

AINMT Scandinavia Holdings AS

**Quarterly Report
January – June 2016**

SECOND QUARTER 2016 SUMMARY

- Service revenue of NOK 194,257 thousands; 19% y-o-y growth
- EBITDA* of NOK -76,232 thousands
- Book equity of NOK 534 million

<i>Amounts in NOK'000</i>	Apr – Jun 2016	Apr – Jun 2015	Jan - Jun 2016	Jan – Jun 2015
Service revenue	194,257	162,685	374,844	340,022
EBITDA *	-76,232	16,926	-87 324	65,903
CAPEX **	126,870	62,430	233,460	190,582
Total assets	2,606,549	2,545,010	2,606,549	2,545,010
Operating margin %	nm	nm	nm	nm
Equity/assets ratio %	20%	33%	20%	33%

* AINMT defines EBITDA as operating profit after adjustment of operating expenses for depreciation, amortization and impairment losses, foreign exchange differences recognized in income pertaining to revaluation of items in the balance sheet and non-recurring items. Any effects from business combinations are not included. For details, see below.

** CAPEX is defined as investments in intangible, tangible and financial assets as reported in the statement of cash flows.

CEO's statement

The main highlights from the second quarter 2016 were a continued strong sales momentum in Norway, strengthening of the balance sheet through a successful private placement, the start of the migration to ice.net's own mobile phone network, and sustained improved results in our Swedish operation.

As mentioned in the Q1 2016 report, ice.net's gross subscriber sales in Norway (mobile phone and mobile broadband) totalled more than 50,000 in April and May alone. We are very pleased that the sales rate has been maintained at very favourable levels throughout the entire summer period and into August.

Growing at the rapid speed we have done in Norway does not come free. Hence, a private placement was successfully completed in June with the objective of raising proceeds to fund higher customer acquisition in Norway than previously anticipated and higher investments in sites and IT-systems in order to have more on-net traffic and enable disruptive offerings. AINMT AS completed the NOK 429 million private placement and subsequently subscribed shares in AINMT Holdings AB, which in turn has granted a subordinated shareholder loan to AINMT Scandinavia Holdings AS. The shareholder loan has a cap of NOK 450 million with an initial disbursement of NOK 200 million. This gives our Norwegian operation added financial flexibility going forward, and will enable it to continue on its current growth path.

In late June, only one year after we launched our consumer smartphone proposition in Norway, we started the process of migrating our smartphone customers from Telia's network across to ice.net's own 4G-only network. As expected, this has been a technical and operational challenge for our Norwegian operation, but each task has been solved with highly satisfactory results. A continuing strong customer intake in both existing and new sales channels throughout the summer, in addition to high volumes of customer being migrated to our new platform, has led to longer waiting time than normal at customer care. Churn increased somewhat in July, but still within industry average. The migration process as now been finalised for our consumer customers which will improve the situation greatly.

In Sweden, Net1 continues to deliver improved performance. We expect the solid profitability level to continue in the coming quarters.

Significant events during the second quarter

- Phil Hewinson, Facebook's head of third-party mobile app monetization in Europe, Middle East and Africa, joined the board of directors of AINMT Scandinavia Holdings AS's parent company, AINMT Holdings AB.
- AINMT AS completed a private placement through issuance of new shares for a total consideration of NOK 429 million which was used to subscribe for 6,601,556 new shares in AINMT Scandinavia Holdings AS's parent company AINMT Holdings AB. The latter will use the proceeds to fund higher customer acquisition in Norway than previously anticipated and to fund higher investments in sites and IT-systems in Norway in order to have more on-net traffic and enable disruptive offerings.
- Start-up of the process to migrate all mobile phone customers in Norway from Telia's network across to ice.net's own network.

Significant events after the end of the period

- In August, following the share issue in AINMT AS and AINMT Holdings AB (see "significant events during the second quarter" above), the latter granted a subordinated shareholder loan to AINMT Scandinavia Holdings AS. The shareholder loan has a cap of NOK 450 million with an initial disbursement of NOK 200 million and runs with 9.75% interest. The loan is subordinated to AINMT Scandinavia Holdings AS' high yield bond (ISIN: NO0010705601). This means, inter alia, that during the term of this bond loan the shareholder loan is non-amortising and no interest is payable (PIK).

Personnel and organization

At the end of the period, the number of employees amounted to 157 versus 129 for the equivalent period the previous year. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed 266 (173) people.

Investments

The Group's acquisition of intangible assets during the second quarter amounted to NOK 5,781 (45) thousands. The corresponding numbers for the first six months was NOK 8,814 (36,145) thousands,

Investments in tangible assets during the second quarter amounted to NOK 123,813 (54,934) thousands and the corresponding numbers for the first six months NOK 226,250 (134,186) thousands.

The investments are mainly related to the network smartphone migration project in Norway, both on existing and new sites as well as on backbone systems.

Net financial investments for the quarter amounted to NOK 2,724 (7,450) thousands.

EBITDA

Non-recurring and other non-operational items identified during the second quarter amounts to NOK 15,136 (5,247) thousands and the total year-to-date amounts to NOK 26,083 (13,087) thousands. Non-recurring items are mainly related to extraordinary costs related to the network technology upgrade. For the 2015 numbers, the NOK 94.6 million net positive effect from the acquisition of Network Norway in the first quarter is not included in the EBITDA.

Please also refer to the section on Alternative Performance Measures on page 8.

Risks and factors of uncertainty

AINMT Scandinavia's operations are exposed to certain risks that could have a varying impact on earnings or its financial position. These can be divided into industry, operational and financial risks; including regulatory and competitive risks.

A material part of the Group's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner to an increasing extent. Please refer to the annual report of 2015 for a detailed walk-through of the risks identified.

Related party transactions

No related party transactions to report for the second quarter of 2016. Please see further details under the section Critical accounting estimates and judgements in the annual report of 2015.

Outlook 2016

The company expects to increase its mobile phone market share in Norway.

Legal disclaimer

Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, fluctuations in exchange rates and interest rates and political risks.

31 August 2016

The Board of Directors of AINMT Scandinavia Holdings AS

CONDENSED FINANCIAL REPORTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONDENSED)

<i>Amounts in NOK'000</i>	Apr – Jun 2016	Apr – Jun 2015	Jan – Jun 2016	Jan – Jun 2015
Service revenue	194,257	162,685	374,844	340,022
Other operating revenue	31,324	54,479	41,268	72,965
Total operating revenue	225,582	217,164	416,113	412,986
Acquisition of Network Norway	-	-	-	94,600
Operating expenses	-141,921	-104,131	-214,837	-183,329
Other expenses	-140,738	-69,969	-242,284	-110,562
Employee benefit expenses	-34,291	-31,386	-72,399	-66,279
Depreciation & amortization	-56,627	-92,518	-116,198	-174,677
Total operating expenses	-373,576	-298,003	-645,717	-440,248
Operating result	-147,995	-80,839	-229,605	-27,261
Financial items	-10,135	-51,402	-24,954	-90,113
Result before tax	-158,130	-132,241	-254,559	-117,374
Income taxes	233	-144	192	-623
Net result for the period	-157,897	-132,385	-254,367	-117,997
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Translation differences on foreign operations	3,113	-104	1,757	-2,014
<i>Items that will not be reclassified to profit or loss</i>	-	-	-	-
Other comprehensive income	3,113	-104	-1,757	-2,014
Total comprehensive income for the period	-154,784	-132,489	-252,610	-120,011
<i>Net result for the period attributable to:</i>				
Equity holders of the parent company	-157,607	-131,903	-253,609	-117,025
Non-controlling interests	-290	-482	-758	-972
Net result for the period	-157,897	-132,385	-254,367	-117,997
<i>Total comprehensive income attributable to:</i>				
Equity holders of the parent company	-154,915	-132,003	-252,266	-118,991
Non-controlling interests	131	-487	-344	-1,020
Total comprehensive income for the period	-154,784	-132,489	-252,610	-120,011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONDENSED)

<i>Amounts in NOK'000</i>	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS			
Intangible assets	835,792	940,565	888,176
Tangible assets	1,179,165	665,645	1,040,281
Financial assets	12,344	23,183	14,027
Deferred tax assets	1,926	-	1,729
Total non-current assets	2,029,227	1,629,393	1,944,214
Inventory	61,276	50,006	46,075
Trade receivables	62,896	99,950	97,635
Other receivables	91,206	1,918	37,342
Prepaid expenses and accrued income	74,468	85,505	75,268
Cash and cash equivalents	287,476	678,238	640,067
Total current assets	577,322	915,617	896,387
TOTAL ASSETS	2,606,549	2,545,010	2,840,601
EQUITY AND LIABILITIES			
Total Equity	528,321	830,344	781,384
Deferred tax liabilities	-	33,548	-
Borrowings	1,511,967	1,453,945	1,589,768
Total non-current liabilities	1,511,967	1,453,945	1,589,768
Trade payables	231,210	68,800	59,513
Other liabilities	12,882	9,227	12,960
Accrued expenses and deferred income	322,169	149,145	396,976
Total current liabilities	566,260	227,173	469,449
TOTAL EQUITY AND LIABILITIES	2,606,549	2,545,010	2,840,601

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONDENSED)

<i>Amounts in NOK'000</i>	Jan - Jun 2016			Jan - Jun 2015		
	Shareholders in the parent company	Non- controlling interests	Total equity	Shareholders in the parent company	Non- controlling interests	Total equity
Opening balance	780,613	771	781,384	946,316	1,100	947,416
Net result for the period	-253,609	-758	-254,367	-117,025	-972	-117,997
Other comprehensive income	-3,870	414	-3,456	-1,966	-48	-2,014
Capital contribution from share-based payments	4,760	-	4,760	2,940	-	2,940
Closing balance	527,894	427	528,321	830,264	80	830,344

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

<i>Amounts in NOK'000</i>	Apr - Jun 2016	Apr - Jun 2015	Jan - Jun 2016	Jan - Jun 2015
Cash flows from operating activities	-13,416	11,646	-38,905	-81,870
Cash flows from investing activities	-126,870	-62,430	-233,460	-190,582
Cash flows from financing activities	-1,203	-1,599	-77,267	-75,612
Net increase/decrease in cash and cash equivalents	-141,489	-52,383	-349,633	-348,064
Cash and cash equivalents, opening balance	428,878	729,109	642,645	1,027,542
Exchange rate differences in cash & cash equivalents	87	1,512	-5,537	-1,240
Cash and cash equivalents, closing balance	287,476	678,238	287,476	678,238

CONSOLIDATED KEY RATIOS

<i>Amounts in NOK'000</i>	Apr – Jun 2016	Apr – Jun 2015	Jan – Jun 2016	Jan – Jun 2015
Return on equity				
Return on equity %	nm	nm	nm	nm
Profit				
EBITDA	-76,232	16,926	-87 324	65,903
Operating result	-147,995	-80,839	-229,605	-27,261
Operating margin in %	nm	nm	nm	nm
Net profit margin in %	nm	nm	nm	nm
Key ratios - increase				
Service revenue growth in %	19%	28%	10%	35%
Service revenue growth in absolute numbers	31,573	35,108	34,823	88,411
Key ratios – financial position				
Cash liquidity %	102%	403%	102%	403%
Total assets	2,606,549	2,545,010	2,606,549	2,545,010
Equity/assets ratio %	20%	33%	20%	33%
Equity	528,321	830,344	528,321	830,344
Gross interest bearing debts	1,537,948	1,487,450	1,537,948	1,487,450
Net debt	1,250,471	809,212	1,250,471	809,212

Definitions of Key Ratios

EBITDA	AINMT defines EBITDA as operating income after adjustment of expenses for depreciation, amortization and impairment losses, foreign exchange differences recognized in income pertaining to revaluation of items in the balance sheet and non-recurring items. Any effects from business combinations are not included in EBITDA.
Cash liquidity in %	Current assets divided by current liabilities
Equity/assets ratio %	Equity divided by total capital
Net result margin in %	Profit after financial items divided by total operating revenue
Operating result	Profit before financial items and tax
Operating margin in %	Operating profit divided by total operating revenue
Return on Assets in %	Profit/loss before tax divided by total assets
Return on Equity in %	Profit/loss before tax divided by equity
Net debt	Gross interest bearing debts less cash and cash equivalents
Service revenue growth in %	Growth in comparison with the same period previous year in %
Service revenue growth	Growth in comparison with the same period previous year in absolute numbers

NOTES TO THE FINANCIAL REPORTS

Basis of preparation

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles are the same as those applied in the latest annual report unless otherwise stated below. The report has not been subject to review by the auditors of AINMT Scandinavia Holdings AS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make certain judgments in applying the Group's accounting policies.

New and changed accounting standards in 2016

None of the standards and statements that have been published by the IASB and are effective for annual periods beginning on or after January 1, 2016, have had any material impact on the financial statements of the Group.

Segment information by geographical area

Amounts in NOK'000

Jan - Jun 2016	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	280,140	308,507	-115,231	213,628	1,578,946
Sweden	84,377	95,761	29,755	15,255	392,621
Denmark	10,327	11,845	-1,176	6,181	43 390
Other	-	-	-672	-	-
Total	374,844	416,113	-87,324	235,064	2 014 957

Jan - Jun 2015	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	251,201	309,412	61,959	149,579	1,277,782
Sweden	79,712	93,381	4,697	18,167	300,231
Denmark	9,107	9,892	-753	2,586	28,198
Total	340,022	412,986	65,903	170,331	1,606,210

Revenue from intercompany transactions is not included in the segment information.
Investments and non-current assets excludes financial assets and deferred tax assets.

Alternative Performance Measures – EBITDA

EBITDA is a financial parameter that the AINMT group considers to be relevant to an investor who wants to understand the generation of earnings before investment in fixed assets. AINMT defines EBITDA as operating profit after adjustment of expenses for depreciation, amortization and impairment losses, foreign exchange differences recognized in income pertaining to revaluation of items in the balance sheet and non-recurring items. Any effects from business combinations are not included. See also definitions on page 7.

EBITDA reconciliation

<i>Amounts in NOK'000</i>	Apr – Jun 2016	Apr – Jun 2015	Jan – Jun 2016	Jan – Jun 2015
Operating result	-147,995	-80,839	-229,605	-27,261
Depreciation & amortization	56,627	92,518	116,198	174,677
Items related to network technical upgrade	10,467	2,766	17,663	5,368
Redundancy and other non-recurring costs	1,549	1,021	3,660	4,779
IFRS 2 costs	3,120	1,462	4,760	2,940
Acquisition of Network Norway	-	-	-	-94,600
EBITDA	-76,232	16,926	-87 324	65,903

CONTACT DETAILS

Address: AINMT Scandinavia Holdings AS
Østensjøveien 32
0667 Oslo
Norway

E-mail: info@ainmt.com
Web: www.ainmt.com

All financial information is posted on www.ainmt.com immediately after publication.

OTHER REPORTING RELATED TO THE 9.75 PER CENT SENIOR SECURED CALLABLE BOND ISSUE 2014/2019

Financial Covenants and unconsolidated financial statements of the legal entities of the Group

We hereby confirm that as at 30 June 2016;

- the total book equity, converted to SEK, amounts to SEK 533 million
- the ratio of total assets book value to the bonds carrying amount, both adjusted for the amount blocked on the company's debt service account, calculates to 175%
- the total cash, converted to SEK, amounts to SEK 290 million

	AINMT Scandinavia Holdings AS NOK'000		Ice Norge AS NOK'000		Ice Communication Norge AS NOK'000		Netett Sverige AB SEK'000		Ice Danmark ApS DKK'000	
STATEMENTS OF INCOME	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015
Service revenue	-	-	130,746	145,315	151,291	103,874	87,186	90,502	8,143	7,849
Other operating revenue	49	622	54,436	13,890	42,283	45,538	15,483	19,342	1,197	676
Operating expenses	-721	-984	-192,115	-122,799	-308,752	-114,163	-78,910	-112,026	-9,681	-8,746
Depr & amort	-	-	-12,099	-78,017	-56,713	-28,932	-26,417	-71,149	-3,771	-5,531
Operating result	-672	-362	-19,032	-41,611	-171,892	6,316	-2,658	-73,330	-4,111	-5,752
Financial items	40,929	-51,759	-6,670	-6,967	-25,746	-7,513	-28,827	-22,141	-3,240	-2,901
Income taxes	-	-	-	-	-	-33,250	-	-	-	-
Result for the period	40,257	-52,121	-25,702	-48,578	-197,638	-34,447	-31,485	-95 471	-7,351	-8,653
EBITDA *	-672	-362	-7,514	33,641	-107,717	28,770	29,267	5,071	-927	-649
STATEMENTS OF FINANCIAL POSITIONS										
ASSETS										
Intangible assets	-	-	9,429	6,444	745,452	859,175	64,751	52,611	12,564	15,009
Tangible assets	-	-	89,050	119,135	578,436	122,483	292,811	217,005	21,092	7,908
Financial assets	3,144,033	2,378,816	110,851	118,838	184,202	209,504	2,707	40,252	912	912
Non-current assets	3,144,033	2,378,816	209,330	244,417	1,508,091	1,191,162	360,269	309,868	34,568	23,829
Trade receivables	1,334	955	149,744	53,946	23,637	70,920	105,682	63,179	11,900	1,774
Other receivables	122,531	35,571	166,496	93,144	256,272	93,310	111,345	119,743	633	3,764
Cash and cash equivalents	48,820	483,737	16,243	14,799	115,788	52,905	63,180	88,388	35,007	33,046
Current assets	172,685	520,263	332,483	161,889	395,697	217,135	280,207	271,309	47,540	38,584
TOTAL ASSETS	3,316,718	2,899,078	541,813	406,306	1,903,788	1,408,298	640,476	581,177	82,108	62,413
Equity										
Equity	1,681,787	1,328,295	114	70,628	323,590	634,616	39,815	31,808	3,550	19
Provisions	-	-	-	-	15,552	156,370	-	39,162	-	-
Borrowings	1,519,888	1,455,549	232,537	204,047	971,591	432,660	426,703	431,579	53,748	53,640
Non-current liabilities	1,519,888	1,455,549	232,537	204,047	987,143	589,030	426,703	470,741	53,748	53,640
Trade payables	12,493	7,140	90,028	16,579	308,971	38,708	37,124	14,910	11,542	1,654
Other current liabilities	102,550	108,094	219,134	115,051	284,084	145,944	136,834	63,717	13,268	7,101
Current liabilities	115,043	115,234	309,163	131,630	593,055	184,652	173,958	78,627	24,809	8,755
Total liabilities	1,634,930	1,570,783	541,700	335,678	1,580,198	773,682	600,661	549,369	78,558	62,394
TOTAL EQUITY AND LIABILITIES	3,316,718	2,899,078	541,813	406,306	1,903,788	1,408,298	640,476	581,177	82,108	62,413
STATEMENTS OF CASH FLOWS										
Cash flows from:										
operating activities	17,389	-81,037	-35,068	-25,539	2,604	-28,288	-23,554	-36,740	2,156	8,454
investing activities	-295,000	-143,750	-10,092	-23,735	-200,285	-144,337	-16,596	-19,730	-4,875	-2,325
financing activities	-75,951	-	40,000	-1,584	255,000	143,750	-1,180	-1,180	-90	-
Cash from mergers	-	-	-	-	1,726	-	-	-	-	-
Change in cash	-353,562	-224,787	-5,160	-50,857	59,045	-28,875	-41,330	-57,649	-2,809	6,129

* See definitions, page 7.

Note that the balance sheet of AINMT Scandinavia Holdings AS above is presented in accordance with local GAAP and therefore deviates from the consolidated balance sheet on page 5 which is presented in accordance with IFRS.

The entities that came along with the acquisition of Network Norway, Officer AS and its dormant subsidiary Drammen Tele AS, were merged into Ice Communication Norge AS per 1 January 2016.