA ***	2,067,204	1.9%
State Street Bank and Trust Co. ***	2,031,925	1.9%
Other	50,255,205	46.7%
Total number of shares	**107,710,612**	**100.0%**

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

As of 31 March 2018, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.1% of the shares, including the shares held by Systemintegration APS.

Business overview

Background

Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic regions. The company is the largest player by far in its local markets, with approximately 18% market share in 2017. 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% per year from 2007 – 2017.

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 5.4% 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 7,000 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 "digitalization" 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 supports its customers in managing the continuous growth and increased complexity of their IT environments. 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 (cont'd)

Business outlook

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

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.

In the first quarter of 2018, Atea met both of these objectives, with revenue growth of over 13% and EBIT growth of over 16%.

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 will commercialize a solution which Atea has developed in close collaboration with its technology partners.

The solution is a cloud platform for enabling software vendors and service providers to transform their business from transactional sales to subscription and consumption-based service delivery. The solution is called AppXite (appxite.com) and has commercial potential outside of the Nordic region. If successful, the AppXite solution has the potential to develop into a significant new business area for Atea.

Atea has established a fully-owned subsidiary in Latvia called AppXite SIA which will continue to develop and commercialize the cloud commerce platform and related services. The subsidiary is expected to be loss-making during 2018. At present, losses are expected to be approximately EUR 3 million during 2018. Losses for Q1 2018 were EUR 0.5 million. Additional financial guidance will be provided on AppXite on a quarterly basis. Further financial information on AppXite can be found in Note 2 of the financial statements.

The Outlook by country:

Sweden:
Sweden is Atea's largest market, representing 38% of Group revenue in the full year 2017.

During 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 2018, driven by increased product sales and an higher services revenue within key growth segments.

Denmark:
Denmark is Atea's second largest market, representing 26% of Group revenue in the full year 2017.

During the last year, Atea Denmark has faced declining sales in hardware and services. In order to improve profitability, Atea Denmark has restructured its business and reduced its headcount.

A new organization structure was launched in Denmark at the start of Q1 2018. The new organization is built around customer segments with a focus on driving solution selling and cross-selling of products and services to customers. In combination with reduced staffing levels, the reorganization is expected to drive improved profitability in the Danish business during 2018.

A court case involving potential corruption between former employees in Atea Denmark and a large public customer has been ongoing during Q1 2018. The court case is currently scheduled to finish in May 2018. More information around the court case can be found in Note 10.

Business overview (cont'd)

Business outlook (cont'd)

Norway:
Norway represented 25% of Group revenue in the full year 2017.

Following a management change in 2015, Atea Norway has been very effective at holding down operating expenses while continuing to develop the business. As a result, EBIT has improved greatly during the last two years.

Since the end of last year, Atea Norway has seen an acceleration in product sales to both the public and private sectors. At the same time, Atea Norway has been developing its service organization for future growth opportunities in markets such as IT security, business intelligence and the internet of things. Atea Norway expects market demand to remain healthy in 2018, driving increased revenue and EBIT.

Finland:
Finland represented 8% of Group revenue in the full year 2017.

In recent years, Atea has won several large frame agreements to the public sector. Private sector demand has also been strong, driven by an improved economy in Finland following a long period of recession.

In 2018, Atea Finland expects growth in revenue and profitability to continue based on new public frame agreements, investments in services and an strengthening market environment.

The Baltics:
The Baltic region represented 3% of Group revenue in the full year 2017.

During the last few years, revenue growth in the Baltics has been driven by higher sales to the private sector. In particular, Atea Baltics has had strong growth in its cloud services business.

Higher sales to the private sector have offset weaker demand from the public sector. In the Baltic countries, large public sector IT projects are heavily dependent on EU funding programs. A new EU funding program has recently been launched but relatively few IT projects have been approved for funding so far under the program.

In addition, local government funding for public sector IT projects in Lithuania is currently frozen, while a new government reviews its IT strategy. As a result, public sector IT spending has been weak.

The timing of when funding programs will be made available for large public IT investments is unclear. In response to the uncertain market conditions in the public sector, management has taken action to lower its cost base in the Baltics by reducing headcount.

Condensed financial information for the 3 months ended 31 March 2018

Consolidated income statement

NOK in million	Note	Q1 2018	Q1 2017	Full year 2017
Revenue	**2,3,8**	8,340	7,360	32,438
Gross margin		1,838	1,694	7,218
Personnel costs		(1,346)	(1,251)	(5,030)
Other operating costs		(258)	(230)	(975)
Share based compensation		(17)	(15)	(37)
EBITDA		**217**	**199**	**1,175**
Depreciation and amortization		(86)	(85)	(345)
Amortization related to acquisitions		(8)	(9)	(32)
Operating profit (EBIT)	**2**	**123**	**105**	**799**
Net financial items	**5**	(11)	(19)	(75)
Profit before tax		**111**	**86**	**724**
Tax	**7**	(24)	(17)	(181)
Profit for the period		**87**	**69**	**543**
Earnings per share				
- earnings per share		0.81	0.65	5.10
- diluted earnings per share		0.80	0.64	5.00

Consolidated statement of comprehensive income

NOK in million	Q1 2018	Q1 2017	Full year 2017
Profit for the period	**87**	**69**	**543**
Currency translation differences	(115)	28	213
Forward contracts - cash flow hedging	(2)	1	11
Income tax OCI relating to items that may be reclassified to profit or loss	0	(2)	(4)
Items that may be reclassified subsequently to profit or loss	**(117)**	**28**	**220**
Other comprehensive income	(117)	28	220
Total comprehensive income for the period	**(30)**	**97**	**763**

Consolidated statement of financial position

NOK in million	Note	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS				
Property, plant and equipment		614	658	628
Deferred tax assets	**7**	482	561	487
Goodwill		3,755	3,683	3,845
Other intangible assets		254	291	273
Investment in associated companies		11	-	12
Other long-term receivables		5	7	6
Non-current assets		**5,121**	**5,199**	**5,252**
Inventories		776	600	591
Trade receivables		4,616	4,157	6,886
Other receivables		1,287	888	1,061
Other financial assets		0	2	1
Cash and cash equivalents		294	465	1,125
Current assets		**6,973**	**6,111**	**9,663**
Total assets		**12,094**	**11,311**	**14,915**
EQUITY AND LIABILITIES				
Share capital and premium	**4**	362	286	355
Other unrecognised reserves		2,142	2,066	2,259
Retained earnings		858	967	760
Equity		**3,361**	**3,320**	**3,373**
Interest-bearing long-term liabilities	**6**	111	1,070	120
Other long-term liabilities		13	17	13
Deferred tax liabilities		266	255	275
Non-current liabilities		**390**	**1,343**	**408**
Trade payables		4,563	3,945	6,755
Interest-bearing current liabilities	**6**	1,051	96	903
VAT, taxes and government fees		661	653	1,010
Provisions		104	115	258
Other current liabilities		1,959	1,828	2,199
Other financial liabilities		4	13	8
Current liabilities		**8,343**	**6,648**	**11,133**
Total liabilities		**8,732**	**7,991**	**11,541**
Total equity and liabilities		**12,094**	**11,311**	**14,915**

Consolidated statement of changes in equity

NOK in million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Equity at start of period - 1 January	**3,373**	**3,200**	**3,200**
Currency translation differences	(115)	26	211
Forward contracts - cash flow hedging	(1)	1	8
Other comprehensive income	(117)	28	220
Profit for the period	87	69	543
Total recognised income for the year	**(30)**	**97**	**763**
Employee share-option schemes	11	5	16
Dividends	-	-	(692)
Issue of share capital	7	17	86
Equity at end of period	**3,361**	**3,320**	**3,373**

Consolidated statement of cash flow

NOK in million	Q1 2018	Q1 2017	Full year 2017
Profit before tax	111	86	724
Taxes paid	(66)	(73)	(128)
Depreciation and amortisation	94	93	376
Share based compensation	11	5	16
Other corrections	0	(0)	(2)
Cash earnings	**149**	**111**	**987**
Change in trade receivables	2,080	1,836	(553)
Change in inventories	(216)	13	51
Change in trade payables	(1,990)	(1,911)	575
Other changes in working capital	(865)	(371)	178
Cash flow from operating activities	**(841)**	**(321)**	**1,238**
Capital expenditure	(80)	(56)	(228)
Purchase/sale of subsidiaries	-	-	(1)
Cash flow from investing activities	**(80)**	**(56)**	**(229)**
Dividend paid	-	3	(692)
Other equity transactions	8	17	86
Change in debt	156	(67)	(262)
Cash flow from financing activities	**164**	**(47)**	**(868)**
Net cash flow	**(757)**	**(424)**	**142**
Cash and cash equivalents at the start of the period	1,125	880	880
Foreign exchange effect on cash held in a foreign currency	(74)	9	103
Cash and cash equivalents at the end of the period	**294**	**465**	**1,125**

NOTES

NOTE 1 – General information and accounting policies

The condensed interim financial statements for the three months ending 31 March 2018 were approved for publication by the Board of Directors on 25 April 2018. 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 2017, 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 2018 are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2017. The changes in these accounting policies, IFRS 15, ‘Revenue from Contracts with Customers’ and IFRS 9, ‘Financial instruments’ do not have any material impact on the Group accounts.

IFRS 15, ‘Revenue from Contracts with Customers’: 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 2017. The operating segment information in Note 2 is disaggregated to the main categories of revenue in Note 3 “Disaggregation of revenue:”.

In the interim financial statements for 2018, 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 2018 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2017.

The Board confirms that these interim financial statements have been prepared on a going concern basis. As a result of rounding differences numbers or percentages may not add up to the total.

The carrying amounts of Financial assets and Financial liabilities recognized in the Consolidated statement of financial position approximate their fair values, according to Management’s assessment.

NOTE 2 – Operating segment information

Atea is located in 87 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with more than 7,000 employees. For management and reporting purposes, the Group is organized by these geographical areas. The performance of these geographical areas are evaluated on a regular basis by Atea’s 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 IT) and central administration. These costs are reported separately as Group Shared Service and Group cost.

In addition to the geographical areas above, Atea is reporting on a new segment starting from 2018. AppXite is a global independent software distribution portal. For more information, see appxite.com.

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

NOTE 2 – Operating segment information (cont'd)

Operating segment information – NOK

Revenue NOK in million	Q1 2018	Q1 2017	Full year 2017
Norway	1,901.4	1,734.8	8,270.9
Sweden	3,314.4	2,690.0	12,379.2
Denmark	2,011.3	2,010.8	8,418.6
Finland	873.9	760.5	2,436.9
The Baltics	252.2	193.2	1,080.9
Group Shared Services	1,253.5	1,026.5	4,758.1
AppXite	4.7	-	-
Eliminations *	(1,271.4)	(1,055.9)	(4,907.4)
Atea Group	**8,340.1**	**7,360.0**	**32,438.1**

EBIT NOK in million	Q1 2018	Q1 2017	Full year 2017
Norway	42.5	37.1	265.7
Sweden	96.1	71.1	393.6
Denmark	(10.8)	9.0	120.7
Finland	11.3	9.0	42.9
The Baltics	0.7	0.0	22.9
Group Shared Services	8.7	(1.9)	22.1
AppXite	(4.3)	-	-
Group cost	(21.5)	(18.8)	(69.4)
Operating profit (EBIT)	**122.7**	**105.5**	**798.6**
Net financial items	(11.4)	(19.4)	(74.8)
Profit before tax	**111.3**	**86.0**	**723.7**

Quarterly revenue and gross margin NOK in million	Q1 2018	Q1 2017	Full year 2017
Product revenue	6,812.9	5,889.3	26,233.8
Services revenue	1,527.0	1,470.4	6,203.0
Other income	0.2	0.2	1.3
Total revenue	**8,340.1**	**7,360.0**	**32,438.1**
Gross contribution	1,838.0	1,694.0	7,217.6
Product margin	11.8%	12.1%	11.8%
Services margin	67.8%	66.8%	66.4%
Gross margin	**22.0%**	**23.0%**	**22.3%**

Quarterly revenue and gross margin NOK in million	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Product revenue	6,812.9	8,271.1	5,198.4	6,875.0	5,889.3
Services revenue	1,527.0	1,743.9	1,455.2	1,533.5	1,470.4
Other income	0.2	0.5	0.3	0.2	0.2
Total revenue	**8,340.1**	**10,015.5**	**6,653.9**	**8,408.7**	**7,360.0**
Gross contribution	1,838.0	2,127.9	1,610.9	1,784.8	1,694.0
Product margin	11.8%	11.9%	12.6%	10.9%	12.1%
Services margin	67.8%	65.6%	65.8%	67.7%	66.8%
Gross margin	**22.0%**	**21.2%**	**24.2%**	**21.2%**	**23.0%**

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

NOTE 2 – Operating segment information (cont'd)

Operating segment information – local currency

Revenue Local currency in million		Q1 2018	Q1 2017	Full year 2017
Norway	NOK	1,901.4	1,734.8	8,270.9
Sweden	SEK	3,430.0	2,846.2	12,788.4
Denmark	DKK	1,555.0	1,664.2	6,712.3
Finland	EUR	90.7	84.7	261.2
The Baltics	EUR	26.2	21.5	115.9
Group Shared Services	NOK	1,253.5	1,026.5	4,758.1
AppXite	EUR	0.5	-	-
Eliminations *	NOK	(1,271.4)	(1,055.9)	(4,907.4)
Atea Group	**NOK**	**8,340.1**	**7,360.0**	**32,438.1**

EBIT Local currency in million		Q1 2018	Q1 2017	Full year 2017
Norway	NOK	42.5	37.1	265.7
Sweden	SEK	99.5	75.2	406.7
Denmark	DKK	(8.3)	7.4	96.2
Finland	EUR	1.2	1.0	4.6
The Baltics	EUR	0.1	0.0	2.5
Group Shared Services	NOK	8.7	(1.9)	22.1
AppXite	EUR	(0.5)	-	-
Group cost	NOK	(21.5)	(18.8)	(69.4)
Operating profit (EBIT)	**NOK**	**122.7**	**105.5**	**798.6**
Net financial items	NOK	(11.4)	(19.4)	(74.8)
Profit before tax	**NOK**	**111.3**	**86.0**	**723.7**

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 2017.

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 2018	Q1 2017	Full year 2017
Norway	NOK	1,065.1	977.2	4,926.7
Sweden	SEK	1,836.3	1,518.7	6,806.4
Denmark	DKK	835.7	965.3	3,610.0
Finland	EUR	39.8	38.4	138.2
The Baltics	EUR	16.6	12.8	70.9
Group Shared Services	NOK	1,165.7	971.1	4,517.9
AppXite	EUR	-	-	-
Eliminations *	NOK	(1,145.1)	(960.3)	(4,469.3)
Atea Group	**NOK**	**4,484.1**	**4,049.9**	**18,042.5**

Software Local currency in million		Q1 2018	Q1 2017	Full year 2017
Norway	NOK	377.7	313.2	1,516.5
Sweden	SEK	1,028.8	819.8	3,881.7
Denmark	DKK	405.0	319.1	1,555.0
Finland	EUR	43.8	39.7	95.1
The Baltics	EUR	1.9	1.9	14.4
Group Shared Services	NOK	0.7	1.2	8.4
AppXite	EUR	-	-	-
Eliminations *	NOK	(7.8)	(9.7)	(64.1)
Atea Group	**NOK**	**2,328.8**	**1,839.4**	**8,191.3**

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

NOTE 3 – Disaggregation of revenue (cont'd)

Services Local currency in million		Q1 2018	Q1 2017	Full year 2017
Norway	NOK	458.6	444.4	1,827.6
Sweden	SEK	564.9	507.8	2,100.3
Denmark	DKK	314.3	379.8	1,547.3
Finland	EUR	7.2	6.5	27.9
The Baltics	EUR	7.7	6.7	30.4
Group Shared Services	NOK	87.2	54.2	231.5
AppXite	EUR	0.5	-	-
Eliminations *	NOK	(118.5)	(85.9)	(373.9)
Atea Group	**NOK**	**1,527.0**	**1,470.4**	**6,203.0**

NOTE 4 – Share capital and premium

	Number of shares		Share capital			
NOK in million, except number of shares	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total
At 1 January 2018	**107,581,945**	**(7,844)**	**108**	**(0)**	**247**	**355**
Issue of Share capital**	128,667	-	0	-	7	7
At 31 March 2018	**107,710,612**	**(7,844)**	**108**	**(0)**	**254**	**362**

NOTE 5 – Net financial items

NOK in million	Q1 2018	Q1 2017	Full year 2017
Interest income	1	1	5
Other financial income	0	0	2
Total financial income	**1**	**1**	**6**
Interest costs on loans	(8)	(8)	(34)
Interest costs on financial leases	(2)	(3)	(10)
Foreign exchange effects	(2)	(7)	(30)
Other financial expenses	(1)	(2)	(7)
Total financial expenses	**(13)**	**(20)**	**(81)**
Total net financial items	**(11)**	**(19)**	**(75)**

NOTE 6 – Interest-bearing liabilities

Interest-bearing liabilities as of 31 March 2017 included a bank loan of DKK 500 million arranged by Nordea Bank, Denmark, and an unsecured bond loan of NOK 300 million, arranged by Norsk Tillitsmann. Both loans are maturing in June 2018 and therefore were classified as short-term liabilities as of 31 March 2018.

Atea is presently going through a refinancing process, and these loans will be refinanced with long term liabilities.

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

NOTE 7 – Taxes

NOK in million	Q1 2018	Effective rate	Q1 2017	Effective rate	Full year 2017	Effective rate
Profit before tax	111		86		724	
Tax payable expenses	(21)	19.2%	(16)	18.4%	(101)	13.9%
Deferred tax asset changes due to tax loss carry forward used	(4)	4.0%	(3)	3.5%	(93)	12.9%
Other deferred tax changes	1	-1.3%	2	-2.1%	13	-1.8%
Total tax expenses	**(24)**	**21.8%**	**(17)**	**19.7%**	**(181)**	**25.0%**

Income tax expense is recognized based on management's estimate of its weighted average tax rate. The estimated tax payable rate during the Q1 of 2018 is 19.2 %.

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

At the year end of 2017, the tax value of the tax loss carried forward within the Group was NOK 443 million and the full amount was recognized as 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 – Commitments

With reference to Note 25 – Commitments – in the Annual report for 2017, Atea ASA has issued guarantees in favor of financial institutions as security for the lending facilities provided to Atea ASA and subsidiaries. Part of these commitments concern sublease facilities. At the end of Q1 2018, the Group had sublease commitments of NOK 370 million to financial institutions, which are not reported on-balance sheet.

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

NOTE 10 – Risks and uncertainties

On March 2, 2017, Atea A/S ("Atea Denmark") was presented with a formal prosecution (norsk: tiltale) as the legally responsible entity, of bribery and embezzlement carried out by four former employees in the company, in a time period from 2008-2014.

The four persons were employed at Atea Denmark at the time the actions took place. Under Danish law, a company can be held legally responsible for actions undertaken by employees. In this case, indictments have been placed against four former leading employees in Atea. If these employees are convicted, Atea Denmark can be held legally responsible.

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

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

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

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

In April 2018, the prosecutor has asked for a penalty toward Atea Denmark of DKK 60 million in the event of a conviction. Atea Denmark maintains that it is not guilty of the charges. The verdict in the case is expected in late May 2018. Atea has made no accruals for penalties as a result of a guilty verdict in the case.

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

NOTE 11 – Events after the balance sheet date

See Note 10 regarding possible penalty towards Atea Denmark.

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 2018 and 2017 in both the current and prior full year. Pro forma financial results are used to calculate organic growth as well as bond covenant requirements (see below).

Pro forma revenue in constant currency excludes the effect of foreign currency rate fluctuations. Growth in constant currency is translating revenue recognized during the current period using exchange rates for the previous period.

NOK in million	Q1 2018	Q1 2017	Full year 2017
Revenue	8,340	7,360	32,438
Adjustment for acquisitions	-	0	(0)
Pro forma revenue	**8,340**	**7,360**	**32,438**
Pro forma revenue on last year currency	8,054	7,749	32,570
Pro forma growth in constant currency	**9.4%**	**6.8%**	**4.4%**

NOK in million	Q1 2018	Q1 2017	Full year 2017
EBITDA	217	199	1,175
Adjustment for acquisitions	(0)	0	(0)
Pro forma EBITDA	**217**	**199**	**1,175**

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

NOK in million	Q1 2018	Q1 2017	Full year 2017
Personnel costs	1,346	1,251	5,030
Other operationg costs	258	230	975
Share based compensation	17	15	37
Depreciation and amortization	86	85	345
Amortization related to acquisitions	8	9	32
Total operating expenses	**1,715**	**1,589**	**6,419**

Alternative Performance Measures (cont'd)

Free cash flow

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

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

NOK in million	Q1 2018	Q1 2017	Full year 2017
Cash flow from operations	(841)	(321)	1,238
Capital expenditures through cash	(80)	(56)	(228)
Capital expenditures through financial leasing	(9)	(4)	(34)
Free cash flow	**(930)**	**(382)**	**976**

Net financial position

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

Net financial position is one of the key metrics used in Atea to assess both the cash position and its indebtedness.

NOK in million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Interest-bearing long-term liabilities	(111)	(1,070)	(120)
Interest-bearing current liabilities	(1,051)	(96)	(903)
Cash and cash equivalents	294	465	1,125
Net financial position	**(868)**	**(702)**	**102**

Net working capital

Net working capital is defined as non-interest-bearing current assets net of cash and cash equivalents less non-interest-bearing current liabilities and indicates how much funding is needed for business operations.

Due to seasonality of operation (see Note 8) Atea's net working capital fluctuates highly with a peak in the fourth quarter. Atea has sufficient debt facilities to finance its working capital fluctuations.

Net working capital in relation to annualized revenue indicates effectiveness in working capital management. Annualized revenue is estimated based on year to date results.

NOK in million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Inventories	776	600	591
Trade receivables	4,616	4,157	6,886
Other receivables	1,287	888	1,061
Other financial assets	0	2	1
Trade payables	(4,563)	(3,945)	(6,755)
VAT, taxes and government fees	(661)	(653)	(1,010)
Provisions	(104)	(115)	(258)
Other current liabilities	(1,959)	(1,828)	(2,199)
Other financial liabilities	(4)	(13)	(8)
Working capital	**(613)**	**(906)**	**(1,692)**
Year to date revenue	8,340	7,360	32,438
Annualized revenue	33,360	29,440	32,438
Working capital in relation to annualized revenue (%)	**-1.8%**	**-3.1%**	**-5.2%**

Alternative Performance Measures (cont'd)

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

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

NOK in million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Last 12 months pro forma EBITDA	1,193	1,090	1,175
Bond covenant ratio	2.5	2.5	2.5
Liquidity reserve	**2,113**	**2,024**	**3,040**

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

NOK in million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Equity	3,361	3,320	3,373
Total assets	12,094	11,311	14,915
Equity ratio (%)	**27.8%**	**29.3%**	**22.6%**

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