ATEA

Annual report 2019

DIGITAL TRANSFORMATION TOGETHER

GOLD 2019 ecovadis CSR Rating

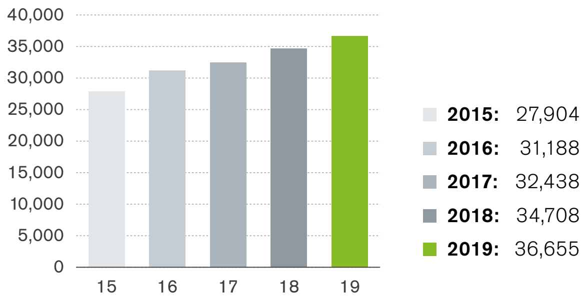
Nasdaq ESG Transparency Partner

Corporate Responsibility Prime rated by ISS-oekom

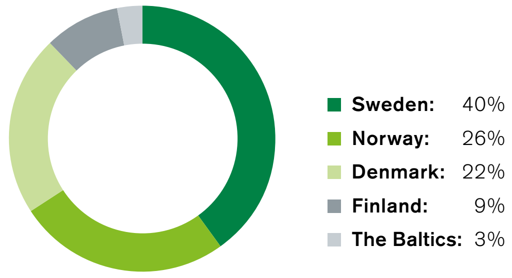
Content

Key Figures Group 2015–2019

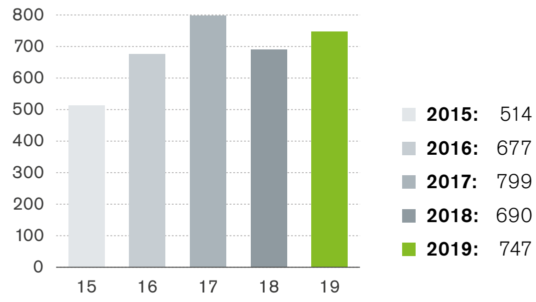
Revenue
2015–2019 (NOK in million)



Revenue per country
2019



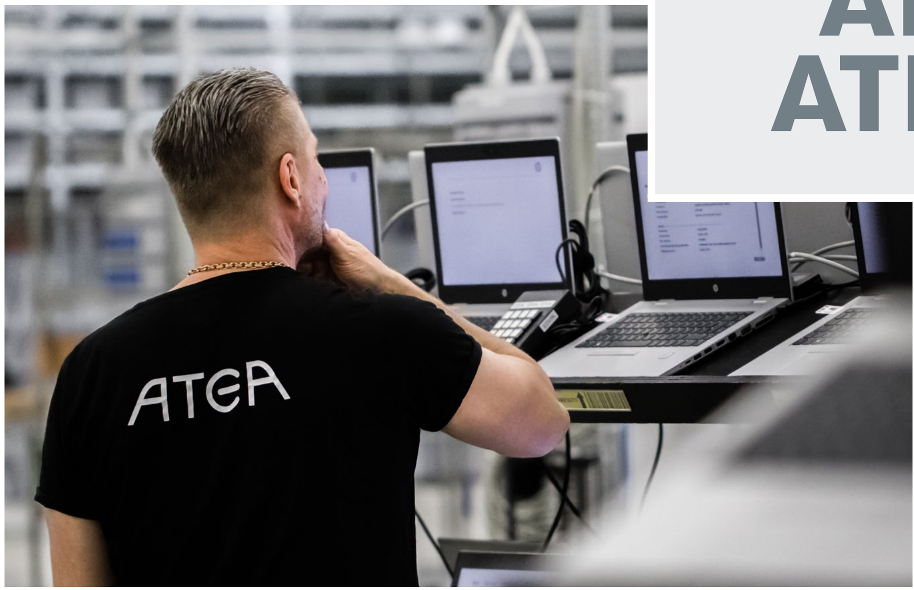
EBIT
2015–2019 (NOK in million)



NOK in million (unless stated otherwise)	2015	2016	2017	2018	2019
Revenue	27,904	31,188	32,438	34,708	36,655
Gross profit	6,403	6,939	7,218	7,534	7,758
Gross margin (%)	22.9	22.2	22.3	21.7	21.2
Operating profit (EBIT)	514	677	799	690	747
EBIT-margin (%)	1.8	2.2	2.5	2.0	2.0
Earnings per share (NOK)	3.76	4.87	5.10	4.33	4.84
Diluted earnings per share (NOK)	3.71	4.80	5.00	4.26	4.78
Net financial position	-750	-350	102	-17	657
Cash flow from operations	1,287	1,404	1,238	946	1,897
Liquidity reserve	1,573	2,362	3,065	2,669	3,995
Adjusted equity ratio (%)	25.3	23.8	22.6	22.0	22.4
Number of full-time employees at the year end	6,779	6,882	6,904	7,385	7,585

WE ARE ATEA

More than **7,500** employees located in **85** cities in seven European countries



Atea is the **market leader in IT infrastructure and related services** for businesses and public sector organizations in the Nordic and Baltic regions.

Strength in our markets

With more than 7,500 employees located in 85 cities in seven European countries — Norway, Sweden, Finland, Denmark, Lithuania, Latvia and Estonia — Atea has a powerful local presence across all of the markets we serve.

Given our unmatched size and reach, Atea can provide the broadest range of IT infrastructure support and advice to our customers. This means that we are not only able to provide the latest technologies, but that we also have the internal competence to design, implement, support and operate highly complex and integrated IT solutions.

Making a difference with technology

Equally important, we are among the Top 3 channel partners in Europe for many of the world's leading technology companies, including: Microsoft, Apple, Cisco, HP Inc, Hewlett Packard Enterprise, IBM, Lenovo, VMware, Citrix and Dell Technologies.

Atea has the highest level of vendor certification across its key technology partners and is frequently recognized with awards for its performance.

Based on Atea's unique mix of competence and technology partnerships, our customers count on us for professional insight on how to do more with IT. To that end, Atea is at the forefront of the latest technologies for mobility, collaboration and big data, as well as IT-as-a-service and cloud computing.

As a result, we help customers solve problems and get maximum productivity from their IT investments.

Built for growth and sustainability

As a publicly traded company listed on the Oslo Stock Exchange, Atea takes pride in its long-term record of delivering above-market revenue growth and in providing a healthy, consistent dividend payout to investors. For 2019, Atea reported revenue of NOK 36.7 billion: up 5.6 percent compared to last year, and the highest in our company's history.

Corporate responsibility and good stewardship of our planet are also at the core of what we do. Atea fully supports the United Nations' Global Compact and its ten principles of human rights, labor, environment and anti-corruption. This means that we govern ourselves in a way that helps build an inclusive, sustainable economy, capable of delivering lasting benefits to people and the markets where they live.


ATEA

A letter from the CEO

Dear shareholders,
2019 was very exciting year for Atea and for the Nordic IT market. Our market is changing rapidly, benefiting large resellers with the service competence to advise and support customers in their digital transformation.

Atea had another year of record high revenue and improved operating profit in 2019. Sales of hardware grew by 1.1% in 2019, while sales of software grew by 15.7% and sales of services by 4.6%. Our revenue growth shifted from hardware toward software and services, a trend that has been ongoing for the last few years.

This trend is being driven by changes in the global IT infrastructure market, where software sales is both growing and consolidating among fewer large players. As more information is captured in a digital format, customers require software to manage, share and generate value from their data. At the same time, the growth in data and applications makes customer's IT environments more complex and challenging to manage. For this reason, Atea's growth within advanced software also creates increased demand for Atea's IT services within consulting, technical support, and full operations support.

The trends that we have seen in the market demonstrate that the business strategy that we announced one year ago is the correct direction for Atea. Our strategy is to build the competence of our organization to support our customers' digital transformation. We aim to expand Atea's service offering in order to be the leading reseller, integrator and service provider in our markets. Our products and services span across the entire IT infrastructure, including solutions for information management, digital workplace and hybrid platforms.

Atea is very well positioned to capture new market opportunities as its customers' IT requirements continue to grow in size and complexity. Atea is by far the leading reseller of IT infrastructure in the Nordic and Baltic regions, and offers a full range of solutions from the world's leading technology companies. We have the highest level of partnership and certification across all of our major vendors, and the largest consultant organization to advise, support and operate solutions for our customers.

Steinar Sønsteby
(born 1962)
CEO

Steinar Sønsteby joined Atea in 1997 and was managing director of Atea in Norway in 1997- 2000 and for Atea in Sweden in 2000 - 2002. After moving back to Norway Sønsteby was CEO of Atea in Norway until 2012 when he became Executive Senior Vice President of Atea ASA. In January of 2014 Sønsteby was appointed CEO of Atea ASA. Before joining Atea he was the CEO of Skrivervik Data AS.

Steinar Sønsteby holds a degree in Mechanical Design from Oslo College of Engineering and a Bachelor of Science in Mechanical Engineering from University of Utah (USA). He also has a finance degree from Norwegian School of Management (BI) and for Training in Management and Human relations from Dale Carnegie Institute.

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.

Despite our competitive advantages, our strategy demands a great deal from Atea. We need to continually invest to build our competence and capabilities in numerous areas of technology. Atea has been very active during 2019 in developing its capabilities to capture new market opportunities. Here are some of the areas in which we have invested during the last year:

In Information Management, we have expanded our team of dedicated consultants within data analytics and AI both through recruitment and through the acquisition of DatabaseForum in Norway. Our team of data analytics consultants now numbers several hundred, with a presence across all geographies. We have also established a consulting practice within robotics process automation, with over one hundred projects in 2019. Our robotics programmers are concentrated in the Baltic region, with local sales and support in each of the Nordic countries.

In Digital Workplace, we continue to develop our business within device lifecycle management. Our customers are increasingly seeking to acquire IT "as a service" through a monthly subscription, where Atea supports operations and renews IT equipment at its end of the subscription term.

To make this happen, our financial services team offers payment solutions to customers to convert their product purchases into a monthly "as a service" payment stream. Our client operations team provides device management, software management and user support throughout the subscription term, much of which is administered remotely from a central team in Riga. Our IT recycling operation gathers used equipment from customers at its end of life so that it can be safely recycled or resold.

All of these complementary services within device lifecycle management had rapid growth and record high financial performance in 2019. At the same time, we greatly increased our capacity for further growth within device lifecycle management as our logistics operations moved into a larger and state-of-the-art new warehouse in Växjö.

In Hybrid Platforms, Atea has entered partnerships with Microsoft, IBM and Amazon Web Services to train over 1,000 employees across different cloud platforms. These companies have recently opened hyperscale data centers in the Nordic region from which to provide cloud services. Atea has set up a cloud migration "factory" from which customers' data center workloads can be transferred and managed through a "hybrid multi-cloud" platform.

Our market is changing rapidly, benefiting large resellers with the service competence to advise and support customers in their digital transformation.

Atea has also been very active in the area of information security. We established a centralized Security Operations Center in 2019 from which to provide managed security services to customers. The Security Operations Center is located in Sweden and is based on IBM security solutions. The Security Operations Center can intelligently monitor activity across an organization's IT environment and respond to threats as they occur. IT security is growing challenge for Atea's customers, and an area where Atea has seen very high growth in demand for consultancy and managed services.

We are proud of the progress Atea has made in 2019 to pursue its strategy and develop its business for the long-term. Our industry is changing, in ways that will create new growth opportunities for years to come. Atea is perfectly positioned to capture these opportunities, based on our unique market position and capabilities. We look forward to an exciting year ahead and wish you all an excellent 2020.

Oslo, 17 March 2020

Opening of new
Data center in Vilnius.

Board of Directors' Report 2019

Atea reported solid growth in revenue and net profit during 2019 despite a slowdown in the hardware market. Financial performance was driven by increased sales of software and services, as well as tight control of operating expenses.

All business units reported improved EBIT in 2019 except Norway, where the impact of a weaker hardware market was felt hardest. In Denmark, Atea's business began to recover from a large operating loss in 2018. Atea's other businesses in Sweden, Finland and the Baltics reported strong rates of revenue growth and improved profitability in 2019.

Atea's competitive position remains very strong. Atea is the market leader in IT infrastructure within the Nordic and Baltic regions, with significant competitive advantages based on its scale and service offering. The company has recently updated its business strategy to address changes in the market, and is investing heavily to expand its position within new technologies and emerging growth segments of the IT infrastructure market.

Company overview

Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic regions. The Group has more than 7,500 employees and is located in 85 cities across Norway, Sweden, Denmark, Finland, Latvia, Lithuania and Estonia. Approximately 60% of Atea's sales are to the public sector, with the remainder of sales to private companies. The Group is headquartered in Oslo, Norway.

Atea is the largest provider of IT infrastructure within each of its local markets and is the third largest provider in Europe. The company has an estimated 19% market share within the Nordic and Baltic regions, which is more than 3 times larger than its second largest competitor. Atea's business strategy is to strengthen and consolidate its market leadership position through organic growth and selective acquisitions, and to continuously focus on improving operating efficiency.

Through its scale of operations, Atea has critical advantages versus smaller competitors in purchasing power, local market presence, breadth of product and service offering, system integration competence, and cost-efficient support and logistics functions. This is reflected in the long-term financial performance of the Group. Atea's leading market position and competence in IT infrastructure has enabled the company to grow organically 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, compared with a market growth rate of approximately 3.3%.

In addition to organic growth, Atea has pursued an M&A strategy to further 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 and Finland in 2006. Since 2007, Atea has acquired more than 50 companies including the leading IT infrastructure company in the Baltic region, at valuation multiples significantly below those of Atea ASA.

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. This enables Atea to stay at the forefront of the latest IT trends, and to offer its customers new and innovative IT solutions.

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.

Business strategy

As the IT market evolves, Atea is developing its capabilities in numerous areas to support its customers' digital transformation projects. The Group has recently 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.

Atea's value proposition to the customer can be broken into three areas. The company aims 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.

Financial summary

Income Statement

During 2019, revenue for the Group increased by 5.6% to NOK 36,655 million, driven by higher sales of software and services. Hardware revenue grew by 1.1% to NOK 19,321 million, software revenue grew by 15.7% to NOK 10,598 million, and services revenue grew by 4.6% to NOK 6,736 million. Changes in currency rates impacted Atea's revenue positively by 0.6% in 2019 compared with 2018.

Adjusted for acquisitions, Atea's pro forma growth in constant currency was 4.8% in 2019. In September 2019, Atea acquired DatabaseForum AS, a Norwegian provider of business intelligence and data analytics consulting services. DatabaseForum is included in Group results from the fourth quarter of 2019.

Atea's operating profit (EBIT) grew by 8.2% to NOK 747 million in 2019, up from NOK 690 million in 2018. The improved EBIT reflects higher gross profit from software and services, and relatively low growth in personnel expenses and other costs.

Net financial items were NOK -90 million for the year, compared with NOK -56 million in 2018. Nearly all of the increase was due to a change in the accounting of lease expenses following the implementation of IFRS 16 'Leases' from

1 January 2019. Further information regarding the adoption of IFRS 16 and its impact on the financial statements can be found in Note 2 of the Group financial statements.

Profit before tax was NOK 657 million compared with NOK 634 million last year. Tax expenses were NOK 127 million in 2019, compared with NOK 167 million in 2018. The reduction in tax expense was due to changes in deferred tax during 2019, compared with 2018. In 2018, Atea wrote down the value of its deferred tax assets by NOK 18 million based on a reduction in the corporate tax rate in Norway from 23 to 22 percent.

Net profit after tax grew by 13.4% to NOK 530 million in 2019, compared with NOK 467 last year. This represents a basic earnings per share of NOK 4.84 in 2019 compared with NOK 4.33 in 2018.

In accordance with section 3-3a of the Norwegian Accounting Act, the Board of Directors confirm that the prerequisites for continued operations have been met, and that the financial statements have been prepared on a going-concern basis.

Segmentation

Atea has commercial operations in Norway, Sweden, Denmark, Finland and the Baltics. These geographic regions have their own management, and are reported as separate operating segments. There is also a Shared Services operating segment, which encompasses support functions such as Atea Logistics and Atea Global Services.

The financial performance of each business unit is presented in Note 5 of the Group financial report. A brief summary of business performance follows:

Sweden is Atea's largest market, representing 40% of Group revenue in 2019. During 2019, Atea Sweden had revenue growth of 6.0% and EBIT growth of 7.3%. For the last several years, Atea Sweden has leveraged Atea's market strength to aggressively win new customer agreements, particularly within the public sector. During 2019, Atea has seen slower demand for hardware and higher price competition from public sector customers, which have been impacted by budget pressures.

Norway is Atea's second largest market, representing 26% of Group revenue in 2019. During 2019, Atea Norway had revenue growth of 7.9% but a decline in EBIT of 3.6%. The Norwegian business was impacted by a shift in the revenue mix toward lower margin hardware and software. In response, Atea Norway has taken steps to reduce operating expenses within its traditional resale business and to further expand its business within consulting and managed services.

Denmark is Atea's third largest market, representing 22% of Group revenue in 2019. The Danish business had a slow recovery from a large operating loss in 2018. For the full year 2019, Atea Denmark had a revenue decline of 1.6%, driven by lower sales of contracted services. EBIT was a loss of DKK 48 million, compared to loss of DKK 73 million last year. All of the improved EBIT took place in the second half of the year, based on stronger sales of products to corporate customers and higher demand for consulting services, and on a reduction in operating expenses relative to last year.

Finland represented 9% of Group revenue in 2019. During 2019, Atea Finland had revenue growth of 10.3% and EBIT growth of 3.2%. Atea Finland reported rapid growth in profitability during 2016 – 2018, driven by higher sales of products. During the last year, Atea Finland has hired new employees to strengthen its consulting and managed services business, which is underdeveloped relative to other countries. The services business is now in an expansion phase but has not yet reached its full revenue potential, resulting in slower EBIT growth in 2019 compared with prior years.

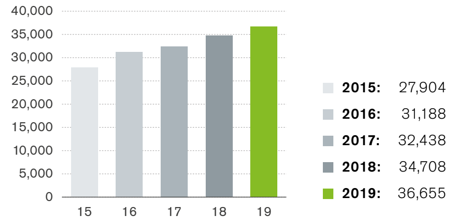
The Baltics represented 3% of Group revenue in 2019. In 2019, Atea Baltics had revenue growth of 6.6% and EBIT growth of 33.9%. The strong performance was driven by increased demand for professional services and higher sales of managed cloud agreements from its Baltneta subsidiary.

Balance Sheet and Cash Flow

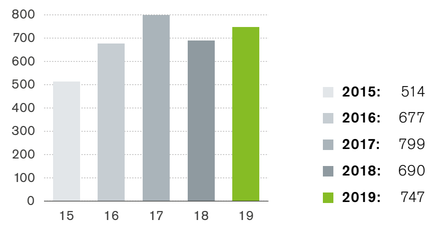
As of 31 December 2019, the Group had total assets of NOK 14,957 million. Current assets such as cash, receivables and inventory represented NOK 8,849 million of this total. Non-current assets represented NOK 6,108 million of this total, and primarily consisted of goodwill (NOK 3,881 million), property, plant and equipment (NOK 498 million), right-of-use leased assets (NOK 996 million), and deferred tax assets (NOK 354 million).

The Group had total liabilities of NOK 11,882 million and shareholders' equity of NOK 3,075 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.

Revenue
2015–2019 (NOK in million)



EBIT
2015–2019 (NOK in million)



The Group's cash flow from operations was an inflow of NOK 1,897 million in 2019. Cash flow from operations was positively impacted by an increase in the volume of receivables sold into the securitization program at the end of 2019 compared to 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 towards software vendors with shorter payment terms and towards services.

Cash flow from investments was an outflow of NOK 274 million in 2019. Cash flow from investments included capital expenditures of NOK 325 million and costs of approximately NOK 21 million related to the acquisition of DatabaseForum AS. Capital expenditures were primarily driven by investments in data center environments, and in warehousing and office equipment for a new logistics center in Växjö which opened in 2019. This was offset by the sale of a logistics warehouse in Denmark, which generated nearly NOK 73 million in cash inflow during 2019.

Cash flow from financing was an outflow of NOK 615 million in 2019. The negative cash flow from financing was primarily due to dividend payments of NOK 710 million and lease payments of NOK 303 million. This was offset by an increase in borrowing on debt facilities of NOK 346 million and by the issuance of new equity of MNOK 53 million related to the exercise of share options.

The Group's net cash flow was a positive NOK 1,008 million in 2019. Currency fluctuations reduced the cash balance by NOK 3 million during the year. The Group's cash balance was NOK 1,769 million at 31 December 2019, compared with NOK 764 million at 31 December 2018. At the end of 2019, Atea had a net financial position as defined by Atea's loan covenants (total cash balance, less interest-bearing debt excluding right of use leases) of NOK 657 million.

Atea's interest-bearing debt primarily consists of a loan of NOK 475 million from the European Investment Bank, due to mature in 2023. The Group has additional short-term credit facilities to manage fluctuations in liquidity throughout the year, as well as leases related to specified assets. Further information on debts and credit facilities can be found in Note 19 in the Group financial statements.

Risk factors

Market risk

The market for IT infrastructure has historically maintained a relatively stable growth rate throughout the economic cycle. According to data from IDC, the Nordic market for IT infrastructure has grown at an annual rate of approximately 3.3% from 2007 - 2019. Since 2007, the market declined in only one year (2009) and returned to growth the following year.

Atea's share of the IT infrastructure market has grown steadily over time, both through organic growth and through acquisitions. The company benefits from a unique competitive position, in which it is the largest player in the Nordic and Baltic markets, with the widest office network, and the broadest offering of products, services and system integration competence.

Due to its market share and competitive advantages, the company develops stable long-term relations with its customers. Approximately 60% of Atea's revenue comes from the public sector, in which demand is less sensitive to changes in the economic cycle. Many of Atea's customer contracts, especially in the public sector, are frame agreements in which the customer selects Atea as an IT partner for a term of roughly 3 – 5 years. In addition, a large and growing proportion of the company's service revenue comes from managed service contracts of one year or more.

The company is exposed to pricing and performance risk from its key vendors. Due to Atea's position as the third largest IT infrastructure provider in Europe, the company has the highest level of partner certification and significant negotiating power with its key vendors. When possible, the company works closely with at least two primary vendors in each product category to boost competition and avoid vendor risk.

Financial risk

Financial risk management for the Group is the responsibility of the central finance department, in compliance with guidelines approved by the Board of Directors. The Group's finance department identifies and evaluates financial risk and ensures that the necessary measures are carried out in close cooperation with the respective operating units.

In order to ensure financial stability in the event of adverse market conditions, the Group maintains a healthy balance of debt, equity and working capital. The Group's goal is to maintain an adjusted equity ratio (shareholder's equity divided by total assets excluding IFRS 16 right-of-use assets and sublease receivables) in excess of 20%. In addition, the Group maintains a maximum operational gearing (net debt divided by pro forma EBITDA) of 2.5.

Atea is exposed to foreign currency fluctuations, especially from the Swedish krona (SEK), the Danish krone (DKK), US dollars (USD) and the Euro (EUR), since part of the company's revenues and purchases of goods are in foreign currencies. It is company policy that all significant, committed goods or loan transactions with foreign currency exposure are to be hedged with forward contracts. The company is also exposed to fluctuations in interest rates, since nearly all of the company's debt facilities have floating interest rates.

Credit risk

Historically, the Group has had very few losses on receivables. The Group has not experienced materially greater losses on receivables in 2019 than in previous years. No agreements relating to offsetting claims or other financial instruments that would minimize the company's credit risk have been established, however, the Group continues to have a high focus on credit assessment and collections.

Liquidity risk

The company considers its liquidity risk to be limited. Atea has significant liquidity reserves available through credit facilities with its primary bank.

Atea's loan covenants require that the company's net debt balance remain below 2.5 times its pro forma EBITDA for the last twelve months (including acquired companies) at each quarter end. The covenants exclude incremental net lease liabilities due to the adoption of IFRS 16 from the definition of net debt. As defined by the covenants, Atea had a positive net financial position of NOK 657 million at 31 December 2019, resulting in an available liquidity reserve of NOK 3,995 million before the debt covenant is reached.

The Group's net debt has major seasonal fluctuations during the year and is lowest at year end (positive financial position). For most of the year, Atea has maintained a net debt balance of approximately 0.5 – 1.0 times EBITDA.

Extraordinary risk factor – impact of coronavirus on market

Since the start of 2020, the market for IT infrastructure has been impacted by the ongoing pandemic of coronavirus disease 2019 (COVID-19). The virus was first identified in the Hubei region of China in late December 2019.

On March 11, 2020, the global outbreak of coronavirus was characterized as a pandemic by the World Health Organization (WHO).

On March 12, 2020, the Norwegian government announced the closure of all schools and universities in the country, as well as bars, restaurants and businesses involving personal care such a hair salons and skin treatments. All employees of other businesses or public sector institutions are advised to work from home and to maintain social distancing from others. The Norwegian government has encouraged all residents of Norway to stay at home, and has discouraged all travel that is not strictly necessary. Anyone who has travelled outside the Nordic region since February 28 must self-quarantine for 14 days. Most events have been banned.

At approximately the same time, the Danish government has taken similar measures. Furthermore, the Danish government has closed all airports and land borders into the country, except for trucks with special permission. All public sector employees have ceased working, with the exception of employees in the health sector, police, and other sensitive functions. Access to public transportation is restricted.

As of the date of this report, the governments of Sweden, Finland and the Baltic countries have not taken as strict of measures to prevent the spread of coronavirus. However, employees are encouraged to work from home and maintain social distancing by avoiding crowded areas. The governments of these countries have stated that they are monitoring the coronavirus closely, and may take further measures if the virus continues to spread.

The coronavirus pandemic will have an extraordinary impact on the IT infrastructure market during 2020, both from a supply and demand perspective. The coronavirus disrupts the production and transport of IT infrastructure, and may result in supply shortages or delays in product deliveries. The coronavirus reduces demand for IT infrastructure projects, as many work locations are closed or not staffed. The coronavirus also damages the overall economy, which reduces overall spending in the private sector.

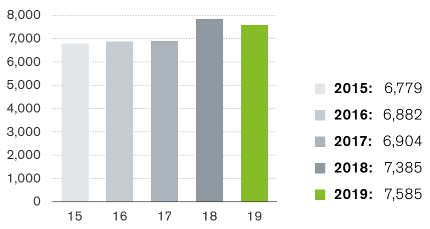
During the year 2020, Atea faces high uncertainty regarding the impact of the coronavirus on the market for IT infrastructure and related services. It is not possible for the company to forecast how significantly the coronavirus will impact sales of IT infrastructure during 2020. The company is taking measures to manage cost and liquidity risk during the pandemic.

Personnel and Organization

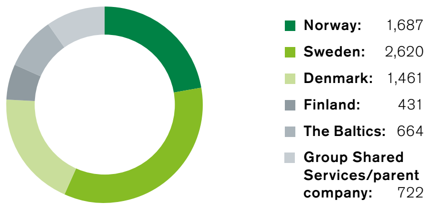
The Group had 7,585 full-time employees at 31 December 2019, a net increase of 200 from 1 January 2019. Growth in the number of employees during 2019 was driven by increased staffing in Sweden and Finland to develop the services business. The average number of full-time equivalents employed by the Group was 7,430 in 2019, compared with 7,173 in 2018.

Atea's long-term success is dependent on recruiting skilled IT professionals and providing its employees with a work environment in which they can develop and contribute with their talents. The work environment and culture are central to Atea's vision of being "The Place to Be" for its employees, customers and vendors.

Change in number of full-time employees
2015–2019



Number of employees
At 31 December 2019



Common guidelines have been established for recruitment activities, to ensure that Atea is attracting and hiring skilled professionals across the organization. Extensive competence training is conducted in all parts of the organization. Employee surveys, and goal and development meetings with employees are held regularly.

An introduction program has been implemented in every country to quickly integrate new employees. This includes training in Atea's business systems, values, ethical guidelines and corporate culture. All employees are required to successfully complete an examination on Atea's Code of Conduct and sign a confirmation that they will comply with the Code.

Health, safety and the work environment

Atea has worked systematically to promote health among employees and to improve safety and environmental standards at the workplace. The company provides a healthy lunch offering to its employees in its largest offices and encourages participation in athletics through Atea-sponsored sporting events.

For the Group, absence due to illness was 2.9%, up from 2.6% in 2018. Absence due to illness was 4.2% in Norway, 2.3% in Sweden, 3.8% in Denmark, 1.8% in Finland, 1.5% in the Baltics and 2.1% in Shared Services. Absence due to illness was 0% in the parent company in 2019, down from 6.9% in 2018.

The risk of occupational injury is very low. In 2019, there were no occupational injuries resulting in absence.

Equality of opportunity

Diversity and gender equality are core values at Atea. The Group strives to provide a work environment that is free from discrimination on the basis of gender, nationality, religion, skin color, sexual orientation, age or disability.

At 31 December 2019, women represented 23.6% of the Group's employees, compared with 22.8% at the end of the previous year. In the parent company, women represented 16.7% of the Group's employees, compared with 20.0% at the end of the previous year. There are twelve employees in the parent company, and ten of these are men.

The low percentage of female employees within the Group reflects the IT industry in which the company operates. The Group works systematically to recruit women at all levels and to encourage that they remain with Atea.

Atea provides a suitable work environment for employees with disabilities. The company modifies the physical environment of the workplace as necessary to facilitate employees with special needs.

Corporate Governance

Atea's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018, as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and the Securities Trading Act. The guidelines are included separately in the annual report.

Corporate Social Responsibility

Atea observes the UN Global Compact's 10 principles in the areas of human rights, labor rights, the environment and anti-corruption, and it gives particular priority to the environmental principles. Atea also participates in a number of recognized national and international initiatives focused on sustainability, including the UN Global Compact, Carbon Disclosure Project and Responsible Business Alliance.

In 2019, Atea earned a third time gold rating for corporate social responsibility by EcoVadis, a highly respected evaluator of supplier sustainability, ranking Atea in the top 1% of all suppliers evaluated. During 2019, Atea was also awarded “Prime” (highest) status by Oekom Research AG, one of the world´s leading rating agencies in the field of sustainable investment.

Environmental initiatives

Atea sells hardware and software which are developed and manufactured by international technology companies. The Group does not manufacture its own products, and distribution is mainly outsourced to distribution partners. For this reason, there is relatively low pollution associated with Atea's own operations.

Atea is conscious of pollution associated with its customers' use of IT products, and has focused on providing the market with sustainable IT solutions. Atea supports its customers in implementing an environmental strategy for their use of information technology.

Electronic devices can be a major source of carbon emissions and waste within organizations. Most of the carbon emissions from an electronic device occurs when the device is manufactured or disposed of. Therefore, extending the lifecycle of electronic equipment is a highly effective way of reducing carbon emissions and waste generated by an organization's IT environment.

In Växjö, Sweden, Atea operates the largest electronic recycling-and-reuse operation in the Nordic and Baltic region. Through its innovative "GoITloop" program with customers, Atea processed over 450 thousand personal computers and mobile devices for recycling and reuse in 2019, which is a substantial increase of 11% compared with 2018. Atea receives older used equipment from its customers, fully cleanses the equipment of data, and refurbishes the equipment for reuse. This recycling operation has a major impact on the carbon footprint and electronic waste of Atea's customers.

Finally, Atea's cloud computing solutions help customers to reduce carbon emissions and electronic waste. Atea's data center operations are scaled for energy efficiency by consolidating many customers on one multitenant platform. At the same time, customers benefit from higher and more stable utilization of server capacity when sharing resources in a multitenant environment, reducing the need for managing excess capacity of servers and storage units.

The company's work in promoting sustainable IT solutions across the Nordic and Baltic regions is further described within the annual Corporate Sustainability report, which can be found on Atea's website.

Allocation of Net Profit

Atea ASA is the parent company of the Group. The parent company has a total of 12 employees, including the Group's CEO, CFO and associated staff functions. The net profit of Atea ASA was NOK 590 million in 2019, compared with a profit of NOK 515 million in 2018. The Board of Directors proposes that the entire net profit of Atea ASA be transferred to retained earnings.

During the presentation of the fourth quarter 2019 financial results on February 6, 2020, Management communicated that the Board would propose to the AGM a dividend of NOK 6.50 per share, to be paid in two installments of NOK 3.25 per share.

Since that date, the global market environment for 2020 has fundamentally changed with the emergence of the coronavirus pandemic. As of the date of this AGM notice, there is significant uncertainty on the duration of the coronavirus pandemic and its financial impact on the Group.

Given the uncertainty of the business environment in 2020, the Board proposes to the AGM that it is granted the power of attorney to distribute a dividend, but may exercise this power of attorney at its discretion as market conditions allow.

The power of attorney is limited to NOK 728,000,000. Since the number of shares outstanding at the date of any dividend payment is unknown, the power of attorney corresponds to a dividend payment of up to NOK 6.50 per share if there were 112,000,000 shares outstanding on the date of distribution. The current number of shares outstanding in Atea ASA is 109,981,046.

Business Outlook

Based on its competitive advantages and leading market position in the Nordic and Baltic regions, the Group aims to maintain a long-term rate of organic revenue growth faster than the IT infrastructure market. In addition to organic growth, Atea plans to further expand its market position through selective acquisitions, with a longer-term goal to achieve a market share of above 20 percent.

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. Finally, the company seeks to convert profits into a solid cash flow, through a business model which requires both low capital expenditures and net working capital.

Market trends:

In recent years, Atea has generated a higher proportion of revenue growth from sales of software and services. This revenue trend is in line with Atea's overall strategy to address new growth opportunities within "Hybrid Platforms", "Digital "Workplace" and "Information Management".

These new growth opportunities are more dependent on advanced software than traditional

IT infrastructure. These technology 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 this software.

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.

Business operations

In order to pursue its business strategy, Atea is investing to strengthen its capabilities within high growth areas of the IT infrastructure market. Atea has hired new consultants and trained its workforce in growth areas such as data analytics, information security and hybrid cloud solutions. In addition, Atea has acquired consulting firms such as Sherpa Consulting and Database-Forum AS to rapidly expand its position within information management and data analytics.

At the same time, Atea is enhancing the efficiency of its business operations within traditional IT infrastructure resale. Much of these efficiency improvements are being driven by process automation. Atea has recently opened a new logistics center in Växjö with a state-of-the-art warehouse management system for automated order and inventory handling. The new logistics center will allow a large increase in order volumes which to be processed internally rather than through an external distributor, and reduces the cost of handling each order.

Atea is also driving efficiencies in sales, service management and administrative processes through automation. Atea is consolidating and modernizing its IT platforms to streamline workflows across the Group. This transition allows more work to be automated or otherwise handled at lower cost from Atea's shared service center in Latvia. Through streamlining workflows and leveraging its scale, Atea has managed to grow its business over many years without a comparable increase in headcount.

In order to improve profitability, Atea has implemented programs to reduce personnel and other costs in underperforming business areas. In January 2020, Atea announced a program to reduce the number of staff in Atea Denmark by over 5% during the first quarter of 2020. During 2019, Atea launched a similar program in Norway. The company expects significantly improved profitability from these businesses during the coming year.

Atea has a unique competitive advantages in the Nordic and Baltic regions, where it is by far the largest player in a highly fragmented IT infrastructure market. Based on this leading market position, and with programs to improve revenue and reduce cost, Atea is well positioned to meet its key financial objectives of growth in revenue, market share, profitability and cash flow in 2020.

During the year 2020, the company faces high uncertainty regarding the short-term impact of the coronavirus on the market for IT infrastructure and related services. It is not possible to accurately forecast the short-term impact of the coronavirus on Atea's business as of the date of this report.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that;

- the consolidated financial statements for 2019 have been prepared in accordance with IFRS as adopted by EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- the financial statements for the parent company for 2019 have been prepared in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principal risks and uncertainties.

Oslo, 17 March 2020

Ib Kunøe
Chairman of the Board

Morten Jurs

Saloume Djoudat

Sven Madsen

Lisbeth Toftkær Kvan

Marianne Urdahl

Truls Berntsen

Marthe Dyrud

Steinar Sønsteby
CEO

Members of the Board

Ib Kunøe (born 1943)

Chairman of the Board

Ib Kunøe has decades of experience as an entrepreneur and investor in the IT sector. He brings strategic insight and practical experience from building profitable businesses and from turnaround processes. Kunøe holds an HD Graduate Diploma in Organisation and Management as well as a background as a professional officer (major). He is the founder and owner of Consolidated Holdings A/S and is the main shareholder and Chairman of the Board in a broad variety of Danish owned companies such as Netop Solutions A/S, Columbus A/S, X-Yachts A/S. Ib Kunøe has participated in 7 of 7 board meetings in 2019. Ib Kunøe is the Chairman of the nomination and remuneration committees.

Sven Madsen (born 1964)

Member of the Board

Sven Madsen is Chief Financial Officer in Consolidated Holdings A/S. He has extensive experience from working with corporate reporting, financing and corporate management in companies such as Codan Insurance, FLS Industries, SystemForum and Consolidated Holdings. Madsen provides special competence within financial reporting, and is a member of the Atea's audit committee. He holds Board positions with Netop Solutions A/S, Columbus A/S, X-Yachts A/S, Ejendomsaktieselskabet af 1920 A/S, MonTa Biosciences ApS and DAN-Palletiser Finans A/S. Madsen holds a Graduate Diploma in Financial and Management Accounting as well as an MSc in Business Economics and Auditing. Sven Madsen has participated in 7 of 7 board meetings in 2019.
Sven Madsen is member of the audit committee.

Morten Jurs (born 1960)

Member of the Board

Morten Jurs currently holds a Partner position at Pegasus Industrier AS and has extensive leadership experience from leading roles in both public and private companies. His prior experiences include the role of CEO at Stamina Group AS between 2013-2016, CEO at Pronova BioPharma ASA from 2009-2013 and CFO at Kitron ASA from 2001-2006. Jurs brings with him over 30 years' experience within general management, financial administration and strategic planning. He holds a Master of Science/MBA in Business and Economics from the University of Wyoming. Morten Jurs participated in 7 of 7 board meetings in 2019. Morten Jurs is the Chairman of the audit committee.

Saloume Djoudat (born 1977)

Member of the Board

Saloume Djoudat has been a partner in Bull & Co Advokatfirma AS since 2013, coming from a previous position as a General Counsel in Uno-X Energi AS. She specializes in corporate law including M&A and contract negotiations. Djoudat has managed negotiations and acted as legal adviser in projects both in Norway and for international corporations. In light of her combination of academia and industry experience, Djoudat has a strong ability to give legal advice from a business perspective. Djoudat is a graduate of the Faculty of Law of the University of Oslo. Saloume Djoudat has participated in 7 of 7 board meetings in 2019.

Lisbeth Toftkær Kvan (born 1967)
Member of the Board

Lisbeth Toftkær Kvan is Country Manager in Ikano Bank Norway. She is an experienced financial services executive and previously held the position as Country Manager in Ford Credit Norway and has additionally been Member of Board and Control Committee as well as Country Manager in GE Capital Solutions AS, Norway. She brings experience within financial services and management to the Atea Board and audit committee. Her previous roles include various positions within the GE Capital organization in UK and Germany. Kvan holds an MSc in International Business Administration from Copenhagen Business School. Lisbeth Toftkær Kvan has participated in 7 of 7 board meetings in 2019.
Lisbeth Toftkær Kvan is member of the audit committee.

Truls Berntsen (born 1960)
Member of the Board (employee elected)

Truls Berntsen joined Atea in 1999 and has many years' experience within sales management, human resources management, and organizational development. He has specialized within sales of IT equipment and services, and has technical expertise across a broad range of IT infrastructure products. Truls has prior board experience from both a group and organization level. Truls holds a Mechanical Engineering diploma from Oslo Maritime Technical School and participated in BI Norwegian Business School courses. Truls Berntsen has participated in 7 of 7 board meetings in 2019.

Marianne Urdahl (born 1966)
Member of the Board (employee elected)

Marianne Urdahl started her career in MBS Fjerndata AS in 1988, which merged with Atea (Merkantildata) in 1996. Since then she has held various positions within the company. Urdahl has more than 30 years of experience in the IT business and holds currently the position as Account Manager for the Justice Sector in Atea AS (Norway). Urdahl has graduated from high school. Marianne Urdahl has participated in 7 of 7 board meetings in 2019.

Marthe Dyrud (born 1979)
Member of the Board (employee elected)

Marthe Dyrud holds the positions of Business Manager and has a national responsibility for the welfare sector in Atea AS (Norway). She previously functioned as Sales Manager in Region East and as project manager for the integration of Umoe IKT into the Atea Group. She joined Ementor Norge AS as sales trainee in 2005, and has comprehensive experience within sales management from various positions in Ementor and Atea. Dyrud has a Bachelor in Electrical and Electronic Engineering from Oslo University College as well as a Master in Business Studies from John Moores University in Liverpool, England. Marthe Dyrud has participated in 7 of 7 board meetings in 2019.

Shareholder Information

Atea's objective is to provide a competitive long-term return to shareholders, relative to the underlying risk of the Company's operations. The Company endeavours to achieve this objective through a high dividend payout and through capital appreciation on the value of the underlying business.

The company's dividend policy is to return at least 70 percent of its annual free cash flow (adjusted for the sale of receivables) to shareholders in the form of a dividend payout. During 2019, the Company paid dividends of NOK 6.50 per share to shareholders in two equal instalments of NOK 3.25 during May and October.

At the end of 2019, the Company's net financial position was cash positive of NOK 657 million, compared with a net debt of NOK 17 million at the end of 2018. The Company has NOK 475 million in unsecured long term EIB outstanding, with a covenant that its net debt must remain below 2.5 times pro forma EBITDA for the prior twelve months (EBITDA includes any acquisitions made during this period). Atea was well within this debt covenant during 2019.

Financial Calendar 2020

Atea ASA will publish quarterly interim accounts and provisional annual accounts on the following dates:

1st quarter 2020: **Wednesday, 22 April 2020**

2nd quarter 2020: **Wednesday, 15 July 2020**

3rd quarter 2020: **Wednesday, 21 October 2020**

4th quarter 2020 and provisional accounts for 2020: **Tuesday, 9 February 2021**

Annual General Meeting:
Wednesday, 22 April 2020

Visit atea.com/investors for more shareholder information.

Investor relations

Atea aims to increase investor awareness of the Company through an open, transparent and reliable information policy. In this manner, the Company seeks also to promote the liquidity of its shares and ensure that its share price reflects the fair value of the Company.

Presentations will be held for shareholders, brokers and analysts in connection with the quarterly and annual reporting dates. Furthermore, Atea keeps the financial markets informed of important developments through stock exchange and press releases, and other market updates. Atea holds regular meetings with investors and analysts to enhance communication. More information can be found on Atea's investor pages online at atea.com/investors.

Share capital and shareholder structure

At 31 December 2019, the VPS registered share capital in the company was NOK 109,708,413, divided into 109,708,413 shares with a nominal value of NOK 1 per share. Atea has one class of shares, with each share carrying one vote. Ib Kunøe, Chairman of the Board, with associated companies and close associates, was the largest shareholder controlling 25.0 per cent of the shares at the end of 2019. Otherwise, Atea ASA has a diversified shareholder structure, with a total of 6,998 shareholders at the end of the year.

Share performance

- At the end of 2019, Atea's share price was NOK 128.6 compared with NOK 111 end of 2018.
- During 2019, a dividend payout of NOK 6.50 per share was made to shareholders, yielding a direct return of 5.9 per cent compared to the share price at the end of 2018.
- The total return on the Company's shares during 2019 was 21.71 percent, including the dividend yield and share price increase from NOK 111 to NOK 128.6.
- The share's highest close price during 2019 was NOK 135.40 on 10 December and its lowest close price was NOK 110.00 on 3 and 7 January and 5 of August.
- At the end of 2019, the number of shareholders was 6,998, down from 7,263 at the start of the year.

Robert Giori
(born 1970)
CFO of Atea ASA

Robert Giori joined Atea as Chief Financial Officer in 2014. He has extensive experience in financial management for public companies within the IT industry. Prior to joining Atea, Robert spent over five years as Chief Financial Officer of Nordic Semiconductor ASA. He has also worked as Chief Financial Officer of TeleComputing ASA and as Finance Director for Dell's operations in Norway. In addition, he has previously been a consultant with McKinsey & Company.

Robert Giori has an MBA from Harvard University and a Bachelor degree from Stanford University. He has completed the Certified Public Accountant (CPA), Certified Management Accountant (CMA) and Chartered Financial Analyst (CFA) examinations in the United States.

Share value development (%):
2 January 2019 - 30 December 2019

Main Shareholders [1]
at 31 December 2019

Name	Shares	% of total
Systemintegration APS [2]	27,308,353	24.9%
Folketrygdfondet	9,574,507	8.7%
State Street Bank & Trust Co. [3]	5,547,666	5.1%
State Street Bank and Trust Co. [3]	5,153,183	4.7%
State Street Bank and Trust Co. [3]	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%**

[1] Source: Verdipapirsentralen
[2] Includes shares held by Ib Kunøe
[3] Includes client nominee accounts

Analysts following Atea:

Company	Name	Telephone
ABG Sundal Collier	Aksel Engebakken	+47 22 01 61 11
Arctic Securities	Henriette Trondsen	+47 21 01 32 11
Carnegie	Hans Rettedal Christiansen	+47 22 00 93 21
Danske Bank	Martin Stenshall	+47 85 40 70 73
DnB	Christoffer Wang Bjørnsen	+47 24 16 91 43
Handelsbanken	Erik Elander	+46 87 01 31 41
Kepler Cheuvreux	Emil Johannessen	+47 23 13 90 85
SB1	Petter Kongslie	+47 24 14 74 96

Ownership structure by number of shares:

Number of shares held	Number of shareholders	Proportion of share capital	Total shares held
1 - 100	3,908	0.1%	130,906
101 - 1 000	2,092	0.8%	863,748
1001 - 10 000	733	2.1%	2,287,772
10 001 - 100 000	183	5.8%	6,358,054
100 001 - 500 000	51	11.9%	13,078,085
500 001 -	31	79.3%	86,989,848
	6,998	**100.0%**	**109,708,413**

More information can be found on Atea's investor pages online at atea.com/investors/share/analysts.


ATEA
FOCUS
30TH EDITION
ATEA

Atea Group Financial Statements

Content

Consolidated statement of Comprehensive Income

NOK in million	Note	2019	2018
Revenue	5, 6	36,655	34,708
Cost of goods sold	15	-28,897	-27,174
Gross profit		**7,758**	**7,534**
Employee benefits expense	7	-5,584	-5,396
Other operating costs	8	-766	-1,017
Share based compensation	17	-73	-61
EBITDA		**1,335**	**1,061**
Depreciation and amortisation	12, 13, 20	-584	-339
Amortization related to acquisitions		-5	-31
Operating profit (EBIT)		**747**	**690**
Financial income	9, 14, 20	17	10
Financial expenses	9, 20	-107	-66
Net financial items		**-90**	**-56**
Profit before tax		**657**	**634**
Tax	10	-127	-167
Profit for the period		**530**	**467**
Profit for the period attributable to:			
Shareholders of Atea ASA		530	467
Earnings per share			
- earnings per share (NOK)	11	4.84	4.33
- diluted earnings per share (NOK)	11	4.78	4.26
Profit for the period		**530**	**467**
Currency translation differences		-58	-14
Forward contracts - cash flow hedging		0	9
Income tax OCI relating to items that may be reclassified to profit or loss	10	0	-2
Items that may be reclassified subsequently to profit or loss		**-58**	**-7**
Other comprehensive income		**-58**	**-7**
Total comprehensive income for the period		**472**	**460**
Total comprehensive income for the period attributable to:			
Shareholders of Atea ASA		472	460

Consolidated statement of Financial Position

NOK in million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Property, plant and equipment	12	498	525
Right-of-use assets	20, 24	996	92
Deferred tax assets	10	354	401
Goodwill	13	3,881	3,901
Other intangible assets	13	237	237
Investment in associated companies	14	15	13
Long-term subleasing receivables	20, 24	102	-
Other long-term receivables	16	25	28
Non-current assets		**6,108**	**5,196**
Inventories	15	798	830
Trade receivables	16, 24	4,380	6,445
Other receivables	16, 24	1,752	1,541
Short-term subleasing receivables	20, 24	149	-
Other financial assets		1	1
Cash and cash equivalents	24	1,769	764
Current assets		**8,849**	**9,581**
Total assets		**14,957**	**14,778**
EQUITY AND LIABILITIES			
Share capital and premium	17	464	410
Other reserves		1,360	1,418
Retained earnings		1,251	1,409
Equity		**3,075**	**3,237**
Interest-bearing long-term liabilities	19, 21, 24	472	483
Long-term sublease liabilities	20, 21, 24, 28	102	-
Long-term leasing liabilities	20, 24	768	73
Other long-term liabilities	24	8	8
Deferred tax liabilities	10	185	234
Non-current liabilities		**1,534**	**799**
Trade payables	18, 24	6,113	7,125
Interest-bearing current liabilities	19, 21, 24	575	197
Current sublease liabilities	20, 21, 24, 28	149	-
Current leasing liabilities	20, 24	273	27
Tax payable		213	231
Provisions	23	111	247
Other current liabilities	18, 24	2,905	2,904
Other financial liabilities	24	8	10
Current liabilities		**10,348**	**10,741**
Total liabilities		**11,882**	**11,540**
Total equity and liabilities		**14,957**	**14,778**

Oslo, 17 March 2020

Ib Kunøe
Chairman of the Board

Morten Jurs

Sven Madsen

Saloume Djoudat

Lisbeth Toftkær Kvan

Marianne Urdahl

Truls Berntsen

Marthe Dyrud

Steinar Sønsteby
CEO

Consolidated statement of changes in Equity

	Share capital and premiums [1]		Other reserves			Retained earnings		
NOK in million	Share capital	Share premium	Other paid-in capital	Forward contracts-cash flow hedging	Currency translation differences	Option programmes	Retained earnings	Total equity
Balance at 1 January 2018	**108**	**247**	**879**	**2**	**544**	**180**	**1,414**	**3,373**
Other comprehensive income	-	-	-	-1	-6	-	-	-7
Profit for the period	-	-	-	-	-	-	467	467
Issue of share capital	1	55	-	-	-	-	-	56
Employee share-option schemes	-	-	-	-	-	49	-	49
Dividend	-	-	-	-	-	-	-700	-700
Balance at 31 December 2018 as previously reported	**109**	**302**	**879**	**1**	**538**	**229**	**1,180**	**3,237**
Impact on change in accounting policy [2]	**-**	**-**	**-**	**-**	**-**	**-**	**-35**	**-35**
Restated balance at 31 December 2018 and 1 January 2019	**109**	**302**	**879**	**1**	**538**	**229**	**1,146**	**3,203**
Other comprehensive income	-	-	-	-0	-58	-	-	-58
Profit for the period	-	-	-	-	-	-	530	530
Issue of share capital	1	52	-	-	-	-	-	53
Employee share-option schemes	-	-	-	-	-	57	-	57
Dividend	-	-	-	-	-	-	-710	-710
Balance at 31 December 2019	**110**	**354**	**879**	**0**	**480**	**286**	**965**	**3,075**

[1] See Note 17
[2] See Note 2

Consolidated statement of Cash Flow

NOK in million	Note	2019	2018
Profit before tax		657	634
Adjustments for:			
Net interest expenses		75	36
Depreciation and amortisation	12, 13, 20	588	370
Share based compensation		57	49
Gains on sale of property, plant and equipment and intangible assets		-5	0
Gains/losses on the sale of subsidiaries		0	0
Change in inventories		16	-239
Change in trade receivables		1,948	203
Change in trade payables		-905	416
Change in other accruals		-312	-371
Taxes paid		-150	-108
Interest paid		-87	-51
Interest received		15	7
Net cash flow from operational activities		**1,897**	**946**
Acquisition of subsidiaries/businesses	26	-21	-62
Purchase of property, plant and equipment and intangible assets	12, 13	-325	-307
Sale of property, plant and equipment and intangible assets	12, 13	73	2
Net cash flow from investment activities		**-274**	**-367**
Proceeds from new shares issue		53	56
Dividend paid		-710	-700
Proceeds from sublease		59	-
Payments of sublease liabilities		-59	-
Payments of lease liabilities	20, 21	-303	-76
Proceeds from raising loans	21	9,230	475
Repayment of loans	21	-8,885	-651
Cash flow from financing activities		**-615**	**-896**
Net change in cash and cash equivalents for the year		**1,008**	**-317**
Cash and cash equivalents at the start of the year	22	764	1,125
Foreign exchange effect on cash held in a foreign currency		-3	-44
Cash and cash equivalents at the end of the year		**1,769**	**764**

NOTE 1 – GENERAL INFORMATION

The Atea Group ("Atea") is the leading supplier of IT infrastructure solutions in the Nordic and Baltic countries. Atea is present in seven countries – including Norway, Denmark, Sweden, Finland, Lithuania, Latvia and Estonia.

The principal activities for the Group's various business areas are described in more details in Note 5 – Segment information.

Atea ASA is a public limited company that is registered and domiciled in Norway. The office address is Karvesvingen 5, Oslo. Atea ASA is listed on Oslo Stock Exchange and had 6,998 shareholders as of 31 December 2019, compared with 7,263 shareholders at the start of the year.

These consolidated accounts were approved by the Board of Directors on the 17 March 2020.

Note that there may be figures and percentages that do not always add up correctly due to rounding differences.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.0 Basis of the consolidated financial statements

The consolidated financial statements of Atea have been prepared in accordance with International Financial Reporting Standards (IFRS), as determined by the EU, and include Atea ASA and subsidiaries in which Atea ASA, directly or indirectly, has a controlling interest through ownership interests or agreements. The consolidated financial statements have been prepared under the historical cost basis, and modified by any revaluation of assets and liabilities at fair value through profit or loss according to the policies for the relevant areas. All the figures are presented in NOK and rounded to the closest million. Notice is given of any exceptions.

2.1 Adoption of new and revised International Financial Reporting Standards (IFRS)

Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

IFRS 16, 'Leases' has significantly changed the accounting principles for many lease contracts, including leased premises, vehicles and equipment leases, and subleases. The standard requires lessees to recognize 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. Therefore, a lessee recognizes depreciation of the right-of-use asset (ROU asset) and interest on the lease liability, instead of recognising the expenses in Other operating costs.

For subsequent measurement, the Group is measuring the lease liability upon the occurrence of certain events (e.g., a change in the lease term). Generally, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

The Group has adopted to IFRS 16 using the modified retrospective approach from 1 January 2019, and accordingly comparative information is not restated. The Group has recognized the cumulative effect net of deferred tax of initially applying this Standard as an adjustment to the opening balance of retained earnings.

The Group as a lessee

The Group previously classified leases as a finance lease if it transferred substantially all the risks and rewards incidental to ownership to the Group.

Leases classified as operating leases under IAS 17:

At the date of initial application of IFRS 16, 1 January 2019, the Group recognized a lease liability for leases classified as operating leases after IAS 17 in accordance with the transition requirements. The Group has measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019.

For leases classified as operating leases, a lessee is permitted to choose, on a lease-by-lease basis, how to measure the ROU-assets using one of two methods:

- Option 1: as of IFRS 16 had always been applied, or
- Option 2: as an amount equal to the lease liability

The Group has decided to use Option 1 for premises and Option 2 for all other leases. The premises consist of around 90% of the ROU assets classified as operating leases. Under option 1, the difference between the ROU assets and lease liability will be recognized in Retained earnings in the Equity balance. The effect on the Equity in the balance is negative by NOK 35 million on 1 January 2019.

At the inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group has elected to separate non-lease components in a contract.

The leasing contracts in the Group mainly consist of rental of cars and premises. The payments are fixed.

The Group as a lessor
Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group has not made any adjustments on transition for leases in which it is a lessor, except for financial subleases. As of 31 December 2018, the Group had a net present value of NOK 308 million in financial sublease contracts. These agreements were reported as commitments to lenders in Note 27–Commitments in the Annual report for 2018 but are recognized as Financial assets and corresponding Lease liabilities from 1 January 2019. See details below.

IFRS 16, 'Leases' – Critical accounting estimates for the Group
Contracts with extension options:
Some leases of premises contain extension options exercisable by the Group. The extension options held are exercisable only by the Group, and not by the lessors. The Group includes an extension of the contracts in the lease valuation if it is reasonably certain that the Group will extend the contracts. Normally, is not considered as reasonably certain that the Group will extend the contracts for more than 3 years.

Discount rates:
According to IFRS 16, the lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate (IBR). Lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Atea has chosen to use the modified retrospective approach for implementation of IFRS 16, and therefore use the IBR as a discount rate on the opening balance. Going forward, the IBR will be used for subsequent measurement for new contracts, if the implicit interest rate is not readily determined.

Atea has signed approximately 1,300 lease agreements and IFRS 16 related asset and liabilities will be booked on contract level. However, from a practical perspective and to avoid mistakes, a single discount rate has been used per portfolio of leases. Different IBR were estimated for portfolios based on the following criteria:

- Type of asset: different portfolios for premises and vehicles lease agreements.
- Economic environment: Atea subsidiaries operating in different Nordics and Baltics countries are affected by different economic environment conditions, therefore separate portfolios for subsidiaries operating in the different Nordic countries and the Baltic region were identified.
- Remaining lease term: we have identified agreements with short remaining term (1-5 years) and long remaining term (5-10 years).

IBR for the different portfolios is based on information about credit spreads which the Group believes are relevant to compare with an interest rate that would be achieved when financing similar assets.

IBR is calculated separately on contract by contract basis for leases which do not fit to portfolios. Typically, this is related to leasing of premises with a longer duration and where the benefit of having security would have been more valuable for the lessor.

The weighted average IBR for the Group was 4.5% at 1 January 2019.

IFRS 16, 'Leases' - Practical expedients
The Group has made the following accounting policy choices and elected to apply the following practical expedients related to the implementation of IFRS 16:

- *Determining whether a contract is or contains a lease:*
  On the transition to IFRS 16, the Group elected to not reassess whether a contract is or contains a lease. The Group will apply IFRS 16 only to contracts that were previously identified as leases. The Group's contracts that were not previously identified as leases were not reassessed for whether they contain a lease.
- Atea has applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment.
- Leases with a lease term of 12 months or shorter, except Financial sublease (see below), will not be capitalised. This also includes leases with a remaining lease term of 12 months at the date of initial application on 1 January 2019.
- Low-value leases, meaning mainly office equipment with an underlying value of USD 5,000 or less when they are new, will not be capitalised. This is not related to Financial subleases.
- Atea has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Atea has used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

For Financial subleasing contracts, the group has decided to recognize Financial leasing receivable and Lease liabilities with a lease term of 12 months or shorter in the balance sheet, and low-value leases with an underlying value of USD 5,000 or less. The reason is because financial sublease is a part of the Groups ordinary operations and deliveries to the customers. The subleasing contracts consist mainly of low-value assets below USD 5,000, and the remaining lease term for most of the contracts is 12 months or shorter.

Impact on financial statements in 2019
The implementation has a significant positive impact on EBITDA in the Group's consolidated income statement and increase the total assets and liabilities.

The implementation of the new standard has following effect on the Financial statement for full year 2019:

Consolidated Income statement:
1. Operating lease expenses recognized as other operational expenses are decreased by approximately NOK 336 million.
2. Depreciation of leased ROU assets is increased by approximately NOK 304 million.
3. Net interest expense related to the lease liability is increased by NOK 32 million.
4. Profit for the period is not affected significantly.

Consolidated statement of Financial position on 1 January 2019:
1. NOK 662 million on ROU assets, and NOK 701 million on lease liabilities
2. NOK 4 million as an increase of deferred tax assets were recognized.
3. NOK 308 million on subleasing receivables, and NOK 308 million on subleasing liabilities.
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. See details above.

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 recognized 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 recognized in the balance sheet	308
Lease liabilities recognized at 1 January 2019	**1,109**

The table below shows the recognized 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
Total right-of-use assets	**996**	**92**

b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020. None of these is expected to have significant effect on the consolidated statements of the Group.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Critical accounting estimates

The preparation of accounts in accordance with IFRS requires the use of certain critical accounting estimates. In addition, the application of the Atea's accounting principles requires that the management exercise judgment. Areas that contain a high degree of such discretionary assessments, or a high degree of complexity, or areas where the assumptions and estimates are of significance to the consolidated accounts are described separately. This applies to the valuation of goodwill (Note 13) and valuation of deferred tax assets (Note 10). Changes to accounting estimates are included in the accounts for the period in which the change occurs.

2.3 Consolidation principles

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.3.2 Business combinations

Atea uses the purchase method to account for the acquisition of subsidiaries. Consideration for the acquisition of subsidiaries is measured at the fair value of the transferred assets, obligations assumed, and equity instruments issued. The fair value of any assets or obligations that are contingent on the agreement is also included in the consideration. Identifiable assets and liabilities are recognized at fair value on the acquisition date. Expenses related to business combinations are recognized when they are incurred. Correspondingly, if there were to be a discrepancy between the estimated fair value based on the conditional settlement and fair value, and this cannot be attributed to new information on the fair value or more than 12 months passing from the takeover, the difference shall be recognized in the income statement.

2.3.3 Intercompany transactions
Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. The accounting principles for subsidiaries are amended as required in order to be consistent with Atea's accounting principles.

2.3.4 Associates
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's Share of the profit or loss of the investee after the date of acquisition.

2.4 Comparative figures
Comparative figures for previous years are changed in the event of significant changes in accounting principles.

If changes are made in classifying and grouping accounting items, the comparative figures are changed accordingly. This also applies when presenting discontinued operations on separate lines in the income statement (the corresponding figures for the balance sheet are not changed).

Historical figures are not restated in the event of changes in Group composition or the acquisition of subsidiaries.

2.5 Segment reporting
A segment is a portion of the business operations that delivers products or services that are subject to a risk and return that are distinct from that of other business areas. In the segment reporting, the internal sales between the various segments are eliminated.

Atea's business segment reporting is primarily by geography. A geographical business segment is engaged in providing products or services within a country or region that are subject to risks and returns that are different from other geographical segments.

The Group's executives (CEO/CFO) perform financial planning and business control in each geographical business segment as well as in separate shared service units that deliver products and services internally to other geographical segments.

2.6 Foreign currency translation
2.6.1 Functional and presentation currencies
Items included in the financial statements of each of the Atea Group's entities are measured primarily using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional and presentation currency of Atea ASA.

2.6.2 Transactions and balance sheet items
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. The portion of the gain or loss on the hedging instrument that is determined to be an effective cash flow instrument is recognized in OCI.

2.6.3 Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
(ii) Income and expenses for each income statement are translated at average exchange rates
(iii) All resulting exchange differences are recognized in OCI and specified as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments are entered directly in OCI. When a foreign business is sold, the associated exchange difference is entered directly in OCI through profit and loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Classification
Assets are classified as current when intended for sale or consumption in the normal operating cycle, or held primarily for the purpose of being traded, or expected to be realized within twelve months, or classified as cash or equivalents. All other assets are classified as non-current. Liabilities are classified as current when expected to be settled in the normal operating cycle, or held primarily for the purpose of being traded, or due to be settled within twelve months, or there are no unconditional rights to defer settlement for at least twelve months. All other liabilities shall be classified as non-current.

2.8 Property, plant and equipment
2.8.1 Recognition
Property, plant and equipment, are stated at historical cost less depreciation. Historical cost includes expenses that are directly attributable to the acquisition of the items. Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will pass to Atea and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

(i) Buildings, 20-30 years
(ii) Land, No depreciation
(iii) Vehicles & office machines, 3-5 years
(iv) Furniture and fittings, 3-10 years
(v) Computer equipment, 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

2.8.2 Leases

2.8.2.1 Significant accounting policy

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substitution right, then the asset is not identified

- the Group has the right to obtain substantially all of the economic benefits from use of the asset thorough the period of use, and

- the Group has the right to direct the use of the asset.

2.8.2.2 As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Groups incremental borrowing rate.

Short term leases and leases of low-value assets:
The Group has elected not to recognize the right-of-use assets and liabilities for short-term leases of equipment and low value assets with an underlying value of USD 5,000 or less when they are new. This is not related to Financial sub-leases (see details in 2.1 above).

2.8.2.3 As a lessor

When the Group is a lessor, it determines a lease commencement whether each lease is a finance lease or an operation lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of “Revenue”.

The classification of sublease agreements that the Group has entered into is determined with the reference to the right-of-use asset arising from the head lease not with the reference to the underlying asset, Atea has classified these agreements as financial leases. The Group accounts for its interest in the head lease and the sub-lease separately. The Subleasing receivables and liabilities are recognized in the Statement of Financial position. In these agreements, Atea has a credit risk

When Atea is a lessor, Atea acts as a dealer and recognizes revenue and the cost of goods sold when the underlying assets are available for use by the customer.

The “Device as a service” contracts (see 2.22.3.4 below) include a financial lease with the customer who obtains a right to use the devices. The contracts are often supported by financing solutions from external finance institutions. Typically, the product elements in the contracts are financed by leasing from external leasing companies. The leasing arrangement can either be a direct agreement between the customer and the leasing company, or an agreement between Atea and the customer, supported by a separate lease agreement between the leasing company and Atea. In the latter, Atea sells the devices to the leasing company and leases them back with an obligation or a right to buy back at the end of the lease term. This transaction is, for accounting purposes, classified as a financing transaction (secured borrowing) and the Group does not recognize revenue, cost or sales profit (see 2.11 on next page for details on recognition and derecognition of financial instruments related to these contracts). In the first case (leasing agreement directly between the leasing company and the customer), the Group is not a part of the agreement and does not recognize the lease.

2.9 Intangible assets

2.9.1 Recognition

Intangible assets are recognized on the balance sheet if it can be proven that there are probable future economic benefits that can be attributed to the asset, which is owned by Atea and the cost of the asset can be measured reliably.

Intangible assets are recognized at their cost price. Intangible assets with indefinite useful lives are not amortized, but impairment losses are recognized if the recoverable amount is less than the cost price.

2.9.2 Business combinations and goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of Atea’s share of the net identifiable assets of the acquired business at the time of the acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to the relevant cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest levels for which there are separately identifiable cash flows. Gains and losses on the sale of business interests include the carrying amount of goodwill relating to the entity sold.

2.9.3 Other intangible assets

Computer software and rights

Acquired computer software licences are recognized on the balance sheet based on the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software or system solutions controlled by the Group, which will probably generate economic benefits related to the asset that will pass to Atea and can be measured reliably, are recognized as intangible assets. Computer software costs/solutions and rights recognized on the balance sheet are amortized over their estimated useful lives, normally 3-7 years.

Contracts and customer relationships
In connection with business combinations, contracts and customer relationships are recorded at fair value at the acquisition date. The amortization period for contracts and customer relationships is based on the period they are expected to generate cash flow, normally 4-5 years.

Expenses related to research activities are recognized in the income statement as they are incurred.

2.10 Impairment of non-financial assets
Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.11 Financial instruments
Atea's financial instruments include cash and cash equivalents, trade receivables, other receivables, subleasing receivables, investments and marketable securities, derivative contracts, trade payables, long term interest-bearing liabilities, current interest-bearing liabilities, long-term subleasing liabilities, short-term subleasing liabilities, long-term leasing liabilities, current leasing liabilities, other financial liabilities, other long-term liabilities and other current liabilities.

Fair value is defined to be the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Atea classifies financial instruments in the category below. Details are disclosed in Note 24.

2.11.1 Amortized cost
The asset is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified.

2.11.2 Fair Value Through the statement of Other Comprehensive Income (FVTOCI)
Under FVTOCI, changes in fair value are not reported as part of Profit for the period. Instead they are reported as part of 'Comprehensive Income.'

2.11.3 Fair Value Through the statement of Profit and Loss (FVTPL)
Under FVTPL, changes in fair value are reported as part of the 'Consolidated income statement for the period'.

2.11.4 Financial instruments related to "Device as a service" contracts
In relation to the "Device as a service" contracts, see 2.22 below, Atea enters into financial lease agreements with the customer and obtains secured borrowing from the leasing company. In these cases the Group derecognize the lease receivables on the customer as the receivables, including all credit risk, are transferred to the leasing company as settlement for Atea's liability to the leasing company.

2.12 Hedging
The Group has elected to adopt the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

Before a hedging transaction is carried out, the Group's finance department assesses whether a derivative (or another financial instrument in the case of a foreign currency hedge) is to be used as:

(i) a fair value hedge of a recognized asset, liability or a fixed commitment,
(ii) a cash flow hedge of a recognized asset or liability, a future transaction identified as very probable or, in the case of foreign currency risk, a fixed commitment, or
(iii) a net investment hedge in a foreign entity.

Fair value hedges
Derivatives designated as hedging instruments are assessed at fair value and changes in fair value are recognized in the profit and loss account. Correspondingly, a change in the fair value of the hedged item attributable to the hedged risk is recognized in the profit and loss account.

Cash flow hedges
The effective components of changes in fair value for a hedging instrument will be recognized in the accounts under OCI. The ineffective part of the hedging instrument is recognized on an ongoing basis in the income statement. The effective portion of the gain or loss on the hedging instrument recognized in OCI is subsequently reclassified from equity to profit or loss in the same period or periods during which the hedged item affects profit or loss, to offset the changes in the cash flows of the hedged item for the designated risk.

If the hedged transaction is no longer expected to occur, any previously accumulated gains or losses on the hedging instrument that have previously been recorded directly in OCI will be recognized in the income statement.

2.13 Inventories
Goods purchased for resale are valued at the lower of historical cost or net realizable value. The net realizable value is the estimated sales price under ordinary operations less the cost of sales. The historical cost is calculated by means of the first-in, first-out principle (FIFO).

Atea also keeps inventory to cover the spare parts needed in connection with service agreements. The spare parts inventory is recognized at lower of cost and net realisable value.

2.14 Trade receivables
The Group is continuously assessing its business model. Atea has in 2019 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 second facility is an uncommitted revolving credit facility of NOK 1,100 million secured by other receivables. The Group consider that the business model for Trade receivables has changed from collecting contractual cash flow, to a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The classification of the financial instrument, 'Trade receivables' has changed from Amortized cost (see 2.11.1 above) to Fair Value Through the statement of Other Comprehensive Income (FVTOCI) (see 2.11.2 above).

Changes in the loss allowance related to credit loss and agio/disagio are reported as part of the 'Consolidated income statement for the period' as before.

Any changes in fair value for Trade receivables which comes from other elements than credit loss and agio/disagio would be recognized in Other Comprehensive Income.

This change in classification will have no effect on the Consolidated Income Statement, as fair value changes are immaterial or none for trade receivables. The disclosures in Notes in the Annual report will be affected.

2.15 Cash and cash equivalents

Cash includes cash in hand and deposits in bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months, and which contain insignificant risk elements. Bank overdrafts are presented within interest-bearing current liabilities on the balance sheet. Cash restricted for use comprises cash and cash equivalents which are not available for general use by the group, For Atea, this is mainly related to pledge of separate bank accounts related to the securitization contract organized by a bank (see 2.14 above).

2.16 Share capital and premiums

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the issue of new shares related to an acquisition of a business are recognized directly on the Equity as part of the purchase consideration.

Where any Group company purchases the company's own shares, the consideration paid, including any directly attributable costs (net of income taxes,) is deducted from equity attributable to Atea's shareholders until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, are included in equity attributable to Atea's shareholders.

2.17 Borrowings

Borrowings are recognized at fair value when the loan is disbursed, net of the transaction costs incurred. Transaction costs are charged as an expense over the term of the loan (effective interest rate). Borrowings are classified as current liabilities unless there exists an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. According to IFRS 9, the financial liabilities are measured at amortised cost.

2.18 Income tax

Income tax consists of the tax payable and changes to deferred tax. Deferred tax is calculated on all taxable temporary differences, except for:

(i) Goodwill for which amortization is not deductible for tax purposes.
(ii) Temporary differences relating to investments in subsidiaries, associates or joint ventures when the Group decides when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognized when there is convincing evidence that Atea will have a sufficient profit for tax purposes to utilize the tax assets. On each balance sheet date, Atea reviews its unrecorded and unrecognized tax assets. Atea recognizes deferred tax assets on its balance sheet when the conditions for recognition have been met. Correspondingly, Atea will reduce its deferred tax assets if they can no longer be utilized.

Deferred tax and deferred tax assets are measured on the basis of the current tax rates and laws applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as a non-current asset or a long-term liability on the balance sheet.

Leasing transactions frequently give rise to deferred tax effects, but IAS 12 does not provide any specific guidance on how to account for those effects. The Group has decided to apply the IAS 12 requirements to the leasing transaction as a whole. This approach seeks to reflect the linkage between the right-of-use asset and the lease liability, and recognize deferred tax on an aggregate temporarily difference basis.

2.19 Employee benefits

2.19.1 Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies.

For defined contribution plans, Atea pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Atea has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.19.2 Share-based compensation

Employee options at Atea represent rights for employees to subscribe to shares in the company at a future date at a predetermined subscription price (subscription right). To gain the rights to subscribe requires continued employment. Once the rights are gained ("vested"), there is no employment obligation at present.

The fair value of the employee services received in exchange for the allotment of options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options allotted. On each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

2.19.3 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Atea recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2.19.4 Bonus plans

Atea recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognized when Atea has a valid liability (legal or constructive) as a result of events that have taken place and it can be proven probable (more likely than not) that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability.

Restructuring provisions only include direct expenses linked to the actual restructuring that is necessary and which is not part of the day-to-day operations. Restructuring provisions are recognized when the company has a detailed restructuring plan in which the business area is identified; the premises and type of departments that will be affected, the number of employees who will be compensated for dismissal, the type of expenses that will be incurred and when the restructuring is to begin have been clarified; and the restructuring plan has been commenced or communicated to those who will be affected by it. Provisions are not recognized for future operating losses.

2.21 Contingent liabilities and assets

Contingent liabilities are defined as:

(i) Possible obligations resulting from past events whose existence depend on future events
(ii) Obligations that are not recognized because it is not probable that they will lead to an outflow of resources
(iii) Obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognized in the annual financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote. A contingent asset is not recognized in the annual financial statements but is disclosed if there is a certain level of probability that a benefit will accrue to Atea.

For contingent consideration recognized as a liability regarding the acquisition of business, see Note 26.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services, net of value-added tax, rebates and discounts. Intercompany sales are eliminated. Revenues are not recognized unless the customer has accepted the delivery and collectability of the related receivables is reasonably assured.

2.22.1 Practical expedients

The Group has used following practical expedients:

- The Group has not disclosed information about remaining performance obligations that have original expected durations of one year or less.

- The Group does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognize that amount as revenue for the year ended 31 December 2019.

- The Group has recognized the incremental costs of obtaining contracts as an expense when incurred, if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

- The Group does not disclose the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue is recognized as follows for Atea's different types of revenues:

2.22.2 Sale of products

The sale of products consists of hardware and software deliveries to an end customer. Atea recognizes revenue on a gross basis on product sales in which Atea purchases a product from a vendor and resells it to the end customer. In these contracts, Atea has primary responsibility for ensuring delivery of the specified product to the end customer and has discretion in establishing the price for the product sale.

When reselling products, Atea recognizes revenue when a customer obtains control of the products. In a hardware sale or traditional software license sale, the customer obtains control of the products when the products are delivered. Normally, products are delivered directly from the distributor to the customer, or from our centrally warehouse located in Sweden. The products delivered are at Atea's own risk and expense, and therefore presented as gross sales in the income statement.

In a **Software-as-a-service agreement**, software is provided over time to an end customer from a Data Center managed or contracted by the software vendor. The customer will purchase and obtain control of the software-as-a-service on a subscription or consumption basis. Revenue is therefore recognized periodically over the life of the software as a service contract. The price may contain both subscription and consumption-based offers from multiple vendors and a variety of offerings. Subscription based offers have fixed price and are billed in different models, including monthly in arrears, upfront, quarterly and yearly. Billing cycle depend upon the type of subscription and the agreement with vendors.

Software as a service offers are sold in different pricing models, including: Fixed license prices locked for 12 months upon purchase, monetary commitments (upfront payment), consumption pricing/pay-as-you-go. The offers can be bundled into a single offer which may include application of different pricing models simultaneously, e.g. customer purchases a fixed fee license and consumption-based offer. As a result, such customer would receive a single invoice for fixed license fee and the consumption amount. The transaction price is based on the desired profitability level, competition within the market and customer size. The Software as a service agreements contracts are entered for indefinite term, unless terminated by either party. The customer contracts are usually entered for the initial term of 1-year, however, after the end of the initial term, the contracts are renewed for additional 1-year term, by providing a 30-days written notice to the other party. Nevertheless, if the subscriptions are not migrated to another provider, the contracts and corresponding billing relationship remain in force until such subscriptions are transferred to another provider.

Either party has the right to terminate the agreement by providing a 30 days' prior written notice of termination to the other party.

Whenever the sub-contractors are used to deliver any part of the service, sub-contractors are bound by the same or similar terms of termination. The rights and responsibilities pertaining to the Software as a service agreement with the customers, are corresponding with those of the agreements with Sub-contractors. If the customer is allowed to terminate the subscription within 30 days, the same subscription termination terms will apply to the agreement between Atea and the vendor providing such subscription.

Atea recognizes **commission revenue** on product sales in which Atea arranges for a product to be sold directly from the vendor to the end customer, with Atea earning a sales agent fee from the vendor for arranging the sale of the product. In these contracts, Atea does not have primary responsibility for ensuring delivery of the specified product to the end customer and does not have discretion in establishing the price for the product sale. The revenue is recognized when the commission has been earned from the vendor, typically after the vendor has delivered the product to the end customer.

Atea is a dealer and a service provider. Atea does not produce any software or hardware itself. If the customer experiences errors with the products themselves, Atea has a "back to back" agreement with the supplier. This means that Atea does not make any provision for warranties in the balance sheet. Atea does not have any obligations for returns, refunds or similar of sold products.

Atea do not have any contracts with the customers were the prices vary based on the contract terms.

2.22.3 Sale of services

2.22.3.1 Consulting services

Consulting service consists of services from Atea consultants provided on an hourly basis. Revenue is recognized when the customer can obtain the benefits from the service, and simultaneously receives and consumes the benefits. A customer obtains benefit of a service when the benefits from the service meets the expectations specified in the contract with the customer.

2.22.3.2 Fixed price projects

Revenue is recognized when the customer can obtain the benefits from the fixed price projects. Fixed price projects include both fixed price consulting projects and combined consulting and product deliveries.

In general, income is recognized when the project is finalised according to the contract and the customer can obtain the benefits from the project. Revenue may be recognized over time when one of the following criteria are met:

- Customer consumes benefits as Atea performs the service
- Customer controls benefits as Atea performs the service
- The benefits of the service have no alternative use and Atea has the right to receive payment

The percentage of completion method is used when revenue is recognized over time. The degree of completion is normally based on accrued cost for a project. This method is used, because normally it is reasonably possible to estimate the stages of project completion on an ongoing basis, based on the remaining costs to complete a project.

Earned revenue for the period is earned revenue at the balance sheet date, less earned revenue in prior periods. If the project is ongoing, income will be recognized continuously in accordance with the agreement, based on actual deliveries.

2.22.3.3 Service contracts

Revenue is recognized when the customer can obtain the benefits from the service contracts.

Service contracts include time-limited service & support contracts, or contracts running until termination by either party. Such revenues are normally allocated linearly over the length of the contracts. Costs related to earned service revenues are recognized as the work is performed.

2.22.3.4 Multiple element arrangements or "Device as a Service"

"Device-as-a-Service" is a commercial model in which organizations procure IT solutions, including equipment and service, from a service provider at a fixed fee for use (e.g., monthly fee per user). The deliveries of equipment is provided with a service contract. Atea is then responsible for delivering the IT solution and maintaining an agreed service level.

When the Group delivers multiple services and/or equipment as part of one contract or arrangement, the consideration is allocated to the separate identifiable performance obligations. Our assessment shows that the combination of products and services can be unbundled and are not considered as one performance obligation. The timing of the revenue streams in the Multiple element arrangements or "Device-as-a-Service" can be different. Typically, revenue from sales of the products are recognized immediately when the customer obtains control of the product, while the service element in the contract is recognized over time. Revenue is only recognized when control of the promised good or service is transferred to the customer.

The stand-alone selling prices can be identified and allocated to the different elements in the contracts.

These contracts are often supported by financing solutions from external finance institutions. Typically, the product elements in the contracts are financed by leasing from external leasing companies.

When the contracts contain a lease, the Group separates the elements of the contract that are in scope of IFRS 16 and recognize these accordingly, see 2.8.2 above for further detail on leases. The remaining elements of the contracts are allocated to each performance obligation in scope of IFRS 15 and recognized as revenue accordingly.

2.22.3.5 Data Center outsourcing agreements

The contracts involve the day-to-day management responsibility for operating server or host platforms, including distributed servers and storage. Such revenues are normally allocated linearly over the length of the contracts. The duration of the contracts are typically 3-years with a possibility for renewal. The customer typically needs to pay a cancellation fee if the contract is cancelled before the end of the contract period.

2.22.4 Payment terms and finance components

The typical payment terms with the customers vary between 14 and 60 days. The Group does not have any significant customer contracts with finance components. When the customer contract includes a finance component, this is normally financed by an external party.

2.22.5 Revenue from customer contract with duration more than one year after the balance date
The majority of the contracts with customers are with a duration less than one-year. Data Center outsourcing agreements in 2.22.3.5 above is an exception. See more details in Note 6.

2.23 Costs of gods sold

Atea aggregates expenses within the income statement according to their nature. 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, including freight. Direct costs related to services include leasing and outsourcing.

NOTE 3 – FINANCIAL RISK AND CAPITAL MANAGEMENT

3.1 Financial risk factors

The Group's activities cause different financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and floating interest rate risk. The group's overall risk management plan focuses on the unpredictability of the capital markets and attempts to minimise the potential negative effects on the group's financial results. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by Corporate Staff (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and the investment of excess liquidity.

3.1.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in multiple foreign currencies. This risk is particularly relevant with respect to the Swedish crown (SEK), Danish crown (DKK), Euro (EUR), and US dollar (USD). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Atea main foreign currency exposure is from purchases of goods denominated in foreign currency.

The table below illustrates the outstanding forward currency contracts as of 31 December 2019 and 31 December 2018.

	2019				2018			
Forward currency contracts	Average exchange rate	Contract value	Contract value	Fair value	Average exchange rate	Contract value	Contract value	Fair value
	NOK	Local currency million	NOK in million	NOK in million	NOK	Local currency million	NOK in million	NOK in million
Buy currency NOK								
Less than 3 months	0.9873	63	62	1	-	-	-	-
Sell currency NOK								
Less than 3 months	0.9905	127	126	-1	1.0185	153	155	3
3 to 6 months	0.9936	6	6	0	0.9974	2	2	0
Buy currency SEK								
Less than 3 months	0.9656	914	883	-15	0.9645	400	386	3
Buy currency DKK								
Less than 3 months	1.3416	44	58	-1	-	-	-	-
Sell currency DKK								
Less than 3 months	1.3342	73	98	0	1.3372	64	86	0
3 to 6 months	1.3214	4	5	0	1.3332	2	2	0
Buy currency EUR								
Less than 3 months	9.9529	14	141	-1	9.9859	18	182	-1
3 to 6 months	9.9738	2	17	0	-	-	-	-
Sell currency EUR								
Less than 3 months	9.9700	4	38	0	9.9928	9	90	0
Buy currency USD								
Less than 3 months	9.0582	35	317	-5	8.8177	71	623	-4
3 to 6 months	7.9699	2	15	1	8.2498	5	37	1
Sell currency USD								
Less than 3 months	8.9673	4	37	1	8.7071	17	145	0
3 to 6 months	8.5663	3	24	-1	8.4529	1	8	-1

At the end of 2018 Atea (Atea ASA) additionally had a forward contract, which is not specified in above table, buying USD 18 million and selling EUR 14 million, in less than three months, at the exchange rate of 1.1470 with an estimated fair value of NOK 0,4 million.

Atea has investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk.

3.1.2 Credit risk

Atea has for years had modest losses on trade debtors. New customers must be approved before they are granted credit. The responsibility for granting credit is decentralised to each operating unit. The Group has no significant concentrations of credit risk, since the customer base is large and unrelated. A major part of the customers are within the public sector.

Provisions for losses are accounted for when there are indicators of expected losses. These indicators include;

- In-active accounts
- Bankruptcy
- Hand over accounts to debt collectors or lawyers
- Formal arrangements on arrear debt
- Debt ageing more than 180 days (flat rate valuation adjustment)

In addition, provision for credit losses are accounted for based on flat-rate valuation adjustments (general provision) by using a provision matrix. The amount is examined as of every closing date. The matrix is supported by historical credit loss experience of trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The flat-rate reduction in value for Atea Group is following:

- Public sector: No provision
- Top 50 customers; Individual (based on outstanding amount):

Flat rate valuation adjustment:

180-270 days overdue:	25%
270-360 days overdue:	50%
More than 360 days overdue:	100%

Derivative counterparties and bank deposits are limited to high-credit-quality financial institutions.

The Group has entered into a securitization contract organized by a bank. The facility enables Atea to sell specified receivables of up to NOK 1,900 million, and customers credit risk is transferred when receivable is sold. See Note 19 for more information.

Credit risk for other financial assets (subleasing receivables and other receivables) is assessed and monitored, but the credit risk is considered as immaterial.

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

3.1.4 Cash flow and floating interest rate risk

As of 31 December 2019, the Group had a net financial position as defined by Atea's debt covenants of NOK 657 million (NOK -17 million in 2018, see Note 22). Incremental net lease liabilities due to the adoption of IFRS 16 amount NOK 977 million as of 31 December 2019. The interest on deposits and loans has a maturity of less than 12 months. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings issued at floating rate of interest expose the Group's cash flow to interest rate risk.

3.2 Accounting for derivative financial instruments and hedging activities

To minimize their foreign exchange risk arising from purchases in foreign currencies, Atea subsidiaries use forward contracts. The Group hedge accounts the fair value of financial instruments for cases where the requirements in accordance with IFRS 9 are satisfied. Change in a carrying amount of financial contracts that are temporarily entered under other comprehensive income totals NOK 0 million as of 31 December 2019 (NOK 9 million in 2018). Change in fair value of other financial instruments is entered immediately in the income statement. For all financial instruments the carrying amount is equal to the fair value.

Atea Group does not use derivative financial instruments to hedge other risks described above.

3.3 Capital management

The Group manages its capital to secure the ongoing operations of the companies in the Group and to maximise the shareholders' return. This is accomplished through a healthy balance between liabilities, equity and earnings. Atea assesses its operational gearing (net interest-bearing liabilities/operating profit before depreciation) and the Group's equity ratio on an ongoing basis.

The Group's target is to have an adjusted equity ratio [1)] of 20% or more and maximum operational gearing of 2.5. At the end of 2019 the Group had an adjusted equity ratio of 22.4% (22.0% in 2018).

3.4 Sensitivity analysis

The Group has identified market risk (foreign exchange risk, primarily with respect to SEK, DKK, EUR and USD) and floating interest rate risk as the two most important risk factors it is exposed to. The tables on the next pages illustrate how fluctuations in these two risks will affect the Group's earnings and equity after tax.

[1)] Ateas 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.

Sensitivity analysis 2019:

	Interest rate risk					Foreign currency risk				
		+ 200 bp [1]		- 200 bp [1]			+ 10%		- 10%	
NOK in million	Amount	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity	Amount	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity
Financial assets [2]										
-NOK	174	3	-	-3	-	1,023	102	-	-102	-
-SEK	83	2	-	-2	-	-1,307	-131	-	131	-
-DKK	221	4	-	-4	-	2,183	218	-	-218	-
-EUR	-22	-0	-	0	-	104	10	-	-10	-
-USD	114	2	-	-2	-	114	11	-	-11	-
Effect on financial assets before tax		**11**	**-**	**-11**	**-**		**212**	**-**	**-212**	**-**
Tax expense (22%)		-3	-	3	-		-47	-	47	-
Effect on financial assets after tax		**9**	**-**	**-9**	**-**		**165**	**-**	**-165**	**-**
Financial liability items [3]										
-NOK	722	-14	-	14	-	859	-86	-	86	-
-SEK	1,092	-22	-	22	-	-	-	-	-	-
-DKK	423	-8	-	8	-	1,115	-112	-	112	-
-EUR	102	-2	-	2	-	-	-	-	-	-
Effect on financial liabilities before tax		**-47**	**-**	**47**	**-**		**-197**	**-**	**197**	**-**
Tax expense (22%)		10	-	-10	-		43	-	-43	-
Effect on financial assets after tax		**-36**	**-**	**36**	**-**		**-154**	**-**	**154**	**-**
Total increase/reduction		**-28**	**-**	**28**	**-**		**11**	**-**	**-11**	**-**

[1] Basis points
[2] Consists of cash and cash equivalents, loans and trade receivables bearing interest or currency risk
[3] Consists of liabilities bearing interest or currency risk

Sensitivity analysis 2018:	Interest rate risk					Foreign currency risk				
		+ 200 bp [1]		- 200 bp [1]			+ 10%		- 10%	
NOK in million	Amount	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity	Amount	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity
Financial assets [2]										
-NOK	287	6	-	-6	-	869	87	-	-87	-
-SEK	264	5	-	-5	-	-507	-51	-	51	-
-DKK	19	0	-	-0	-	81	8	-	-8	-
-EUR	288	6	-	-6	-	233	23	-	-23	-
-USD	-95	-2	-	2	-	-95	-10	-	10	-
Effect on financial assets before tax		**15**	**-**	**-15**	**-**		**58**	**-**	**-58**	**-**
Tax expense (23%)		-4	-	4	-		-13	-	13	-
Effect on financial assets after tax		**12**	**-**	**-12**	**-**		**45**	**-**	**-45**	**-**
Financial liability items [3]										
-NOK	511	-10	-	10	-	872	-87	-	87	-
-SEK	-59	1	-	-1	-	-	-	-	-	-
-DKK	308	-6	-	6	-	-	-	-	-	-
-EUR	20	-0	-	0	-	-	-	-	-	-
Effect on financial liabilities before tax		**-16**	**-**	**16**	**-**		**-87**	**-**	**87**	**-**
Tax expense (23%)		4	-	-4	-		20	-	-20	-
Effect on financial assets after tax		**-12**	**-**	**12**	**-**		**-67**	**-**	**67**	**-**
Total increase/reduction		**-0**	**-**	**0**	**-**		**-22**	**-**	**22**	**-**

[1] Basis points
[2] Consists of cash and cash equivalents, loans and trade receivables bearing interest or currency risk
[3] Consists of liabilities bearing interest or currency risk

NOTE 4 – CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICY

When applying the entity's accounting policies, the management makes judgements that have significant effects on the amounts recognized in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results can differ from estimates.

The main estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are specified below. Important and critical judgements in applying the entity's accounting policies are also specified.

Impairment of goodwill/intangible assets and other fixed assets

The most important estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to impairment assessment of goodwill and other fixed assets. The book value of goodwill as of 31 December 2019 is NOK 3,881 million, other intangible assets is NOK 237 million, property, plant and equipment is NOK 498 million, and right-of-use assets is NOK 996 million. The management has used best estimates when determining the depreciation period for intangible assets and other depreciable assets.

Goodwill has an indefinite useful life and is tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The assessment of impairment for 2019 indicates that even with the use of conservative estimates with regard to future cash flows and discount rates, the book value of any of the assets will not exceed the recoverable amounts. No reasonable change in any key assumption would cause an impairment loss. See more information in Note 13.

Recoverable amounts of cash-generating units are determined based on judgements of fair values less costs to sell or value-in-use estimates.

Deferred tax

The recognition of deferred tax assets and liabilities requires that judgement being exercised. Atea recognizes deferred tax assets on its balance sheet when it has been deemed adequately probable that the operations in the individual country will generate a taxable profit that the tax loss carry forward can be used to offset.

The main part of the recognized deferred tax asset of NOK 354 million is related to the tax losses carry forward in Norway. Atea consider the future taxable profit as probable, as tax loss carry forward is expected to be utilized within 5 years.

Revenue recognition

The Group recognizes revenue from many different product groups and services. Different customer contracts contain varying terms and conditions, and may include bundles of products and services.

"Device as a Service" is a commercial model in which organizations procure IT solutions from a service provider at a fixed fee for use (e.g., monthly fee per user). Atea is then responsible for delivering the IT solution and maintaining an agreed service level. Atea is currently expanding its "Device as a Service" offering to several new concepts such as videoconferencing, digital signage and networks. Different revenue streams makes the revenue recognition complex. The main challenge is to distinguish between sales of products (revenue recognized at a point in time) and sales of services (revenue recognized over time). The customer contracts might include a bundling of the elements above and including financing solutions.

The contracts require manual consideration and judgement of which accounting policy that is relevant for each contract. This consideration impacts the timing of revenue recognition.

Due to the high number and variety of contracts, the manual processes cause a risk that an inappropriate accounting policy is selected.

As a significant proportion of sales and deliveries are made close to year-end, the risk related to this manual process is especially relevant for transactions recorded close to year-end.

Accounting provisions

In connection with accounting provisions, the Group uses estimates for (1) how probable settlement of the obligation is and (2) the size of the provisions to reflect Atea's risk arising from the transaction.

NOTE 5 – 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 within 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 and Atea Global Services) 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.

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

2019:

NOK in million	Norway	Sweden	Denmark	Finland	The Baltics	Shared services	AppXite	Group cost / eliminations	Total
Revenue	9,427	14,796	8,088	3,270	1,259	6,443	31	-6,659	36,655
Cost of goods sold and operating expenses	-9,005	-14,179	-7,963	-3,185	-1,178	-6,351	-37	6,578	-35,320
Depreciation and amortisation	-125	-134	-189	-22	-43	-69	-5	-1	-588
Operating profit (EBIT)	**297**	**483**	**-64**	**63**	**38**	**23**	**-12**	**-82**	**747**
Net financial items									-90
Profit before tax									**657**
Number of full-time employees at 31 December	1,687	2,620	1,461	431	664	675	35	12	7,585

2018:

NOK in million	Norway	Sweden	Denmark	Finland	The Baltics	Shared services	AppXite	Group cost / eliminations	Total
Revenue	8,737	14,049	8,026	2,889	1,150	5,496	16	-5,656	34,708
Cost of goods sold and operating expenses	-8,361	-13,556	-7,949	-2,818	-1,085	-5,418	-37	5,576	-33,648
Depreciation and amortisation	-67	-40	-172	-12	-38	-37	-3	-2	-370
Operating profit (EBIT)	**308**	**453**	**-94**	**59**	**28**	**41**	**-23**	**-82**	**690**
Net financial items									-56
Profit before tax									**634**
Number of full-time employees at 31 December	1,678	2,497	1,515	356	665	619	45	10	7,385

2019:

NOK in million	Norway	Sweden	Denmark	Finland	The Baltics	Shared services	AppXite	Group cost / eliminations	Total
Assets	4,562	3,838	2,829	559	521	5,115	-39	-2,427	14,957
Liabilities	3,498	3,904	2,450	622	362	5,045	11	-4,009	11,882
Investments to PPE and Intangible assets	45	40	75	19	37	105	6	-	327

2018:

NOK in million	Norway	Sweden	Denmark	Finland	The Baltics	Shared services	AppXite	Group cost / eliminations	Total
Assets	4,669	4,037	3,244	522	442	2,116	-27	-226	14,778
Liabilities	3,555	4,059	2,784	606	314	2,074	10	-1,861	11,540
Investments to PPE and Intangible assets	35	42	89	16	29	69	10	-	290

Operating revenues by category:

NOK in million	2019	2018
1. Product revenue	29,919	28,268
2. Services revenue	6,736	6,440
3. Total revenue	**36,655**	**34,708**

NOTE 6 – REVENUE RECOGNITION AND CONTRACT BALANCES

In the following table, the major revenue lines are disaggregated by geographical areas as disclosed in our segment information (Note 5).

Figures are in local currency and does not include eliminations, except for Atea Group.

1. Product revenue

1.1 Hardware

Local currency in million		2019	2018
Norway	NOK	5,224	5,193
Sweden	SEK	8,073	8,035
Denmark	DKK	3,118	3,174
Finland	EUR	175	161
The Baltics	EUR	72	74
Group Shared Services	NOK	6,007	5,121
AppXite	EUR	0	0
Atea Group	**NOK**	**19,321**	**19,105**

1.2 Software

Local currency in million		2019	2018
Norway	NOK	2,079	1,622
Sweden	SEK	5,191	4,541
Denmark	DKK	1,767	1,669
Finland	EUR	127	113
The Baltics	EUR	18	13
Group Shared Services	NOK	3	3
AppXite	EUR	1	0
Atea Group	**NOK**	**10,598**	**9,163**

2. Services revenue

Local currency in million		2019	2018
Norway	NOK	2,124	1,922
Sweden	SEK	2,638	2,430
Denmark	DKK	1,245	1,389
Finland	EUR	30	27
The Baltics	EUR	37	33
Group Shared Services	NOK	433	371
AppXite	EUR	2	2
Atea Group	**NOK**	**6,736**	**6,440**

3. Total revenue

Local currency in million		2019	2018
Norway	NOK	9,427	8,737
Sweden	SEK	15,902	15,005
Denmark	DKK	6,131	6,231
Finland	EUR	332	301
The Baltics	EUR	128	120
Group Shared Services	NOK	6,443	5,496
AppXite	EUR	3	2
Atea Group	**NOK**	**36,655**	**34,708**

Contract balances:

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

NOK in million	2019	2018
Receivables, wich are inculded in Trade receivables [1]	4,380	6,444
Contract assets [2]	143	255
Contract liabilities [3]	1,013	1,081

[1] See Note 16 for an ageing analysis of receivables and description of the changes in receivables.

[2] The contract assets primarily relates to revenues accrued, but not invoiced. Contract assets are recognized for performance obligations satisfied over time, mainly from services and projects where progress is measured over time. The contract assets are transferred to Trade receivables when the rights to receive payment become unconditional. The contract assets are assessed for impairment in accordance with IFRS 9.

[3] The contract liabilities primarily consists of advance considerations received from customers.

Changes in the contract assets and the contract liabilities balances during the period are as follows:

NOK in million	Contract assets	Contract liabilities [4]
At 1 January 2019	**255**	**1,081**
Recognized during the year:		
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	-264
Invoiced in advance	-	162
Transfers from contract assets recignized at the beginning of the period to receivables	-126	-
Increases as a result of changes in the measure of progress	17	50
Currency translation differences	-3	-15
At 31 December 2019	**143**	**1,013**

NOK in million	Contract assets	Contract liabilities [4]
At 1 January 2018	**238**	**1,130**
Recognized during the year:		
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	-693
Invoiced in advance	-	658
Transfers from contract assets recignized at the beginning of the period to receivables	-116	-
Increases as a result of changes in the measure of progress	134	-
Currency translation differences	-2	-14
At 31 December 2018	**255**	**1,081**

[4] In the Consolidated Financial statements for 2018, accrued expenses for supply of goods and services were included. In 2019, this is not included in the Group's definition of Contract liabilities, and the comapartive figure for 2018 has been adjusted.

Remaining performance obligations at year-end

The remaining performance obligations expected to be recognized in more than one year after the year end, is estimated to NOK 1,001 million. This is mainly related to Data Center outsourcing agreements that normally that can not be cancelled before the contract period of 3-years, without a significant penalty.
All the other remaining performance obligations are expected to be recognized within one year. See Note 2.22.3.5.

NOTE 7 – EMPLOYEE BENEFIT EXPENSE AND REMUNERATION

NOK in million	2019	2018
Wages and salaries to employees	-4,181	-3,992
Total social security costs	-706	-712
Pension costs	-376	-352
Other personnel costs	-321	-340
Total employee benefits expense	**-5,584**	**-5,396**
Average number of full time employees	7,430	7,173

Remuneration of key group employees

Key group employees are defined here as the managers that report directly to the CEO and are part of the group management. No loans, advances or guarantees have been granted to key group employees or board members. Shares and options owned by key employees are described in Note 17.

CEO of Atea ASA (Group)

In 2019 ,Steinar Sønsteby received a salary of NOK 4,079,000 (NOK 4,145,000 in 2018), as well as a performance-based bonus of NOK 2,500,000, (NOK 2,717,000 in 2018), and an option gain of NOK 9,411,000 (NOK 0 in 2018). The value of payments in kind was NOK 304,000 (NOK 308,000 in 2018). Benefits related to pension plans totalled NOK 70,000 (NOK 61,500 in 2018). Upon the termination of his employment he is under certain circumstances entitled to an additional 6 months of salary beyond his period of notice of 6 months.

Chief Financial Officer of Atea ASA (Group)

During 2019, Robert Giori received a salary of NOK 2,786,000 (NOK 2,604,000 in 2018), a performance-based bonus of NOK 458,000 (NOK 853,000 in 2018), an option gain of NOK 5,532,000 (NOK 0 in 2018). The value of payments in kind was NOK 11,000 (NOK 10,000 in 2018). Benefits related to pension plan totalled NOK 69,000 (NOK 61,500 in 2018) Upon the termination of his employment he is under certain circumstances entitled to additional 3 months of salary beyond his period of notice of 3 months.

Senior Vice President of Atea ASA (Group)

During 2019, August Baumann received a salary of NOK 2,141,000 (NOK 2,012,000 in 2018), a performance-based bonus of NOK 674,000 (NOK 948,000 in 2018), and an option gain of NOK 4,504,000 (NOK 0 in 2018). The value of payments in kind was NOK 337,000 (NOK 324,000 in 2018). Benefits related to pension plan totalled NOK 69,000 (NOK 61,500 in 2018). Upon the termination of his employment he is under certain circumstances entitled to additional 3 months of salary beyond his period of notice of 3 months.

Vice President of Supply Chain Management of Atea ASA (Group)

During 2019, Lorna Stangeland received a salary of NOK 2,185,000 (NOK 1,917,000 in 2018), a performance-based bonus of NOK 305,000 (NOK 869,000 in 2018), and an option gain of NOK 1,974,000 (NOK 1,450,000 in 2018). The value of payments in kind was NOK 191,000 (NOK 190,000 in 2018). Benefits related to pension plan totalled NOK 73,000 (NOK 61,500 in 2018). Upon the termination of her employment she is under certain circumstances entitled to additional 9 months of salary beyond her period of notice of 3 months.

Managing Director of Atea AS (Norway)

In 2019, Michael Jacobs received a salary of NOK 2,785,000 (NOK 2,770,000 in 2018), a performance-based bonus of NOK 1,023,000 (NOK 1,377,000 in 2018), and an option gain of NOK 9,591,000 (NOK 5,596,000 in 2018). The value of payments in kind was NOK 267,000 (NOK 364,000 in 2018). Benefits related to pension plans totalled NOK 69,800 (NOK 59,000 in 2018). Upon the termination of his employment he is under certain circumstances entitled to an additional 12 months of salary beyond his period of notice of 12 months.

Managing Director of Atea AB (Sweden)

In 2019, Carl-Johan Hultenheim received a salary of SEK 3,023,000 (SEK 3,059,000 in 2018), a performance-based bonus of SEK 1,660,000 (SEK 1,871,000 in 2018), and an option gain of SEK 0, (SEK 6,944,000 in 2018). In 2019 the value of payments in kind was SEK 146,000 (SEK 88,000 in 2018). Benefits related to pension plans totalled SEK 591,000 (SEK 583,000 in 2018). Upon the termination of his employment he is under certain circumstances entitled to an additional 12 months of salary beyond his period of notice of 12 months.

Managing Director of Atea A/S (Denmark)

In 2019, Morten Felding received a salary of DKK 2,500,000 (DKK 2,500,000 in 2018), a performance-based bonus of DKK 1,050,000 (DKK 350,000 in 2018), and an option gain of DKK 0 (DKK 3,342,000 in 2018). The value of payments in kind was DKK 240,000 (DKK 0 in 2018). Benefits related to pension plan totalled DKK 250,000 (DKK 117,000 in 2018). Morten Felding is not entitled to any special compensation upon the termination of his employment beyond his period of notice of 12 months.

Managing Director of Atea Finland Oy (Finland)

In 2019, Juha Sihvonen received a salary of EUR 256,000 (EUR 256,000 in 2018), a performance-based bonus of EUR 162,000 (EUR 94,000 in 2018). The value of payments in kind for 2018 was EUR 240 (EUR 930 in 2018). Benefits related to a defined contribution pension plan totalled EUR 9,600 (EUR 10,000 in 2018). Upon the termination of his employment he is under certain circumstances entitled to an additional 12 months of salary beyond his period of notice of 6 months.

Managing Director of Atea Baltic UAB (the Baltics)

In 2019, Arunas Bartusevicius received a salary of EUR 151,000 (EUR 87,000 in 2018), and an option gain of EUR 0 (EUR 224,000 in 2018). The value of payments in kind was EUR 997 (EUR 4,000 in 2018). Arunas Bartusevicius is not entitled to any special compensation upon the termination of his employment beyond his period of notice of 3 months.

The Board of Director's declaration and guidelines in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act

Pursuant to Section 5-6 of the Norwegian Public Limited Liability Companies Act, the General Meeting shall consider the Board of Directors' declaration regarding salaries and remuneration to the executive management.

The General Meeting shall conduct a vote on the Board of Directors' proposal for guidelines for salaries and remuneration to the executive management. The vote of the General Meeting is consultative to the Board, with the exception of benefits mentioned in Section 6-16a, first paragraph, item 3 of the Norwegian Public Limited Liability Companies Act (including grant of equity-linked incentives). For these benefits, the vote is binding for the Board of Directors.

The Board of Directors has given the following declaration:

Summary of executive compensation policies

The main principle in the Company's policy for executive compensation is that the executive team shall be offered competitive salary terms, with performance-based compensation tied to business results and shareholder value, in order to achieve the desired competence and incentives within the executive management team.

The Company has a separate Compensation Committee that provides the Board of Directors with recommendations regarding salary and other benefits to the company's executive management. Based on the input from the Compensation Committee, guidelines for executive compensation are established by the Board for the coming year, and presented to the General Meeting. According to these guidelines, the salary and other remuneration payable to the CEO is determined by the Board of Directors, while compensation payable to other members of the executive management is determined by the CEO in consultation with the Board Chairman.

The above policy for determining executive compensation was valid during 2019 and remains valid for the coming financial year.

The Board of Directors is of the opinion that compensation agreements that were entered into or amended in accordance with the description above in the previous financial year have had a positive impact on the company and its shareholders. This is based on the fact that the company has been able to attract and retain the human resources that are required to fulfil the company's objectives.

Guidelines for salaries and other remuneration to the executive management in the coming financial year

a) Fixed salary and cash bonus

Remuneration to the executive management team consists of a fixed salary and performance-based compensation. This performance-based compensation has two forms. First, performance-based compensation consists of a cash bonus which is determined by the business results of the organization under the executive's management.

The cash bonus varies by each individual on the executive team, but in no case exceeds their base salary. The cash bonus of the general manager of each country is based on their organization's operating profit relative to a target. The cash bonus of executives in the parent company is based on the Group's operating profit relative to a target, and may be supplemented by additional performance metrics related to the specific objectives of their parent company function. All targets based on operating profit are approved by the Board of Directors following an evaluation of market conditions.

b) Equity-linked incentives

Secondly, performance-based compensation is provided through equity-linked incentives in Atea ASA and/or the subsidiaries. Equity-linked incentives, which can be offered for instance in the form of shares, independent subscription rights (warrants) and stock options, provide management with an interest in the ownership of the company and create additional incentives toward building long-term shareholder value.

Stock options are granted to the executive team, as well as the management teams of each country and other key employees (approx. 4% of the total employees). The maximum number of options granted in any given year to existing members of the executive team are: (i) 225.000 options to the CEO, (ii) 50.000 -150.000 options to other executive team members, depending on the role. If a new executive team member is hired, the maximum number of options which can be granted upon hiring the new executive is three times the applicable maximum for an existing executive team member in the same or similar role.

The following specific limitations apply with respect to grant of stock options in Atea ASA: (i) the stock options vest during a minimum period of three years. The maximum number of options vesting in any given year will not exceed three percent of the shares outstanding in the company (in 2019, this was 2.3 percent). (ii) The strike price of the stock options will be set at the market price at the time of grant. The strike price will be adjusted for any dividends paid before exercise. (iii) Stock option grants have a cap of 3 times the market price at the date of grant. If the share price exceeds the cap price, the options may be settled by the company in cash based on the gain calculated at the cap price, providing an absolute limit to the possible gain.

c) Pension, benefits in kind and severance pay

Finally, members of the executive management team participate in the pension scheme of the local subsidiary in which they are employed. In addition, members of the executive management may receive certain limited benefits in kind, including a company car, telephone/internet access, and subscription to journals/newspapers. The terms of employment for the executive management vary with regard to their entitlement to severance or termination payments. The terms of employment for the executive management vary with regard to their entitlement to severance payments.

NOTE 8 – OTHER OPERATING COSTS

NOK in million	2019	2018
Car and travel costs	-228	-261
Communication and IT costs	-375	-334
Premises costs	-116	-271
Marketing costs	-47	-88
Bad debts	-4	-4
Other income	15	1
Other costs [1),2)]	-11	-58
Total other operating costs	**-766**	**-1,017**

[1)] Audit fees
The table below shows Deloitte's total charges for auditing and other services. All amounts are exclusive of VAT.

NOK in million	2019	2018
Auditor's fees	-8	-6
Assurance services	-1	-1
Tax advisory services	-0	-1
Other non-audit services	-1	-1
Total	**-10**	**-9**

[2)] Remuneration to the Board of Directors of Atea ASA
NOK 1.2 million was paid in fees to the Board of Directors of Atea ASA in 2019 (NOK 1.2 million in 2018). Fees to the Chairman of the Board amounted to NOK 300,000, fees to the employee representatives amounted to NOK 100,000 each and the rest of the Board of Directors received a fee of NOK 150,000 each.

NOK 300,000 was paid in fees to the Audit Committee of Atea ASA in 2019,or NOK 100,000 to each of the members. This is the same as in 2018.

NOTE 9 – NET FINANCIAL ITEMS

NOK in million	2019	2018
Interest income	6	7
Interest income, subleasing	9	0
Other financial income	2	3
Total financial income	**17**	**10**
Interest costs on loans	-44	-36
Interest costs on leases [1)]	-37	-7
Interest expenses, subleasing	-9	0
Foreign exchange effects	-8	-16
Other financial expenses	-9	-7
Total financial expenses	**-107**	**-66**
Total net financial items	**-90**	**-56**

[1)] 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 32 million for 2019.

Foreign exchange effects included in operating profit total NOK 11 million in 2019 (NOK 4 million in 2018).

NOTE 10 – TAXES

Income tax recognized in profit or loss:

NOK in million	2019	2018
Current tax		
Norway	-	-
Other countries	-123	-117
Deferred tax		
Origination and reversal of temporary differences	32	-2
Net losses utilised	-38	-45
Change in deferred tax assets due to tax losses previously unrecognized	1	-3
Total income tax expenses	**-127**	**-167**

The income tax expense for the year can be reconciled to the accounting profit as follows:

NOK in million	2019	2018
Profit before tax	**657**	**634**
Income tax expense calculated at 22% (2018: 23%) [2]	-144	-146
Effect of income non-taxable and expenses non-deductible [3]	11	-10
Effect of previously unrecognized and unused tax losses and deductable temporary differences now recognized as deferred tax assets	0	4
Effect of different tax rates of subsidiaries operating in other jurisdictions [4]	6	5
Effect of deferred tax balances due to the change in income tax rates [4]	-	-17
Effect of deferred tax changes recognized in other comprehensive income or directly in equity	-0	-2
Total	**-128**	**-165**
Adjustments recognized in the current year in relation to the current tax of prior years	0	-2
Income tax expense recognized in profit or loss	**-127**	**-167**
Effective tax rate	19.4%	26.4%

Income tax recognized in other comprehensive income

NOK in million	2019	2018
Current tax	**-**	**-**
Deferred tax		
Relating to currency effect on equity loans	-	-
Relating to forward contracts	-0	-2
Total income tax expenses recognized in other comprehensive income	**-0**	**-2**

Income tax recognized directly in equity

NOK in million	2019	2018
Current tax	**-**	**-**
Deferred tax		
Relating to forward contracts	0	4
Total income tax expenses recognized directly in equity	**0**	**4**

Deferred tax balances are presented in the statement of financial position as follows:

NOK in million	31 Dec 2019	31 Dec 2018
Deferred tax assets related to carryforward losses [1]	357	394
Deferred tax assets related to temporary differences [1]	-3	6
Deferred tax liabilities	-185	-234
Net deferred tax assets (liabilities)	**169**	**166**

Deferred tax assets (liabilities)

	2019							
NOK in million	Book value at 1 Jan 2019	Recognized in P/L	Recognized in other compr. income	Recognized in equity	Business combin./ disposals	Change in OB (IFRS 16)	Currency translation differences	Book value at 31 Dec 2019
Temporary differences								
Property, plant and equipment	-1	-65	-	-	-2	-	0	-69
Intangible assets [5)]	-173	7	-	-	1	-	3	-162
Inventories	5	-0	-	-	-	-	-0	5
Trade and other receivables	-4	10	-	-	0	-	0	6
Provisions and accruals	12	1	-	-	-	-	-0	13
Capital gain/loss accounts	-72	4	-	-	-	-	2	-66
Financial leases	6	73	-	-	-	4	-0	83
Other financial liabilities	-1	7	-0	0	-	-	-0	7
Other differences	-1	-4	-	-	-	-	0	-5
Total	**-228**	**32**	**-0**	**0**	**-1**	**4**	**5**	**-188**
Unused tax losses and credits								
Tax loss carryforward	399	-38	-	-	-	-	-0	360
Deferred tax assets not recognized on statement of financial position	-	-	-	-	-	-	-	-
Other temporary differences not recognized on BS	-4	1	-	-	-	-	-	-3
Deferred tax assets recognized on the statement of financial position	**394**	**-37**	**-**	**-**	**-**	**-**	**-0**	**357**
Net deferred tax assets recognized on the statement of financial position	**166**	**-5**	**-0**	**0**	**-1**	**4**	**5**	**169**

Deferred tax assets (liabilities)

	2018							
NOK in million	Book value at 1 Jan 2018	Recognized in P/L	Recognized in other compr. income	Recognized in equity	Business combin./ disposals	Change in OB (IFRS 16)	Currency translation differences	Book value at 31 Dec 2018
Temporary differences								
Property, plant and equipment	-10	9	-	-	0	-	0	-1
Intangible assets [5)]	-181	8	-	-	-2	-	2	-173
Inventories	6	-0	-	-	-	-	0	5
Trade and other receivables	-3	-1	-	-	0	-	-0	-4
Provisions and accruals	25	-13	-	-	-	-	-0	12
Capital gain/loss accounts	-77	3	-	-	-	-	2	-72
Financial leases	11	-4	-	-	-	-	0	6
Other financial liabilities	2	-4	-2	4	-	-	-0	-1
Other differences	-2	1	-	-	-	-	0	-1
Total	**-229**	**-2**	**-2**	**4**	**-2**	**-**	**4**	**-228**
Unused tax losses and credits								
Tax loss carryforward	443	-45	-	-	-	-	1	399
Deferred tax assets not recognized on statement of financial position	-2	-3	-	-	-	-		-4
Deferred tax assets recognized on the statement of financial position	**441**	**-48**	**-**	**-**	**-**	**-**	**1**	**394**
Net deferred tax assets recognized on the statement of financial position	**212**	**-50**	**-2**	**4**	**-2**	**-**	**5**	**166**

The Group's tax losses expires as follows:

NOK in million	2020	2021	2022	2023 and later	No expiration deadline	Total at 31 Dec 2019
Norway	-	-	-	-	1,438	1,438
Denmark	-	-	-	-	188	188
Finland	-	-	-	-	0	0
The Baltics	-	-	-	-	2	2
AppXite	-	-	-	-	11	11
Total	**-**	**-**	**-**	**-**	**1,639**	**1,639**

[1] Atea recognizes deferred tax assets on the statement of financial position when it has been deemed adequately probable that the operations in the indvidual country will generate a taxable profit that the tax loss carry forward can be used to offset. Taking into account the historical losses and cyclical nature, future earnings are not deemed probable until the individual company has actually reported a taxable profit for a period of time. When calculating tax assets that are not to be recognized, the expected profit is only taken into account for a limited future period (normally limited to a maximum period of 5 years)
[2] The tax rate used for the 2019 reconciliations above is the corporate tax rate of 22% (2018: 23%) payable by corporate entities in Norway on taxable profits under the tax law in that jurisdiction
[3] Non taxable income and non deductible expenses pursuant to the countries income tax laws
[4] Nominal tax rates in 2019 by country: Norway - 22%, Sweden - 21.4%, Finland - 20%, Denmark - 22%, The Baltic - 0-15%
Nominal tax rates in 2018 by country: Norway - 23% (22% from 1 January 2019), Sweden - 22% (21.4% from 1 January 2019), Finland - 20%, Denmark - 22%, The Baltic - 0-15%
[5] Primarily related to depreciable excess values from business combinations

NOTE 11 – EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

NOK in million	2019	2018
Profit for the period	530	467
Weighted average number of outstanding shares (in million)	109	108
Basic earnings per share (NOK)	4.84	4.33

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are share options issued. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

NOK in million	2019	2018
Profit for the period	530	467
Weighted average number of outstanding shares (in million)	111	110
Diluted earnings per share (NOK)	4.78	4.26

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

NOK in million	Buildings and property	Land	Vehicles and office machines	Furniture and fittings	Computer equipment	Total
Acquisition cost						
Book value at 1 January 2018	**111**	**19**	**117**	**293**	**1,228**	**1,768**
Changes from prior years	-	-	2	-0	12	14
Additions						
Ordinary additions	6	-	3	34	169	212
Disposals [1]	-	-	-2	-9	-18	-29
Currency translation effects	1	0	1	-4	2	0
Book value at 31 December 2018	**117**	**19**	**122**	**315**	**1,392**	**1,965**
Changes from prior years	-1	-	5	-0	7	11
Additions						
Ordinary additions	12	-	4	66	156	237
Disposals [1]	-65	-19	-4	-42	-37	-167
Currency translation effects	-1	-0	-1	-5	-13	-20
Book value at 31 December 2019	**62**	**0**	**126**	**332**	**1,506**	**2,026**
Accumulated depreciation						
Book value at 1 January 2018	**-36**	**-**	**-105**	**-230**	**-897**	**-1,269**
Changes from prior years	-	-	-2	0	-11	-13
Depreciation	-5	-	-5	-17	-157	-183
Disposals [1]	-	-	2	8	17	27
Currency translation effects	-0	-	-1	3	-2	0
Book value at 31 December 2018	**-41**	**-**	**-112**	**-236**	**-1,049**	**-1,438**
Changes from prior years	-	-	-4	0	-6	-10
Depreciation	-4	-	-5	-22	-161	-192
Disposals [1]	16	-	3	42	37	99
Currency translation effects	0	-	1	4	9	14
Book value at 31 December 2019	**-29**	**-**	**-117**	**-212**	**-1,170**	**-1,528**
Acquisition cost	117	19	122	315	1,392	1,965
Accumulated depreciation and write downs	-42	-	-112	-236	-1,050	-1,440
Book value at 31 December 2018	**75**	**19**	**10**	**79**	**342**	**525**
Acquisition cost	62	0	126	332	1,506	2,026
Accumulated depreciation and write downs	-29	-	-117	-212	-1,170	-1,528
Book value at 31 December 2019	**33**	**0**	**9**	**120**	**336**	**498**

[1] Gain/loss on the disposal of property, plant and equipment accounted for insignificant amounts in 2018 and 2019.

NOTE 13 – GOODWILL AND INTANGIBLE ASSETS

NOK in million	Goodwill	Contracts and customer relationships	Computer software and rights	Total other intangible assets
Acquisitions				
Accumulated value at 1 January 2018	**3,845**	**663**	**1,039**	**1,702**
Changes from prior years	-0	-	-10	-10
Additions				
Ordinary additions	-	-	78	78
Business combinations	62	9	-	9
Disposals [1]	-	-397	-2	-399
Currency translation effects	-7	-0	1	1
Accumulated value at 31 December 2018	**3,901**	**275**	**1,109**	**1,383**
Changes from prior years	-	-	-7	-7
Additions				
Ordinary additions	-	-	89	89
Business combinations	19	5	-	5
Disposals [1]	-	-2	-11	-13
Currency translation effects	-38	2	-11	-9
Accumulated value at 31 December 2019	**3,881**	**280**	**1,170**	**1,449**
Accumulated amortisation and write-downs				
Accumulated value at 1 January 2018	**-**	**-629**	**-765**	**-1,394**
Changes from prior years	-	-	0	0
Amortisation	-	-32	-93	-125
Disposals [1]	-	397	9	407
Currency translation effects	-	0	-1	-0
Accumulated value at 31 December 2018	**-**	**-264**	**-849**	**-1,112**
Changes from prior years	-	-	-27	-27
Amortisation	-	-5	-90	-95
Disposals [1]	-	2	11	13
Currency translation effects	-	1	8	10
Accumulated value at 31 December 2019	**-**	**-266**	**-947**	**-1,212**

NOK in million	Goodwill	Contracts and customer relationships	Computer software and rights	Total other intangible assets
Acquisition cost	3,901	275	1,109	1,383
Accumulated amortisation and write-downs	-	-264	-883	-1,147
Book value at 31 December 2018	**3,901**	**11**	**226**	**237**
Acquisition cost	3,881	280	1,170	1,449
Accumulated amortisation and write-downs	-	-266	-947	-1,212
Book value at 31 December 2019	**3,881**	**14**	**223**	**237**

[1] Gain/loss on the disposal of intangible assets accounted for insignificant amounts in 2018 and 2019.

Allocations of goodwill

NOK in million	2019	2018
Norway	1,149	1,130
Sweden	641	658
Denmark	1,564	1,579
Finland	177	178
The Baltics	240	242
The Group Shared Services	111	114
Total	**3,881**	**3,901**

The Group does not have any significant research expenses.

Development costs related to internal systems are capitalised in the balance sheet with NOK 60 million (NOK 56 million in 2018).

Goodwill impairment test

Goodwill and other assets are allocated to the Group's cash-generating units. Atea allocates goodwill to the actual country of operation (segment) where the operations are located.

Goodwill has an indefinite useful life and is not amortised, but impairment losses are recognized if the recoverable amount is less than the book value.

Recoverable amounts for cash-generating units are estimated based on calculating the asset's value in use. Cash flow forecasts are used based on the budget for revenues, product/service mix, profit margins, costs and capital employment. Revenue growth for 2020 is based on budget approved by the Board of Directors and growth estimates for 2021-2024 varies between 0.3% and 3.4% based on management estimates and expected market growth in every country. Cash flows beyond these five years are based on an expected growth rate of 0.6% -1.8% for an indefinite period (determined primarily by external market analyses).

Discount rates represent the current market assessment of the risks specific to each cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its Weighted Average Cost of Capital (WACC). The WACC rates used in discounting the future cash flows are based on a 10-year government bond rate in the respective countries, adjusted for weighted average interest margin on external Group facilities. A market risk premium and a country risk premium is added. The discount rates also take into account the gearing, corporate tax rate, and asset beta. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying beta factor. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Sensitivity analysis:

In addition to impairment testing using the base case assumptions above, few separate sensitivity analyses were performed for each cash-generating units:

- a discount rate analysis where the discount rate was increased by 5.5% due to adjustmed estimates on market premium and credit risk,
- revenue growth is 1- 5% below estimated growth in 2021-2024,
- EBITDA margin is 0.25% below estimated growth in 2021-2024.

Management believes that any reasonably possible change in the key assumptions above, will not cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the cash generating units.

WACC (Weighted Average Cost of Capital) used [1]:

	2019	2018
Norway	7.3%	9.0%
Sweden	5.4%	7.1%
Denmark	5.3%	6.9%
Finland	5.2%	7.1%
The Baltics [2]	5.5%	7.5%

[1] At 30 September.
[2] Volume-weighted average for Estonia, Latvia and Lithuania.

NOTE 14 – INVESTMENTS IN ASSOCIATED COMPANIES

The Group had one investment associated company as of 31 December 2019. Erate AS, aquired in April 2017 provides a platform which facilitates the setup of virtual mobile operators in the telecom industry. Their customers benefit from already established network operator agreements and economies of scale. The acquisition will strengthen Atea's ability to drive innovation, and product and service development to the mobile market.

Entity	Country	Industry	Ownership interest
Erate AS	Norway	Virtual mobile operator	16.6%

The investment is recognized on the balance sheet using the equity method, because Atea is represented on the Board of Directors in Erate AS. The investment is initially recorded at cost, and subsequently adjusted to reflect the investor's share of the net assets of the associate.

Reconciliation of summmarised financial information NOK in million	Erate AS
Book value at 1 January 2019	13
Share of profit after tax in 2019 (included in Net Financial items)	2
Book value at 31 December 2019	**15**

NOTE 15 – INVENTORIES

NOK in million	2019	2018
Cost of inventories	835	870
Accumulated provisions for write-downs	-37	-39
Book value at 31 December	**798**	**830**
Provision for write-downs at 1 January	**-39**	**-42**
Additional provisions	-3	-5
Used provisions	5	6
Foreign exchange effects on inventory write-downs	0	0
Provision for write-downs at 31 December	**-37**	**-39**
Write-down of inventories recognized as an expense and included in cost of goods sold	0	-6
Inventories recognized as an expense during the period	-16,909	-16,336

Inventory of spare parts are written-down over the average length of the service contracts.

NOTE 16 – TRADE AND OTHER RECEIVABLES

NOK in million	2019	2018
Trade receivables	4,402	6,472
Provisions for bad debts	-22	-27
Net book value of trade receivables	**4,380**	**6,445**
Prepaid expenses	969	819
Accrued revenue (Note 6)	143	255
Other current receivables	641	466
Other receivables	**1,752**	**1,541**
Total trade and other receivables	**6,132**	**7,986**
Other long-term receivables	25	28
Total other long-term receivables	**25**	**28**
Provisions for bad debts at 1 January	**-27**	**-30**
Additional provisions	-3	-3
Used provisions	7	5
Amount written off as uncollectable	-1	0
Amount collected during the year	1	0
Foreign exchange effect on bad debts	0	0
Provisions for bad debts at 31 December	**-22**	**-27**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers spread across several countries. Maximum exposure to trade receivables corresponds to NOK 4,402 million (NOK 6,472 million in 2018).

As of 31 December 2019, Atea subsidiaries in Norway, Sweden, Denmark sold receivables of NOK 1,862 million under the securitization facility (NOK 349 million at the end of 2018). See Note 19 for more information.

As of 31 December 2019 the Group can borrow up to NOK 1,100 million through a securitization facility secured by receivables. (NOK 800 million at the end of 2018). Trade receivables up to this limit are pledged as security for overdraft facility. See Note 19 and Note 28 for additional information.

The Group has recognized a loss of NOK 4 million related to trade receivables in 2019. (NOK 4 million in 2018). See Note 8 for more information.

See otherwise Note 3.1.2 with regard to credit risk.

Maturity analysis for trade receivables not due

NOK in million	2019	2018
Non-due < 30	3,904	5,369
Non-due 31-90	255	313
Non-due > 91	6	14
Total	**4,166**	**5,696**

Maturity analysis for trade receivables due

NOK in million	2019	2018
Maturity < 30 days	179	673
Maturity 31-90 days	63	82
Maturity > 91 days	-6	21
Total	**236**	**776**

NOTE 17 – SHARE CAPITAL AND PREMIUM, OPTIONS AND SHAREHOLDERS

	Number of shares		Share capital			
NOK in million, except number of shares	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total paid-in equity
At 1 January 2018	**107,581,945**	**-7,844**	**108**	**0**	**247**	**355**
Issue of share capital	1,108,572	-	1	-	55	56
At 31 December 2018	**108,690,517**	**-7,844**	**109**	**0**	**302**	**410**
At 1 January 2019	**108,690,517**	**-7,844**	**109**	**0**	**302**	**410**
Issue of share capital [1]	1,017,896	-	1	-	52	53
At 31 December 2019	**109,708,413**	**-7,844**	**110**	**0**	**354**	**463**

Shares and share capital

In 2019 the nominal value of shares was NOK 1 per share. All the shares issued by the company are fully paid.

Treasury shares

Atea ASA holds 7,844 treasury shares at 31 December 2019 (7,844 at 31 December 2018).

Share options

Share options have been allotted to the management and selected employees. Each share option allows for the subscription of one share in Atea ASA. The fair value of the options is calculated when they are allotted and expensed over the vesting period. The maximum term of the options granted is normally 4 years.

A cost of NOK 57 million has been charged as an expense in the income statement in 2019 relating to the share option programmes (NOK 54 million in 2018). In addition, National Insurance contribution expenses of NOK 16 million have been charged as an expense in 2019 (NOK 7 million in 2018). See Note 7 - Employee benefit expense and remuneration for more information.

[1] The company has traditionally issued new shares to meet the contractual obligations of its share options, based on authorizations to increase the share capital granted by the General Meeting to the Board of Directors. The company also retains the right to settle share options in cash based on the difference between the share price on the date of exercise and the strike price of the option contract.

	2019		2018	
	Number of options	Weighted average exercise price (NOK)	Number of options	Weighted average exercise price (NOK)
Outstanding at 1 Jan	7,639,851	93	3,351,509	57
Granted	2,314,332	115	5,800,501	115
Exercised	-1,017,896	52	-1,208,572	51
Lapsed/terminated	-484,688	105	-303,587	96
Expired	-23,830	39	-	-
Outstanding at 31 Dec	8,427,769	97	7,639,851	93
Vested options	2,538,268	78	1,645,350	43

The weighted average value of the share options granted in 2019 was NOK 27 (NOK 24 in 2018). The share options were valued by a third party according to the Black-Scholes valuation model. The conditions for exercising the different share option programmes are set for each programme on an individual basis. The weighted average share price at the date of exercise was NOK 117 per share in 2019 (NOK 110 per share in 2018).

Terms of the outstanding options are as follows:

	Outstanding options			Vested options	
Exercise price	Outstanding options at 31 Dec 2019	Weighted average contractual life (Year)	Weighted average exercise price (NOK)	Vested options at 31 Dec 2019	Weighted average exercise price (NOK)
0-20	380,000	2.96	19	380,000	19
30-40	460,000	2.96	38	460,000	38
70-80	50,000	1.24	77	-	-
80-90	75,000	1.33	82	-	-
90-100	15,000	1.95	100	15,000	100
100-110	5,193,937	2.96	102	1,628,268	102
110-120	2,253,832	3.89	112	55,000	111
Total	**8,427,769**	**3.18**	**97**	**2,538,268**	**78**

Variables in the model for the allotment of options in 2019:	
Weighted average share price at the time of allotment (NOK)	115
Weighted average exercise price (NOK)	52
Weighted average volatility [2]	27%
Weighted average risk-free interest rate	1.3%
Weighted average expected life (years)	3.9

[2] The expected volatility was determined based on historical volatility with the same lifetime as the options issued. As the strike price is adjusted for dividends, this is not taken into account in the valuation.

10 largest shareholders at 31 December 2019 [1]	Shares	%
Systemintegration APS [2]	27,308,353	24.9%
Folketrygdfondet	9,574,507	8.7%
State Street Bank & Trust Co. [3]	5,547,666	5.1%
State Street Bank and Trust Co. [3]	5,153,183	4.7%
State Street Bank and Trust Co. [3]	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%**

Number of shareholders:	6,998
Percentage of foreign shareholders:	84%

[1] Source: Verdipapirsentralen
[2] Includes shares owned by Ib Kunøe
[3] Includes client nominee accounts

Shares and options owned by key employees who are Board Members at 31 December 2019

Key employees in the Atea Group		Shares [1]	Options	Maturity date for options
Steinar Sønsteby	CEO of Atea ASA	2,000	1,630,000	15 December 2023
Robert Giori	CFO of Atea ASA	14,327	510,000	15 December 2023
August Baumann	Senior Vice President of Atea ASA	2,200	210,000	15 December 2023
Lorna Margaret Stangeland	VP Supply Chain Management	-	150,000	15 December 2023
Michael Jacobs	Managing Director of Atea AS (Norway)	-	300,000	15 December 2023
Carl-Johan Hultenheim	Managing Director of Atea AB (Sweden)	14,000	500,000	15 December 2023
Morten Felding	Managing Director of Atea A/S (Denmark)	-	400,000	15 December 2023
Juha Sihvonen	Managing Director of Atea Oy (Finland)	-	260,000	15 December 2023
Arunas Bartusevicius	Managing Director of Atea Baltic UAB (Baltics)	100,194	260,000	15 December 2023
Board Members of Atea ASA				
Ib Kunøe [1]	Board Chairman	27,432,548	-	-
Morten Jurs	Member of the Board	1,000	-	-
Sven Madsen	Member of the Board	-	-	-
Lisbeth Toftkær Kvan	Member of the Board	-	-	-
Saloume Djoudat	Member of the Board	1,200	-	-
Marianne Urdahl	Member of the Board (employee elected)	767	-	-
Truls Berntsen	Member of the Board (employee elected)	-	6,000	15 December 2023
Marthe Dyrud	Member of the Board (employee elected)	6,500	20,000	15 December 2023

[1] Direct and indirect ownership.

Share option allotment, redemption and holdings for key employees:

	Holdings at 1 Jan 2019	Granted in 2019	Exersised in 2019	Holdings at 31 Dec 2019	Exercise price (NOK)
Steinar Sønsteby	1,505,000	225,000	-100,000	1,630,000	70.41
Robert Giori	476,667	100,000	-66,667	510,000	81.92
August Baumann	280,000	70,000	-140,000	210,000	98.41
Lorna Margaret Stangeland	150,000	50,000	-50,000	150,000	96.92
Michael Jacobs	350,000	100,000	-150,000	300,000	105.25
Carl-Johan Hultenheim	375,000	125,000	-	500,000	104.44
Morten Felding	300,000	100,000	-	400,000	105.60
Juha Sihvonen	190,000	70,000	-	260,000	104.63
Arunas Bartusevicius	190,000	70,000	-	260,000	104.63

NOTE 18 – TRADE PAYABLES AND OTHER CURRENT LIABILITIES

NOK in million	2019	2018
Trade payables	**6,113**	**7,125**
Public fees payable	738	721
Prepayments from customers	806	912
Accrued holiday payments	580	547
Deferred income	207	169
Other accrued expenses (supplier of goods)	221	426
Other current liabilities	354	129
Total other current liabilities	**2,905**	**2,904**
Total trade payables and other current liabilities	**9,018**	**10,029**

Maturity analysis trade payable:

NOK in million	2019	2018
Due < 30	4,711	5,503
Due 31-90	1,381	1,582
Due > 91	21	40
Total	**6,113**	**7,125**

NOTE 19 – BORROWINGS

NOK in million	2019	2018
Long-term borrowings		
EIB loan	475	475
Other	-3	8
Long-term interest-bearing borrowings	**472**	**483**
Current borrowings		
Uncommited securitization facility	553	-
Overdraft facility secured by receivables	-	184
Other	22	13
Current interest-bearing borrowings	**575**	**197**
Total borrowings excluding leasing	**1,047**	**680**

Securitization

In December 2018, Atea ASA and its subsidiaries in Norway, Sweden and Denmark entered into a securitization contract organized by a Nordea Denmark, Benchmark of Nordea bank Abp, consisting of 2 facilities. The first facility enables Atea to sell specified receivables of up to NOK 1,900 million at the end of 2019 (up to NOK 1,500 million at the end of 2018). 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 secured by other receivables of NOK 1,100 million at the end of 2019 (NOK 800 million at the end of 2018). Atea has utilised NOK 553 million as of 31 December 2019 from this facility. None of this facility had been utilised as of 31 December 2018.

EIB loan

Atea ASA has entered into a loan agreement for NOK 475 million with the European Investment Bank in May 2018. The loan is unsecured, and will be repaid in a single installment following a term of five years.

Overdraft facility

The Group has an overdraft facility of NOK 300 million provided by Nordea Denmark, Benchmark of Nordea bank Abp (NOK 400 million as of 31 December 2018). None of this facility had been utilised at 31 December 2019 and 31 December 2018. Amounts drawn on this facility are classified as cash and cash equivalents. The facility has standard terms and conditions for this type of financing.

Money market line

The Group had a uncommitted money market line of NOK 200 million provided by a Nordea Denmark, Benchmark of Nordea bank Abp at the end of 2019 (no such facility at the end of 2018). None of this facility had been utilised at 31 December 2019. Amounts drawn on this facility are classified as short-term debt. The facility has standard terms and conditions for this type of financing.

Overdraft facility secured by receivables

The Group had an overdraft facility agreement with Nordea Finans in Norway, Sweden and Denmark secured by trade receivables. The Group could borrow up to a maximum of 80% of the outstanding trade receivables through this agreement. The facility limit was NOK 1,040 million in total as of 31 December 2018. The actual drawdown available based on this agreement is based on the size of the trade receivables. As of 31 December 2018, the total drawdown available under this facility was NOK 780 million and Atea utilized NOK 184 million. Drawings on the facility are classified as short-term debt.

The loan is secured by a down-stream guarantee by Atea ASA. The facility has standard terms and conditions for this type of financing.

Overdraft facility was fully terminated in 2019 and replaced by securitization facility.

Financial covenant

The financial covenant which applies to the above EIB loan facility and the Nordea facilities is a Leverage Ratio for the Group of 2.5x. Leverage Ratio means the ratio of net interest-bearing Debt to EBITDA. EBITDA in this calculation is pro forma, i.e. adjusted for acquisition of businesses, and sale of existing business units in the Group. The financial covenant is measured end of each quarter. The Group is compliant with the covenant at the balance date.

See Note 28 for disclosure of asset pledged under financing contracts.

The Group is exposed to interest rate changes with respect to loans based on the following repricing structure:

NOK in million	2019	2018
6 months or less	575	197
6-12 months	-	-
1-5 years	472	483
Total	**1,047**	**680**

Interest on the date of the balance sheet was as follows:

NOK in million	2019	2018
Long-term loans		
EIB loan	3.0 %	2.3 %
Short-term loans		
Securitization - sale of receivables	1.2 %	1.0 %
Securitization - uncommited facility secured by receivables	1.6 %	1.4 %
Overdraft facility	2.0 %	1.4 %
Overdraft facility secured by receivables	-	1.1 %
Average weighted interest rate	**1.6 %**	**1.3 %**

Maturity analysis for loans 2019 [1]

NOK in million	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Long-term financing	1	2	11	507	521
Short-term financing	575	-	-	-	575
Total	**576**	**2**	**11**	**507**	**1,096**

Maturity analysis for loans 2018 [1]

NOK in million	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Long-term financing	1	2	11	533	547
Short-term financing	-	-	197	-	197
Total	**1**	**2**	**208**	**533**	**744**

[1] Includes interest payable.

NOTE 20 – LEASES

Atea as a lesse

The nature of the lessee's leasing activities

The Group leases different kind of assets. The main amounts are related to leasing of office buildings and cars. The leases of offices typically run for a period of 5-10 years. The leasese of cars typically run for a period of 3-5 years. The Group does not have any leasing contracts with variable payment terms.

Practical expedients applied

Leases with a lease term of 12 months or shorter, except Financial subleases, will not be capitalised. Low-value leases, meaning mainly office equipment with an underlying value of USD 5,000 or less when they are new, will not be capitalised. This is not related to Financial subleases. See more information in Note 2.1.

Contracts with extension options

Some leases of premises contain extension options exercisable by the Group. The extension options held are exercisable only by the Group, and not by the lessors. The Group includes an extension of the contracts in the lease valuation if it is reasonably certain that the Group will extend the contracts. Normally, is not considered as reasonably certain that the Group will extend the contracts for more than 3-years.

Subleasing

The Group is subleasing products to the costomers as part of the regular operations. In addition, some of its properties are subleased under operating and finance leases. As of 31 December 2019, the Group had a net present value of NOK 251 million recognized in the Financial position as sublease contracts. The residual value obligation of leases is disclosed in Note 28 Commitments.

Significant leases not yet commenced to which the lessee is committed

The Group will move into new office building in Oslo, Norway in 1 Quarter 2020. The committed leasing obligation that is not recognized in the Financial position at 31 December 2019 related to these premises is approximately NOK 190 million.

The information about leases for which the Group is a lessee is presented to the right:

NOK in million	ROU, Buildings and property	ROU, Computer equipment	ROU, Motor vehicles	Total right-of-use assets
Acquisition cost				
Book value at 1 January 2018	**-**	**612**	**26**	**638**
Changes from prior years	-	-12	-3	-14
Ordinary additions	-	34	1	35
Revaluation decrease	-	-17	-2	-19
Currency translation effects	-	2	0	3
Book value at 31 December 2018	**-**	**620**	**23**	**643**
Changes in accounting principle[1]	514	-	129	643
Changes from prior years	-	-10	-5	-14
Ordinary additions	447	45	118	611
Revaluation decrease	-72	-14	-19	-105
Currency translation effects	-	-5	-0	-5
Book value at 31 December 2019	**890**	**637**	**246**	**1,773**
Accumulated depreciation				
Book value at 1 January 2018	**-**	**-489**	**-15**	**-504**
Changes from prior years	-	11	2	13
Depreciation	-	-69	-3	-72
Eliminated on revaluation	-	17	1	18
Currency translation effects	-	-2	-0	-3
Book value at 31 December 2018	**-**	**-533**	**-15**	**-548**
Changes from prior years	-	5	4	9
Depreciation	-173	-51	-81	-305
Eliminated on revaluation	43	14	6	63
Currency translation effects	-	4	0	4
Book value at 31 December 2019	**-130**	**-560**	**-86**	**-777**
Acquisition cost	-	620	23	643
Accumulated depreciation and write downs	-	-536	-15	-551
Book value at 31 December 2018	**-**	**85**	**8**	**92**
Acquisition cost	890	637	246	1,773
Accumulated depreciation	-130	-560	-86	-777
Book value at 31 December 2019	**760**	**76**	**160**	**996**

[1] The amount is related to change in accounting policy to IFRS 16, 'Leases'. See Note 2.1 for more information

Lease liabilities

Maturity analysis - contractual undiscounted cash flows to be paid after reporting date

NOK in million	2019	2018
Less than one year	-430	-27
One to five years	-675	-79
More than five years	-220	-
Total undiscounted lease liabilities at 31 Dec	**-1,325**	**-106**
Lease liabilities included in the Consolidated statement of financial position at 31 December	**-1,293**	**-100**
Current	-422	-27
Non-current	-870	-73

Atea as a lessor - age distribution operational lease

Maturity analysis - contractual undiscounted lease payments to be received after reporting date [9]

NOK in million	2019
Less than one year	-7
One to two years	-7
Two to three years	-8
Three to four years	-6
	-28

[9] Mainly related to operating subleasing of premises and leasing income for leasing of equipment to customers. See Note 2.8.2.3.

Atea as a lessor - age distribution financial lease

Maturity analysis - contractual undiscounted lease payments to be received after reporting date [8]

NOK in million	2019
Less than one year	152
One to two years	75
Two to three years	23
Three to four years	5
Total undiscounted lease receivable	**256**
Unearned finance income	**-5**
Net investement in the lease	**251**

[8] Mainly related to financial subleasing of products to customers. See Note 2.8.2.3.

Amounts recognized in the Consolidated statement of Comprehensive income

NOK in million	2019
Profit on subleasing transactions [1]	19
Income from subleasing right-of-use assets [2]	9
Expenses relating to short -term leases [3]	-22
Expenses relating to leases of low-value assets [4]	-4
Interest expense, leasing [5] [6]	-37
Interest income, subleasing [7]	9
Interest expenses, subleasing [7]	-9

[1] Atea is subleasing products to the costomers as part of the regular operations. The Group recognizes revenue and the cost of goods sold when the underlying assets are available for use by the customer. See Note 2.8.2.3
[2] Related to operating subleasing of premises and equipment to external parties and customers.
[3] A lease that at the commencement date, has a lease term of 12 months or less.
[4] Operating lease of assets with a value below USD 5,000 not included in 3) above.
[5] Interest expenses on Finance lease liabilities.
[6] Interest paid for lease liabilities is included in Interest paid in Net cash flow from operational activities in the Consolidated Statement of Cash flow.
[7] Mainly related to interest income and expenses related to subleasing of products to the customers.

Amounts recognized in the Consolidated statement of cash flow

NOK in million	2019
Total cash outflow from leases	-303

NOTE 21 – CHANGES IN FINANCIAL LIABILITIES

NOK in million	Long-term interest-bearing liabilities	Current interest-bearing liabilities	Long term leasing liabilities	Current leasing liabilities	Long-term subleasing liabilities	Current subleasing liabilities	Total
Balance at 1 January 2019	**-483**	**-197**	**-73**	**-27**	**-**	**-**	**-781**
Proceeds from overdraft/uncommitted securitization facility	-	-9,230	-	-	-	-	-9,230
Repayments of overdraft/uncommitted securitization facility	-	8,871	-	-	-	-	8,871
Lease payments	-	-	-	303	-	-	303
Sublease payments	-	-	-	-	-	59	59
Other cash payments	13	-	-	-	-	-	13
Deferred interest expenses	-2	0	-	-	-	-	-2
Changes in accounting principle (IFRS 16)	-	-	-	-680	-	-	-680
New lease contracts – non-cash items	-	-	-	-563	-	-	-563
Sublease contracts - non-cash items	-	-	-	-	-102	-208	-310
Other non-cash items	-	-10	-694	694	-	-	-10
Currency effect	0	-9	-1	1	-	-	-9
Balance at 31 December 2019	**-472**	**-575**	**-768**	**-273**	**-102**	**-149**	**-2,339**

NOK in million	Long-term interest-bearing liabilities	Current interest-bearing liabilities	Long term leasing liabilities	Current leasing liabilities	Long-term subleasing liabilities	Current subleasing liabilities	Total
Balance at 1 January 2018	**-14**	**-863**	**-106**	**-40**	**-**	**-**	**-1,022**
Bond loan paid back	-	300	-	-	-	-	300
Bank loan paid back	-	644	-	-	-	-	644
Preceeds from EIB loan	-475	-	-	-	-	-	-475
Lease payments	-	-	-	76	-	-	76
Other cash payments	21	-335	-	-	-	-	-313
Deferred interest expenses	5	3	-	-	-	-	7
New lease contracts – non-cash items	-	-	-	-31	-	-	-31
Other non-cash items	-21	51	32	-32	-	-	30
Currency effect	1	4	-	-	-	-	4
Balance at 31 December 2018	**-483**	**-197**	**-73**	**-27**	**-**	**-**	**-781**

NOTE 22 – 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	2019	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 (See below)	657	-17
Liquidity reserve	**3,995**	**2,669**

Liquidity reserve breakdown:

NOK in million	2019	2018
Unutilised short-term overdraft facilities	1,047	2,056
Draft limitation, debt covenant	2,948	613
Liquidity reserve	**3,995**	**2,669**

Loan facilities (see Note 19 for more information):

NOK in million	2019	2018
Long term		
Unsecured EIB loan	475	475
-of which utilised	475	475
Short term		
Uncommited securitization facility	1,100	800
-of which utilised	553	-
Overdraft facility	300	400
-of which utilised	-	-
Money market line	200	-
-of which utilised	-	-
Overdraft facility secured by receivables	-	1,040
-of which utilised	-	184

Net financial position

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

Net financial position does not include incremental net lease liabilities due to the adoption of IFRS 16 from 1 January 2019, as 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	2019	2018
Long-term interest-bearing liabilities	-472	-483
Long-term interest-bearing leasing liabilities	-45	-73
Current interest-bearing liabilities	-575	-197
Current interest-bearing leasing liabilities	-19	-27
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	**-977**	**-**

NOTE 23 – PROVISIONS

NOK in million	Restructuring	Profit-sharing and bonuses	Legal and tax claims	Losses on fixed price contracts	Total
At 1 January 2019	**1**	**240**	**-**	**5**	**247**
Recognized during the year:					
Additional provision during the year	5	22	-	1	28
Unutilised provision reversed	-	-6	-	-5	-11
Used during the year	-4	-144	-	-	-148
Currency translation effects	-0	-4	-	-0	-4
At 31 December 2019	**2**	**107**	**-**	**1**	**111**

NOK in million	Restructuring	Profit-sharing and bonuses	Legal and tax claims	Losses on fixed price contracts	Total
At 1 January 2018	**2**	**233**	**4**	**19**	**258**
Recognized during the year:					
Additional provision during the year	3	191	-	2	196
Unutilised provision reversed	-	-1	-	-7	-9
Used during the year	-3	-179	-4	-8	-194
Currency translation effects	-0	-3	0	-0	-4
At 31 December 2018	**1**	**240**	**0**	**5**	**247**

NOTE 24 – CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

2019:

NOK in million	FVTOCI	Amortised cost	Fair value [1]
Financial assets			
Long-term subleasing receivables		102	102
Trade receivables [4]	4,380		4,380
Other receivables [2]		641	641
Short-term subleasing receivables		149	149
Cash and cash equivalents		1,769	1,769
Derivative contracts	1		1
Financial liabilities			
Long-term interest-bearing liabilities		472	472
Long-term subleasing liabilities		102	102
Long-term leasing liabilities		768	768
Other long-term liabilities [3]		8	8
Trade payables		6,113	6,113
Current interest-bearing liabilities		575	575
Other financial liabilities		3	3
Short-term subleasing liabilities		149	149
Current leasing liabilities		19	19
Current interest-bearing leasing liabilities		273	273
Other financial liabilities		3	3
Other current liabilities [3]		2,539	2,539
Derivative contracts	6		6

[1] Book value is a reasonable estimate of fair value in cases where these numbers are identical.
[2] Less prepaid expenses and accrued revenue.
[3] Less other provision.
[4] See Note 2.14

2018:

NOK in million	FVTOCI	Amortised cost	Fair value [1]
Financial assets			
Trade receivables		6,445	6,445
Other receivables [2]		466	466
Cash and cash equivalents		764	764
Derivative contracts	1		1
Financial liabilities			
Interest-bearing long-term liabilities		557	557
Other long-term liabilities		8	8
Trade payables		7,125	7,125
Interest-bearing current liabilities		224	224
Other financial liabilities		10	10
Other current liabilities [3]		2,588	2,588
Derivative contracts	-2		-2

[1] Book value is a reasonable estimate of fair value in cases where these numbers are identical.
[2] Less prepaid expenses and accrued revenue.
[3] Less other provision.

NOTE 25 – CORPORATE STRUCTURE OF THE ATEA GROUP

	From date	Local currency	Voting rights/ owner-ship (%)	Primary activity
Holding				
Atea ASA		NOK	Listed	Holding
Norway				
Atea AS		NOK	100%	IT infrastructure
DatabaseForum AS	25.09.2019	NOK	100%	IT infrastructure
Atea Finans AS		NOK	100%	Leasing
Sweden				
Atea Holding AB		SEK	100%	Holding
Atea Sverige AB		SEK	100%	IT infrastructure
Atea Finans AB		SEK	100%	Leasing
Denmark				
Atea Danmark Holding A/S		DKK	100%	Holding
Atea A/S		DKK	100%	IT infrastructure
DTK Audio Produkter A/S		DKK	100%	IT infrastructure
Atea Danmark A/S		DKK	100%	IT infrastructure
Atea Inc		USD	100%	IT infrastructure
Atea Finans A/S		DKK	100%	Leasing
Finland				
Atea Holding Oy		EUR	100%	Holding
Atea Oy		EUR	100%	IT infrastructure
BCC Finland Oy		EUR	100%	IT infrastructure
Atea Finance Finland Oy		EUR	100%	Leasing
Topnordic Finland Oy		EUR	100%	IT infrastructure

	From date	Local currency	Voting rights/ owner-ship (%)	Primary activity
The Baltics				
Atea Baltic UAB		EUR	100%	Holding
Atea UAB		EUR	100%	IT infrastructure
Atea AS		EUR	100%	IT infrastructure
Atea Finance OÜ		EUR	100%	Leasing
Atea Finance Lithuania UAB		EUR	100%	Leasing
Solver UAB		EUR	100%	IT infrastructure
EIT Sprendimai UAB		EUR	100%	IT infrastructure
BMK UAB		EUR	100%	IT infrastructure
Baltnetos Komunikacijos UAB		EUR	100%	IT infrastructure
CRC SIA		EUR	100%	IT infrastructure
Atea SIA		EUR	100%	IT infrastructure
AppXite				
AppXite SIA		EUR	100%	Software distribution
AppXite AS		NOK	100%	Software distribution
AppXite AB		SEK	100%	Software distribution
AppXite B.V.		EUR	100%	Software distribution
Group Shared Services				
Atea Logistics AB		SEK	100%	Group Shared Services
Atea Global Services AB		SEK	100%	Group Shared Services
Atea Global Services SIA		EUR	100%	Group Shared Services
Atea Service Center AB		SEK	100%	Securitization contract management
Atea Group Functions A/S		DKK	100%	Group Shared Services

For Investments in associated companies, see Note 14.

NOTE 26 – BUSINESS COMBINATIONS

2019

Acquisitions in 2019

Atea has acquired one company during 2019. The financial performance from the acquisition date to the end of the year for the acquired company is considered to be immaterial from a Group perspective.

DatabaseForum AS:

Atea acquired DatabaseForum AS in September 2019. The acquisition will strengthen Atea's position within business intelligence and data analytics in Norway.

Allocation of purchase price

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 fair value of the net identifiable assets of the acquired company.

The fair values have been determined on provisional basis because new information may occur.

Breakdown of the acquired net assets and goodwill in 2019 is as follows:

NOK in million	DatabaseForum AS
Acquisition date	25. sep 2019
Country	Norway
Voting rights/ownership interest	100 %
Acquisition cost:	
Consideration [1]	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**

[1] Consideration that is dependent on future results is recognized as an obligation based on the fair value at the time of acqusition.

Assets and liabilities associated to the acquisitions in 2019 are as follows:

NOK in million	DatabaseForum AS
Deferred tax assets	-
Goodwill	-
Computer software and rights	-
Property, plant and equipment	0.0
Other long-term interest-bearing receivables	-
Inventories	-
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
Short-term interest-bearing liabilities	-
Total liabilities	**-4.9**
Net assets acquired	**5.4**

Net cash payments in connection with the acquisitions 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	2019	2018
Operating revenue	36,666	34,775
Operating profit/loss (EBIT)	747	704

2018

Acquisitions in 2018

Atea has acquired one company during 2018. The financial performance from the acquisition date to the end of the year for the acquired company is considered to be immaterial from a Group perspective.

Sherpa Consulting AS:

Atea acquired Sherpa Consulting AS in September 2018. The acquisition will strengthen Atea's position within business intelligence and data analytics in Norway.

Allocation of purchase price

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 fair value of the net identifiable assets of the acquired company.

The fair values have been determined on provisional basis because new information may occur.

Breakdown of the acquired net assets and goodwill in 2018 is as follows:

NOK in million	Sherpa Consulting AS
Acquisition date	11. sep 2018
Country	Norway
Voting rights/ownership interest	100 %
Acquisition cost:	
Consideration [1]	61.6
Adjustment of cost price	-
Liabilities assumed	26.1
Total acquisition cost	87.7
Book value of equity (see table below)	18.1
Identification of excess value:	
Contracts and customer relationships	9.4
Deferred tax	-2.1
Net excess value	7.3
Fair value of net assets acquired, excluding goodwill	25.5
Controlling ownership interests	25.5
Goodwill	**62.2**

[1] Consideration that is dependent on future results is recognized as an obligation based on the fair value at the time of acqusition.

Assets and liabilities associated to the acquisitions in 2018 are as follows:

NOK in million	Sherpa Consulting AS
Deferred tax assets	-
Goodwill	-
Computer software and rights	-
Property, plant and equipment	0.2
Other long-term interest-bearing receivables	-
Inventories	-
Trade receivables	14.9
Other receivables	0.8
Cash and cash equivalents	14.9
Total asset	**30.9**
Non-current liabilities	-
Current liabilities	-12.8
Short-term interest-bearing liabilities	-
Total liabilities	**-12.8**
Net assets acquired	**18.1**

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

NOK in million	Sherpa Consulting AS
Considerations and costs in cash and cash equivalents	61.6
Cash and cash equivalents in acquired companies	-14.9
Net cash payments for the acquisitions	**46.7**

If all acquired entities had been consolidated from 1 January 2018, the consolidated pro forma income statements for 2018 would show revenue and profit as follows:

NOK in million	2018	2017
Operating revenue	34,775	32,503
Operating profit/loss (EBIT)	704	809

NOTE 27 – CONTIGENT LIABILITIES AND ASSETS

Ordinary course of business

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to NOK 4,917 million (NOK 4,815 in 2018) to external parties (see Note 28).

Legal disputes

Atea (the Group) is involved in lawsuits in various jurisdictions. The outcome for a number of these cases is uncertain. In management's opinion these cases will be resolved without significantly weakening the Group's financial standing. If the disputes nevertheless end with a negative outcome, Atea is insured in most cases.

NOTE 28 – COMMITMENTS

NOK in million	2019	2018
Guarantees to financial institutions [1]	636	296
Guarantees to business associates [2]	4,158	4,388
Residual value obligations related to leasing activities [3]	123	132
Total guarantees	**4,917**	**4,815**

[1] In addition to facilities disclosed in Note 19, Atea ASA issued guarantees for sublease facility. At the end of 2018, the Group had subleasing commitments related to sale of products of NOK 296 million to financial institutions, which were not reported on balance sheet. From 2019 this committment was reported on balance sheet. See Note 20 for more information.

[2] As part of the ordinary operations, parent company guarantees are furnished to suppliers and partners on behalf of subsidiaries.

[3] The leasing companies have a residual value obligation of NOK 123 million (NOK 132 million in 2018) on the outstanding leasing contracts. No losses have been incurred as result of this, and the risk of incurring losses is considered being low.

Pledged assets under securitization contract (see Note 19)

As part of securitization contract, Atea has pledged the following asset to Nordea Denmark, Branch of Nordea Bank Abp:

- shares and related rights of Atea Service Center AB (subsidiary, 100% owned by Atea ASA).
- Bank accounts of Atea Service Center AB. Cash balance including restricted cash in other companies amount NOK 1,221 million at the end of 2019 (NOK 154 million at the end of 2018).
- Trade receivables covering uncommitted overdraft facility, but not exceeding the limit of NOK 1,100 million at the end of 2019 (limit of NOK 800 million at the end of 2018). Atea borrowings secured by receivables amounted NOK 553 million at the end if 2019 (facility was not used at the end of 2018).

Pledged assets under overdraft facility secured by receivables (see Note 19)

Trade receivables in Atea A/S (Denmark) and Atea Sverige AB (Sweden) covering uncommitted overdraft facility, but not exceeding the limit of NOK 1,040 million at the end of 2018 were pledged to Nordea Finans in Denmark and Sweden.

Overdraft facility was terminated in 2019 and replaced by securitization facility.

NOTE 29 – RELATED PARTIES

Atea has ongoing transactions with related parties. All the transactions are in accordance with the arm's length principle and as part of the ordinary operations. The most important transactions are listed below.

The transactions have been carried out by companies controlled by Ib Kunøe, who is the Board Chairman and largest shareholder of Atea ASA thorugh the company Systemintegration ApS and Managing Director of Atea Baltic UAB, Arunas Bartusevicius.

Remuneration of Key Group employees is disclosed in Note 7.
Remuneration to the Board of Directors is disclosed in Note 8.

	Sales to(+)/from(-) related parties		Credit (+)/debit (-) balances with related parties	
NOK in million	2019	2018	2019	2018
Leasing of property or equipment	2	1	-	-
Development of software	-0	-0	-	-0
Other	-1	-1	1	1

NOTE 30 – EVENTS AFTER THE BALANCE SHEET DATE

Cost efficiency program in Atea Denmark

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 68 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.

Extraordinary risk factor – impact of coronavirus on market

Since the start of 2020, the market for IT infrastructure has been impacted by the ongoing pandemic of coronavirus disease 2019 (COVID-19). The virus was first identified in the Hubei region of China in late December 2019.

On March 11, 2020, the global outbreak of coronavirus was characterized as a pandemic by the World Health Organization (WHO).

On March 12, 2020, the Norwegian government announced the closure of all schools and universities in the country, as well as bars, restaurants and businesses involving personal care such a hair salons and skin treatments. All employees of other businesses or public sector institutions are advised to work from home and to maintain social distancing from others. The Norwegian government has encouraged all residents of Norway to stay at home, and has discouraged all travel that is not strictly necessary. Anyone who has travelled outside the Nordic region since February 28 must self-quarantine for 14 days. Most events have been banned.

At approximately the same time, the Danish government has taken similar measures. Furthermore, the Danish government has closed all airports and land borders into the country, except for trucks with special permission. All public sector employees have ceased working, with the exception of employees in the health sector, police, and other sensitive functions. Access to public transportation is restricted.

As of the date of this report, the governments of Sweden, Finland and the Baltic countries have not taken as strict of measures to prevent the spread of coronavirus. However, employees are encouraged to work from home and maintain social distancing by avoiding crowded areas. The governments of these countries have stated that they are monitoring the coronavirus closely, and may take further measures if the virus continues to spread.

The coronavirus pandemic will have an extraordinary impact on the IT infrastructure market during 2020, both from a supply and demand perspective. The coronavirus disrupts the production and transport of IT infrastructure, and may result in supply shortages or delays in product deliveries. The coronavirus reduces demand for IT infrastructure projects, as many work locations are closed or not staffed. The coronavirus also damages the overall economy, which reduces overall spending in the private sector.

During the year 2020, Atea faces high uncertainty regarding the impact of the coronavirus on the market for IT infrastructure and related services. It is not possible for the company to forecast how significantly the coronavirus will impact sales of IT infrastructure during 2020. The company is taking measures to manage cost and liquidity risk during the pandemic.

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:

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 recognized during the current period using exchange rates for the previous period.

NOK in million	2019	2018
Revenue	36,655	34,708
Adjustment for acquisitions	12	67
Pro forma revenue	36,666	34,775
Pro forma revenue on last year currency	36,451	34,912
Pro forma growth in constant currency	**4.8%**	**7.4%**

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	2019	2018
Revenue	36,655	34,708
Cost of goods sold	-28,897	-27,174
Gross profit	**7,758**	**7,534**

Operating expenses

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

NOK in million	2019	2018
Personnel costs	5,584	5,396
Other operating costs	766	1,017
Share based compensation	73	61
Depreciation and amortization	584	339
Amortization related to acquisitions	5	31
Total operating expenses	**7,011**	**6,844**

EBITDA

EBITDA is defined as Operating profit (EBIT) before depreciation and amortization

NOK in million	2019	2018
EBITDA	1,335	1,061
Adjustment for acquisitions	0	14
Pro forma EBITDA	**1,335**	**1,075**

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	2019	2018
Cash flow from operations	1,897	946
Purchase of PPE and intangible assets	-325	-307
Sale of PPE and intangible assets	73	2
Capital expenditures through cash	**-252**	**-305**
Free cash flow	**1,644**	**641**

Net financial position

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

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

Net financial position does not include incremental net lease liabilities due to the adoption of IFRS 16 from 1 January 2019. IFRS 16 requires lessees to recognize 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
Long-term interest-bearing liabilities	-472	-483
Long-term interest-bearing leasing liabilities	-45	-73
Current interest-bearing liabilities	-575	-197
Current interest-bearing leasing liabilities	-19	-27
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	**-977**	**-**

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**

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 19 for more details.

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
Tax payable	-213	-231
Provisions	-111	-247
Other current liabilities	-2,905	-2,904
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%**

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%**

New logistics
center in Växjö.

Atea ASA Financial Statements and Notes

Content

Statement of Comprehensive Income Atea ASA

NOK in million	Note	2019	2018
Revenue	1	54	52
Employee benefits expense	3	-56	-50
Depreciation and amortisation		-1	-2
Other operating costs		-25	-30
Operating profit (EBIT)		**-28**	**-30**
Financial income	4	694	620
Financial expenses	4	-87	-76
Net financial items	4	**607**	**544**
Profit before tax		**579**	**514**
Tax	5	11	0
Profit for the period		**590**	**515**
Profit for the period		**590**	**515**
Items that may be reclassified subsequently to profit or loss		**-**	**-**
Other comprehensive income		**-**	**-**
Total comprehensive income for the period		**590**	**515**

Statement of Financial Positions Atea ASA

NOK in million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Deferred tax assets	5	183	172
Other long-term receivables	10, 12	800	800
Investments in subsidiaries	6	3,732	3,690
Non-current assets		**4,716**	**4,662**
Trade receivables	7, 12	69	31
Other receivables	7, 12	1,012	49
Cash and cash equivalents	11, 12	318	538
Current assets		**1,400**	**618**
Total assets		**6,115**	**5,280**
EQUITY AND LIABILITIES			
Share capital and premium	8	463	410
Other reserves		879	879
Retained earnings		745	808
Equity		**2,088**	**2,098**
Interest-bearing long-term liabilities	10, 12	475	475
Non-current liabilities		**475**	**475**
Trade payables	9, 11	4	4
Other current liabilities	9, 10	177	61
Other financial liabilities	9, 12	3,371	2,642
Current liabilities		**3,552**	**2,708**
Total liabilities		**4,027**	**3,183**
Total equity and liabilities		**6,115**	**5,280**

Oslo, 17 March 2020

Ib Kunøe
Chairman of the Board

Morten Jurs

Sven Madsen

Saloume Djoudat

Lisbeth Toftkær Kvan

Marianne Urdahl

Truls Berntsen

Marthe Dyrud

Steinar Sønsteby
CEO

Statement of Cash Flow Atea ASA

NOK in million	Note	2019	2018
Profit before tax		579	514
Adjustment for:			
Net interest expenses		35	24
Depreciation and amortization		1	2
Share-based compensation		16	9
Interest received		41	36
Interest paid		-75	-60
Change in trade receivables		-38	22
Change in trade payables		-0	1
Other working capital changes		-848	6
Net cash flow from operational activities		**-291**	**555**
Purchase of property, plant and equipment and intangible assets		-	-
Net cash flow from investment activities		**-**	**-**
Proceeds from new issues	8	53	56
Dividends paid		-710	-700
Bond loan paid back		-	-300
Proceeds from EIB loan		-	475
Payments of lease liabilities		-1	-
Changes in other financial liabilities		729	-477
Net cash flow from financing activities		**71**	**-947**
Net change in cash and cash equivalents for the year		**-219**	**-392**
Cash and cash equivalents at the start of the year	11	538	930
Cash and cash equivalents at the end of the year	11	**318**	**538**

Statement of Changes in Equity Atea ASA

	Share capital and premiums		Other reserves	Retained earnings		
NOK in million	Share capital [1]	Share premium	Other paid-in capital	Option programmes	Retained earnings	Total equity
Balance at 1 January 2018	**108**	**247**	**879**	**180**	**765**	**2,179**
Profit for the year	-	-	-	-	515	515
Issue of share capital	1	55	-	-	-	56
Employee share option programmes, value of employee contributions	-	-	-	49	-	49
Dividend	-	-	-	-	-700	-700
Equity at 31 December 2018	**109**	**302**	**879**	**229**	**579**	**2,098**
Balance at 1 January 2019	**109**	**302**	**879**	**229**	**579**	**2,098**
Profit for the year	-	-	-	-	590	590
Issue of share capital	1	52	-	-	-	53
Employee share option programmes, value of employee contributions	-	-	-	57	-	57
Dividend	-	-	-	-	-710	-710
Equity at 31 December 2019	**110**	**354**	**879**	**286**	**459**	**2,088**

[1] See also Note 8.

NOTE 1 – GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

About Atea ASA

These are the financial statements of Atea ASA, which is the holding company for the Group and includes the Group's top management and associated staff functions (12 employees). See also Note 1 in the Group's consolidated financial statements.

Revenue

Atea ASA charges group costs to subsidiaries. As a holding company, Atea ASA is a purely administrative unit offering services for the subsidiaries in all the countres.

Accounting principles

The accounts have been prepared in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act.

The explanation of the accounting policies also apply to the parent company, and the notes to the consolidated financial statements will in some cases cover the parent company. See Note 2 in the explanation of the accounting policy in the Group's consolidated financial statements.

Critical accounting estimates and assessments in applying the group's accounting policies is mainly related to the valuation of assets (investment in subsidiaries with a book value of NOK 3,732 million, as well as deferred tax assets of NOK 183 million at 31 December 2019). See also Note 4 in the Group's consolidated financial statements. There may be figures and percentages that do not always add up correctly due to rounding differences.

NOTE 2 – SENSIVITY ANALYSIS

Sensitivity analysis 2019:		Interest rate risk					Foreign currency risk			
		+ 200 bp [1]		- 200 bp [1]			+ 10%		- 10%	
NOK in million	Amount affected	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity	Amount affected	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity
Financial assets										
- NOK	956	19	-	-19	-	-	-	-	-	-
- SEK	-76	-2	-	2	-	-76	-8	-	8	-
- DKK	167	3	-	-3	-	1,084	108	-	-108	-
- EUR	-42	-1	-	1	-	-42	-4	-	4	-
- USD	114	2	-	-2	-	114	11	-	-11	-
Effect on financial assets before tax		**22**	**-**	**-22**	**-**		**108**	**-**	**-108**	**-**
Tax expense (22%)		-5	-	5	-		-24	-	24	-
Effect on financial assets after tax		**17**	**-**	**-17**	**-**		**84**	**-**	**-84**	**-**
Financial liability items										
- NOK	-2,086	-42	-	42	-	-	-	-	-	-
- SEK	-1,256	-25	-	25	-	-1,256	-126	-	126	-
- DKK	-654	-13	-	13	-	-654	-65	-	65	-
- EUR	98	2	-	-2	-	98	10	-	-10	-
- USD	-124	-2	-	2	-	-124	-12	-	12	-
Effect on financial liability items before tax		**-80**	**-**	**80**	**-**		**-194**	**-**	**194**	**-**
Tax expense (22%)		18	-	-18	-		43	-	-43	-
Effect on financial liability items after tax		**-63**	**-**	**63**	**-**		**-151**	**-**	**151**	**-**
Total increase/reduction		**-45**	**-**	**45**	**-**		**-67**	**-**	**67**	**-**

[1] Basis points.

At the end of 2019 Atea ASA had following forward contracts:
- buying USD 18 million and selling EUR 16 million, in less than three months, at the exchange rate of 1.1106 with an estimated fair value of NOK 0 million
- buying SEK 266,8 million and selling NOK 250,5 million, in less than three months, at the exchange rate of 0.9387585 with an estimated fair value of NOK 0,7 million
- buying SEK 655 million and selling NOK 632,4 million, in less than three months, at the exchange rate of 0.96557 with an estimated fair value of NOK -15,7 million
- buying SEK 270 million and selling DKK 191,8 million, in less than three months, at the exchange rate of 1.4074 with an estimated fair value of NOK 1,4 million
- buying SEK 195 million and selling EUR 18,5 million, in less than three months, at the exchange rate of 10.5164 with an estimated fair value of NOK 1 million

Sensitivity analysis 2018:		Interest rate risk					Foreign currency risk			
		+ 200 bp [1]		- 200 bp [1]			+ 10%		- 10%	
NOK in million	Amount affected	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity	Amount affected	Effect on profit/loss	Other effects on equity	Effect on profit/loss	Other effects on equity
Financial assets										
- NOK	873	17	-	-17	-	-	-	-	-	-
- SEK	264	5	-	-5	-	264	26	-	-26	-
- DKK	19	0	-	-0	-	19	2	-	-2	-
- EUR	252	5	-	-5	-	252	25	-	-25	-
- USD	-69	-1	-	1	-	-69	-7	-	7	-
Effect on financial assets before tax		**27**	**-**	**-27**	**-**		**46**	**-**	**-46**	**-**
Tax expense (23%)		-6	-	6	-		-11	-	11	-
Effect on financial assets after tax		**21**	**-**	**-21**	**-**		**36**	**-**	**-36**	**-**
Financial liability items										
- NOK	-2,304	-46	-	46	-	-	-	-	-	-
- SEK	-849	-17	-	17	-	-849	-85	-	85	-
- DKK	100	2	-	-2	-	100	10	1	-10	1
- EUR	-44	-1	-	1	-	-44	-4	2	4	2
- USD	-80	-2	-	2	-	-80	-8	3	8	3
Effect on financial liability items before tax		**-64**	**-**	**64**	**-**		**-87**	**-**	**87**	**-**
Tax expense (23%)		15	-	-15	-		20	-	-20	-
Effect on financial liability items after tax		**-49**	**-**	**49**	**-**		**-67**	**-**	**67**	**-**
Total increase/reduction		**-28**	**-**	**28**	**-**		**-31**	**-**	**31**	**-**

[1] Basis points.

At the end of 2018 Atea ASA had following forward contracts:
- buying USD 16 million and selling EUR 14 million, in less than three months, at the exchange rate of 1.1470 with an estimated fair value of NOK 0,4 million
- buying SEK 400 million and selling NOK 385,8 million, in less than three months, at the exchange rate of 0.9645 with an estimated fair value of NOK 3 million
- buying SEK 200 million and selling EUR 19,5 million, in less than three months, at the exchange rate of 10.2723 with an estimated fair value of NOK 0,7 million

NOTE 3 – EMPLOYEE COMPENSATION AND AUDIT FEE

NOK in million	2019	2018
Wages and salaries to employees	-28	-27
Total social security costs	-4	-4
Option plans for the management and employees	-22	-17
Pension costs	-1	-1
Total employee benefits expense	**-56**	**-50**
Average number of full time employees	12	10

Wages and remuneration to the CEO, CFO, Board of Directors and the employees' share option plans are described in Note 7 and Note 8 in the Group's consolidated financial statements.

Deloitte is the auditor of Atea ASA. The table below shows Deloitte's total charges for auditing and other services in 2019. All amounts are exclusive of VAT.

NOK in million	2019	2018
Auditor's fees	-1	-1
Tax advisory services	-0	-0
Other non-audit services	-	-0
Total	**-1**	**-1**

NOTE 4 – NET FINANCIAL ITEMS

NOK in million	2019	2018
Dividend from subsidiaries	637	574
Group contribution and other financial income	16	10
Interest income from subsidiaries	19	18
Other interest income	21	18
Total financial income	**694**	**620**
Foreign exchange effects	-9	-14
Interest expenses from other loans	-75	-60
Other financial expense	-3	-2
Total financial expenses	**-87**	**-76**
Total net financial items	**607**	**544**

NOTE 5 – TAXES

Income tax recognized in profit or loss:

NOK in million	2019	2018
Deferred tax	11	0
Total income tax expenses	**11**	**0**

The income tax expense for the year can be reconciled to the accounting profit as follows:

NOK in million	2019	2018
Profit before tax	579	514
Income tax expense calculated at 22% (2018: 23%)	-127	-118
Tax effect of:		
- income non taxable and expenses non deductible	138	127
- effect of deferred tax balances due to the change in income tax rate [1]	-	-8
Total income tax expenses	**11**	**0**
Effective tax rate	**1.9 %**	**0.1 %**

Atea ASA does not have any tax payable because the company has a tax loss carryforward.

Deferred tax balances are presented in the statement of financial position as follows:

NOK in million	2019	2018
Deferred tax assets related to carryforward losses [2]	176	174
Other temporary differences	4	-
Deferred tax assets related to temporary difference	1	1
Deferred tax liabilities	3	-1
Deferred tax asset not recognized on balance sheet	-	-2
Net deferred tax assets	**183**	**172**

[1] The income tax rate in Norway changed from 23% in 2018 to 22% in 2019.

[2] Atea ASA tax loss carryforwards amounted to NOK 800 million at the end of 2019 (NOK 789 million at the end of 2018). There are no time restrictions on the utilisation of tax loss carryforwards.

NOTE 6 – SHARES IN SUBSIDIARIES

Financial year 2019

NOK in million	Head office	Ownership and voting share (%)	Equity at 31 December	Book value	Primary activity
Atea AS (Norway)	Oslo, Norway	100	1,051	452	IT infrastructure
Atea Holding AB (Sweden)	Stockholm, Sweden	100	1,127	1,061	IT infrastructure
Atea Holding A/S (Denmark)	Copenhagen, Denmark	100	1,620	1,573	IT infrastructure
Atea Holding OY (Finland)	Helsinki, Finland	100	354	303	IT infrastructure
Atea Baltic UAB (Baltics)	Vilnius, Lithuania	100	203	215	IT infrastructure
Atea Global Services SIA	Riga, Latvia	100	15	0	Services
AppXite SIA	Riga, Latvia	100	76	127	IT infrastructure
Atea Service Center AB	Stockholm, Sweden	100	2	0	Securitization contract management
Total shares in subsidiaries				**3,732**	

Financial year 2018

NOK in million	Head office	Ownership and voting share (%)	Equity at 31 December	Book value	Primary activity
Atea AS (Norway)	Oslo, Norway	100	1,105	445	IT infrastructure
Atea Holding AB (Sweden)	Stockholm, Sweden	100	1,165	1,047	IT infrastructure
Atea Holding A/S (Denmark)	Copenhagen, Denmark	100	909	1,563	IT infrastructure
Atea Holding OY (Finland)	Helsinki, Finland	100	357	298	IT infrastructure
Atea Baltic UAB (Baltics)	Vilnius, Lithuania	100	210	211	IT infrastructure
Atea Global Services SIA	Riga, Latvia	100	8	0	Services
AppXite SIA	Riga, Latvia	100	89	127	IT infrastructure
Atea Service Center AB	Stockholm, Sweden	100	0	0	Securitization contract management
Total shares in subsidiaries				**3,690**	

NOTE 7 – TRADE AND OTHER RECEIVABLES

NOK in million	2019	2018
Prepaid expenses	8	10
Receivables from subsidaries	156	71
Junior Note [1]	917	0
Total trade and other current receivables	**1,081**	**80**

[1] Junior Note is receivables from subsidiaries related to Securitization program. See Note 19 in Atea Group Financial Statements and Notes.

NOTE 8 – PAID-IN CAPITAL, SHAREHOLDERS AND OPTIONS

NOK in million, except Number of shares	Number of shares		Share capital			
	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total share capital and premiums
At 1 January 2018	**107,581,945**	**-7,844**	**108**	**0**	**247**	**355**
Issue of Share capital [1]	1,108,572	-	1	-	55	56
At 31 December 2018	**108,690,517**	**-7,844**	**109**	**0**	**302**	**410**
At 1 January 2019	**108,690,517**	**-7,844**	**109**	**0**	**302**	**410**
Issue of Share capital [1]	1,017,896	-	1	-	52	53
At 31 December 2019	**109,708,413**	**-7,844**	**110**	**0**	**354**	**463**

All the shares have equal rights. All the shares issued by the company are fully paid.
Atea ASA holds 7,844 treasury shares at 31 December 2019 (7,844 at 31 December 2018).

[1] Issue of Share capital is related to Share options for the Management and selected employees.
Share options have been allotted to the management and selected employees. Each share option allows for the subscription of one share in Atea ASA.
The fair value of the options is calculated when they are allotted and expensed over the vesting period.
A cost of NOK 16 million has been charged as an expense in the income statement in 2019 relating to the share option programmes (NOK 15 million in 2018).
In addition, National Insurance contribution expense of NOK 7 million has been charged as an expense in 2019 (NOK 3 million in 2018).
See Note 17 in Atea Group Financial Statements and Notes.

NOTE 9 – TRADE PAYABLES AND OTHER CURRENT LIABILITIES

NOK in million	2019	2018
Trade payables	1	2
Trade payables in the same group	3	2
Total trade payables	**4**	**4**
Other current liabilities	30	57
Accrued holiday payments	2	2
Government withholdings and taxes	3	1
Current interest-bearing liabilities	1	1
Other payable related to securitiztaion [1]	140	-
Total other current liabilities	**177**	**61**
Deposit in cash pool from subsidiaries [2]	3,371	2,642
Total other financial liabilities	**3,371**	**2,642**

[1] Other payable related to securitization is payable to subsidiaries related to Securitization program. See Note 19 in Atea Group Financial Statements and Notes

[2] Atea ASA has entered into a multicurrency cash pool agreement, or global cash pool system ("cash pool"), and established a cash pooling account with Nordea that it uses to facilitate the daily working capital requirements of the majority of the group's subsidiaries. Atea is charged or receives interest on the net Top Currency Accounts. Under the cash pool arrangement each Participants accounts are credited/debited interest irrespective of the net position on the Top Currency Accounts.

NOTE 10 – BORROWINGS

NOK in million	2019	2018
Long-term receivables		
Long-term receivables from subsidiaries [1]	800	800
Total receivables	**800**	**800**
Long-term loans		
Other long-term debt [2]	475	475
Interest-bearing long-term liabilities	**475**	**475**
Short-term loans		
Short-term loan facility	1	1
Current interest-bearing leasing liabilities	0	-
Interest-bearing current liabilities	**2**	**1**

[1] Interest is charged on long-term claims against subsidiaries at the 12-month interbank rate plus a company-specific margin calculated based on the subsidiaries' respective creditworthiness. The interest is charged and falls due annually in arrears. The principal amount will not fall due for payment in the foreseeable future.

[2] **European Investment Bank, NOK 475 million**
Atea ASA has entered into a loan agreement with the European Investment Bank in May 2018. The loan is unsecured, and will be repaid in a single installment following a term of five years.

Maturity analysis for loans 2019

NOK in million	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Short-term financing	-	-	2	-	2
Long-term financing	-	-	-	475	475
Total	**-**	**-**	**2**	**475**	**477**

Maturity analysis for loans 2018

NOK in million	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Short-term financing	-	-	1	-	1
Long-term financing	-	-	-	475	475
Total	**-**	**-**	**1**	**475**	**476**

NOTE 11 – LIQUIDITY RESERVE

Atea Group liquidity reserve is limited by a bond covenant ratio in 2019 and 2018 of 2.5x Atea Group EBITDA (net debt/last twelve months pro forma EBITDA). See Note 22 in Atea Group Financial Statements and Notes. Atea ASA (as standalone company) liquidity is not limited by any covenants.

NOTE 12 – CLASSIFICATION OF FINANCIAL INSTRUMENTS

2019

NOK in million	Amortised cost	Fair value [1]
Financial assets		
Interest-bearing long-term receivables	800	800
Trade receivables	69	69
Other receivables [2]	1,004	1,004
Cash and cash equivalents	318	318
Financial liabilities		
Interest-bearing long-term liabilities	475	475
Trade payables	1	1
Trade payables in the same group	3	3
Other current liabilities [3]	3,546	3,546

[1] Book value is a reasonable estimate of fair value in cases where these numbers are identical.
[2] Less prepaid expenses.
[3] Less provision for restructuring and other provision.

2018

NOK in million	Amortised cost	Fair value [1]
Financial assets		
Interest-bearing long-term receivables	800	800
Trade receivables	31	31
Other receivables [2]	39	39
Cash and cash equivalents	538	538
Financial liabilities		
Interest-bearing long-term liabilities	475	475
Trade payables	2	2
Trade payables in the same group	2	2
Interest-bearing current liabilities	1	1
Other current liabilities [3]	2,700	2,700

[1] Book value is a reasonable estimate of fair value in cases where these numbers are identical.
[2] Less prepaid expenses.
[3] Less provision for restructuring and other provision.

NOTE 13 – COMMITMENT

NOK in million	2019	2018
Guarantees to financial institutions [1]	1,536	2,236
Guarantees to business associates [2]	4,158	4,388
Total commitments	**5,694**	**6,624**

[1] Atea ASA has issued guarantees in favor of Nordea Bank and Nordea Finans as security for the facilities provided for the subsidiaries (see Note 19 and Note 28 in Atea Group Financial Statements and Notes).

In addition to facilities disclosed in Note 19, Atea ASA issued guarantees for sublease facilities of NOK 251 million in 2019 (NOK 296 million in 2018).

[2] As part of the ordinary operations, parent company guarantees are furnished to suppliers and partners on behalf of subsidiaries.

It is considered improbable (i.e. < 10%) that Atea ASA will incur any charges as a result of guarantee liabilities the company has incurred on behalf of the subsidiaries. Since the financing companies were established in 2007, no losses have been incurred with respect to the residual value of leasing activities.

NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

See Note 30 in Atea Group Financial Statements and Notes.

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To the General Meeting of Atea ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atea ASA, which comprise:

- The financial statements of the parent company Atea ASA (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Atea ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter	How the matter was addressed in the audit
Refer to note 2 and 4 in the financial statements of the Group. Atea delivers IT related products and services. The customer contracts contain varying terms and conditions, and may include bundles of products and services. This impact the timing of revenue recognition. When Atea enters into a new customer contract, judgement is exercised to determine the appropriate accounting policies to be applied to each contract. This is a manual process. Due to the manual process of applying the appropriate accounting policies to contracts, and the high number and the variety of the contracts, there is a risk that an inappropriate accounting policy is selected. As a significant proportion of sales and deliveries are made close to year-end, the risk is especially relevant for transactions recorded close to year-end.	We reviewed the Group's accounting policies applicable for revenue recognition and assessed whether those policies were in compliance with IFRS. We evaluated the design and implementation of control activities that management has established to ensure that revenue is recognized in accordance with the Group's accounting policies. For selected control activities, we tested the operating effectiveness for the reporting period. We tested a sample of transactions and contracts, and assessed whether the accounting of the contracts reflected the terms of the contracts, and were in accordance with the Group`s accounting policy. An additional sample of transactions before year-end were assessed in respect of the application of the appropriate accounting policy. We also tested a sample of credit notes issued subsequent to the year-end to assess whether revenue was recognised in the correct period.

Impairment of goodwill

Key audit matter	How the matter was addressed in the audit
As disclosed in note 13 the carrying amount of goodwill amounted to NOK 3 881 million as at 31 December 2019. The Group allocates goodwill to the cash-generating units which management has determined are the countries of operation, which also are defined as the Group's segments. Refer to note 4 and 13 in the financial statements of the Group for description of management's impairment testing process and key assumptions. Management's annual impairment testing is based on estimation of recoverable amounts for the cash-generating units.	We challenged the assumptions and judgement used in the impairment model for assessing the recoverability of the carrying amount of goodwill. Our procedures included: • We obtained an understanding of management's process for impairment testing of goodwill. • We assessed the appropriateness of the identification of cash-generating units. • We tested the methodology applied to estimate recoverable amount against the requirements of IAS 36, Impairment of assets. • We obtained an understanding of and assessed the basis for the key assumptions for the estimated cash flows. • We challenged the key assumptions used in the estimation of cash flow including the growth rate. • We assessed the discount rate applied by benchmarking against independent market data. • We tested the mathematical accuracy of management's impairment model.

Impairment of goodwill cont.

Key audit matter	How the matter was addressed in the audit
The estimation of cash flows and the selection of an appropriate discount rate to estimate the recoverable amount are key judgmental areas. The outcome of impairment assessments may vary significantly, dependent on the assumptions applied.	We used Deloitte valuation specialists in our audit of the impairment assessment of goodwill. We also assessed the adequacy of the related notes in the financial statements.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Deloitte.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 17 March 2020
Deloitte AS

Sylvi Bjørnslett

Sylvi Bjørnslett
State Authorised Public Accountant (Norway)

Statement of Corporate Governance

The Board of Directors and management of Atea ASA (the "company") aim to execute their respective tasks in accordance with the highest standards for corporate governance. Atea's standards for corporate governance provide a critical foundation for the company's management. These principles must be viewed in conjunction with the company's efforts to constantly promote a sound corporate culture throughout the organization. The company's core values of respect, trust, accountability and equal treatment are central to the Board's and management's efforts to build confidence in the company, both internally and externally.

The company's and its subsidiaries' ("Atea" or the "Group") policy on corporate governance are provided in the annual report and on the company's website. Atea's principles for corporate governance are based on Norwegian law, regulations by the Oslo Stock Exchange and the Norwegian Code of Practice for Corporate Governance (the "Code") published by the Norwegian Corporate Governance Board on October 17, 2018. These principles are described in detail below.

1. Implementation and reporting on corporate governance

The Board of Directors is responsible for the implementation of sound corporate governance policies across the Group, in accordance with the Norwegian Code of Practice for Corporate Governance. If Atea does not fully comply with this Code, the company provides an explanation of the reason for the deviation and what solution it has selected.

2. Business operations

The business objective of Atea as stated in the Articles of Association is as follows: "The objective of the company is the sale of IT services, equipment, systems and related products, hereunder to participate in other companies having financial purposes." The Articles of Association are available on the company's website.

Each year, the Board of Directors conducts a full-day meeting with Management to evaluate the Group's business strategy. During the meeting, clear objectives, strategies and risk profiles for the Group's business activities are defined in order to create value for shareholders. The business strategy provides Management with a basis for carrying out investments and other structural measures.

Atea's sustainability guidelines are an essential component of the Group's business strategy. The sustainability guidelines include an impact assessment of the Group's business strategy on external stakeholders. An annual sustainability report containing these guidelines is published on Atea's website: atea.com.

3. Equity and dividends

Capital structure

The Board of Directors continuously assesses Atea's capital structure, financial strength and capital requirements in light of Atea's business objectives, strategy and risk profile.

Dividend

It is Atea's objective to offer competitive returns to its shareholders through capital appreciation and a high dividend pay-out. The company's policy is to distribute over 70 percent of free cash flow over time (adjusted for the sale of receivables) to shareholders in the form of a dividend. Any dividends proposed by the Board to the General Meeting shall be justified based on the company's dividend policy and its capital requirements.

Powers of attorney to the Board of Directors

Powers of attorney granted by the shareholders to the Board of Directors at the General Meeting to increase the company's share capital or to purchase own shares shall be limited to specific purposes, and each purpose shall be treated as a separate issue in the General Meeting. Powers of attorney to the Board of Directors are only provided with a term until the next Annual General Meeting.

The general meeting can approve multiple mandates. In such an instance, the proposals for the mandates should stipulate a limit on the overall amount by which the board shall be permitted to increase the company's share capital.

4. Equal treatment of shareholders and transactions with related parties

Equal treatment

Neither the Board of Directors, Management, or the General Meeting may make any decision that is intended to give an unreasonable advantage to certain shareholders at the expense of other shareholders or the company.

Decisions to waive the shareholders' pre-emption rights

Any proposal to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of share capital increase will be justified. If the Board of Directors has been granted a power of attorney to increase the company's share capital and waive the pre-emption rights of existing shareholders, justification of such resolution will be disclosed in a stock exchange announcement issued in connection with the resolution.

Purchase of own shares

Transactions the company will carry out in its own shares will be made either through the stock exchange or if made otherwise, at a prevailing stock exchange price. In case of limited liquidity in the company's shares, the company will consider other means of such transactions to ensure equal treatment of all shareholders.

Transactions with related parties

In the event of transactions between the company and its related parties that are not immaterial, such as transactions with a shareholder, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, the Board of Directors will arrange for an assessment of the transaction to be obtained from an independent third party, however, this will not apply if the transaction requires approval from the General Meeting pursuant to the Public Limited Liability Companies Act. Further, independent valuations will also be arranged in case of transactions between companies in the Group where any of the companies involved have minority shareholders.

Insider trading

The Board of Directors has adopted instructions for the Group's employees and primary insiders relating to inside information and trading in financial instruments, including the duty of confidentiality, prohibition of trading, investigation and reporting requirements, and ban on giving advice.

5. Shares and negotiability

Atea ASA has only one class of shares. All shares have equal rights. The Articles of Association do not contain any restrictions when it comes to voting rights, ownership or trading of shares.

6. General meetings

The General Meeting guarantees shareholder's participation in the company's highest body. An Annual General Meeting shall be held within June 30 each year. Notice of the General Meeting shall be sent to all the shareholders with a known address.

The right to participate in and vote at the General Meeting may only be exercised when ownership of shares has been recorded in the company's shareholder register (VPS) on the fifth weekday prior to the General Meeting being held, pursuant to Article 9 of the company's Articles of Association. Shareholders that wish to participate in the General Meeting (personally or through proxy) must, pursuant to Article 10 of the Articles of Association, notify the company within a deadline that will be provided in the summons and which shall be no less than 5 days prior to the date on which the General Meeting is held. Registration for the General Meeting is made in writing by letter or through the Internet.

The Notice will provide the agenda for the General meeting, and sufficiently detailed, and specific information on each item on the agenda for the General Meeting so that the shareholders can make a decision on the matters that are to be resolved. The Notice will provide information on direct and proxy voting procedures (including information on a person who will be available to vote on behalf of the shareholders as their proxy), which enable shareholders to vote separately for each individual agenda item or candidate that shall be elected. Shareholders may provide their votes in writing or electronically, although no later than two days in advance of the General Meeting.

At a minimum, the Board Chairman, Chief Executive Officer, Chief Financial Officer, auditor, and a member of the Nominating Committee participate at the General Meeting. The General Meeting is chaired by an independent chairperson elected in the meeting.

In addition to the Annual General Meeting, an Extraordinary General Meeting may be called by the Board. Shareholders who represent at least five percent of the shares may, pursuant to Section 5–7 of the Norwegian Public Limited Companies Act, demand an Extraordinary General Meeting to address a specific matter.

7. The Nominating Committee

The Nominating Committee shall, pursuant to Article 7 of the Articles of Association, consist of the Board Chairman and two members elected by the General Meeting. The members who are elected by the General Meeting have a term of office of two years. The Nominating Committee was re-elected by the Annual General Meeting in 2019.

The Nominating Committee's duties should be to propose candidates for election to the Board of Directors and to propose the fees to be paid to the Board members. The Nominating Committee may also propose new members to the Nominating Committee. The nomination committee should justify its recommendations for each candidate separately.

The General Meeting has stipulated guidelines for the duties and composition of the Nominating Committee. The guidelines state that elected members of the Nominating Committee should

a) be independent of the Board of Directors and the company's main shareholders, b) have competence and experience with respect to the position as Board member, c) have good knowledge and competence within the area of the Group's business and d) be well oriented within the Nordic industry and commerce. The guidelines further state that the Nominating Committee shall have contact with shareholders, Board members and the CEO as part of its work on proposing candidates for election to the Board of Directors.

Atea has made arrangements on its website (atea.com/investors/) whereby shareholders may submit proposals to the Nominating Committee for candidates for election as members of the Board of Directors.

The Code (article 7) states that; "No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board." The company deviates from the recommendation as the Board Chairman, pursuant to the Articles of Association, is a member of the Nominating Committee and may be re-elected as member of the Board of Directors. The Board is of the opinion that it is an advantage to have continuity in the Nominating Committee and Board of Directors and therefore the Board Chairman should be entitled to stand for re-election as a member of both bodies.

8. Board of directors: composition and independence

Corporate Assembly

An agreement has been entered into with the employees of the Norwegian part of the Group, whereby a Corporate Assembly shall not be established, but the employees shall instead increase their representation in the Board of Directors as provided by the Norwegian Public Limited Companies Act § 6-4 (3).

Election and composition of the Board of Directors

The General Meeting elects the shareholder's representatives to the Board of Directors. The Nominating Committee prepares the nominations for shareholder-elected Board members prior to the election, as stated in Article 7 above. Resolutions concerning the composition of the Board of Directors are made on the basis of a simple majority. The Board of Directors elects the Board Chairman and deputy chairman. This deviates from the Code, which states that the Board Chairman should be elected by the General Meeting. The reason for such deviation is that it has been agreed with employees and shareholders that a Corporate Assembly shall not be established and then the Board Chairman shall, pursuant to the Norwegian Public Limited Companies Act § 6-1 (2), be elected by the Board of Directors.

Systemintegration ApS is the company's largest shareholder and is represented by two Board members. The other Board members are independent of the company's largest shareholders and the company's management. The Board members are elected for a term of two years and may stand for re-election.

Independence of the Board of Directors

The Board of Directors considers itself to be independent of the Group's management, and free of any conflict of interest between the shareholders, Board of Directors, corporate management and the company's other stakeholders. The annual report provides information on the Board member's participation in Board meetings and their competence.

Members of the Board of Directors are encouraged to own shares in Atea.

9. The Board of Director's work

The Board of Director's duties in general

The Board of Directors has primary responsibility for governance of the Group. The function of the Board of Directors is primarily to safeguard the interests of the shareholders. However, the Board of Directors also bears responsibility for the company's other stakeholders.

The Board of Directors shall hire the Chief Executive Officer, direct the Group's strategy, and ensure proper control and risk management of the company's assets, business operations and financial reporting. Matters of importance for these objectives shall be reviewed and, if necessary, approved by the Board of Directors. For example, the Board will formally approve the Group's annual and quarterly reports, business strategy and M&A plans.

Rules of procedure

The work of the Board of Directors is described in guidelines which are approved by the Board. The guidelines relate to the Board's responsibilities and authority, the administration of Board meetings, and the Board's confidentiality and conflict of interest requirements.

The Board of Directors has routines in place to ensure that members of the Board and executive personnel make the company aware of any material interests that they may have in items to be considered by the Board of Directors. A member of the Board of Directors or executive team may not participate in the discussion or decision of any matter which is of such particular importance or financial interest to himself or any related party. If the chairman of the Board is or has been personally involved in matters of a material character, the Board's consideration of such matters is chaired by another member of the Board of Directors.

Notice and structure of meetings

The Board of Directors schedules fixed meetings every year. Normally six to eight meetings are held annually. Additional meetings are called as required.

The Board of Directors' discussions and minutes of meetings are kept confidential, unless the Board of Directors determines otherwise or if there is clearly no need for such treatment. In addition to the Board members, the Chief Executive Officer, Chief Financial Officer and the company secretary will regularly participate in the Board meetings. Other participants are invited as required.

Board members receive information on the Group's operational and financial performance, including monthly financial reports. The Board members are free to consult the Group's management if they feel a need to do so. The Board charter can be found in the Corporate Governance document at atea.com.

Audit Committee

The Company has an Audit Committee, that also serves as the Compliance Committee for the Group. The responsibilities of the Audit Committee are amongst other to: (i) conduct the Board of Director's quality assurance of the financial reporting, (ii) monitor the company's internal control and risk management systems, (iii) have contact with the Group's auditor regarding audit of the Group and company accounts, (iv) review and monitor the auditor's independence, including services other than auditing that has been delivered by the auditor and (v) provide its recommendations to the Board of Directors with respect to election of auditor,(vi) establish and enforce procedures for receipt, storage and treatment of complaints regarding accounting, internal accounting controls or auditing matters. (vii) review and monitor the Group's compliance function.

The Audit committee schedules fixed meetings every year. Normally six to eight meetings are held annually. Additional meetings are called as required. The Audit Committee charter can be found in the Corporate Governance document at atea.com.

Use of Board Committees

The Group has a Nominating Committee pursuant to the Articles of Association. The Nominating Committee also serves as the Group's Compensation Committee. The Compensation Committee's responsibility is to prepare to the Board of Director's guidelines for executive compensation and to monitor these compensation guidelines. Details of the company's use of Board Committees are provided in the annual report. The Nomination committee charter can be found in the Corporate Governance document at atea.com.

The Board of Directors' self-evaluation

The Board of Directors performs an annual evaluation of how the Board members function individually and as a group.

10. Risk management and internal control

Guidelines for internal control

The Group has established guidelines for internal control which include routines for financial reporting, communication, authorization, risk management, ethics and social responsibility. These guidelines are reviewed annually by the Board of Directors, in a full day meeting with Management to evaluate the Group's business strategy. During the business strategy review, the Board performs an assessment of the Group's most important areas of risk exposure, including its internal control arrangements.

Financial reporting controls

In order to ensure internal control and manage risk, the Group conducts comprehensive financial reporting and reconciliation on a monthly basis, on both a consolidated, segment and subsidiary level.

Immediately after the completion of the monthly financial report, the Group's financial administration holds a meeting with the financial management of each of the business segments. The purpose of the meeting is to follow up on the performance of each business segment and to identify potential errors and omissions in the financial statements. During the meetings, Management analyzes variances between each segment's actual performance and forecast, as well as its performance in the previous year. External market data is also used to analyze business performance across the group. When the financial reporting and analysis is complete, Management reports the monthly financial statements together with a summary of business operations to the Board of Directors and executive team.

All financial reporting within the Group is in accordance with IFRS. All relevant changes to IFRS and their impact on the Group is disclosed in Note 2 to the Group financial statements. In 2019, the most material change to IFRS was related to changes in the accounting of leases. The Group has implemented changes to its accounting policies and systems to adapt to these changes.

When the Group acquires companies, the reporting practices of the acquired company are reviewed and integrated with corporate practices within a month of the acquisition date so that the Group can consolidate the acquired company within the Group accounts by the next quarterly financial report.

Code of Conduct

The personal conduct of every Atea employee shapes the work culture and defines our reputation as a company. Atea employees are expected to demonstrate the highest standards of integrity and professionalism when fulfilling their job responsibilities.

The Atea Code of Conduct sets the principles with which Atea personnel work together and with outside stakeholders. It provides guidelines for our business practices which must be followed by all Atea personnel, and is a source of governance for decision making across Atea. The Code of Conduct is published on the Atea website: atea.com.

It is the personal responsibility of every Atea employee to review and follow the Code of Conduct. All employees must take an examination on the Code of Conduct and sign an agreement that they will abide by the Code and relevant laws and regulations when acting on behalf of Atea. Violations of the Code or of laws and regulations will not be tolerated.

11. Remuneration of the Board of Directors

The General Meeting determines the annual remuneration to the Board of Directors. The remuneration shall reflect the Board of Directors' responsibility, expertise, time spent and the complexity of the operation. The remuneration is not dependent on results. No stock options have been granted to the Board members.

Members of the Board of Directors and/or companies with which they are associated, do in general not take on assignments for the company. If, however, such assignments are made, the matters are disclosed to the Board of Directors and the Board of Directors approves their remuneration.

If remuneration is provided to Board members in addition to the regular Board remuneration, this will be reported separately in the annual report. For a detailed account of the remuneration paid to Board members and their shareholdings in the company, see Note 8 and 17, respectively, to the annual accounts.

12. Remuneration of executive personnel

The CEO's remuneration is set by the Board of Directors, based on recommendation from the Compensation Committee. The remuneration of the CEO is specified in Note 7 to the annual accounts.

The Board of Directors has established guidelines for remuneration of the company's executives, which are submitted in a separate statement to the General Meeting. The guidelines set out the main principles applied in determining the salary and other remuneration to executives, are linked to value creation for shareholders and the company's earnings performance over time and incentivises performance based on quantifiable factors of which the executives can influence. Atea complies with the Code's requirement that it shall be clear which aspects of the guidelines are advisory and which, if any, are binding. Furthermore, Atea complies with the Code's requirement that the General Meeting shall vote separately on each of these aspects.

Performance related remuneration in the form of share options, bonus programmes or similar, to executive personnel is subject to an absolute limit.

13. Information and communication

Annual and interim reporting

The Group's financial calendar and presentations are published on the company's website (atea.com/investors/financial-calendar/). The Group presents its interim accounts on a quarterly basis and its annual accounts during the month of February. The complete financial statements and Board of Directors' report are published on the company's website at least twenty-one days prior to the General Meeting.

Other market information

The Group aims to increase investor awareness of Atea through an open, transparent and reliable information policy. In this manner, the Group seeks also to promote the liquidity of its shares and ensure that its share price reflects the fair value of Atea.

Open investor presentations are arranged in connection with the publication of the Group's annual and quarterly results. The Chief Executive Officer and Chief Financial Officer present the financial results of the group and each business segment, and present additional information which is relevant to the company's future prospects. When publishing the preliminary annual accounts and the interim reports, the Group is holding public presentations that are simultaneously broadcasted through webcasts. Investor-related information and presentations associated with the annual and quarterly results are available on the Group's website, atea.com/investors.

In addition to the publication of financial results, the Board of Directors has authorized the Chairman, CEO and CFO to conduct regular meetings with analysts and investors. This improves communication and increases the Group's understanding of which matters are of particular concern to shareholders. During meetings, care is taken to ensure equal treatment of all investors. Caution with regard to distribution of non-public information is exercised in investor meetings outside of public presentations.

In the event of an emergency or serious incident at Atea, the Group has established a crisis management plan which provides additional governance and procedures on all communications from the Group.

14. Take-overs

The company's Articles of Association do not contain any defence mechanisms against the acquisition of shares, nor has any measures been taken to restrict the opportunity to acquire shares in the company. In the event of a takeover offer, the Board of Directors will seek expert advice in order to comply with applicable rules and regulations and will otherwise act in a manner to ensure equal treatment of shareholders, seek to avoid that the company's business activities are unnecessary disrupted and to ensure that the shareholders are given sufficient information and time to consider the offer.

The Board of Directors will not seek to hinder or obstruct take-over bids. In the event of a take-over bid for the company, the Board of Directors will seek to comply with the NUES recommendations, including obtaining a valuation from an independent expert and making a recommendation to Atea's shareholders regarding acceptance of the bid. The Board of Directors will ensure that shareholders are given sufficient information and time to form an opinion on an offer.

15. The Auditor

The Auditor's relationship with the Board of Directors

The auditor participates at the Board meeting where the annual accounts are discussed. At this meeting, the Board of Directors is briefed on the annual accounts and any matters of particular concern to the auditor, including matters where there has been disagreement between the auditor and the executive management of the company.

The auditor provides the Audit Committee with an annual plan for the audit of the company and he has regular contact with the Audit Committee during the audit process so that the Audit Committee can fulfil its oversight responsibilities. At least once a year the auditor presents to the Audit Committee the main features of the audit carried out in respect of the previous accounting year, and a review of the company's internal control procedures, including identified weaknesses, if any, and proposals for improvement.

The Board of Directors and the auditor meet at least once per year without management present.

The use of the external group auditor for advisory services, tax services and other services outside the ordinary audit scope shall be pre-approved by the Group Chief Accountant. The external Group auditor is responsible for reporting such services to the Audit Committee and to perform an ongoing assessment of independence. Furthermore, the independence of the auditor is continuously monitored by the Audit Committee.

The Auditor's relationship with the Board of Directors

Deloitte has been the company's auditor since 2006. In 2016 the Auditing partner changed according to normal rotation rules. In addition to ordinary auditing, the auditing firm has provided services related to accounting, tax and reporting. Reference is made to Note 8 to the annual accounts. The corporate management holds regular meetings with the auditor. In these meetings the auditor reports on the company's accounting practices, risk areas and internal control routines. The auditor's remuneration is approved by the company's General Meeting, including a breakdown of remuneration between auditing and other services.

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