Q1 2018

ice group Scandinavia Holdings AS

FIRST QUARTER RESULTS 2018

FIRST QUARTER 2018 SUMMARY

- Service revenue of NOK 360,718 thousand; 28% y-o-y growth
- EBITDA[2)] of NOK -125,941 thousand
- Book equity of NOK 550,961 thousand

The EBITDA in the quarter was weakened by several one-offs and reconciliation items in January and February compared to Q1 2017. The total negative effect of these significant one-offs and reconciliation items in 2018 vs 2017 was NOK 29 million.

	Jan - Mar	
NOK thousands	**2018**	2017
Service revenue [1)]	360,718	280,893
EBITDA [2)]	-125,941	-80,581
CAPEX [3)]	-186,269	-278,093
Total assets	3,348,613	3,301,050
Operating margin %	nm	nm
Equity/assets ratio %	16%	42%

[1)] Service revenue and operating expenses for 2017 have been restated due to commission revenue reclassification. No effect on EBITDA and net profit. See page 8 for more information.

[2)] 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.

[3)] CAPEX is defined as investments in non-current assets as reported in the statement of cash flows.

CEO's statement

For ice group's Scandinavian operation, service revenues in the first quarter 2018 increased with 28% compared with the corresponding quarter in 2017.

To date, ice in Norway has in 2018 increased its footprint with approximately 500 new active base stations, bringing the total close to 1,800 which gives a population coverage of 80%, a target that was achieved ahead of schedule. The new base stations operate in the 800, 900 and 1,800 MHz frequency bands. As a result, the average smartphone on-net data traffic increased from 31% in the fourth quarter of 2017 to 41% in the first quarter of 2018.

Subsequent to the quarter, on 3 May 2018, another important milestone was met when ice group's Norwegian operation entered into a new and improved national roaming agreement (NRA) with Telia in Norway. The new NRA is valid for two years, with an additional and conditional right to prolong the NRA for one year. While the financial details of the agreement remain confidential, the new agreement offers favourable conditions and, more importantly, a higher level of flexibility for ice.

In total, the first quarter presented improved operational performance in Norway for a number of parameters. Both smartphone ARPU and blended ARPU (smartphone and mobile broadband) showed an increase in Q1 2018 versus Q4 2017, while blended churn decreased in the same period. Subsequent to the quarter, on 23 May, ice announced that it had reached a total of 500,000 customers, including mobile voice and data as well as mobile broadband customers, confirming its challenger position in the Norwegian telecom market.

While Norway continues to the major activity hub for ice group in Scandinavia, a key highlight in the first quarter was related to Sweden. 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 required foundation to continue developing ice group's mobile broadband offering in Sweden and continue its expansion in the machine-to-machine market.

The EBITDA in the quarter was weakened by several one-offs and reconciliation items in January and February compared to Q1 2017. These include extraordinary marketing cost because of the rebranding from ice.net to ice, a compensation from a supplier in Q1 2017, a smaller effect of the IFRS capitalization in 2018 vs 2017 and double office rent in Norway due to change of location late in 2017. The total negative effect of these significant one-offs and reconciliation items in 2018 vs 2017 was NOK 29 million.

Significant events during the period

- 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 required foundation to continue developing ice group's mobile broadband offering in Sweden and continue its expansion in the machine-to-machine market. Net1 paid SEK 40 million for the licenses, equal to Telia's bid in the auction.

Significant events after the end of the period

- On 3 May 2018, ice group's Norwegian operation has entered into a new and improved national roaming agreement (NRA) with Telia in Norway. The new NRA is valid for two years starting from March 1, 2018, with an additional and conditional right to prolong the NRA for one year. The financial details of the agreement remain confidential. The new agreement offers favourable conditions and, more importantly, a higher level of flexibility for ice. The new NRA replaces the three-year agreement (plus an optional three-year period) ice and Telia in Norway signed in February 2015. The NRA includes voice and data services on Telia's 2G, 3G and 4G networks for all ice customers in Norway.
- In May 2018, network build-out in Norway reached 80% population coverage.
- On 23 May 2018, ice announced that it had reached 500,000 customers (415,000 mobile voice and data customers, plus 85,000 mobile broadband customers), confirming its challenger position in the Norwegian telecom market.

Personnel and organization

At the end of the period, the number of employees amounted to 196 versus 170 for the equivalent period the previous year. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed 284 (266) people.

Investments

The Group's acquisition of intangible and tangible assets during the first quarter amounted to NOK -186,269 (-278,093) thousands. The investments are mainly related to the network smartphone build-out project in Norway, both on existing and new sites as well as on backbone systems and radio access network expansion, costs to obtain and fulfil customer contracts and also the 450 Mhz license in Sweden.

As from 1 January 2018, ice group capitalizes costs to obtain and to fulfil customer contracts, which means that these items are now recognized as investment expenditures instead of as previously as operating expenditures. As the change of principle is applied retrospectively, the impact on the first quarter of 2017 investments were NOK 41,498 thousands while this quarters investment in new customers amounted to NOK 46,626 thousands. These are included in the amounts above.

Net financial investments for the quarter amounted to NOK -116 (2,906) thousands.

EBITDA

Non-recurring and other non-operational items identified during the first quarter amounted to NOK 4,650 (13,409) thousands. Non-recurring items are mainly related to extraordinary costs related to the network technology upgrade and build-out. Please also see the Alternative Performance Measures reconciliation on page 10.

The implementation of the IFRS 15 reporting standard from 1 January 2018 has changed how and when certain revenue and cost items are recognized, which has impact on ice group's EBITDA. The effect from the new standard on our EBITDA compared to previously applied principles for the first quarter 2017 amounted to NOK 17,883 thousands. More information is presented under the New and changed accounting standards in 2018 section, page 8.

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 has decided to change the accounting principle and instead recognise the commission revenue net of expenses. The accumulated revenue impact for the first quarter 2017 amounts to NOK -7,500 (-2,880) thousands. EBITDA and Net Result are not affected by this change. All comparative numbers have been updated to reflect the change. See more information on page 8.

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 NOK. Please refer to the annual report of 2017 for a detailed description of the risks identified.

Related party transactions

No related party transactions to report for the first quarter of 2018. For other items, see further details under the section on critical accounting estimates and judgements in the annual report of 2017.

Outlook 2018

The Group expects to increase its mobile phone (smartphone) 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 2018

The Board of Directors of ice group Scandinavia Holdings AS

CONDENSED FINANCIAL REPORTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONDENSED)

	Jan - Mar	
NOK thousands	**2018**	2017
Service revenue [1)]	360,718	280,893
Other operating revenue	29,278	14,185
Total operating revenue	**389,996**	**295,076**
Operating expenses [1)]	-279,704	-200,067
Other expenses	-182,546	-134,182
Employee benefit expenses	-58,336	-54,817
Depreciation & amortization	-79,714	-72,129
Total operating expenses	**-600,301**	**-461,197**
Operating result	**-210,304**	**-166,120**
Financial items	-48,098	-54,268
Share of net profit from joint ventures	101	24
Result before tax	**-258,301**	**-220,364**
Income taxes	-2,522	-3,260
Net result for the period	**-260,823**	**-223,623**
Items that may be subsequently reclassified to profit loss:		
Translation differences on foreign operations	-3,914	345
Other comprehensive income	**-3,914**	**345**
Total comprehensive income for the period	**-264,737**	**-223,278**
Net result for the period attributable to:		
Equity holders of the Parent Company	-260,558	-223,240
Non-controlling interests	-264	-383
Net result for the period	**-260,823**	**-223,623**
Total comprehensive income attributable to:		
Equity holders of the Parent Company	-264,489	-222,892
Non-controlling interests	-247	-386
Total comprehensive income for the period	**-264,737**	**-223,278**

[1)] Service revenue and operating expenses for 2017 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 Mar 2018**	31 Mar 2017	31 Dec 2017
ASSETS			
Intangible assets	1,225,590	1,076,613	1,196,003
Tangible assets	1,423,213	1,327,561	1,404,369
Financial assets	15,004	15,014	15,016
Deferred tax assets	385	-	327
Total non-current assets	**2,664,192**	**2,419,188**	**2,615,715**
Inventory	28,082	35,286	26,621
Trade receivables	86,079	56,433	71,201
Other receivables	112,208	75,503	18,863
Prepaid expenses and accrued income	135,520	139,075	158,910
Cash and cash equivalents	322,532	575,565	722,198
Total current assets	**684,420**	**881,862**	**997,793**
TOTAL ASSETS	**3,348,613**	**3,301,050**	**3,613,507**
EQUITY AND LIABILITIES			
TOTAL EQUITY	**550,961**	**1,397,965**	**814,360**
Deferred tax liabilities	6,850	728	4,253,982
Borrowings	2,216,853	1,485,259	2,213,580
Total non-current liabilities	**2,223,704**	**1,485,987**	**2,217,834**
Trade payables	172,883	176,661	282,313
Other current liabilities	97,861	34,444	18,623
Accrued expenses and deferred income	303,204	205,993	280,378
Total current liabilities	**573,948**	**417,098**	**581,314**
TOTAL LIABILITIES	**2,797,652**	**1,903,085**	**2,799,148**
TOTAL EQUITY AND LIABILITIES	**3,348,613**	**3,301,050**	**3,613,507**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONDENSED)

NOK thousands	2018			2017		
Attributable to	Parent Company Shareholders	Non-controlling interests	**Total equity**	Parent Company Shareholders	Non-controlling interests	**Total equity**
Opening balance	**814,360**	**98**	**814,458**	**595,604**	**490**	**596,094**
Change in accounting principles [1]	**-**	**-**	**-**	193,735	-	193,735
Adjusted opening balance	**814,360**	**98**	**814,458**	**789,339**	**490**	**789,829**
Net result for the period	-260,558	-264	-260,824	-223,240	-383	-223,623
Other comprehensive income	-3,931	17	-3,914	348	-3	345
Capital contribution from share-based payments	1,362	-	1,362	1,362	-	1,362
Change in non-controlling interests	-378	258	-120	-	-	-
Share capital increase	-	-	-	830,000	-	830,000
Closing balance	**550,853**	**109**	**550,961**	**1,397,808**	**103**	**1,397,911**

[1] Opening balance adjustments due to new revenue recognition standard IFRS 15.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

NOK thousands	Jan - Mar **2018**	2017
Cash flows from operating activities	-181,189	-113,387
Cash flows from investing activities	-186,269	-233,689
Cash flows from financing activities	-31,059	560,466
Net increase/decrease in cash and cash equivalents	**-398,517**	**213,390**
Cash and cash equivalents, opening balance	**722,198**	**362,075**
Exchange rate differences in cash and cash equivalents	-850	100
Cash and cash equivalents, closing balance	**322,532**	**575,565**

CONSOLIDATED KEY RATIOS

NOK thousands	Jan - Mar **2018**	2017
Return on equity		
Return on equity %	nm	nm
Profit		
EBITDA	-125,941	-80,581
Operating result	-210,304	-166,120
Operating margin %	nm	nm
Net profit margin %	nm	nm
Key ratios - increase		
Service revenue growth in % [1)]	28%	57%
Service revenue growth in absolute numbers [1)]	79,826	101,702
Key ratios - financial position		
Cash liquidity %	119%	211%
Total assets	3,348,613	3,301,050
Equity/assets ratio %	16%	42%
Equity	550,961	1,397,965
Gross interest bearing debt	2,263,050	1,503,730
Net interest bearing debt	1,940,569	931,695

[1)] Service revenue and operating expenses for 2017 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 net revenue impact for the first quarter 2017 amounted to NOK -7,500 (-2,880) thousands. The accumulated net revenue impact of this reclassification for the year 2017 amounts to NOK -39,232 (-19,636) thousands. The effect of the reclassification on operating expenses for the first quarter 2017 amounted to NOK 7,500 (2,880) 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 2018

New accounting 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.

The effects on the financial statements are presented below.

No other of the standards and statements that have been published by the IASB, and that are effective for annual periods beginning on or after 1 January 2018, have had any material impact on the financial statements of ice group.

IFRS 15 effects on Condensed consolidated statements of financial position

NOK thousands	Reported 31 Mar 2017	Change IFRS 15	Restated 31 Mar 2017	Reported 31 Dec 2017	Change IFRS 15	Restated 31 Dec 2017
Assets						
Costs to obtain a contract	-	169,803	169,803	-	247,876	247,876
Costs to fulfil a contract	-	43,769	43,769	-	45,264	45,264
Other non-current assets	2,205,616	-	2,205,616	2,322,576	-	2,322,576
Total non-current assets	**2,205,616**	**213,572**	**2,419,188**	**2,322,576**	**293,139**	**2,615,715**
Total current assets	**881,862**	**-**	**881,862**	**997,793**	**-**	**997,793**
Total assets	**3,087,478**	**213,572**	**3,301,050**	**3,320,368**	**293,139**	**3,613,507**
Equity						
Equity attributable to equity holders of Parent Company	1,186,132	211,730	1,397,862	523,100	291,162	814,262
Equity attributable to non-controlling interest	103	-	103	98	-	98
Total equity[1)]	**1,186,236**	**211,730**	**1,397,965**	**523,198**	**291,162**	**814,360**
Contract liabilities[2)]	-	1,842	1,842	-	1,978	1,978
Other liabilities	1,901,242	-	1,901,242	2,797,170	-	2,797,170
Total liabilities	**1,901,242**	**1,842**	**1,903,085**	**2,797,170**	**1,978**	**2,799,148**
Total equity and liabilities[1)]	**3,087,478**	**213,572**	**3,301,050**	**3,320,368**	**293,139**	**3,613,507**

1) Since there is no material effect on revenue and the Company is not in tax position there is no tax-effect. Changes in the temporary tax differences will occur.
2) Unsatisfied performance obligations.

IFRS 15 and reclassification of commission revenue effects on condensed consolidated statements of comprehensive income

NOK thousands	Reported 31 Mar 2017	Change	Restated 31 Mar 2017
Service revenue	280,052	8,341	288,393
Service revenue, reclass commission revenue	-	-7,500	-7,500
Other revenue	20,913	-6,729	14,184
Total revenue	**300,965**	**-5,888**	**295,077**
Operating expenses	-412,838	16,271	-396,567
Operating expenses, reclass commission revenue	-	7,500	7,500
Depreciation, amortization and impairment losses	-72,129	-	-72,129
Operating result	**-184,003**	**17,883**	**-166,120**
Net result for the year[1)]	**-241,506**	**17,883**	**-223,623**
Other comprehensive income	**286**	**62**	**348**
Total comprehensive income	**-241,220**	**17,945**	**-223,275**
Alternative Performance Measures			
EBITDA	**-98,464**	**17,883**	**-80,581**

1) Since there is no material effect on revenue and the Company is not in tax position there is no tax-effect. Changes in the temporary tax differences will occur.

Segment information by geographical area

NOK thousands

Jan - Mar 2018	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway	320,306	341,608	-125,722	-145,204	2,299,435
Sweden	35,982	43,896	2,486	-40,230	320,016
Denmark	4,430	4,493	-1,547	-835	29,352
Other	-	-	-1,158	-	-
Total	**360,718**	**389,996**	**-125,941**	**-186,269**	**2,648,803**

Jan - Mar 2017	Service revenue	Total revenue	EBITDA	Investments	Non-current assets EoP
Norway [1)]	235,110	245,501	-84,624	-190,345	2,024,884
Sweden	41,151	44,392	5,662	-55,929	343,589
Denmark	4,632	5,184	-989	-3,875	35,702
Other	-	-	-630	-	-
Total	**280,893**	**295,076**	**-80,581**	**-250,149**	**2,404,174**

[1)] *Service revenue and operating expenses for 2017 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

	Jan - Mar	
NOK thousands	**2018**	2017
Operating result	**-210,304**	**-166,120**
Depreciation & amortization	79,714	72,129
Network upgrades & migrations	1,270	5,905
Redundancy and other non-recurring costs	1,584	581
Share-based compensation expense	1,796	6,923
EBITDA	**-125,941**	**-80,581**

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