ATEA

Q4

2018

INTERIM REPORT

Revenue of NOK 10,172 million, up 1.6% y-o-y

EBIT of NOK 309 million, down 21.2% y-o-y

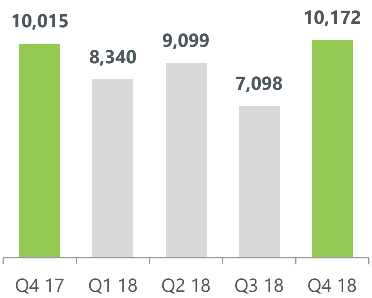
Cash flow from operations of NOK 2,284 million, up from NOK 1,765 million last year

Free cash flow of NOK 2,199 million, up from NOK 1,696 million last year

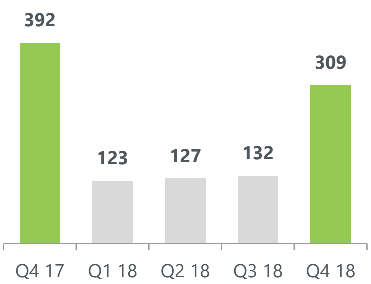
KEY FIGURES* | Q4 | 2018

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Group revenue	10,172	10,015	34,709	32,438
Gross margin (%)	20.9%	21.2%	21.7%	22.3%
EBIT	309	392	690	799
EBIT margin (%)	3.0%	3.9%	2.0%	2.5%
Net profit	204	265	467	543
Earnings per share (NOK)	1.88	2.49	4.33	5.10
Diluted earnings per share (NOK)	1.86	2.44	4.26	5.00
Cash flow from operations	2,284	1,765	946	1,238
Free cash flow	2,199	1,696	606	976

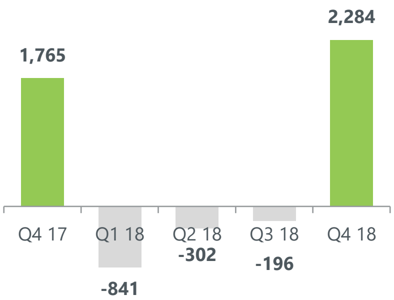
	31 Dec 2018	31 Dec 2017
Net financial position	-17	102
Liquidity reserve	2,655	3,065
Working capital	-1,699	-1,692
Working capital in relation to annualized revenue (%)	-4.9%	-5.2%
Equity ratio (%)	21.9%	22.6%
Number of full-time employees	7,385	6,904



REVENUE | NOK in million



EBIT | NOK in million



CASH FLOW FROM OPERATIONS | NOK in million

* Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 26-29

FINANCIAL REVIEW | Q4 | 2018

GROUP

Atea reported record high revenue and cash flow from operations in Q4 2018. EBIT was below last year due to lower profits in Denmark, where a court conviction in June 2018 continued to negatively impact the business.

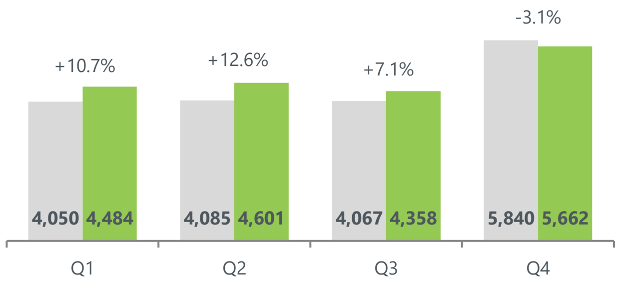
In total, Group revenue increased by 1.6% to NOK 10,172 million in Q4 2018, as strong growth in sales of software and consulting services were offset by lower hardware sales. On a pro forma basis*, revenue growth was 3.1% in constant currency. Currency fluctuations had a negative impact of 1.7% on revenue growth in Q4 2018.

Group EBIT in Q4 2018 fell to NOK 309 million from NOK 392 million last year. The decline was due to lower operating profit in Denmark. In Denmark, EBIT in Q4 2018 was DKK 8 million (NOK 11 million), a decline of DKK 76 million (NOK 96 million) from last year.

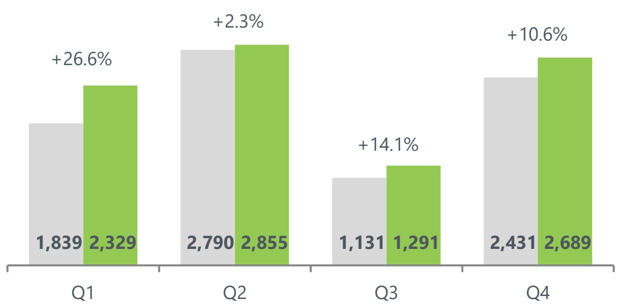
As expected, Atea incurred operating losses in a new business unit called AppXite, a software and services start-up venture which was launched in January 2018. The business is described on Page 12 of this report. During Q4 2018, the EBIT loss in AppXite was NOK 6 million, in line with the forecast communicated in prior reports. Excluding both the Danish operation and the start-up loss in AppXite, Atea's EBIT in Q4 was 6.4% higher than last year.

Net financial items were an expense of NOK 15 million, compared with an expense of NOK 19 million last year. Profit before tax declined by 21.2% to NOK 294 million, compared with NOK 373 million last year.

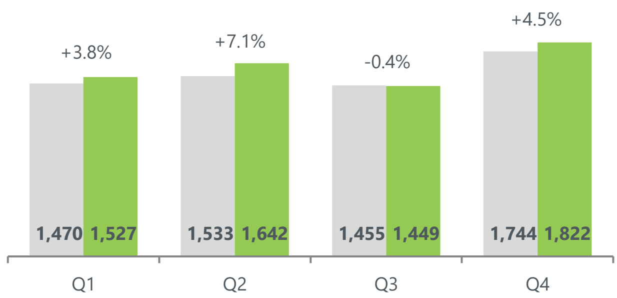
Income tax expense was NOK 88 million in Q4 2018. Further information on income tax can be found in Note 7. Net profit after tax decreased to NOK 206 million, compared with NOK 265 million last year.



HARDWARE REVENUE AND GROWTH | NOK in million



SOFTWARE REVENUE AND GROWTH | NOK in million



SERVICES REVENUE AND GROWTH | NOK in million

FULL YEAR OF 2018

Group revenue increased by 7.0% to NOK 34,709 million in full year 2018. Hardware revenue was up 5.9%, software revenue was up 11.9% and services revenue was up 3.8%. Currency effects had a negative impact of 0.4% in full year 2018. On a pro forma basis*, revenue growth was 7.4% in constant currency.

EBIT in full year 2018 was NOK 690 million, a decrease of 13.6% from last year. EBIT in full year 2018 was negatively impacted by the decline in Danish business and by operating losses during the start-up of the new AppXite business unit.

Excluding both the Danish operation and the start-up loss in AppXite, Atea's EBIT in 2018 was 19.1% higher than last year. Atea Norway, Sweden, Finland, Baltics and Group Shared Services all had strong growth in profitability.

* Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 26-29

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NORWAY

NOK in million	Q4 2018	Q4 2017	Change %	FY 2018	FY 2017	Change %
Products revenue	2,155	2,263	-4.8%	6,815	6,443	5.8%
Services revenue	533	500	6.6%	1,922	1,828	5.2%
Total revenue	2,688	2,762	-2.7%	8,737	8,271	5.6%
Gross profit	636	597	6.5%	2,204	2,018	9.2%
Gross margin %	*23.7%*	*21.6%*	*2.0%*	*25.2%*	*24.4%*	*0.8%*
OPEX	518	478	8.2%	1,896	1,753	8.2%
EBIT	118	119	-0.5%	308	266	16.0%
EBIT %	*4.4%*	*4.3%*	*0.1%*	*3.5%*	*3.2%*	*0.3%*

Atea Norway had slower sales in Q4 2018 relative to a very strong fourth quarter last year. Operating profit was in line with last year.

Revenue in Q4 2018 was NOK 2,688 million, a decline of 2.7% from last year. Hardware revenue was down 7.4%, software revenue was up 4.0% and services revenue was up 6.6%. Adjusting for the acquisition of Sherpa Consulting AS in September 2018, the revenue decline on a pro forma basis* was 3.3%.

Hardware sales fell as deliveries to large public customers were less concentrated in Q4 than in previous years. Software revenue increased based on higher sales of collaboration software. Growth in services revenue was driven by an increased number of project consultants in new growth areas.

Total gross margin increased to 23.7%, compared with 21.6% last year, with an improved margin across all business segments. Product margin grew to 13.2% in Q4 2018 compared with 12.6% last year, as there were fewer large orders at low margin. Service margins increased to 66.2%, from 62.5% last year based on an increased proportion of consulting within the revenue mix.

Total operating expenses grew by 8.2% to NOK 518 million, primarily due to an increase in the average number of full-time employees by 103 (6.5%) from last year. Atea has hired additional consultants to meet growing demand for infrastructure services.

EBIT was on the same level as last year, as lower revenue and higher personnel costs were offset by an improved gross margin. The EBIT margin increased slightly to 4.4%, up from 4.3% last year.

*Alternative perfomance measures (APM) presented in the key figures table are described in APM section on page 26-29

FINANCIAL REVIEW | Q4 | 2018

SWEDEN

SEK in million	Q4 2018	Q4 2017	Change %	FY 2018	FY 2017	Change %
Products revenue	3,606	3,251	10.9%	12,575	10,688	17.7%
Services revenue	699	591	18.3%	2,430	2,100	15.7%
Total revenue	4,305	3,842	12.0%	15,005	12,788	17.3%
Gross profit	856	772	10.8%	3,051	2,691	13.4%
Gross margin %	*19.9%*	*20.1%*	*-0.2%*	*20.3%*	*21.0%*	*-0.7%*
OPEX	699	628	11.3%	2,567	2,284	12.4%
EBIT	156	144	8.9%	484	407	19.0%
EBIT %	*3.6%*	*3.7%*	*-0.1%*	*3.2%*	*3.2%*	*0.0%*

Atea Sweden continued to capture market share and improve profitability in the fourth quarter of 2018. Sales growth was strong across all product and service lines, primarily toward public sector customers.

Revenue in Q4 2018 was SEK 4,305 million, up 12.0% compared with last year. Hardware revenue was up 8.6%, software revenue was up 14.9% and services revenue was up 18.3%.

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

Total gross margin was 19.9% in Q4 2018, compared with 20.1% last year. Product margin fell slightly to 11.3% in Q4 2018 compared with 11.5% last year. Services margin decreased to 63.9% from 67.2% last year, due to an increased proportion of third party services in the revenue mix.

Total operating expenses increased by 11.3% to SEK 699 million, based on an increase in the average number of full-time employees by 261 (11.7%) from last year. Atea Sweden has significantly increased its consulting workforce from last year, based on a strong market demand for infrastructure services.

EBIT increased by 8.9% to SEK 156 million based on high revenue growth. EBIT margin was 3.6%, slightly down from 3.7% last year.

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DENMARK

DKK in million	Q4 2018	Q4 2017	Change %	FY 2018	FY 2017	Change %
Products revenue	1,460	1,509	-3.3%	4,843	5,165	-6.2%
Services revenue	392	428	-8.4%	1,389	1,547	-10.2%
Total revenue	1,852	1,938	-4.4%	6,231	6,712	-7.2%
Gross profit	340	416	-18.3%	1,239	1,447	-14.4%
Gross margin %	*18.4%*	*21.5%*	*-3.1%*	*19.9%*	*21.6%*	*-1.7%*
OPEX	332	332	0.0%	1,313	1,351	-2.9%
EBIT	8	84	-90.3%	-73	96	-176.1%
EBIT %	*0.4%*	*4.4%*	*-3.9%*	*-1.2%*	*1.4%*	*-2.6%*

In Q4 2018, Atea Denmark saw a recovery in order intake from public sector customers following a court conviction in June 2018. Demand from the private sector has been slower to recover and margins remained under pressure.

Revenue in Q4 2018 was DKK 1,852 million, down 4.4% compared with last year. Hardware revenue was down 13.2% based on lower sales of clients following the loss of a large frame agreement to the public sector in June 2018. Software revenue increased by 23.9%, driven by large orders from the public sector. Services revenue was down 8.4%, based on lower demand for consultants from the private sector.

Total gross margin decreased to 18.4% in Q4 2018, compared with 21.5% last year, with lower margins across all lines of business. Product margin was 8.4% compared with 10.2% in Q4 2017, based on an increased proportion of revenue from large software orders at low margin. Services margin decreased to 55.6% from 61.4% last year, due to a higher proportion of third party services in the revenue mix.

Total operating expenses remained at last year's level. An increase in personnel costs was offset by lower depreciation and other operating expenses.

Based on lower revenue and gross margin, EBIT was DKK 8 million in Q4 2018, compared to DKK 84 million in Q4 2017. EBIT margin was 0.4%, down from 4.4% last year.

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FINLAND

EUR in million	Q4 2018	Q4 2017	Change %	FY 2018	FY 2017	Change %
Products revenue	68.8	57.7	19.3%	273.9	233.3	17.4%
Services revenue	7.3	7.4	-1.8%	27.1	27.9	-2.9%
Total revenue	76.1	65.1	16.9%	301.0	261.2	15.2%
Gross profit	12.4	10.9	13.2%	42.2	39.3	7.4%
Gross margin %	*16.3%*	*16.8%*	*-0.5%*	*14.0%*	*15.0%*	*-1.0%*
OPEX	9.5	8.8	7.6%	36.0	34.7	3.9%
EBIT	2.9	2.2	36.1%	6.2	4.6	33.7%
EBIT %	*3.9%*	*3.3%*	*0.5%*	*2.0%*	*1.8%*	*0.3%*

Atea Finland reported rapid growth in revenue and EBIT in the fourth quarter of 2018, based on increased sales of hardware.

Revenue in Q4 2018 was EUR 76.1 million, up 16.9% compared with last year. Hardware revenue was up 26.8%, software revenue was up 5.0% and services revenue was down 1.8%.

Growth in hardware revenue was driven by strong demand from public sector customers across all lines of business. Software revenue was primarily driven by sales of client software to the public sector. The decline in services revenue was due to a large printing services agreement with the public sector that was concluded early in 2018.

Total gross margin was 16.3% in Q4 2018, compared with 16.8% last year, as the revenue mix shifted toward product sales. Product margin was 12.8%, up from 11.5% last year due to a higher proportion of data center and communications products in the revenue mix. Services margin fell to 48.8% from, 57.8% due to higher COGS in datacenter outsourcing services.

Total operating expenses were 7.6% higher than last year. Growth in operating expenses was primarily based on an increased average number of full-time employees by 30 (9.4%) from last year.

EBIT in Q4 2018 increased by 36.1% to EUR 2.9 million, driven by high revenue growth, improved product margin and relatively lower growth in operating expenses. The EBIT margin was 3.9%, up from 3.3% last year.

FINANCIAL REVIEW | Q4 | 2018

THE BALTICS

EUR in million	Q4 2018	Q4 2017	Change %	FY 2018	FY 2017	Change %
Products revenue	31.5	35.5	-11.4%	87.3	85.3	2.3%
Services revenue	9.0	8.8	3.0%	32.6	30.4	7.0%
Total revenue	40.5	44.3	-8.5%	119.9	115.9	3.5%
Gross profit	8.4	8.7	-3.4%	28.8	27.7	3.9%
Gross margin %	*20.8%*	*19.7%*	*1.1%*	*24.0%*	*23.9%*	*0.1%*
OPEX	6.8	7.1	-4.6%	25.9	25.3	2.6%
EBIT	1.6	1.6	2.1%	2.9	2.5	17.5%
EBIT %	*4.0%*	*3.6%*	*0.4%*	*2.4%*	*2.1%*	*0.3%*

In Q4 2018, Atea Baltics reported improved EBIT, as lower revenue was offset by higher gross margin and lower operating expenses.

Revenue in Q4 2018 was EUR 40.5 million, down 8.5% compared with last year. Hardware revenue was down 12.0%, software revenue decreased 8.1% and services revenue was up 3.0%.

The decline in product revenue was based on fewer large projects with private sector customers and postponed deliveries of client hardware due to a shortage of inventory in the supply chain. Services revenue growth was primarily driven by strong demand for datacenter outsourcing services.

Total gross margin increased to 20.8% in Q4 2018 compared with 19.7% last year, based on higher proportion of services in the revenue mix.

Total operating expenses were EUR 6.8 million in Q4 2018, a decrease of 4.6% from last year, primarily due to the reversal of accrued expenses from prior periods and lower amount of full-time employees. The average number of full-time employees decreased by 20 (2.9%) from last year.

EBIT in Q4 2018 was EUR 1.6 million, up slightly from last year. The EBIT margin was 4.0%, up from 3.6% last year.

BALANCE SHEET

As of 31 December 2018, Atea had total assets of NOK 14,778 million. Current assets such as cash, receivables and inventory represented NOK 9,581 million of this total. Non-current assets represented NOK 5,196 million of this total, and primarily consisted of goodwill (NOK 3,901 million), deferred tax assets (NOK 401 million), and property, plant and equipment (NOK 617 million).

Atea had total liabilities of NOK 11,540 million as of 31 December 2018, of which NOK 10,741 million were current liabilities. See Note 6 for more details about interest-bearing liabilities. Total shareholder's equity was NOK 3,237 million, corresponding to an equity ratio of 21.9%.

At the end of Q4 2018, Atea's net financial position was NOK -17 million compared with NOK 102 million at the end of Q4 2017. Atea's debt covenants require that the Group maintains a maximum net interest bearing debt of 2.5x pro forma EBITDA over the last twelve months. Atea is currently well within this limit, and maintains liquidity reserves, including unutilized credit facilities, of NOK 2,655 million as of 31 December 2018.

CASH FLOW

Atea had record high cash flow from operations of NOK 2,284 million in the fourth quarter of 2018. Cash flow from operations was positively impacted by a significant reduction in working capital during the quarter.

Atea's cash flow from operations is highly concentrated in the fourth quarter based on seasonal fluctuations in working capital during the year. Atea aims to maintain a working capital balance in line or below the same period last year. At the end of Q4 2018, the net working capital balance was NOK -1,699 million compared with NOK -1,692 million last year.

Several factors impacted the net working capital balance in Q4 2018 compared to last year: Atea's inventory increased by NOK 240 million, as Atea preordered PC inventory to secure deliveries to customers in Q1 in response to a worldwide shortage of PC components in the supply chain. Accounts receivable grew, partly driven a reduced collection period in Q4 as last three days of the quarter were banking holidays. To offset these impacts, Atea sold NOK 350 million in accounts receivable through a securitization program.

Cash flow from investing activities were NOK -79 million in Q4 2018, up from NOK -61 million in the corresponding quarter last year. The increased level of capital expenditure is related to investments in internal IT systems and in the new logistics center under construction in Växjö.

Cash flow from financing activities was NOK -1,519 million in Q4 2018, up from NOK -698 million in the corresponding quarter last year, mainly due to repayment of a long-term loan of DKK 500 million in Q4 2018.

SHARES

Atea had 7,263 shareholders on 31 December 2018 compared with 7,343 shareholders on 31 December 2017.

The 10 largest shareholders as of 31 December 2018 were:

Main Shareholders*	**Shares**	**%**
Systemintegration APS**	27,246,398	25.1%
Folketrygdfondet	9,399,129	8.6%
Odin Norden	3,256,029	3.0%
State Street Bank & Trust Co.***	3,251,761	3.0%
Handelsbanken Norden Selektiv	3,200,000	2.9%
State Street Bank and Trust Co.***	2,898,578	2.7%
State Street Bank & Trust Co.***	2,452,613	2.3%
Odin Norge	2,447,198	2.3%
Didner and Gerge Smabolag	2,163,180	2.0%
RBC Investor Services Trust	2,073,650	1.9%
Other	50,301,981	46.3%
Total number of shares	108,690,517	100.0%

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

As of 31 December 2018, Atea's Chairman Ib Kunøe and close associates controlled a total of 25.2% of the shares, including the shares held by Systemintegration APS.

As of 31 December 2018, Atea's senior management team held 132,721 shares.

BUSINESS OVERVIEW

BACKGROUND

Atea is the leading provider of IT infrastructure and related services to organizations within the Nordic and Baltic regions. The company is the largest player by far in its local markets, with approximately 19% market share in 2018. Roughly half of Atea's sales are to the public sector, with the remainder of sales to private companies.

The market for IT infrastructure in the Nordic and Baltic regions has grown steadily during the last several years. According to estimates from IDC*, the market for IT infrastructure and related services has grown at an average rate of 3.3% per year from 2008 – 2018.

Atea's competence and leading market position in IT infrastructure has enabled the company to grow at a rate significantly higher than that of the market. Since 2008, the company has averaged an organic revenue growth rate of 6.0% per year.

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

Atea's market share in the Nordic and Baltic regions far exceeds that of other IT infrastructure providers. Today, the company has offices in 87 cities in the Nordic and Baltic region and more than 7,300 employees. This scale provides Atea with critical competitive advantages in purchasing, local market presence, breadth and depth of product offering, system integration competence, and efficient shared service and logistics functions.

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

IT MARKET TRENDS

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

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

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

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

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

* International IT research company, International Data Corporation

BUSINESS OVERVIEW

BUSINESS OUTLOOK

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

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

The outlook for each business segment is as follows:

Sweden:
Sweden is Atea's largest market, representing 41% of Group revenue in 2018.

During 2018, Atea Sweden had revenue growth of 17.3% and EBIT growth of 19.0%.For the last several years, Atea Sweden has leveraged Atea's market strength to aggressively win new customer agreements, particularly within the public sector. At the same time, Atea Sweden has been building its services organization to pursue growth opportunities in areas such as cloud, security and managed infrastructure solutions.

Atea expects continued revenue and EBIT growth from its Swedish business during 2019, driven by increased product sales and a higher services revenue within key growth segments.

Norway:
Norway is Atea's second largest market, representing 25% of Group revenue in 2018.

During 2018, Atea Norway had revenue growth of 5.6% and EBIT growth of 16.0%. Atea Norway has invested heavily in building its services organization within select growth areas during the past year. In September 2018, Atea Norway acquired Sherpa AS, one of the largest independent providers of business intelligence and data analytics consulting in Norway. Atea now has over 100 consultants within data analytics and business intelligence in its "Atea Insight" services team.

Atea Norway also had strong growth in product sales during 2018, with the exception of the fourth quarter. Demand from public sector customers in Norway was less concentrated in Q4 than in prior years, leading to lower revenue growth in Q4 relative to other quarters. Atea Norway has seen a return to more rapid sales growth in January 2019, and expects revenue and EBIT to continue to grow steadily throughout the year.

Denmark:
Denmark is Atea's third largest market, representing 23% of Group revenue in 2018.

During 2018, Atea Denmark had a revenue decline of 7.2% and had an EBIT loss of DKK -73 million. Atea's business in Denmark was greatly impacted by a police investigation and court conviction relating to misconduct by former employees from 2008 – 2014. In June - September 2018, the largest public procurement organizations in Denmark temporarily recommended that the public sector in Denmark suspend purchasing from Atea.

Atea has implemented a series of programs to prevent future misconduct across the Group by strengthening its compliance organization, code of conduct, business controls and employee policies. In Denmark, Atea was the first company to be awarded the ISO 37001 Anti Bribery Systems certification for its efforts. Atea's policies have also been reviewed and accepted by the public purchasing authorities in Denmark together with the state attorney.

With the court case now finished, Atea Denmark experienced a solid recovery in order intake and new frame agreements from the public sector during Q4. In the private sector, the recovery in sales has been more gradual. Atea remains by far the largest IT infrastructure provider in Denmark, with a breadth of product and service competence which is unrivalled by competitors. Based on this competitive position and on tight control of costs, Atea expects greatly improved EBIT performance in 2019 after a very challenging 2018.

Finland:
Finland represented 8% of Group revenue in 2018.

Atea Finland reported rapid growth in revenue and profitability during 2018. Revenue increased by 15.2% and EBIT increased by 33.7%. Much of the growth has been driven by large new frame agreements with the public sector which Atea has won in recent years. In addition, market conditions in Finland have improved greatly after an extended recessionary period.

Revenue growth has been concentrated within product sales, where Atea has seen market growth across all lines of business. In 2019, Atea Finland expects continued growth in sales of IT equipment, but is also investing in developing its consulting and managed services businesses. Atea's services business is underdeveloped in Finland relative to other countries, which presents a significant growth opportunity for Atea.

BUSINESS OVERVIEW

BUSINESS OUTLOOK (CONT'D)

Baltics:

The Baltics represented 3% of Group revenue in 2018.

In 2018, Atea Baltics had revenue growth of 3.5% and EBIT growth of 17.5%. Growth in revenue and profitability was driven by Atea's cloud services subsidiary in Lithuania. Product sales have historically fluctuated greatly in Atea Baltics, as demand is heavily driven by large public projects which are dependent on EU funding and vary from year to year.

In 2019, Atea will expand its cloud services business in the Baltics by opening a new data center, and expects continued growth in this area. Demand for product sales is also expected to increase, based on new public sector investments in IT. Atea has a very strong market presence in the Baltic region, and is well positioned to capture revenue from large projects to the public sector.

Investment in AppXite:

As part of its growth strategy, Atea works with its key technology partners to develop innovative IT infrastructure solutions for customers. During 2018, Atea began selling a solution called "AppXite" which Atea has developed in close collaboration with its technology partners. The solution is a cloud platform which enables managed service providers and software vendors, resellers and distributors to transform their business from transactional sales to subscription and consumption-based services. The solution is sold by AppXite SIA, a fully owned subsidiary of Atea in Latvia.

Atea is by far the largest customer of AppXite SIA, as the Atea countries use the AppXite solution when reselling cloud software subscriptions or software-as-a-service. During 2019, AppXite's first priority will continue to be to provide an optimal platform for Atea's software resale business.

AppXite is also marketing its solution toward external software vendors, resellers and distributors. If successful, AppXite has the potential to develop into a significant new external business area for Atea, as the market for managed services and software-as-a-service is projected to grow rapidly.

During 2018, AppXite had an operating loss of EUR -2.4 million during its initial launch and start-up phase. In 2019, the subsidiary is expected to have an operating loss of EUR 1 – 2 million as its business continues to scale.

CONDENSED FINANCIAL INFORMATION

FOR THE 12 MONTHS ENDED 31 DECEMBER 2018

CONSOLIDATED INCOME STATEMENT

NOK in million	Note	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue	2, 3, 9	10,172	10,015	34,709	32,438
Gross profit		2,127	2,128	7,536	7,218
Personnel costs		-1,464	-1,350	-5,396	-5,030
Other operating costs		-259	-282	-1,018	-975
Share based compensation		-3	-8	-61	-37
EBITDA		401	488	1,061	1,175
Depreciation and amortization		-84	-88	-339	-345
Amortization related to acquisitions		-8	-8	-31	-32
Operating profit (EBIT)	2	309	392	690	799
Net financial items	5	-15	-19	-56	-75
Profit before tax		294	373	634	724
Tax	7	-89	-107	-167	-181
Profit for the period		204	265	467	543
Earnings per share					
- earnings per share		1.88	2.49	4.33	5.10
- diluted earnings per share		1.86	2.44	4.26	5.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Profit for the period	204	265	467	543
Currency translation differences	163	118	-14	213
Forward contracts - cash flow hedging	1	11	9	11
Income tax OCI relating to items that may be reclassified to profit or loss	0	-3	-2	-4
Items that may be reclassified subsequently to profit or loss	164	127	-7	220
Other comprehensive income	164	127	-7	220
Total comprehensive income for the period	368	392	460	763

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Property, plant and equipment		617	628
Deferred tax assets	7	401	487
Goodwill		3,901	3,845
Other intangible assets		237	273
Investment in associated companies		13	12
Other long-term receivables		28	6
Non-current assets		5,196	5,252
Inventories		830	591
Trade receivables		6,700	6,886
Other receivables		1,286	1,061
Other financial assets		1	1
Cash and cash equivalents		764	1,125
Current assets		9,581	9,663
Total assets		14,778	14,915
EQUITY AND LIABILITIES			
Share capital and premium	4	410	355
Other reserves		2,251	2,259
Retained earnings		575	760
Equity		3,237	3,373
Interest-bearing long-term liabilities	6	557	120
Other long-term liabilities		8	13
Deferred tax liabilities		234	275
Non-current liabilities		799	408
Trade payables		7,125	6,755
Interest-bearing current liabilities	6	224	903
VAT, taxes and government fees		952	1,010
Provisions		247	258
Other current liabilities		2,183	2,199
Other financial liabilities		10	8
Current liabilities		10,741	11,133
Total liabilities		11,540	11,541
Total equity and liabilities		14,778	14,915

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK in million	31 Dec 2018	31 Dec 2017
Equity at start of period - 1 January	3,373	3,200
Currency translation differences	-14	211
Forward contracts - cash flow hedging	7	8
Other comprehensive income	-7	220
Profit for the period	467	543
Total recognised income for the year	460	763
Employee share-option schemes	49	16
Dividends	-700	-692
Issue of share capital	56	86
Equity at end of period	3,237	3,373

CONSOLIDATED STATEMENT OF CASH FLOW

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Profit before tax	294	373	634	724
Taxes paid	-29	-40	-108	-128
Depreciation and amortisation	92	96	370	376
Share based compensation	13	4	49	16
Other corrections	0	-2	0	-2
Cash earnings	371	430	945	987
Change in trade receivables	-1,805	-2,358	185	-553
Change in inventories	-20	120	-239	51
Change in trade payables	3,115	2,956	416	575
Net interest paid	-17	-11	-44	-39
Other changes in working capital	639	629	-317	217
Cash flow from operating activities	2,284	1,765	946	1,238
Capital expenditure	-79	-61	-305	-228
Purchase/sale of subsidiaries	-	-1	-62	-1
Cash flow from investing activities	-79	-61	-367	-229
Dividend paid	-350	-346	-700	-692
Other equity transactions	42	50	56	86
Change in debt	-1,210	-401	-252	-262
Cash flow from financing activities	-1,519	-698	-896	-868
Net cash flow	686	1,006	-317	142
Cash and cash equivalents at the start of the period	24	52	1,125	880
Foreign exchange effect on cash held in a foreign currency	53	67	-44	103
Cash and cash equivalents at the end of the period	764	1,125	764	1,125

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

The condensed interim financial statements for the twelve months ending 31 December 2018 were approved for publication by the Board of Directors on 6 February 2019. These Group financial statements have not been subject to audit or review.

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

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 "Interim Financial Reporting". The condensed interim financial statements do not include all information and disclosures required in the annual financial statement, and should be read in accordance with the Group's Annual Report for 2017, which has been prepared according to IFRS as adopted by EU. Assessment of effects of the new and revised International Financial Reporting Standards (IFRS) from 1 January 2018 are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2017. The changes in these accounting policies, IFRS 15, 'Revenue from Contracts with Customers' and IFRS 9, 'Financial instruments' do not have any material impact on the Group accounts.

IFRS 15, 'Revenue from Contracts with Customers': Information about the main revenue streams and the timing of the revenue recognition are described in Note 2- Summary of significant accounting principles – in the Annual report for 2017. The operating segment information in Note 2 is disaggregated to the main categories of revenue in Note 3 "Disaggregation of revenue:"

In the interim financial statements for 2018, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2018 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2017.

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

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

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 2019. None of these is expected to have significant effect on the consolidated statements of the Group, except the following set out below.

IFRS 16, 'Leases' significantly changes the accounting principles for many lease contracts, including leased premises, vehicles and equipment leases, and subleases. The standard will require 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. As a consequence, a lessee recognizes depreciation of the right-of-use asset (ROU asset) and interest expense on the lease liability, instead of recognizing the expenses as today in Other operating costs.

Impact on financial statements in 2019 – initial assessment
The change will have a significant positive impact on EBITDA in the Group's consolidated income statement and increase the total assets and liabilities. The effects summarized below are based on estimates, and are uncertain in particular due to uncertainty related to renewal options and the estimated lease period for significant part of our leases.

Consolidated statement of Comprehensive income
Based on outstanding leases on the balance sheet date, the implementation of the new standard is expected to have following effect on the Financial statement for full year 2019:

1. Operating lease expenses recognized as other operational expenses will decrease by approximately NOK 266 million.
2. Depreciation of leased ROU assets will increase by approximately NOK 234 million.
3. Net interest expense related to the lease liability will increase by approximately NOK 32 million.
4. Profit for the period is not expected to be affected significantly.

NOTE 1

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

Consolidated statement of Financial position
Based on outstanding leases on the balance sheet date, the implementation of the new standard is expected to have following effect on the Financial statement for full year 2019:

1. Additional NOK 646 million of ROU assets, and NOK 690 million of lease liabilities, with the difference recognized in retained earnings.
2. Additional NOK 296 million subleasing receivables, and NOK 296 million of subleasing liabilities.

More information about the impact of IFRS 16, 'Leases', will be provided in the Annual report for 2018. The Annual report for 2018 will be published on 21 March 2019.

NOTE 2

OPERATING SEGMENT INFORMATION

Atea is located in 87 cities in Norway, Sweden, Denmark, Finland, and the Baltic countries of Lithuania, Latvia and Estonia, with more than 7,300 employees. For management and reporting purposes, the Group is organized by these geographical areas. The performance of these geographical areas is evaluated on a regular basis by Atea's Executive Team, consisting of among others the Managing Directors of each geographical segment.

In addition to the geographical areas, the Group operates Shared Services functions (Atea Logistics, Atea Global Services and Atea Group Functions) and central administration. These costs are reported separately as Group Shared Service and Group cost.

In addition to the geographical areas above, Atea is reporting on a new 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. For more information, see appxite.com.

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

NOK

Revenue NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Norway	2,687.7	2,762.4	8,737.1	8,270.9
Sweden	4,022.3	3,758.6	14,049.0	12,379.2
Denmark	2,389.6	2,490.4	8,026.2	8,418.6
Finland	733.4	626.5	2,889.3	2,436.9
The Baltics	389.9	420.2	1,150.8	1,080.9
Group Shared Services	1,529.5	1,416.6	5,495.9	4,758.1
AppXite	4.7	0.0	17.0	0.0
Eliminations*	-1,584.9	-1,460.3	-5,655.9	-4,907.4
Atea Group	10,172.3	10,015.5	34,709.4	32,438.1

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

NOK

EBIT **NOK in million**	**Q4** **2018**	**Q4** **2017**	**Full year** **2018**	**Full year** **2017**
Norway	118.3	118.9	308.3	265.7
Sweden	146.2	140.2	453.2	393.6
Denmark	10.5	106.1	-94.3	120.7
Finland	28.2	20.3	59.1	42.9
The Baltics	15.7	15.0	27.7	22.9
Group Shared Services	11.6	9.6	41.2	22.1
AppXite	-5.8	0.0	-23.1	0.0
Group cost	-16.0	-18.3	-81.8	-69.4
Operating profit (EBIT)	308.7	391.9	690.3	798.6
Net financial items	-15.1	-19.2	-56.2	-74.8
Profit before tax	293.6	372.7	634.1	723.7

Quarterly revenue and gross margin **NOK in million**	**Q4** **2018**	**Q4** **2017**	**Full year** **2018**	**Full year** **2017**
Product revenue	8,350.1	8,271.1	28,268.0	26,233.8
Services revenue	1,821.6	1,743.9	6,440.3	6,203.0
Other income	0.6	0.5	1.1	1.3
Total revenue	10,172.3	10,015.5	34,709.4	32,438.1
Gross contribution	2,127.3	2,127.9	7,535.6	7,217.6
Product margin	11.7%	11.9%	11.7%	11.8%
Services margin	63.2%	65.6%	65.6%	66.4%
Gross margin	20.9%	21.2%	21.7%	22.3%

Quarterly revenue and gross margin **NOK in million**	**Q4** **2018**	**Q3** **2018**	**Q2** **2018**	**Q1** **2018**	**Q4** **2017**	**Q3** **2017**	**Q2** **2017**	**Q1** **2017**
Product revenue	8,350.1	5,648.9	7,456.0	6,812.9	8,271.1	5,198.4	6,875.0	5,889.3
Services revenue	1,821.6	1,449.4	1,642.4	1,527.0	1,743.9	1,455.2	1,533.5	1,470.4
Other income	0.6	0.1	0.2	0.2	0.5	0.3	0.2	0.2
Total revenue	10,172.3	7,098.4	9,098.6	8,340.1	10,015.5	6,653.9	8,408.7	7,360.0
Gross contribution	2,127.3	1,681.9	1,888.4	1,838.0	2,127.9	1,610.9	1,784.8	1,694.0
Product margin	11.7%	12.8%	10.9%	11.8%	11.9%	12.6%	10.9%	12.1%
Services margin	63.2%	66.2%	65.6%	67.8%	65.6%	65.8%	67.7%	66.8%
Gross margin	20.9%	23.7%	20.8%	22.0%	21.2%	24.2%	21.2%	23.0%

NOTE 2

OPERATING SEGMENT INFORMATION (CONT'D)

LOCAL CURRENCY

Revenue Local currency in million		Q4 2018	Q4 2017	Full year 2018	Full year 2017
Norway	NOK	2,687.7	2,762.4	8,737.1	8,270.9
Sweden	SEK	4,305.1	3,842.2	15,004.8	12,788.4
Denmark	DKK	1,851.9	1,937.7	6,231.5	6,712.3
Finland	EUR	76.1	65.1	301.0	261.2
The Baltics	EUR	40.5	44.3	119.9	115.9
Group Shared Services	NOK	1,529.5	1,416.6	5,495.9	4,758.1
AppXite	EUR	0.5	0.0	1.8	0.0
Eliminations*	NOK	-1,584.9	-1,460.3	-5,655.9	-4,907.4
Atea Group	NOK	10,172.3	10,015.5	34,709.4	32,438.1

EBIT Local currency in million		Q4 2018	Q4 2017	Full year 2018	Full year 2017
Norway	NOK	118.3	118.9	308.3	265.7
Sweden	SEK	156.4	143.7	484.0	406.7
Denmark	DKK	8.2	84.5	-73.2	96.2
Finland	EUR	2.9	2.2	6.2	4.6
The Baltics	EUR	1.6	1.6	2.9	2.5
Group Shared Services	NOK	11.6	9.6	41.2	22.1
AppXite	EUR	-0.6	0.0	-2.4	0.0
Group cost	NOK	-16.0	-18.3	-81.8	-69.4
Operating profit (EBIT)	NOK	308.7	391.9	690.3	798.6
Net financial items	NOK	-15.1	-19.2	-56.2	-74.8
Profit before tax	NOK	293.6	372.7	634.1	723.7

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

NOTE 3

DISAGGREGATION OF REVENUE

Information about the main revenue streams and the timing of the revenue recognition are described in Note 2-Summary of significant accounting principles – in the Annual report for 2017.

The Group has disclosed geographical information about revenues from external customers. In addition, the Group has disclosed revenue based on two main categories: products (hardware and software) and services.

In the table below, the revenue from the operating segment information in Note 2 is disaggregated to the main categories of revenue.

Hardware **Local currency in million**		**Q4** **2018**	**Q4** **2017**	**Full year** **2018**	**Full year** **2017**
Norway	NOK	1,617.5	1,745.9	5,193.1	4,926.7
Sweden	SEK	2,235.2	2,057.9	8,034.5	6,806.4
Denmark	DKK	959.3	1,105.4	3,173.7	3,610.0
Finland	EUR	47.9	37.8	161.1	138.2
The Baltics	EUR	25.8	29.4	74.2	70.9
Group Shared Services	NOK	1,431.7	1,349.0	5,121.4	4,517.9
AppXite	EUR	0.0	0.0	0.0	0.0
Eliminations*	NOK	-1,423.1	-1,325.5	-5,079.0	-4,469.3
Atea Group	NOK	5,661.6	5,840.1	19,104.6	18,042.5

Software **Local currency in million**		**Q4** **2018**	**Q4** **2017**	**Full year** **2018**	**Full year** **2017**
Norway	NOK	537.5	516.7	1,621.7	1,516.5
Sweden	SEK	1,371.2	1,193.6	4,540.7	3,881.7
Denmark	DKK	500.5	404.0	1,668.9	1,555.0
Finland	EUR	20.9	19.9	112.8	95.1
The Baltics	EUR	5.7	6.2	13.1	14.4
Group Shared Services	NOK	1.2	2.4	3.3	8.4
AppXite	EUR	0.0	0.0	0.0	0.0
Eliminations*	NOK	-33.8	-29.1	-71.1	-64.1
Atea Group	NOK	2,688.5	2,431.0	9,163.5	8,191.3

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

NOTE 3

DISAGGREGATION OF REVENUE (CONT'D)

Services Local currency in million		Q4 2018	Q4 2017	Full year 2018	Full year 2017
Norway	NOK	532.7	499.8	1,922.3	1,827.6
Sweden	SEK	698.8	590.8	2,429.6	2,100.3
Denmark	DKK	392.1	428.3	1,388.9	1,547.3
Finland	EUR	7.3	7.4	27.1	27.9
The Baltics	EUR	9.0	8.8	32.6	30.4
Group Shared Services	NOK	96.6	64.9	371.2	231.5
AppXite	EUR	0.4	0.0	1.7	0.0
Eliminations*	NOK	-128.0	-105.7	-505.8	-373.9
Atea Group	NOK	1,821.6	1,743.9	6,440.3	6,203.0

NOTE 4

SHARE CAPITAL AND PREMIUM

NOK in million,	Number of shares		Share capital			
except number of shares	Issued	Treasury shares	Issued	Treasury shares	Share premium	Total
At 1 January 2018	107,581,945	-7,844	108	0	247	355
Issue of Share capital**	1,108,572	0	1	0	55	56
At 31 December 2018	108,690,517	-7,844	109	0	302	410

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

NOTE 5

NET FINANCIAL ITEMS

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Interest income	2	0	7	5
Other financial income	2	1	3	2
Total financial income	3	0	10	6
Interest costs on loans	-8	-9	-36	-34
Interest costs on financial leases	-2	-2	-7	-10
Foreign exchange effects	-6	-7	-16	-30
Other financial expenses	-3	-2	-7	-7
Total financial expenses	-19	-20	-66	-81
Total net financial items	-15	-19	-56	-75

NOTE 6

BORROWING

Interest-bearing long-term liabilities as of 31 December 2018 consisted of an unsecured loan of NOK 475 million from European Investment Bank, issued in May 2018. The loan has a term of 5 years, and a rate of interest of NIBOR 6M + 0.99%.

A separate bank loan of DKK 500 million was repaid in December 2018.

Interest-bearing current liabilities as of 31 December 2018 consisted of financial lease liabilities (mainly for lease of IT equipment) and overdraft facility secured by receivables.

Atea countries had NOK 100 million in financial leases and NOK 212 million in overdraft facility secured by receivables.

Securitization

In December 2018, Atea ASA and its subsidiaries in Norway, Sweden and Denmark entered into a securitization contract organized by a bank, consisting of 2 facilities.

The first facility enables Atea to sell specified receivables of up to NOK 1,500 million. The facility has a three year term, and has an implicit discount rate of IBOR 3M + 0.60%.

The second facility is an uncommitted revolving credit facility of NOK 800 million secured by other receivables.

As of 31 December 2018, Atea Norway sold receivables of NOK 350 million under the first facility. Atea Sweden and Atea Denmark plan to commence participation in the program during the first half of 2019.

NOTE 7

TAXES

NOK in million	Q4 2018	Effective rate	Q4 2017	Effective rate	Full year 2018	Effective rate	Full year 2017	Effective rate
Profit before tax	294		373		634		724	
Tax payable expenses	-60	20.5%	-40	10.6%	-117	18.4%	-101	13.9%
Deferred tax asset changes due to tax loss carry forward used	-20	6.9%	-81	21.8%	-45	7.2%	-93	12.9%
Other deferred tax changes	-9	3.1%	13	-3.6%	-5	0.8%	13	-1.8%
Total tax expenses	-89	30.5%	-107	28.8%	-167	26.4%	-181	25.0%

The increase in tax expenses in 2018 compared with 2017 was primarily driven by higher non-deductible expenses affecting the tax payable.

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

In 2017, the value of Atea's deferred tax assets in Norway fell by NOK 21 million due to a reduction in the corporate tax rate in Norway from 24% to 23% starting in 2018. This resulted in a one-time tax expense of NOK 21 million for Atea in Q4 2017.

At the year end of 2018, the tax value of the tax loss carried forward within the Group was NOK 399 million and the full amount was recognized as Deferred Tax Assets on the balance sheet.

NOTE 8

BUSINESS COMBINATION

Sherpa Consulting AS. Atea acquired Sherpa Consulting AS in September 2018. Sherpa Consulting is one of the largest independent providers of business intelligence and data analytics in Norway. Sherpa is located in Oslo, with a team of 47 highly skilled employees.

The financial statements of Sherpa Consulting were consolidated into the Atea Group from the fourth quarter of 2018. The financial performance from the acquisition date to the end of the quarter is considered to be immaterial from a Group perspective.

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

The breakdown of acquired net assets and goodwill in 2018 is stated below. The fair values have been determined on a provisional basis, as new information may occur.

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

NOTE 8

BUSINESS COMBINATION (CONT'D)

NOK in million	Sherpa Consulting AS
Acquisition date	11 September 2018
Country	Norway
Voting rights/ownership interest	100.0%
Acquisition cost:	
Consideration	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

Assets and liabilities related to the acquisition in 2018 are as follows:

NOK in million	Sherpa Consulting AS
Property, plant and equipment	0.2
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
Total liabilities	-12.8
Net assets acquired	18.1

NOTE 8

BUSINESS COMBINATION (CONT'D)

Net cash payments in connection with the acquisition 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 2017, the consolidated pro forma income statements for 2018 would show revenue and profit as follows:

NOK in million	FY 2018	FY 2017
Operating revenue	34,761	32,504
Operating profit (EBIT)	698	809

NOTE 9

SEASONALITY OF OPERATIONS

Atea's revenue and cash flow are affected by the seasonality of demand for IT infrastructure investments. Demand for IT infrastructure among Atea's customers peaks in the fourth quarter of the year, leading to higher revenue and cash flow for Atea in the fourth quarter.

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

NOTE 10

COMMITMENTS

With reference to Note 25 – Commitments – in the Annual report for 2017, Atea ASA has issued guarantees in favor of financial institutions as security for the lending facilities provided to Atea ASA and subsidiaries. Part of these commitments concern sublease facilities. At the end of Q4 2018, the Group had sublease commitments of NOK 296 million to financial institutions, which are not reported on-balance sheet.

Under the new IFRS 16 leasing standard which are effective from 1 January 2019, the sublease commitments referred to above would be reflected as both an asset and liability on the balance sheet.

NOTE 11

EVENTS AFTER THE BALANCE SHEET DATE

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

ALTERNATIVE PERFORMANCE MEASURES

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

ATEA USES THE FOLLOWING APMs:

EBITDA

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

PRO FORMA REVENUE AND EBITDA

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

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

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue	10,172	10,015	34,709	32,438
Adjustment for acquisitions	-	18	52	66
Pro forma revenue	10,172	10,034	34,761	32,504
Pro forma revenue on last year currency	10,347	9,703	34,912	32,631
Pro forma growth in constant currency	3.1%	6.7%	7.4%	4.6%

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
EBITDA	401	488	1,061	1,175
Adjustment for acquisitions	0	2	8	10
Pro forma EBITDA	401	490	1,069	1,185

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

OPERATING EXPENSES

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

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Personnel costs	1,464	1,350	5,396	5,030
Other operating costs	259	282	1,018	975
Share based compensation	3	8	61	37
Depreciation and amortization	84	88	339	345
Amortization related to acquisitions	8	8	31	32
Total operating expenses	1,819	1,736	6,845	6,419

FREE CASH FLOW

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

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

NOK in million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Cash flow from operations	2,284	1,765	946	1,238
Capital expenditures through cash	-79	-61	-305	-228
Capital expenditures through financial leasing	-5	-8	-35	-34
Free cash flow	2,199	1,696	606	976

NET FINANCIAL POSITION

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

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

NOK in million	31 Dec 2018	31 Dec 2017
Interest-bearing long-term liabilities	-557	-120
Interest-bearing current liabilities	-224	-903
Cash and cash equivalents	764	1,125
Net financial position	-17	102

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

NET WORKING CAPITAL

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

Due to seasonality of operation (see Note 9) Atea's net working capital fluctuates highly with a peak in the fourth quarter. Atea has sufficient debt facilities to finance its working capital fluctuations.

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

NOK in million	31 Dec 2018	31 Dec 2017
Inventories	830	591
Trade receivables	6,700	6,886
Other receivables	1,286	1,061
Other financial assets	1	1
Trade payables	-7,125	-6,755
VAT, taxes and government fees	-952	-1,010
Provisions	-247	-258
Other current liabilities	-2,183	-2,199
Other financial liabilities	-10	-8
Working capital	-1,699	-1,692
Year to date revenue	34,709	32,438
Annualized revenue	34,709	32,438
Working capital in relation to annualized revenue	-4.9%	-5.2%

LIQUIDITY RESERVE

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

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

NOK in million	31 Dec 2018	31 Dec 2017
Last 12 months pro forma EBITDA	1,069	1,185
Debt covenant ratio	2.5	2.5
Net debt limit	2,672	2,963
Net financial position	-17	102
Liquidity reserve	2,655	3,065

ALTERNATIVE PERFORMANCE MEASURES (CONT'D)

EQUITY RATIO

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

NOK in million	31 Dec 2018	31 Dec 2017
Equity	3,237	3,373
Total assets	14,778	14,915
Equity ratio	21.9%	22.6%

Q4

2018

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