Q4 2017

ice group Scandinavia Holdings AS

FOURTH QUARTER RESULTS 2017

FOURTH QUARTER 2017 SUMMARY

- Service revenue of NOK 352,606 thousand; 33% y-o-y growth
- EBITDA* of NOK -111,102 thousand
- Book equity of NOK 523,198 thousand

	Fourth Quarter		Jan - Dec	
NOK thousands	**2017**	2016	**2017**	2016
Service revenue *	352,606	265,239	1,241,917	859,204
EBITDA **	-111,102	-89,637	-463,021	-248,081
CAPEX ***	-85,935	-167,216	-583,528	-487,035
Total assets	3,320,368	2,858,351	3,320,368	2,858,351
Operating margin %	nm	nm	nm	nm
Equity/assets ratio %	16%	21%	16%	21%

Service revenue and operating expenses for 2016 have been restated due to commission revenue reclassification. No effect on EBITDA and net profit. See page 8 for more information.

***ice group 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 Definitions of Key Ratios.*

****CAPEX is defined as investments in non-current assets as reported in the statement of cash flows.*

CEO's statement

ice group's Scandinavian operation continues on the growth trajectory seen in previous quarters. Service revenues in the fourth quarter increased 33% compared with the same quarter last year.

The overall performance of our Norwegian operation continues to be solid. In addition, it continues to challenge the major players through launching new and innovative products. On 7 December, ice in Norway was the first operator to introduce data rollover sharing – allowing customers to share excess data with any Norwegian ice customer of their choice. The move was very well received amongst our customers in Norway.

Average smartphone on-net data traffic grew from 24% in the third quarter to 31% in the fourth quarter.

Following the migration of Hello's B2C customers in October, churn increased somewhat. However, the ambition of successfully moving across in excess of 40,000 customers was met. Churn returned to normalised levels after the migration.

At the end of December, our Norwegian operation announced that it would change its brand name from ice.net to ice. The brand change was successfully implemented early January 2018. Removing the ".net" and the wifi symbol from its name and logo, and replacing it with an ice crystal, reflects the fact that network coverage in Norway is today a matter of course and that customers should expect the same, excellent 4G network coverage with ice as with any other operator. Ice wants to differentiate itself by how it treats its customers and how ice can make customers' everyday life easier.

Subsequent to the quarter, on 6 February 2018, ice group's Swedish operation (Net1) won the Swedish Post and Telecom Authority's frequency auction for the national license of 2 x 5 MHz in the 450 MHz band. The term of license is from 5 March 2020 up to and including 31 December 2044. Obtaining the license until 2044 provides the foundation we need to continue developing our mobile broadband offering in Sweden and continue our expansion in the machine-to-machine market.

Significant events during the period

- By the end of October 2017, all 40,000+ Hello B2C customers had been migrated across to ice in Norway.
- On 3 October 2017, the five-year NOK 800 million senior unsecured bond issued by ice group Scandinavia Holdings AS on 7 April 2017 (ISIN NO0010789035) was admitted to Oslo Stock Exchange (ticker: IGSH01) and had its first day of trading.
- In October 2017, ice in Norway signed a 2+2 year deal with NSB Passenger train to deliver mobile broadband services to 185 local and regional trains.
- On 11 November 2017, the new four-year NOK 1.4 billion senior secured bond issued by ice group Scandinavia Holdings AS, issued on 12 October 2017, with ISIN NO0010807092, was admitted to Oslo Stock Exchange (ticker: IGSH02) and had its first day of trading.
- On 16 November 2017, leading Norwegian trade journal *Inside Telecom* voted ice “mobile phone operator of the year” at the annual Inside Telecom conference.
- On 7 December 2017, ice in Norway launched “rollover sharing”, allowing customers to share excess data with any Norwegian ice customer of their choice.

Significant events after the end of the period

- Early January 2018, ice.net in Norway re-branded to ice.
- On 6 February 2018, ice group’s Swedish operation (Net1) won the Swedish Post and Telecom Authority’s frequency auction for the national license of 2 x 5 MHz in the 450 MHz band. The term of license is from 5 March 2020 up to and including 31 December 2044. Netett Sverige AB will pay SEK 40.2 million for the license.

Personnel and organization

At the end of the period, the number of employees amounted to 186 versus 153 for the equivalent period the previous year. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed 277 (259) people.

Investments

The Group’s acquisition of intangible and tangible assets during the fourth quarter amounted to NOK 85,912 (163,520) thousands. The corresponding amount for the full year was NOK 586,612 (338,130) thousands, whereof NOK 75 million are related to the acquisition of the B2C customer base from Hello.

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 and radio access network expansion.

Net financial investments for the quarter amounted to NOK 23 (99) thousands, and for the full year the investments amounted to NOK -3,084 (3,858) thousands.

EBITDA

Non-recurring and other non-operational items identified during the fourth quarter amounted to NOK 32,450 (11,121) thousands and the corresponding amount for the full year amounted to NOK 70,732 (67,170) 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 10.

Reclassification of commission revenue

Since the purchase of Network Norway business customers in March 2015, commission revenue and related expenses have been recorded gross within service revenue and operating expenses, in line with the accounting in Network Norway prior to being acquired by ice. Ice decided to change the accounting principle and instead recognise the commission revenue net of expenses. The accumulated revenue impact for the year amounts to NOK -39,232 (-19,636) thousands. EBITDA and Net Result are not affected by this change. All comparative numbers have been updated to reflect the change.

Risks and factors of uncertainty

Ice group 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 ice group's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner. Please refer to the annual report of 2016 for a detailed description of the risks identified.

Related party transactions

No related party transactions to report for the last quarter of 2017. For other items, see further details under the section on critical accounting estimates and judgements in the annual report of 2016.

Outlook 2018

The company expects to increase its mobile phone (smartphone) market share and on-net traffic 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.

28 February 2018

The Board of Directors of ice group Scandinavia Holdings AS

CONDENSED FINANCIAL REPORTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONDENSED)

	Fourth Quarter		Jan - Dec	
NOK thousands	**2017**	2016	**2017**	2016
Service revenue *	352,606	265,239	1,241,917	859,204
Other operating revenue	35,080	17,274	102,543	98,742
Total operating revenue	**387,685**	**282,513**	**1,344,460**	**957,946**
Operating expenses *	-278,646	-240,669	-965,381	-628,926
Other expenses	-201,583	-98,482	-718,818	-484,628
Employee benefit expenses	-51,008	-44,121	-194,013	-159,642
Depreciation & amortization	-87,182	-79,463	-310,816	-253,452
Total operating expenses	**-618,420**	**-462,735**	**-2,189,029**	**-1,526,650**
Operating result	**-230,735**	**-180,221**	**-844,569**	**-568,704**
Financial items	-30,827	-60,441	-260,470	-67,910
Share of net profit from joint ventures	35	157	-28	157
Result before tax	**-261,526**	**-240,505**	**-1,105,067**	**-636,456**
Income taxes	-2,079	236	-6,448	791
Net result for the period	**-263,605**	**-240,270**	**-1,111,515**	**-635,665**
Items that may be subsequently reclassified to profit loss:				
Translation differences on foreign operations	1,479	1,515	3,119	-6,092
Change in market value of derivative instruments	2,711	-	-	-
Tax effect on derivative instruments	-651	-	-	-
Other comprehensive income	**3,540**	**1,515**	**3,119**	**-6,092**
Total comprehensive income for the period	**-260,065**	**-238,755**	**-1,108,396**	**-641,757**
Net result for the period attributable to:				
Equity holders of the Parent Company	-263,439	-240,171	-1,110,547	-634,537
Non-controlling interests	-166	-99	-968	-1,128
Net result for the period	**-263,605**	**-240,270**	**-1,111,515**	**-635,665**
Total comprehensive income attributable to:				
Equity holders of the Parent Company	-259,895	-238,397	-1,107,425	-640,773
Non-controlling interests	-170	-358	-971	-983
Total comprehensive income for the period	**-260,065**	**-238,755**	**-1,108,396**	**-641,757**

** Service revenue and operating expenses for 2016 have been restated due to commission revenue reclassification. No effect on EBITDA and net profit. See page 8 for more information.*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONDENSED)

NOK thousands	**31 Dec 2017**	31 Dec 2016
ASSETS		
Intangible assets	947,941	914,428
Tangible assets	1,359,292	1,292,292
Financial assets	15,016	17,917
Deferred tax assets	327	2,533
Total non-current assets	**2,322,576**	**2,227,170**
Inventory	26,621	38,310
Trade receivables	71,201	88,303
Other receivables	18,863	62,753
Prepaid expenses and accrued income	158,910	79,739
Cash and cash equivalents	722,198	362,075
Total current assets	**997,793**	**631,180**
TOTAL ASSETS	**3,320,368**	**2,858,350**
EQUITY AND LIABILITIES		
TOTAL EQUITY	**523,198**	**596,094**
Deferred tax liabilities	4,254	-
Borrowings	2,213,580	1,668,846
Total non-current liabilities	**2,217,834**	**1,668,846**
Trade payables	282,313	212,835
Other current liabilities	18,623	12,922
Accrued expenses and deferred income	278,400	367,653
Total current liabilities	**579,336**	**593,410**
TOTAL LIABILITIES	**2,797,171**	**2,262,256**
TOTAL EQUITY AND LIABILITIES	**3,320,368**	**2,858,350**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONDENSED)

NOK thousands	**2017**			2016		
Attributable to	Parent Company Shareholders	Non-controlling interests	**Total equity**	Parent Company Shareholders	Non-controlling interests	**Total equity**
Opening balance	**595,604**	**490**	**596,094**	**780,613**	**771**	**781,384**
Net result for the period	-1,110,547	-968	-1,111,515	-634,537	-1,128	-635,665
Other comprehensive income	3,122	-3	3,119	-6,236	144	-6,092
Capital contribution from share-based payments	5,446	-	5,446	6,663	-	6,663
Change in non-controlling interests	-525	579	53	-898	703	-196
Share capital increase	1,030,000	-	1,030,000	450,000	-	450,000
Closing balance	**523,100**	**98**	**523,198**	**595,604**	**490**	**596,094**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

	Fourth Quarter		Jan - Dec	
NOK thousands	**2017**	2016	**2017**	2016
Cash flows from operating activities	-93,736	-78,348	-372,908	-272,747
Cash flows from investing activities	-85,935	-163,421	-583,528	-487,197
Cash flows from financing activities	535,170	200,000	1,312,653	493,578
Net increase/decrease in cash and cash equivalents	**355,499**	**-41,769**	**356,216**	**-266,366**
Cash and cash equivalents, opening balance	**365,080**	**402,222**	**362,075**	**640,067**
Exchange rate differences in cash and cash equivalents	1,619	1,621	3,908	-11,626
Cash and cash equivalents, closing balance	**722,198**	**362,075**	**722,198**	**362,075**

CONSOLIDATED KEY RATIOS

	Fourth Quarter		Jan - Dec	
NOK thousands	**2017**	2016	**2017**	2016
Return on equity				
Return on equity %	nm	nm	nm	nm
Profit				
EBITDA	-111,102	-89,637	-463,021	-248,081
Operating result	-230,735	-180,221	-844,569	-568,703
Operating margin %	nm	nm	nm	nm
Net profit margin %	nm	nm	nm	nm
Key ratios - increase				
Service revenue growth in % *	33%	39%	45%	18%
Service revenue growth in absolute numbers *	87,367	74,356	382,713	128,949
Key ratios - financial position				
Cash liquidity %	172%	106%	172%	106%
Total assets	3,320,368	2,858,351	3,320,368	2,858,351
Equity/assets ratio %	16%	21%	16%	21%
Equity	523,198	596,094	523,198	596,094
Gross interest bearing debt	2,263,049	1,667,008	2,263,049	1,667,008
Net interest bearing debt	1,540,903	1,304,932	1,540,903	1,304,932

** Service revenue and operating expenses for 2016 have been restated due to commission revenue reclassification. No effect on EBITDA and net profit. See page 8 for more information.*

Definitions of Key Ratios

EBITDA	ice group 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 in all material aspects the same as those applied in the latest annual report unless otherwise stated in this report. The report has not been subject to review by the auditors of ice group 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.

Change of accounting principle 2017

Reclassification of commission revenue

Since the purchase of Network Norway business customers in March 2015, commission revenue and related expenses have been recorded gross within service revenue and operating expenses, in line with the accounting in Network Norway prior to being acquired by ice. This revenue area has grown over the last 2 years, and the Management decided to change the accounting principle to recognise the commission revenue net of the related expenses. The accumulated net revenue impact of this reclassification for the year 2017 amounts to NOK -39,232 (-19,636) thousands. The accumulated effect of the reclassification on operating expenses for the year 2017 is a reduction in reported expenses of NOK 39,232 (19,636) thousands. EBITDA and Net Result are not affected by this change. All comparative 2016 numbers have been updated to reflect the change.

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 1 January 2017, have had any material impact on the financial statements of ice group.

New accounting standards effective on or after 1 January 2018

Ice group has not early-adopted any of the new standards effective on or after 1 January 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers is effective from 1 January 2018, and subsequently ice group has changed the accounting principle for revenues from contracts with customers from that date. The new standard is applied by ice group using the full retrospective method.

The revenue recognition model that ice group has applied up until 31 December 2017 has, in all material aspects, been in line with IFRS 15, and has only been modified slightly to comply with the requirements in IFRS 15. Ice group has made a detailed analysis of all the performance obligations, and the allocation of consideration amongst them, for each type of customer contract. The main change related to revenue recognition, is that certain equipment sales is not considered to be a distinct performance obligation. Due to this change, the revenue recognition for this equipment will in some cases be deferred over time. The effect of this change is not material.

The main effect of implementing IFRS 15 in ice group is related to capitalization of incremental costs related directly to obtaining and fulfilling a contract, such as sales commissions and certain installation costs. These types of costs will be capitalized and deferred over the period over which ice group expects to provide services to the customer.

IFRS 15 adds a numbers of additional disclosure requirements to both the interim reports and annual report, compared with the previous standard.

Ice group will present the full impact of IFRS 15 implementation on the financial statements in the annual report for 2017, which will be published 30 April 2018.

Financial liabilities and assets at fair value - Cash flow hedges

This category comprises of interest rate swap derivative financial instrument. The derivatives are only used for economic hedging purposes as part of the ice group Scandinavia Holdings AS' hedging policy, and not as speculative investments. The interest rate swap derivatives are entered into with the object to substantially mitigate the interest fluctuation risks associated with the long-term financial bonds, and the derivatives are classified as cash flow hedges.

The interest rate swap derivatives are initially recognized at fair value on the transaction date of the derivatives and are subsequently remeasured to their fair value at the end of each reporting period. The effective portion of changes in the fair value of the derivatives designated as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other financial income or other financial expense.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

As the fair value of the interest rate swap derivative financial instruments are not traded in an active market, the measurement is based on valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value the interest rate swap derivative instrument are observable, and the derivatives are consequently included in level 2 in the fair value hierarchy.

NOK thousands	**31 Dec 2017**	31 Dec 2016
Fair value measurement of level 2 financial derivatives	Derivatives used in hedge accounting	Derivatives used in hedge accounting
Level 2, Opening balance fair value	**-**	**-**
Changes in fair value	-2,711	-
of which recognized in net income	-	-
of which recognized in other comprehensive income	2,711	-
Level 2, Closing balance	**-**	**-**

Segment information by geographical area

NOK thousands

Jan - Dec 2017	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	1,070,754	1,126,900	-484,127	518,908	1,967,897
Sweden	152,467	196,055	27,528	63,397	307,619
Denmark	18,696	21,505	-2,544	7,396	31,717
Other	-	-	-3,878	-	-
Total	**1,241,917**	**1,344,460**	**-463,021**	**589,701**	**2,307,233**

Jan - Dec 2016	Service revenue *	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	679,493	752,384	-296,645	461,171	1,822,260
Sweden	159,223	181,678	50,874	19,347	346,454
Denmark	20,488	23,883	-975	6,518	38,006
Other	-	-	-1,333	-	-
Total	**859,204**	**957,945**	**-248,081**	**487,035**	**2,206,720**

** Service revenue and operating expenses for 2016 have been restated due to commission revenue reclassification. No effect on EBITDA and net profit. See page 8 for more information.*

*Note: 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 ice group considers to be relevant to an investor who wants to understand the generation of earnings before investment in fixed assets. Ice group 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

	Fourth Quarter		Jan - Dec	
NOK thousands	**2017**	2016	**2017**	2016
Operating result	**-230,735**	**-180,221**	**-844,569**	**-568,703**
Depreciation & amortization	87,182	79,463	310,816	253,452
Network upgrades & migrations	28,836	6,302	61,456	47,635
Redundancy and other non-recurring costs	7	702	1,584	6,028
Share-based compensation expense	3,607	4,118	7,692	13,507
EBITDA	**-111,102**	**-89,637**	**-463,021**	**-248,081**

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