

Atea - Q4 2010

Highlights Q4 2010

- Revenue of MNOK 5,959.6, up 35.2% y-o-y
- EBITDA of MNOK 300.2, up 28.1% y-o-y
- EBITDA margin of 5.0%, down from 5.3%
- EBIT of MNOK 244.3, up 61.3% y-o-y
- Earnings after tax of MNOK 309.0, up 32.7% y-o-y
- Cash flow from operations of MNOK 527.4
- Acquired Umoe IKT in Norway, Benzler Group in Sweden, Datawest and Ten of Ten in Finland

Full year 2010 overview

EBITDA for the full year ended at MNOK 675.2, up from MNOK 550.3 in 2009, representing a growth of 22.7%. EBITDA margin ended at 3.9%, which is up from 3.8% in 2009. EBIT ended at MNOK 474.4, up from MNOK 334.1 in 2009, representing a growth of 42.0%.

Revenue ended at MNOK 17,131.2 versus MNOK 14,588.6 in 2009, corresponding to a growth of 17.4% and 20.9% in constant currency. Organic growth in constant currency was 13.3% in a market which according to IDC grew 4.7%. This implies that Atea continues to gain considerable market shares. Taking into account the full year effect of the acquired companies during 2010 the proforma revenue was MNOK 18,876.0.

The Atea Group generated MNOK 558.9 in cash from operations in 2010, which is down from MNOK 726.5 in 2009. The reduction is mainly due to extraordinary high prepayments from public customers in Q4 2009. In addition, the large revenue growth in 2010 requires additional working capital. Net interest bearing debt was MNOK 337.3 as of December 31, 2010, and the operational gearing measured by net interest bearing debt divided by full year EBITDA was 0.5. This underlines the continued solid financial position of the company. Cash payments of MNOK 386.6 related to acquisitions and net cash payments of MNOK 70.1 related to dividends and sale of own shares were paid in 2010.

The solid result in 2010 and the company's strong financial position together with positive expectations for 2011 gives again Atea the opportunity to pay dividend. The Board of Directors will suggest to the General Assembly to pay NOK 2.00 per share in dividend for 2010, up from NOK 1.25 for 2009.

Financial review Q4 2010 and full year 2010

Group

Group revenue in Q4 2010 is up 35.2% from MNOK 4,409.1 in Q4 2009 to MNOK 5,959.6 in Q4 2010. The growth adjusted for acquisitions represents 21.0%. This implies that Atea continues gaining market shares. Hardware revenue increased by 43.7%, consulting and services revenue was up 23.4% and software was up 23.7%. The main reason for the high growth in the hardware revenue is growth in the PC business (clients). The growth in services correlates with the growth in hardware and the increase in software revenue reflects growth in Microsoft-related products.

EBITDA in Q4 2010 ended at MNOK 300.2, up 28.1% y-o-y and represents a margin of 5.0%. The improvement in EBITDA is mainly due to increase in revenue. Group EBIT ended at MNOK 244.3, which is up 61.3% compared to corresponding period last year. Earnings after taxes ended at MNOK 309.0 in the fourth quarter and reflects MNOK 140.8 in further recognition of the tax loss carry forward. Tax loss carry forward was NOK 3.8 billion at the end of 2010.

Norway

Revenue in Norway in Q4 2010 was MNOK 1,453.3, which is up by 38.6% compared with Q4 2009. Product revenue was up by strong 42.8%, while consulting and services revenue was up by 21.4%. Especially PC products (clients) towards public sector shows a good performance. Revenue growth in Q4 excluding the impacts from the acquired businesses was 24.3%. EBITDA for Q4 2010 ended at MNOK 66.6, up 19.0% compared with Q4 2009. The EBITDA margin was 4.6%, down from 5.3% in Q4 2009, due to low margin PC sale combined with increased personnel cost. The increased personnel cost reflects investments in personnel due to expected future growth in revenue.

In Q4 2010 Atea acquired the Norwegian IT infrastructure company Umoe IKT with 384 employees and offices in 16 cities across the country. The company has high competences within areas as telephony, Unified Communication, outsourcing and IT operation. The acquired company is expected to deliver revenue of MNOK 850-900 in 2011 with an EBITDA margin of approximately 5-6% post integration. The purchase price (equity value) for 100% of the shares in Umoe IKT was 4.0 million shares in Atea ASA corresponding to an enterprise value of MNOK 154.8 (based on a share price of NOK 51.0 at the time of agreement.)

For the full year 2010 the revenue was MNOK 4,213.0, up 18.1% y-o-y. EBITDA for the year ended at MNOK 181.4, a margin of 4.3%, up from 3.8% in 2009. According to IDC the Norwegian IT infrastructure market (Atea blue box) grew 2.0% in 2010 (2009: -6.2%). Hence, Atea in Norway is still gaining market shares.

Sweden

Sweden reached revenue of MNOK 1,992.0 in Q4 2010, which is up 62.2% (53.8% in constant currency) compared with Q4 2009. Product revenue was up 54.1% and consulting and services revenue was up 52.0% in constant currency. Revenue growth in Q4 2010, excluding impacts from acquired businesses, was 24.4% in constant currency. The organic growth in product revenue was 23.4% and for consulting and services revenue was 29.3% in constant currency. EBITDA for Q4 2010 ended at MNOK 98.2, up 57.7% (51.3% in constant currency) and implying an EBITDA margin of 5.0%, the same level as Q4 2009. As announced in the Q3 2010 report Atea has charged MNOK 10 in Q4 2010 in integration cost related to acquisitions. Both product and services margins are below the level of previous year. The combined effects from change in revenue mix together with an increase in low-margin products (clients) are causing the overall gross margin to fall.

In Q4 2010 Atea entered into agreement to acquire Benzler Group, an IT infrastructure company with a strong market position in the Gothenburg area and offices in six cities across South West Sweden. The company has 60 employees and is expected to deliver revenue of MNOK 262.0 and EBITDA of MNOK 10.6 in the fiscal year ending 30 June 2011. The enterprise value was MNOK 53.1

For the full year 2010 the revenue was MNOK 5,238.3, up 32.1% (29.4% in constant currency) y-o-y. EBITDA for the year ended at MNOK 206.4, a margin of 3.9%, up from 3.5% in 2009. According to IDC the Swedish IT infrastructure market (Atea blue box) grew by 4.3% in 2010 (2009: -7.4%). Hence, Atea in Sweden is still gaining market shares in the biggest Nordic IT market.

Denmark

Revenue in Q4 2010 ended at MNOK 1,831.2, up 15.0% (21.4% in constant currency) compared with Q4 2009. Product revenue was up 26.3%, while consulting and services revenue was up 4.5% in constant currency. Excluding impacts from acquisitions revenue in constant currency was up 15.9%. Especially PC products (clients), server/storage, network and mobile equipment show a strong performance. The positive development in services reflects the strong growth in product sales. EBITDA ended at MNOK 107.6 compared with MNOK 103.4 in Q4 2010. EBITDA margin ended at 5.9%, down from a record high margin of 6.5% in Q4 2009.

For the full year 2010 the revenue was MNOK 5,569.4, up 5.9% (15.5% in constant currency) y-o-y. EBITDA for the year ended at MNOK 239.0, a margin of 4.3%, down from record high 5.0% in 2009. According to IDC the Danish IT infrastructure market (Atea blue box) grew 5.4% in 2010 (2009: -9.6%). Hence, Atea in Denmark is still gaining market shares.

Note: All EBITDA figures are before share-based option cost and acquisition cost

Note: There may be figures and percentages that do not always add up exactly due to rounding differences.

Note: The figures in the financial statements and tables are in Norwegian format, which means comma has been used instead of a period sign in the decimal position.

In the text, comma has been used as 1000 separator, while the period sign has been used in the decimal position.

Note: The statements have been prepared according to IFRS.

Finland

Revenue in Finland in Q4 2010 ended at MNOK 533.0, which is up 24.5% (31.0% in constant currency) compared with Q4 2009. Product business is still performing well and is up 28.3%, while consulting and services is up 69.5% in constant currency. Revenue growth excluding impacts from acquired businesses is 18.8% in constant currency. The revenue growth reflects large deliveries to public sector. EBITDA for Finland was up from MNOK 11.7 in Q4 2009 to MNOK 17.9 in Q4 2010. Improvement in EBITDA is due to acquired companies combined with organic revenue growth.

In Q4 2010 Atea acquired Ten of Ten, a specialized virtualization services company with 9 employees and expected revenue of MNOK 11.4 and EBITDA of MNOK 2.6 in 2011. The enterprise value was MNOK 4.3. In addition, the IT infrastructure company Datawest was acquired. Datawest operates in South Western Finland, has 16 employees and expected revenue of MNOK 57.0 and EBITDA of MNOK 1.6 in fiscal year ending May 2011. Enterprise value was MNOK 5.7.

For the full year 2010 the revenue was MNOK 1,716.6, up 14.3% (24.7% in constant currency) y-o-y. EBITDA for the year ended at MNOK 35.4, a margin of 2.1%, up from 0.9% in 2009. According to IDC the Finnish IT infrastructure market grew by 7.3% in 2010 (2009: -9.7%). Hence, Atea in Finland is still gaining market shares.

The Baltics

Revenue in the Baltics in Q4 2010 was MNOK 152.6, which is up 32.6% (41.2% in constant currency) from Q4 2009 and is primarily reflecting EU funded projects.

EBITDA in Q4 2010 was MNOK 9.8 compared with MNOK 4.2 previous year. The increase in EBITDA reflects the growth in revenue. The market in the Baltic region is still difficult but there are signs of pick up, particularly in Latvia.

For the full year 2010 the revenue was MNOK 401.2, up 34.0% (46.1% in constant currency) y-o-y. EBITDA for the year ended at MNOK 15.2, a margin of 3.8%, up from 3.3% in 2009.

Outlook

According to IDC the total Nordic IT infrastructure market targeted by Atea grew by 4.7% in 2010, while Atea in the same period experienced an organic growth in constant currency of 13.3%.

The IDC forecast for 2011 is a total market growth of 4.4%. Important technology trends, such as Unified Communication, Mobile Infrastructure Solutions, Virtualisation, Software Asset Management, Device Lifecycle Management, Windows 7, Consumerization and Green IT, areas in which Atea has established a strong presence through organic initiatives and acquisitions during 2009 and 2010, will continue to fuel IT investments going forward. In 2011 Atea is therefore well positioned to once again grow at a pace which is faster than the market in general and to continue gaining market shares.

The Group is expecting to grow organically with 9% in 2011 and together with the revenue of NOK 2.5 billion from the acquired companies in 2010 Atea is quite confident to pass NOK 20 billion in revenue. On the cost side, there will still be some costs from the integration, but important synergies will be gained already in 2011. With a firm focus on cost and EBITDA margin Atea maintain the ambition to reach 1 billion in EBITDA.

Equity and cash flow

Shareholders' equity as of December 31, 2010 was MNOK 3,354.1 and minority interests were MNOK 1.1 corresponding to an equity ratio of 34.8%, down from 39.3% compared to December 31, 2009, mainly due to an increase in the total balance caused by increases in revenue and thereby a higher level of current receivables and liabilities.

Consolidated statement of changes in equity

(amounts in MNOK)	2010	2009
Equity per 01.01	2 813,0	2 858,2
Currency translation differences *	-7,9	-369,1
Forward contracts	8,3	-
Currency translation differences on financial investments	-0,1	-
Other comprehensive income	0,3	-369,1
Profit/loss for the period	498,6	382,4
Total recognised income/expense for the year	498,9	13,3
Changes related to own shares	131,5	24,8
Employee share-option schemes	12,8	8,3
Dividends paid	-117,3	-91,7
Issue of share capital	21,4	-
Minority interests from acquisitions	-4,9	-
Equity per 31.12	3 355,2	2 813,0

* Hereby long-term liabilities, Group companies -21,8 in 2010

The Group generated an operational cash flow of MNOK 558.9 for the full year of 2010. This is MNOK 167.6 below last year and is due to a build up in working capital caused by a strong increase in revenue and some increases in customer specific inventory. As explained during the Q4 presentation last year the 2009 cash flow was also exceptionally strong fuelled by some one time effects of approximately MNOK 100. In Q4 2010 the operational cash flow was MNOK 527.4, on same level as Q4 2009.

During Q4 2010 capital expenditures were MNOK 46.6 and payments regarding acquisitions were MNOK 107.6. The acquisition payments are related to Datawest and Ten of Ten in Finland, Benzler Group in Sweden and Umoe IKT in Norway. A total interest bearing debt of MNOK 17.4 was included in the balance sheet from these companies in addition to the cash payments (MNOK 107.6).

Cash flow from equity transactions was MNOK 15.3 in Q4 2010 and is related to a sale of shares in connection with Atea's share option program.

The working capital ratio as of December 31, 2010, was 0.7% which is same level as 0.5% achieved in corresponding period in 2009. Net interest bearing position as of December 31, 2010, compared to September 30, 2010, decreased by MNOK 393.7 from MNOK 731.0 to MNOK 337.3. Cash reserves including unutilised credit facilities as of December 31, 2010, were MNOK 1,499.7.

Consolidated statement of cash flow (amounts in MNOK)	Q4		Full year	
	2010	2009	2010	2009
Cash earnings	354,3	179,7	700,8	457,3
Changes in work. cap./accr. items	173,1	353,9	-141,9	269,2
Cash flow from operations	527,4	533,6	558,9	726,5
Capital expenditures	-46,6	-66,7	-125,1	-135,5
Purch./sale of subs./assoc./investm.	-107,6	8,8	-386,6	-41,7
Cash flow from investments	-154,2	-57,9	-511,7	-177,2
Change in debt	-170,0	-431,6	204,4	-786,8
Equity transactions	15,3	17,8	-70,1	-73,9
Cash flow from financing	-154,7	-413,8	134,3	-860,7
Change in cash	218,5	61,9	181,5	-311,4
Cash, start of period	185,2	139,9	194,5	568,2
Cash, end of period	404,0	194,5	404,0	194,5
Currency effects on cash and cash equivalents	0,3	-7,3	28,1	-62,3

Shares

Atea ASA had 9,126 shareholders as of December 31, 2010, compared to 9,172 as of September 30, 2010. The 10 largest shareholders as of December 31, 2010 are:

Main Shareholders *	Shares	%
SYSTEMINTEGRATION APS **	28 438 490	29,53%
STATE STREET BANK & TRUST CO. REF: OM80 ***	6 076 452	6,31%
GOLDMAN SACHS INT. - EQUITY - ***	3 802 939	3,95%
STATE STREET BANK AND TRUST CO. REF: OM06 ***	3 715 805	3,86%
BANK OF NEW YORK MELLON ***	2 411 743	2,50%
UMOE AS	1 780 000	1,85%
VPF NORDEA KAPITAL	1 466 417	1,52%
STATE STREET BANK AND TRUST CO. REF: OM04 ***	1 319 605	1,37%
SHB STOCKHOLM CLIENTS ACCOUNT ***	1 261 077	1,31%
VITAL FORSIKRING ASA ***	1 224 972	1,27%
Other	44 797 522	46,52%
Total number of shares	96 295 022	100,00%

* Source: Verdipapirsentralen

** Includes shares held by Ib Kunøe

*** Includes client nominee accounts

End of Q4 2010, Chairman Ib Kunøe and close associates control a total of 29.9% of the shares, including the shares held in Systemintegration ApS.

Financial statement

Revenue (amounts in MNOK)	4th quarter			Full year		
	2010	2009	% change	2010	2009	% change
Norway	1 453,3	1 048,2	38,6	4 213,0	3 566,3	18,1
Sweden	1 992,0	1 228,1	62,2	5 238,3	3 965,3	32,1
Denmark	1 831,2	1 592,8	15,0	5 569,4	5 259,6	5,9
Finland	533,0	428,1	24,5	1 716,6	1 501,4	14,3
The Baltics	152,6	115,1	32,6	401,2	299,5	34,0
Atea Logistics, Atea Service Center and Atea Spintop	1 030,7	722,3	42,7	3 098,1	2 438,3	27,1
Eliminations*	-1 033,1	-725,5	-	-3 105,4	-2 441,9	-
Atea Group	5 959,6	4 409,1	35,2	17 131,2	14 588,6	17,4

EBITDA (amounts in MNOK)	4th quarter			Full year		
	2010	2009	% change	2010	2009	% change
Norway	66,6	55,9	19,0	181,4	134,4	35,0
Sweden	98,2	62,3	57,7	206,4	138,8	48,7
Denmark	107,6	103,4	4,0	239,0	264,8	-9,7
Finland	17,9	11,7	52,4	35,4	13,0	172,6
The Baltics	9,8	4,2	136,5	15,2	9,8	55,7
Atea Logistics, Atea Service Center and Atea Spintop	9,0	6,9	29,6	27,6	22,1	25,2
Group cost	-8,8	-10,0	12,0	-29,8	-32,5	8,4
EBITDA	300,2	234,4	28,1	675,2	550,3	22,7
EBITDA margin (%)	5,0 %	5,3 %	-	3,9 %	3,8 %	-

EBIT (amounts in MNOK)	4th quarter			Full year		
	2010	2009	% change	2010	2009	% change
Norway	53,0	45,6	16,1	135,1	95,3	41,7
Sweden	92,7	55,8	66,2	181,0	116,2	55,8
Denmark	81,2	78,9	2,9	144,0	175,8	-18,1
Finland	13,0	8,1	59,3	17,6	-0,5	-
The Baltics	7,0	1,9	274,2	6,3	-0,1	-
Atea Logistics, Atea Service Center and Atea Spintop	7,8	5,4	46,0	23,6	15,5	52,3
Group cost	-10,5	-44,3	76,4	-33,1	-68,1	51,4
Operating profit/loss (EBIT)	244,3	151,4	61,3	474,4	334,1	42,0

Revenue and contribution/margin (amounts in MNOK)	4th quarter			Full year		
	2010	2009	% change	2010	2009	% change
Consulting and services revenue	1 069,9	866,7	23,4	3 349,9	3 121,4	7,3
Product revenue	5 960,7	4 294,7	38,8	16 968,3	13 975,2	21,4
Eliminations*	-1 070,9	-752,2	-42,4	-3 187,0	-2 508,0	-27,1
Total revenue	5 959,6	4 409,1	35,2	17 131,2	14 588,6	17,4
Gross contribution	1 252,8	1 012,1	23,8	4 002,2	3 592,1	11,4
Consulting and services margin	63,5 %	68,5 %	-	66,7 %	70,1 %	-
Product margin	9,6 %	9,7 %		10,4 %	10,0 %	
Gross margin	21,0 %	23,0 %		23,4 %	24,6 %	

Quarterly revenue and contribution/margin

(amounts in MNOK)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Consulting and services revenue	803,3	771,1	680,3	866,7	745,2	795,7	739,1	1 069,9
Product revenue	3 307,4	3 526,7	2 846,4	4 294,7	3 461,6	3 935,8	3 610,2	5 960,7
Eliminations*	-606,7	-512,6	-636,5	-752,2	-635,9	-689,2	-790,9	-1 070,9
Total revenue	3 504,0	3 785,3	2 890,2	4 409,1	3 570,9	4 042,3	3 558,4	5 959,6
Gross contribution	906,0	906,5	767,4	1 012,1	921,2	958,8	869,5	1 252,8
Consulting and services margin	71,6 %	71,3 %	69,2 %	68,5 %	69,8 %	68,2 %	66,5 %	63,5 %
Product margin	10,0 %	10,1 %	10,4 %	9,7 %	11,6 %	10,6 %	10,5 %	9,6 %
Gross margin	25,9 %	23,9 %	26,6 %	23,0 %	25,8 %	23,7 %	24,4 %	21,0 %

Note: All EBITDA figures are before share-based option cost and acquisition cost.

Note: 2009 figures include: Mondo Hosting (activities) from Jun 26, AC Siring from Aug 13, A Communications from Nov 3, Aprismo (activities) from Dec 16 and Uni Networks from Dec 22.

2010 figures include: Calamus Danmark from Jan 5, Office print/copy companies from Feb 14-17, PALnet from Feb 17, Impact Europe AB from Apr 26, Impact Europe Norge AS from May 21, Dropzone AS from Jun 9, Portal from Aug 9, Belle Balance from Aug 19, Ten of Ten from Nov 15, Datawest from Nov 25, Benzler Group from Dec 13 and Umoe IKT from Dec 21.

* Most of Atea's internal sales are from Atea Logistics, Atea Service Center and Atea Spintop.

Consolidated statement of comprehensive income

	4th quarter		Full year	
(amounts in MNOK)	2010	2009	2010	2009
Operating revenue	5 959,6	4 409,1	17 131,2	14 588,6
Goods consumed	4 706,9	3 397,0	13 129,0	10 996,5
Wages and social costs	760,3	629,3	2 684,7	2 480,0
Other operating expenses	192,3	148,4	642,3	561,8
EBITDA before share based comp.	300,2	234,4	675,2	550,3
Non-Core	-	32,3	-	32,3
Expenses/income related to acquisition costs	3,3	-	14,7	-
Share based compensation	6,8	5,9	12,3	16,6
Operating profit/loss before depreciation (EBITDA)	290,2	196,2	648,3	501,4
Depreciation	46,0	44,8	173,9	167,3
Operating profit/loss (EBIT)	244,3	151,4	474,4	334,1
Finance income	26,5	63,0	120,8	90,3
Finance cost	33,1	81,9	146,1	145,2
Net finance	-6,6	-19,0	-25,3	-55,0
Profit/loss before taxes for continued operations (EBT)	237,7	132,5	449,2	279,1
Taxes on continued operations	-71,3	-100,4	-49,4	-103,3
Profit/loss for the period	309,0	232,8	498,6	382,4
Other comprehensive income				
Currency translation differences	-23,0	-54,1	-16,3	-369,1
Forward contracts	8,3	-	8,3	-
Currency translations differences on financial investments	-0,1	-	-0,1	-
Income tax relating to components of other comprehensive income	6,6	-	8,5	-
Other comprehensive income	-8,2	-54,1	0,3	-369,1
Total comprehensive income for the period	300,8	178,7	498,9	13,3
Of which minority interests	0,7	-2,4	1,2	0,2

Consolidated statement of financial position

(amounts in MNOK)	31.12.2010	31.12.2009
Assets		
Deferred tax asset	469,8	318,0
Goodwill	2 757,7	2 324,3
Other intangible assets	341,2	230,9
Property, plant and equipment	157,9	115,1
Receivables/investments	50,4	57,1
Non-current assets	3 777,1	3 045,6
Inventories	498,8	393,4
Accounts receivable	4 367,8	3 211,4
Other receivables	571,1	310,0
Financial investments	27,2	0,8
Cash and cash equivalents	404,0	194,5
Current assets	5 869,0	4 110,0
Total assets	9 646,1	7 155,5
Equity and liabilities		
Share capital and premiums	1 574,7	1 524,4
Fund	47,8	43,0
Retained earnings	1 731,6	1 241,9
Equity attributable to shareholders of Atea ASA	3 354,1	2 809,3
Minority interests	1,1	3,7
Interest-bearing borrowing/liabilities	20,5	12,4
Other long term liabilities	64,4	22,9
Deferred tax liability	165,1	73,7
Retirement benefit obligation	13,1	0,9
Non-current liabilities	263,1	109,9
Interest-bearing borrowing/liabilities	721,3	403,9
Accounts payable	3 120,3	2 162,2
Provisions	170,4	144,4
Other liabilities	2 015,6	1 522,1
Current liabilities	6 027,7	4 232,6
Total liabilities	6 290,7	4 342,5
Total equity and liabilities	9 646,1	7 155,5

Key figures

	4th quarter		Full year	
	2010	2009	2010	2009
Earnings per share (NOK) *	3,26	2,52	5,29	4,16
Diluted earnings per share, adj. for effect of option progr. (NOK) *	3,22	2,48	5,23	4,15
Weighted average number of shares *	94 561 958	92 453 460	94 050 978	91 931 912
Weighted average number of diluted shares *	95 638 328	93 709 272	95 054 320	92 217 732

	31.12.2010	31.12.2009
Number of shares end of period *	96 291 421	92 627 853
Net interest-bearing position (MNOK)	337,3	214,1
Cash reserve (MNOK)	1 499,7	1 536,5
Working capital (MNOK)	158,6	86,8
Working capital ratio	0,7 %	0,5 %
Equity ratio	34,8 %	39,3 %
Number of employees	5 418	4 380

* Excluding Atea ASA's number of own shares (3,601 end of Q4 2010).