

# **AINMT Scandinavia Holdings AS**

**Quarterly Report  
January – March 2017**

## FIRST QUARTER 2017 SUMMARY

- Service revenue of NOK 280,052 thousand; 55% y-o-y growth
- EBITDA\* of NOK -98,464 thousand
- Book equity of NOK 1,186,236 thousand

<i>Amounts in NOK'000</i>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>
Service revenue	280,052	180,587
EBITDA *	-98,464	-11,092
CAPEX **	-236,595	-128,152
Total assets	3,087,478	2,706,468
Operating margin %	nm	nm
Equity/assets ratio %	38%	25%

\* 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 non-current assets as reported in the statement of cash flows.

### CEO's statement

The main highlight of the first quarter 2017 was the increased revenue growth driven by strong B2C smartphone momentum in Norway. Over the last three quarters the y-o-y service revenue growth for AINMT Scandinavia Holdings AS has steadily increased to now 55% in Q1 2017 vs 20% for FY2016. Even though the service revenues grew 55% y-o-y, the introduction to EU-roaming price plans was introduced late in Q117 and most of the positive effect of the change did not occur in this quarter, but will fully materialize by end of Q217. We continue to make progress regarding our network build-out, Q1 saw an average smartphone on-net traffic of 13% and we're confident in reaching our on-net share targets in the following quarters.

Another major event for AINMT Scandinavia Holdings AS was the refinancing we completed in March. The new financing solution strengthens the company's financial position and significantly reduces our annual financial costs. The new NOK 1.4 billion secured bank facilities underwritten by DNB Bank ASA and NOK 800 million senior unsecured bond were announced in March and subsequently signed and allocated on 7 April. The proceeds of the refinancing has since been used to part-finance the full redemption of our SEK 1.5 billion bond, which was issued in March 2014. Today, we have been through a major transformation including completing the 4G swap and migration to our own platform for smartphone subscribers, which is reflected in significantly lower interest rates for the new financing package. We have reduced the interest costs from 9.75% in the SEK 1.5 billion bond to a blended debt financing cost of NIBOR +4.80% across the underwritten secured bank facilities and the new bond issue at the point of the refinancing. This will yield significant increased flexibility for us going forward.

In Norway, ice.net continues to operate as an innovative player that want to challenge both the traditional telecoms industry and the lucrative mobile phone duopoly of Telenor and Telia. Ice.net was the first company to launch data roll-over to all its mobile phone consumer customers – a move that was extremely well received amongst its current customer base. It also drove additional sales. All other Norwegian mobile phone operators have since followed suit. Since then, ice.net has also included data roll-over for its B2B as well as mobile broadband customers, making it the only company in Norway to offer data roll-over to all of it's customers.

In March, ice.net introduced EU roaming to all its mobile phone subscriptions and customers. Prices were adjusted accordingly, but this has not generated significant churn. ice.net's strategy of operating openly and honestly, with easy-to-understand subscription packages without any hidden fees, has struck a chord with Norwegian consumers. The company will continue to build on this successful position to further differentiate itself from other operators.

### Significant events during the period

- On 3 February 2017, ice.net in Norway announced that it in March would launch data roll-over for all mobile phone consumer customers. On 23 February, the offer was extended to B2B customers as well, effective from April. Ice.net was the first operator in Norway to introduce the roll over concept, which effectively allows customers to transfer any leftover data from their current bundle (up to a certain cap) to the following month.
- The remaining NOK 200 million of the NOK 400 million shareholder loan granted by AINMT Holdings AB to AINMT Scandinavia Holdings AS in December 2016 was disbursed in January 2017.
- On 8 March, the company announced a NOK 1.4 billion underwritten bank facilities with DNB Bank ASA (subject to certain conditions precedent), comprising of senior secured facilities of NOK 800 million and an additional underwritten facility of NOK 600 million.
- On 9 March 2017, the company successfully completed the placement of a new five-year NOK 800 million senior unsecured bond issue. The placement was significantly oversubscribed.
- Prior to closing of the above-mentioned bank facilities and bond issue, AINMT Holdings AB committed to inject NOK 830 million in equity or sub-ordinated loans into AINMT Scandinavia Holdings AS. This figure includes an amount of NOK 400 million already contributed as a subordinated loan into Scandinavia following the NOK 800 million AINMT AS share issue in Q4 2016.
- The company also announced that it would issue a notice of early redemption for the outstanding SEK 1.5 billion senior secured bonds maturing in March 2019 (ISIN NO 0010705601).

### Significant events after the end of the period

- On 7 April 2017, AINMT Scandinavia Holdings AS announced the successful signing and completion of both the NOK 1.4 billion secured bank facilities and the five-year NOK 800 million senior unsecured bond issue. The debt facility consists of a NOK 200 million four-year term loan A, NOK 600 million five-year term loan B and a NOK 600 million five-year term loan C (growth) facility, paying N+425bps, N+475bps and N+450bps, respectively with a ratchet that leads to lower interest margin once certain milestones have been passed. The debt package also includes a five-year NOK 800 million unsecured bond paying N+525bps, which closes simultaneously with the debt facility. The proceeds of the refinancing will be used to part-finance the full redemption of the existing SEK 1.5 billion bond and for general corporate purposes.
- On 21 April 2017, the company issued the call notice and redemption of the SEK 1.5 billion bond with ticker AINMT01. The call was settled on 25 April 2017, which was also the last day of trading for the bond.
- On 24 April 2017, AINMT's Norwegian operation was awarded the customer service award "Best in test" in 2017 for both mobile phone and broadband, significantly outperforming its competitors in both categories.

### Personnel and organization

At the end of the period, the number of employees amounted to 170 versus 151 for the equivalent period the previous year. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed 266 (249) people.

## Investments

The Group's acquisition of intangible assets during the first quarter amounted to NOK 19,610 (3,034) thousands. Investments in tangible assets during the first quarter amounted to NOK 216,984 (102,436) 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 -2,906 (1,120) thousands.

## EBITDA

Non-recurring and other non-operational items identified during the first quarter amounted to NOK 13,409 (10,948) thousands. Non-recurring items are mainly related to extraordinary costs related to the network technology upgrade and Smartphone migration.

Please also refer to the section on Alternative Performance Measures on page 9.

## 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 2016 for a detailed walk-through of the risks identified.

## Related party transactions

During the quarter AINMT Scandinavia Holdings AS entered into a subordinated loan agreement with its parent, AINMT Holdings AB. Please see above for details. For other items, see further details under the section on critical accounting estimates and judgements in the annual report of 2016.

## Outlook 2017

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 May 2017

The Board of Directors of AINMT Scandinavia Holdings AS

## CONDENSED FINANCIAL REPORTS

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONDENSED)

<i>Amounts in NOK'000</i>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>
Service revenue	280,052	180,587
Other operating revenue	20,913	9,944
<b>Total operating revenue</b>	<b>300,965</b>	<b>190,531</b>
Operating expenses	-207,428	-72,916
Other expenses	-150,592	-101,546
Employee benefit expenses	-54,818	-38,108
Depreciation & depreciation	-72,129	-59,571
<b>Total operating expenses</b>	<b>-484,968</b>	<b>-272,141</b>
<b>Operating result</b>	<b>-184,003</b>	<b>-81,610</b>
Financial items	-54,268	-14,819
Share of net profit from joint ventures	24	-
<b>Result before tax</b>	<b>-238,247</b>	<b>-96,429</b>
Income taxes	-3,259	-41
<b>Net result for the period</b>	<b>-241,506</b>	<b>-96,470</b>
<i>Items that may be subsequently reclassified to profit loss:</i>		
Translation differences on foreign operations	286	-1,356
<i>Items that will not be reclassified to profit or loss</i>	-	-
<b>Other comprehensive income</b>	<b>286</b>	<b>-1,356</b>
<b>Total comprehensive income for the period</b>	<b>-241,220</b>	<b>-97,826</b>
<i>Net result for the period attributable to:</i>		
Equity holders of the Parent Company	-241,123	-96,002
Non-controlling interests	-383	-468
<b>Net result for the period</b>	<b>-241,506</b>	<b>-96,470</b>
<i>Total comprehensive income attributable to:</i>		
Equity holders of the Parent Company	-240,839	-97,351
Non-controlling interests	-380	-475
<b>Total comprehensive income for the period</b>	<b>-241,220</b>	<b>-97,826</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONDENSED)

<i>Amounts in NOK'000</i>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>
<b>ASSETS</b>			
Intangible assets	906,809	859,504	914,428
Tangible assets	1,283,793	1,100,844	1,292,292
Financial assets	15,014	15,104	17,917
Deferred tax assets	-	1,692	2,533
<b>Total non-current assets</b>	<b>2,205,616</b>	<b>1,977,144</b>	<b>2,227,170</b>
Inventory	35,286	43,788	38,310
Trade receivables	56,433	87,574	88,303
Other receivables	75,503	59,034	62,753
Prepaid expenses and accrued income	139,075	110,050	79,739
Cash and cash equivalents	575,565	428,878	362,075
<b>Total current assets</b>	<b>881,862</b>	<b>729,324</b>	<b>631,180</b>
<b>TOTAL ASSETS</b>	<b>3,087,478</b>	<b>2,706,468</b>	<b>2,858,350</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total Equity</b>	<b>1,186,236</b>	<b>685,197</b>	<b>596,094</b>
Deferred tax liabilities	1	-	-
Other long-term liabilities	1,485,259	1,552,379	1,668,846
<b>Total non-current liabilities</b>	<b>1,485,259</b>	<b>1,552,379</b>	<b>1,668,846</b>
Trade payables	176,661	83,895	212,835
Other liabilities	34,444	26,208	12,922
Accrued expenses and deferred income	204,151	358,789	367,653
<b>Total current liabilities</b>	<b>415,256</b>	<b>468,892</b>	<b>593,410</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,087,478</b>	<b>2,706,468</b>	<b>2,858,350</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONDENSED)

<i>Amounts in NOK'000</i>	Jan - Mar 2017			Jan - Mar 2016		
	Parent Company Shareholders	Non- controlling interests	Total equity	Parent Company Shareholders	Non- controlling interests	Total equity
<b>Opening balance</b>	<b>595,604</b>	<b>490</b>	<b>596,094</b>	<b>780,613</b>	<b>771</b>	<b>781,384</b>
Net result for the period	-241,123	-383	<b>-241,506</b>	-96,470	-	-96,470
Other comprehensive income	283	3	<b>286</b>	-1,349	-7	-1,356
Capital contribution from share-based payments	1,362	-	<b>1,362</b>	1,640	-	1,640
Change in non-controlling interests	-	-	-	-	-	-
Share capital increase	830,000	-	<b>830,000</b>	-	-	-
<b>Closing balance</b>	<b>1,186,126</b>	<b>110</b>	<b>1,186,236</b>	<b>684,434</b>	<b>764</b>	<b>685,198</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

<i>Amounts in NOK'000</i>	Jan - Mar 2017	Jan - Mar 2016
Cash flows from operating activities	-113,387	-25,489
Cash flows from investing activities	-233,689	-106,590
Cash flows from financing activities	560,466	-76,064
<b>Net increase/decrease in cash and cash equivalents</b>	<b>213,390</b>	<b>-208,143</b>
<b>Cash and cash equivalents, opening balance</b>	<b>362,075</b>	<b>640,067</b>
Exchange rate differences in cash & cash equivalents	100	-3,047
<b>Cash and cash equivalents, closing balance</b>	<b>575,565</b>	<b>428,878</b>

## CONSOLIDATED KEY RATIOS

<i>Amounts in NOK'000</i>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>
<b>Return on equity</b>		
Return on equity %	nm	nm
<b>Profit</b>		
EBITDA	-98,464	-11,092
Operating result	-184,003	-81,610
Operating margin %	nm	nm
Net profit margin %	nm	nm
<b>Key ratios - increase</b>		
Service revenue growth in %	55%	2%
Service revenue growth in absolute numbers	99,465	3,251
<b>Key ratios - financial position</b>		
Cash liquidity %	212%	156%
Total assets	3,087,478	2,706,468
Equity/assets ratio %	38%	25%
Equity	1,186,236	685,197
Gross interest bearing debt	1,483,406	1,580,300
Net interest bearing debt	911,370	1,151,422

### 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 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 2017

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, 2017, have had any material impact on the financial statements of the Group.

### Segment information by geographical area

Amounts in NOK'000

<b>Jan - Mar 2017</b>	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	238,566	250,843	-104,423	177,602	1,818,833
Sweden	36,854	44,938	6,947	55,118	336,067
Denmark	4,632	5,184	-989	3,875	35,702
<b>Total</b>	<b>280,052</b>	<b>300,965</b>	<b>-98,464</b>	<b>236,595</b>	<b>2,190,602</b>

  

<b>Jan - Mar 2016</b>	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	133,021	136,707	-25,589	96,726	1,505,185
Sweden	42,811	48,534	15,424	6,574	409,247
Denmark	4,755	5,290	-926	2,170	45,916
<b>Total</b>	<b>180,587</b>	<b>190,531</b>	<b>-11,092</b>	<b>105,470</b>	<b>1,960,348</b>

*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>	<b>Jan - Mar 2017</b>	<b>Jan - Mar 2016</b>
<b>Operating result</b>	<b>-184,003</b>	<b>-81,610</b>
Depreciation & amortization	72,129	59,571
Items related to network technical upgrade	5,905	7,196
Redundancy and other non-recurring costs	581	2,111
IFRS2 costs	6,923	1,640
<b>EBITDA</b>	<b>-98,464</b>	<b>-11,092</b>

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