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## Third quarter result 2020

12 November 2020

CEO Eivind Helgaker and CFO Henning Karlsrud



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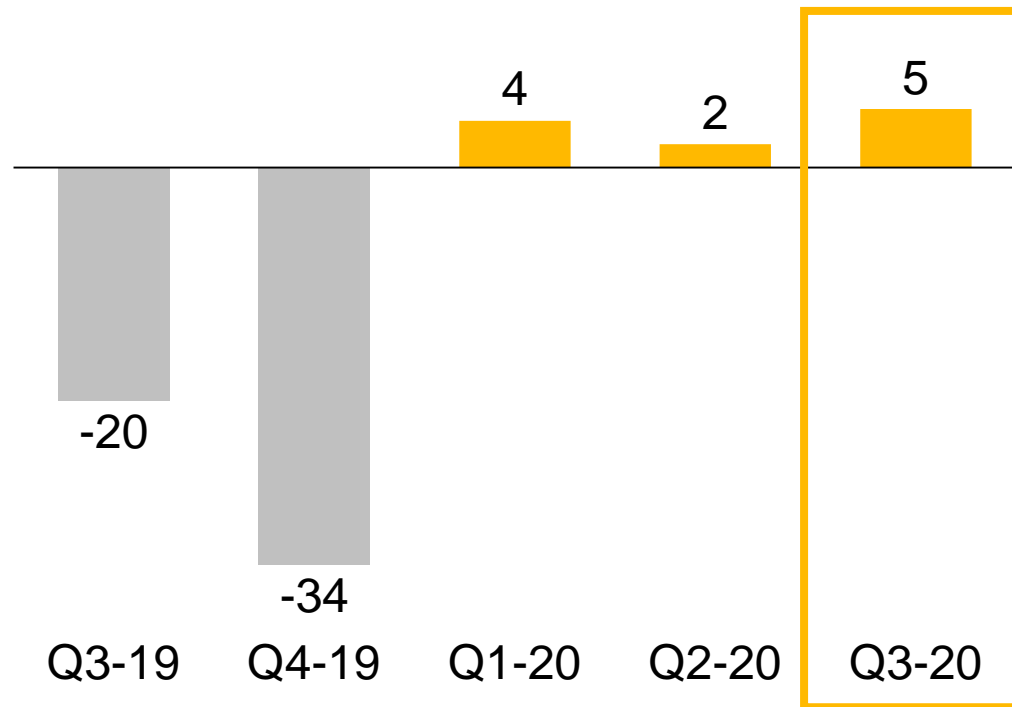
# Third quarter highlights and main developments

- Secured **NOK 689 million in new convertible bond**
- **New NRA agreement** signed, in effect from 1 January 2021
- 619k smartphone subscriptions at end of Q3, **up 20k in Q3**
- Positive underlying **ARPU** development
- **Smartphone service revenues** grew by 13% to NOK 413 million
- Adjusted **EBITDA of NOK 5 million**, third positive quarter in a row
- **226 new smartphone sites** on air in Q3, further expanding population coverage

# Break-even adj. EBITDA in Q3 2020

## Adjusted EBITDA

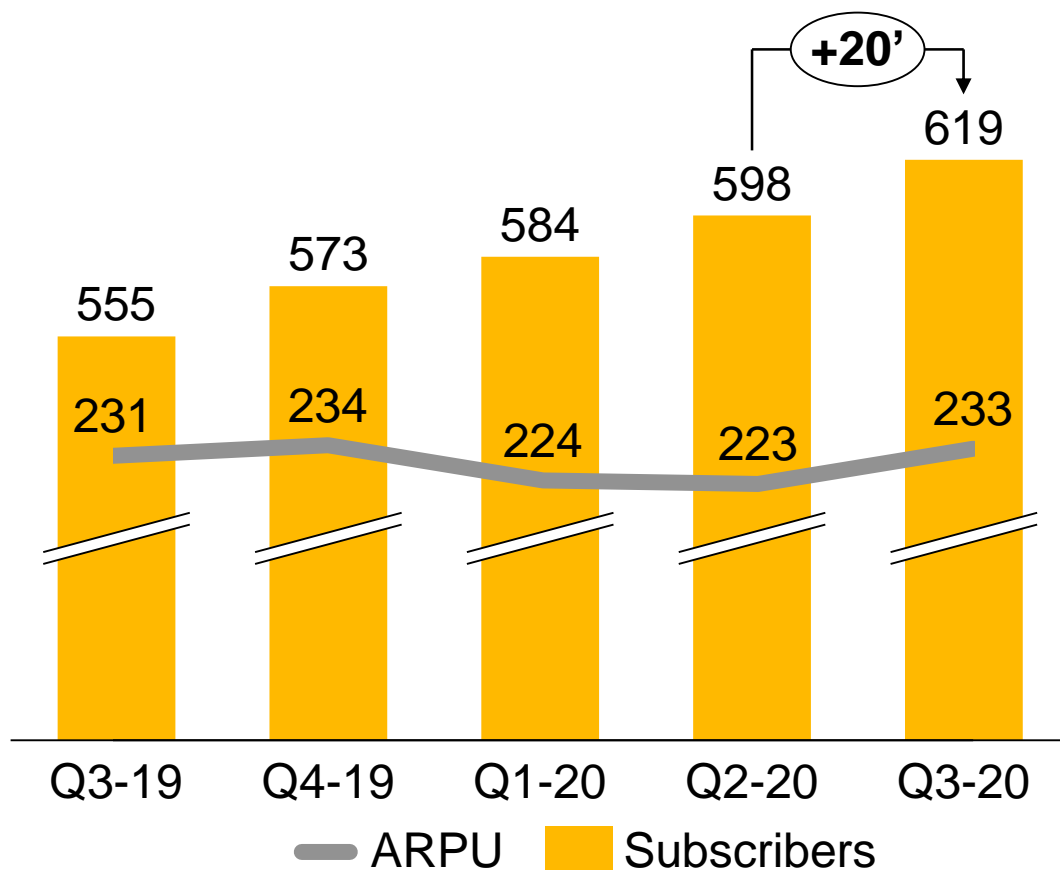
NOK millions



# Continued growth in smartphone subscribers

## Smartphone subscribers & ARPU

1,000 subscribers end of period / Average monthly ARPU in NOK

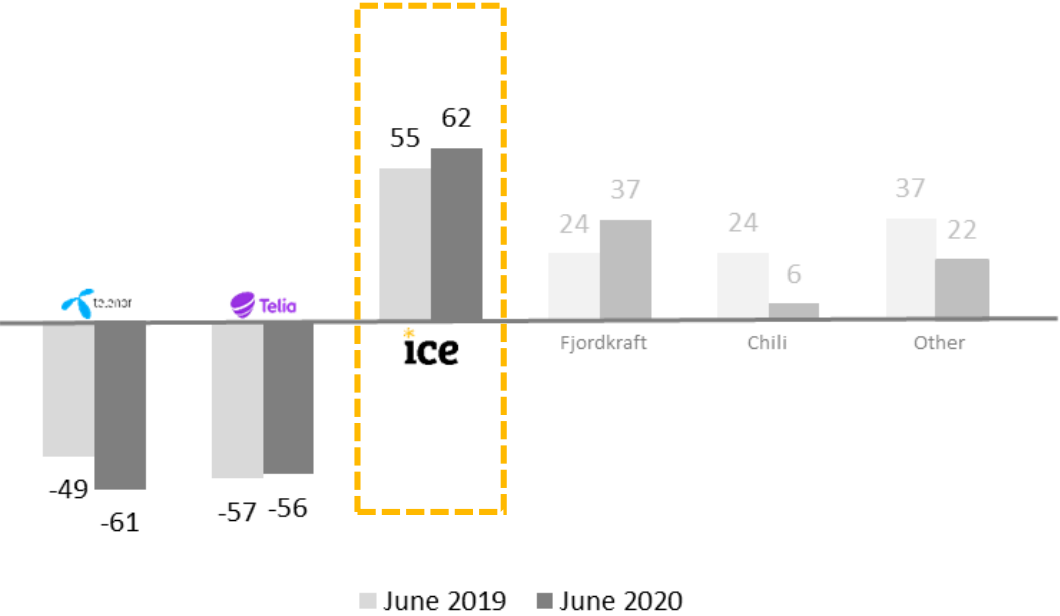


- Win-rate above 20% in Q3
- Market portability down from last year
- Decision to roll out more Ice retail stores
- Reducing churn high on the agenda
- Positive underlying ARPU development

# Ice continues to be the player with highest growth in Norway

## Change in subscribers YoY

1,000 subscribers, organic growth adjusted for acquisitions



### The market trend continues:

- Other network operators are losing market share
- Ice the biggest winner
- Win-rate above 20%

Source: The Norwegian Communications Authority (Nkom), 22 October 2020. <https://ekomstatistikken.nkom.no/>

# Positive underlying ARPU development

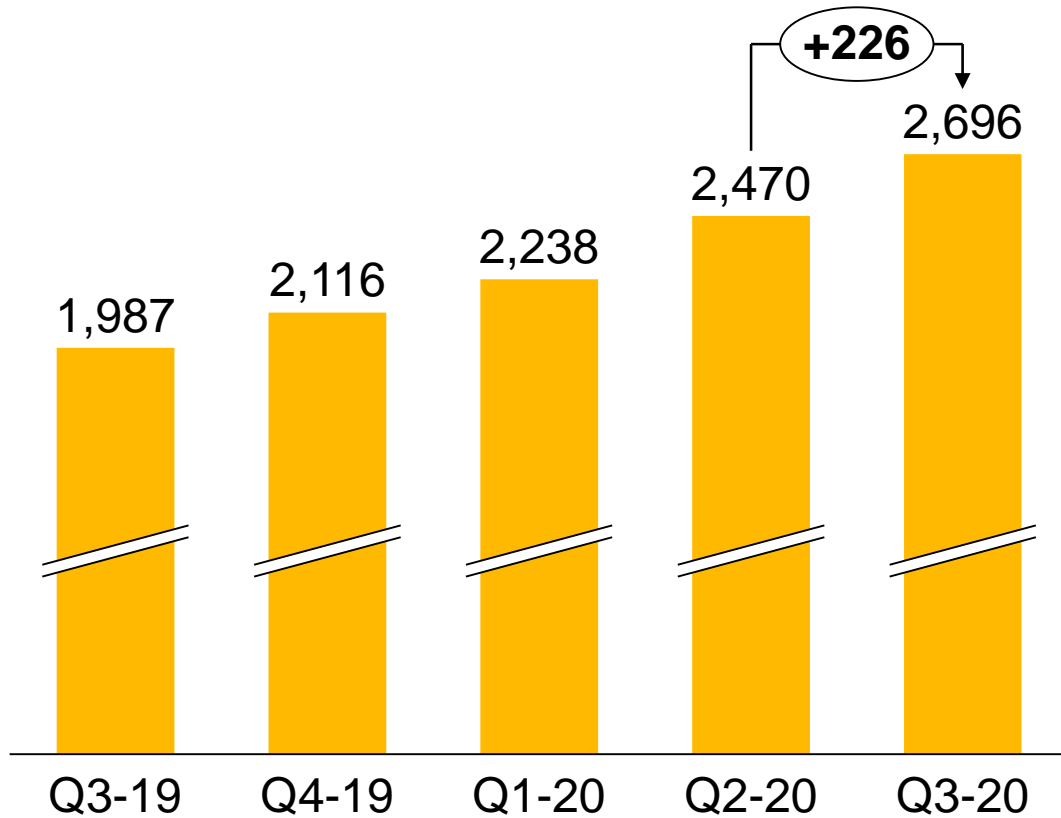
- ARPU growth despite decline in international roaming
- Positive development in subscription revenues per user
- Increasing share of gross adds on high price plans
- Working on value added services to increase ARPU
- Product portfolio very attractive on higher price plans



*«New» 8GB price plan remains the bestseller since launch in May*

# We continue to build base stations – giving us higher population coverage and improved network quality

## Operational smartphone sites

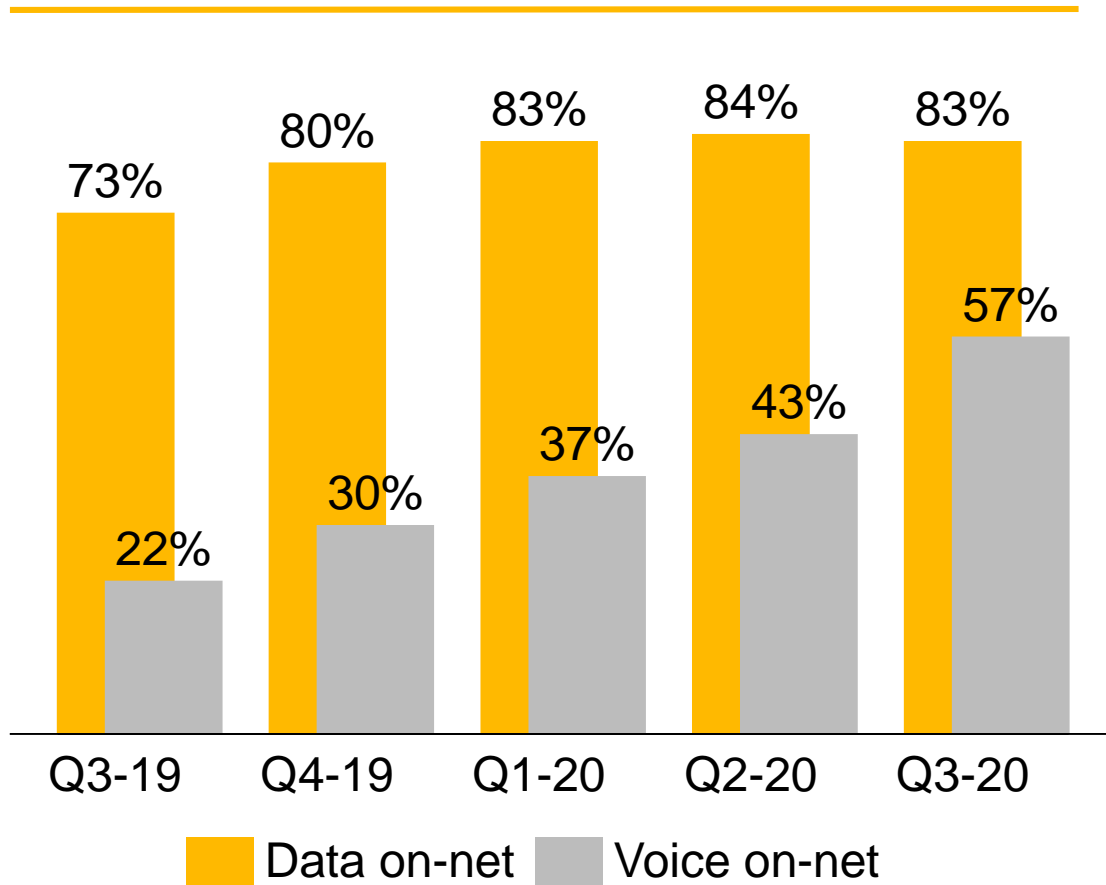


- Continue to roll out new base stations at full scale
- Large pipeline of ready-to-build base stations
- Nokia 5G-ready equipment



# Increased coverage giving us higher on-net share and lowering our roaming costs

## Average on-net share



- Voice on-net:
  - Improving user experience
  - Positive effect from Apple agreement
- Data on-net:
  - Covid-19 and seasonality leads to more use outside ice network in July/August
  - September average at 87%
  - Peak days at 90%

# New national roaming agreement

- Commercial agreement with Telia
- In effect from 1 January 2021
- 3-year agreement with 1+1 year extension options
- Price structure in line with the new regulation of “Market-15”
- Will lower NRA costs significantly

## Ice Group ASA: New national roaming agreement

18.9.2020 15:16:55 CEST | Ice Group ASA | Inside information

Ice Group ASA (ICE) has signed a new national roaming agreement (NRA) with Telia Norge AS (Telia) with effect from 1 January 2021. The new NRA will replace the current agreement with Telia that expires 31 March 2021. The new NRA lasts until 31 December 2023 with a 1+1 year extension option, whereas the last 1 year option is under certain conditions.

The new NRA has a price structure in line with the new "Market-15" regulation implemented from 1 June 2020. The new agreement will lower ICE's NRA costs significantly and would have resulted in NRA costs of approximately NOK 200 million if applied to FY 2020, compared to the current guidance for 2020 of NOK 450 million. This would correspond to NRA cost of 11-12% of smart phone service revenues for 2020, compared to current level of approximately 30%.

"This agreement is very important for improving our profitability and increasing our EBITDA-margin going forward. With continued network buildout we expect NRA cost to come down to 7-9% of smartphone service revenues, further improving our profitability in the coming years," says Henning Karlsrud, CFO in Ice Group ASA.

During 2021 ICE targets to reach up to 3,500 smartphone base-stations on air, resulting in a population coverage of more than 95% and producing more than 90% of the traffic through its own modern ice+ network.

"Ice will continue to build the third network in Norway, installing base-stations, expanding the coverage of our network and increasing the on-net share going forward. The support from Norwegian authorities and the new "Market-15" regulation is very important in order to realizing the third national mobile network in Norway. We have now delivered 21 consecutive quarters of smartphone subscription growth and we remain confident that we will continue to win market share and improve margins strongly going forward," says Eivind Helgaker, CEO in Ice Group ASA.

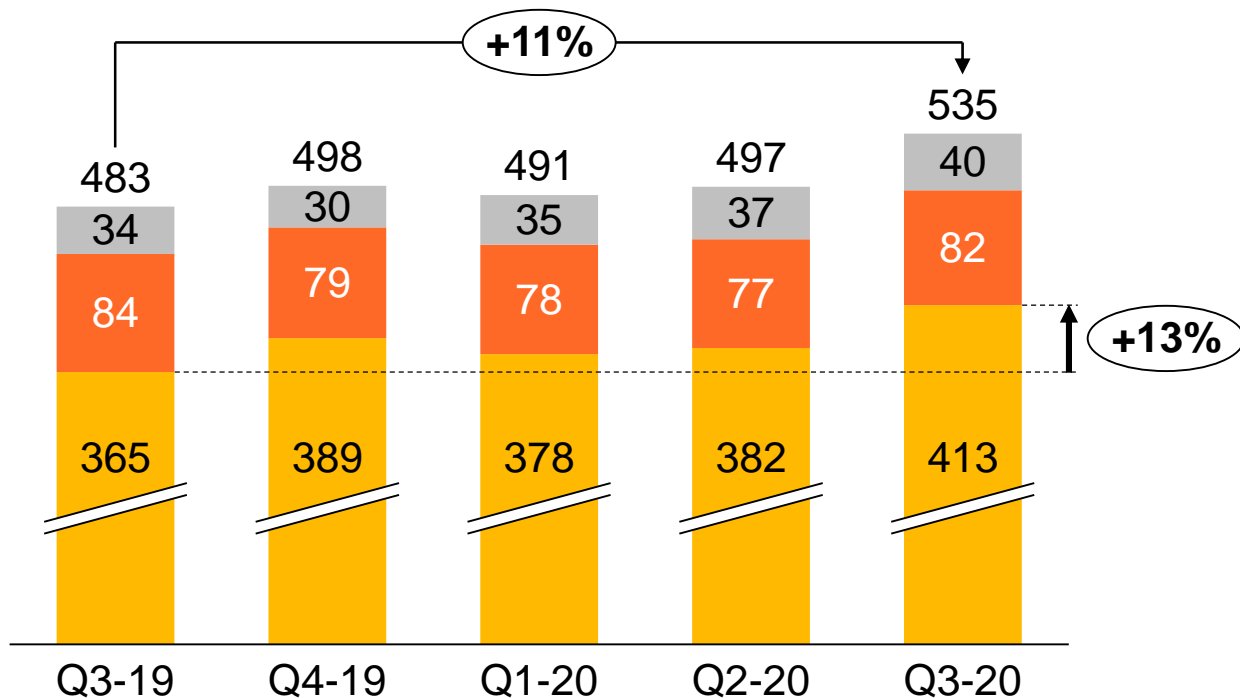
# Finance

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# Positive adj. EBITDA again in Q3 2020

## Operating revenues

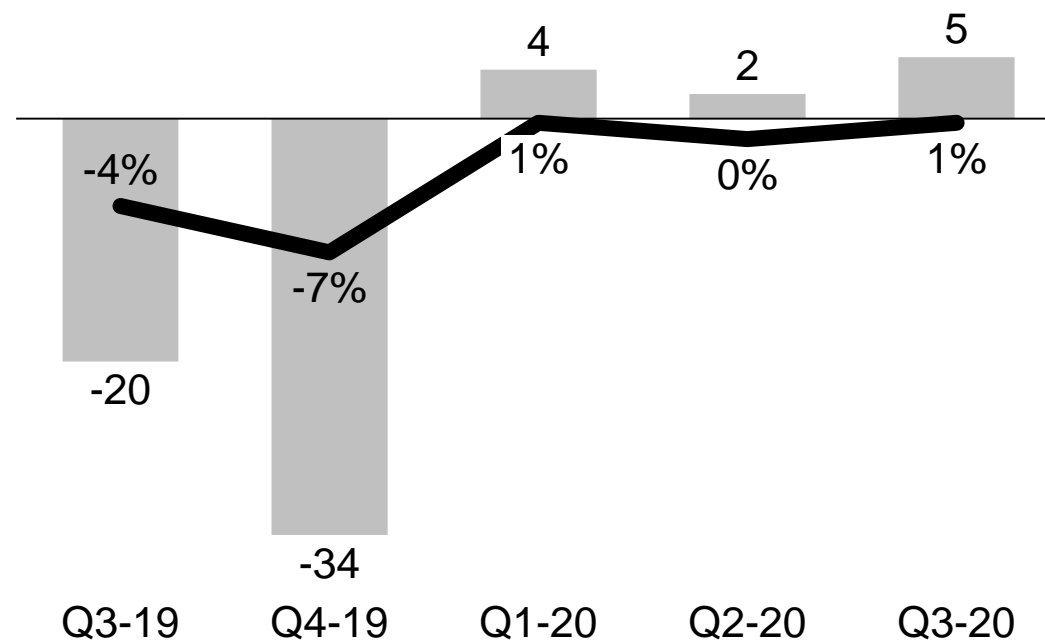
NOK millions



- Other revenues
- MBB service revenues
- Smartphone service revenues

## Adj EBITDA and adj EBITDA margin

NOK millions / %

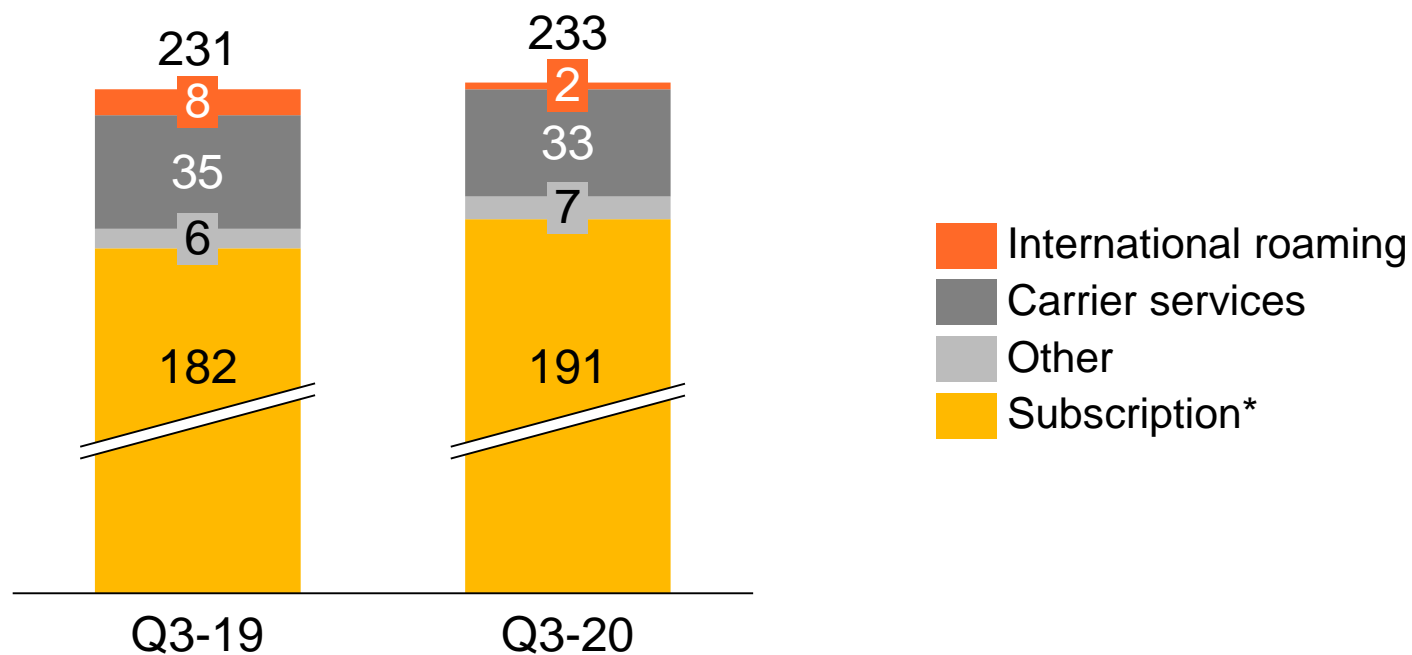


- Adj EBITDA
- Adj EBITDA margin

# Positive underlying ARPU development

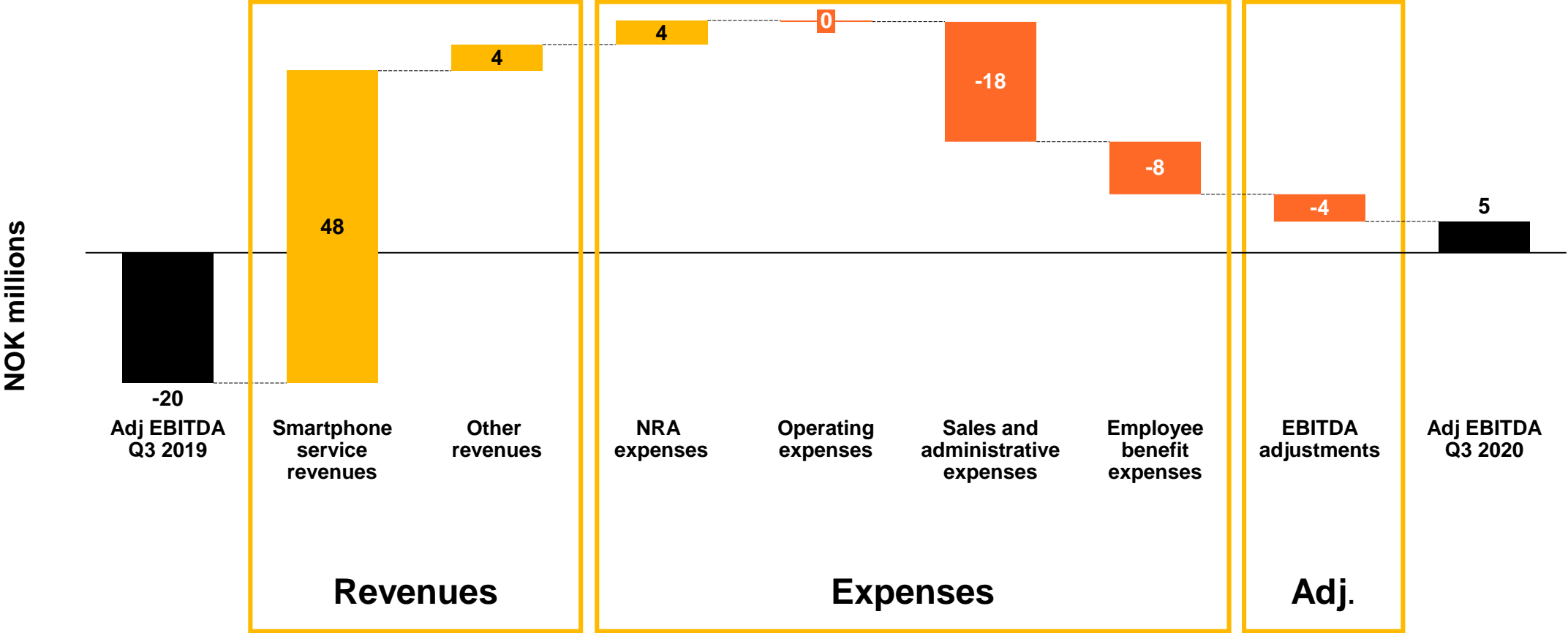
## Smartphone ARPU detailed

Average monthly revenue per subscription (NOK)



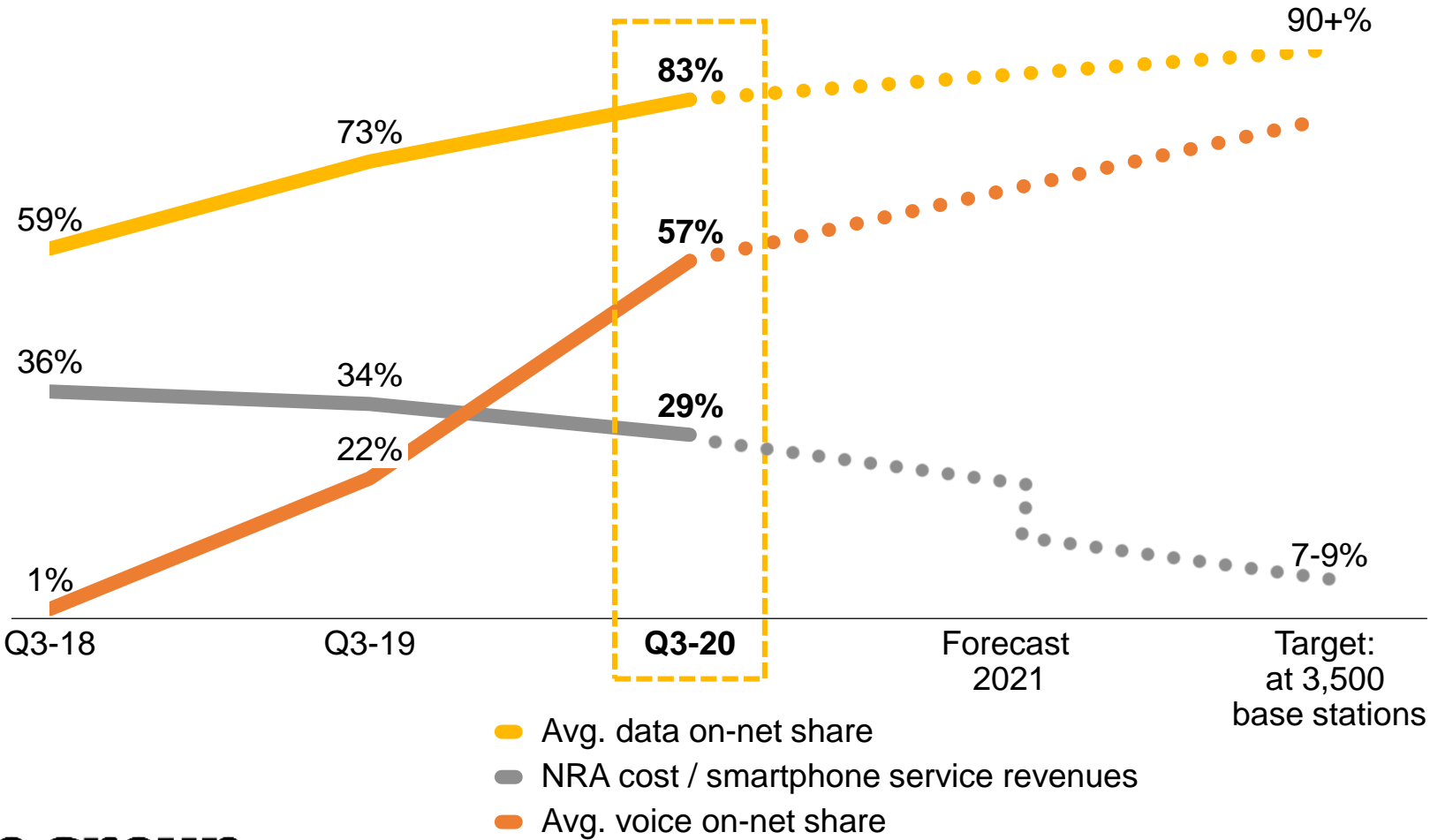
- Slight increase in APRU despite decline in international roaming due to Covid-19 travel restrictions
- +9 NOK increase in Subscription revenues
- Carrier services has regulated prices and zero margin
- Working on value added services to increase ARPU
- New product portfolio very attractive on higher price plans

# Adj. EBITDA development – Q3 2019 vs Q3 2020



# Step-down in NRA cost from 1 January 2021 with new Telia roaming agreement

On-net data share and network rental cost as % of revenues

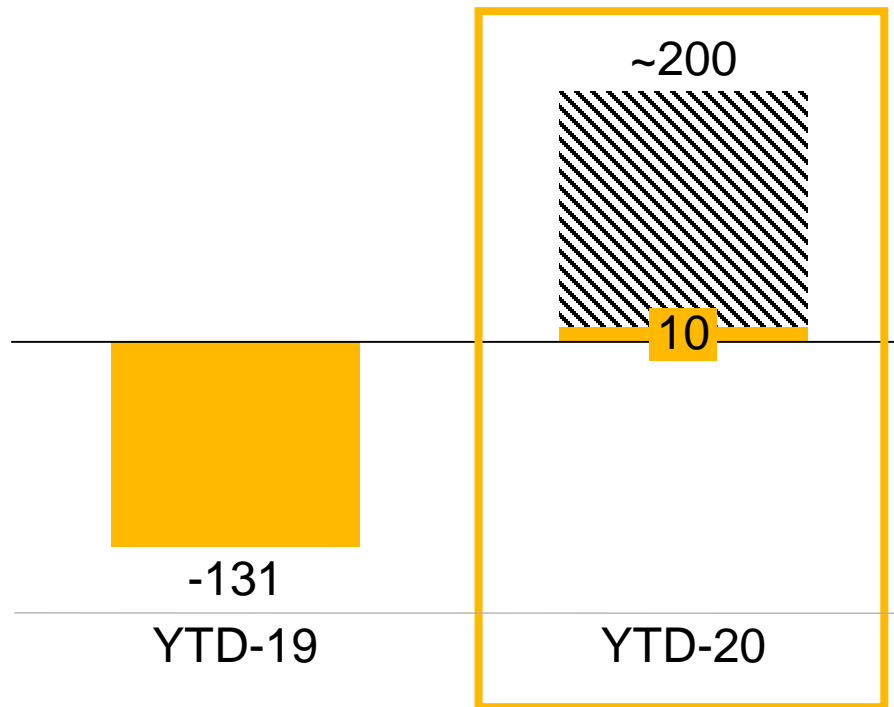


- Network build-out enabling shift from variable to fixed cost base
- Continuously decreasing network rent cost as on-net share increases
- Step-down in NRA cost from 1 January 2021 with new Telia roaming agreement

# Strong improvement in profitability with positive outlook going forward

## Adjusted EBITDA

NOK millions



▨ Implied effect of new NRA agreement

- Positive adj. EBITDA for the third consecutive quarter
- Driven by scale effects as we grow the customer base
- Growth will continue going forward, resulting in increased operational leverage
- Step-up effect on margin from Q1 2021 with new NRA agreement



# Income statement

NOK millions	Third quarter	
	2019	2020
Service revenue total	449	494
Other operating revenue total	34	40
<b>Total operating revenue</b>	<b>483</b>	<b>535</b>
Operating expenses, NRA	(122)	(119)
Operating expenses, excl. NRA	(150)	(150)
Sales and administrative expenses	(180)	(199)
Employee benefit expenses	(61)	(70)
<b>EBITDA</b>	<b>(31)</b>	<b>(3)</b>
Depreciation, amortization and impairment losses	(121)	(129)
<b>Total operating expenses</b>	<b>(635)</b>	<b>(666)</b>
<b>Operating result</b>	<b>(153)</b>	<b>(131)</b>
Financial items - net	(168)	(92)
<b>Result before tax</b>	<b>(321)</b>	<b>(223)</b>
Income taxes	1	(0)
<b>Net result for the period</b>	<b>(320)</b>	<b>(223)</b>
Basic earnings per share (NOK)	(1.59)	(1.11)
<b>Adjusted EBITDA</b>	<b>(20)</b>	<b>5</b>

The net financial items for the third quarter holds a NOK 41 million unrealised positive currency effect from borrowings in USD and SEK. Interest expense for Q3 amounted to NOK 92 million while NOK 44 million were paid interest in the period. Financial expenses related to IFRS 16 amounted to NOK 36 million for the period.

# Cash flow

NOK millions

	Third quarter	
	2019	2020
Result before tax	(321)	(223)
Payments related to lease interest	27	36
Paid interest expense	40	44
<i>Non-cash items</i>		
Depreciation & amortisation of non-current assets	99	100
Depreciation & amortisation of right-of-use assets	22	29
Depreciation & amortisation of costs to obtain/fulfil contracts	52	69
Net interest expense	30	48
Adjustments for other non-cash items	81	(33)
<b>Cash flows before changes in working capital</b>	<b>31</b>	<b>71</b>
<b>Cash flows from changes in working capital</b>	<b>(140)</b>	<b>(7)</b>
<b>Cash flows from operating activities</b>	<b>(109)</b>	<b>63</b>
<b>Cash flows from investing activities</b>	<b>(64)</b>	<b>(162)</b>
<b>Cash flows from financing activities</b>	<b>(90)</b>	<b>603</b>
<b>Cash flows for the period</b>	<b>(263)</b>	<b>505</b>
Cash and cash equivalents at the beginning of the period	1,164	618
Exchange rate differences in cash and cash equivalents	1	1
<b>Cash and cash equivalents at the end of the period</b>	<b>902</b>	<b>1,123</b>

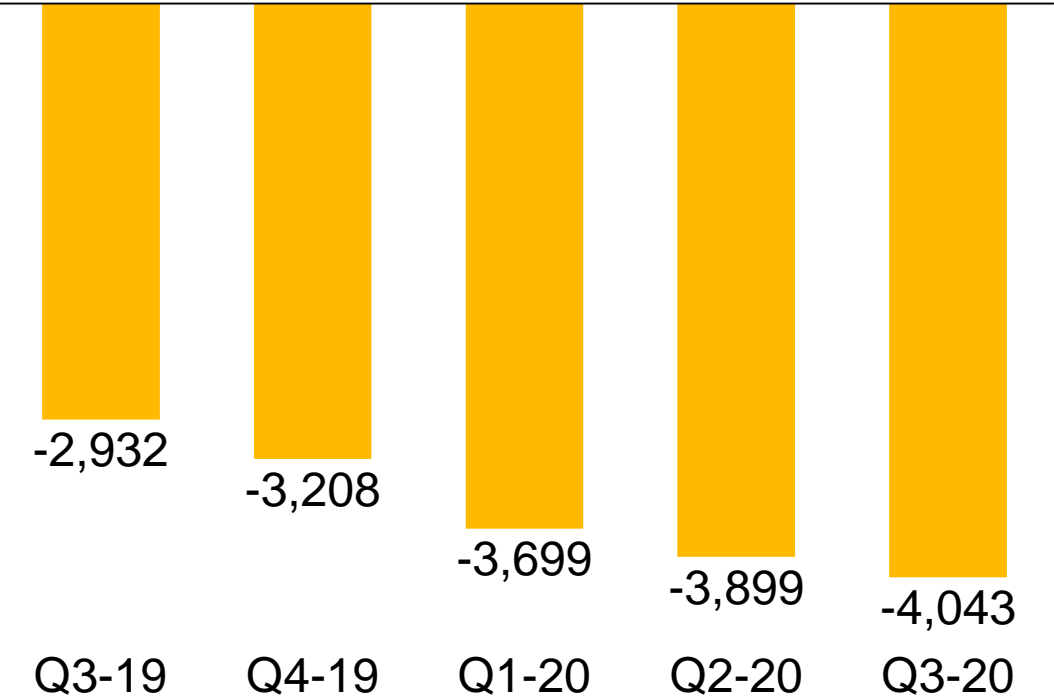
Mainly currency effects on SEK/USD loans

Mainly investments in network build-out and core modernization

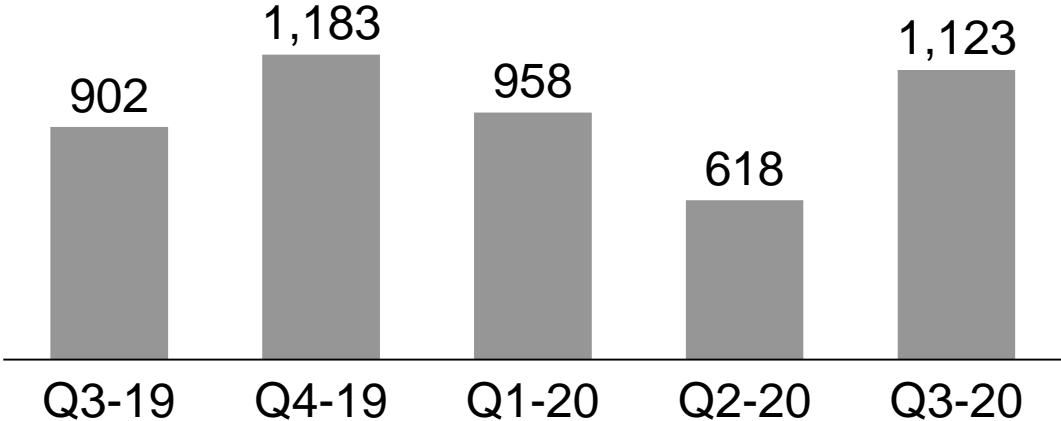
Includes proceeds from issue of NOK 689 million convertible bond (gross)

# Liquidity level expected to be sufficient to fund the company to cash flow break-even

**Net interest bearing debt** (NOK millions)



**Cash and cash equivalents** (NOK millions)



# Update on refinancing process

- NOK 689 million Convertible Bond issue launched 31 August 2020
  - With this bond issue, the company expects to have a fully financed business plan with sufficient liquidity to reach cash flow break even and reach its operational and financial targets
- Secured bond refinancing process to be initiated late 2020 (maturity Oct 2021)
  - Looking into bank and/or bond market refinancing
  - The Group's credit position is significantly improved since this bond was issued in 2017, with increased asset base and positive EBITDA
- Refinancing of PIK loans
  - No agreement reached with GoldenTree regarding partial prepayment and amended terms on PIK loan (USD 135 million outstanding 30 September)
  - GoldenTree has initiated legal proceedings towards ICE due to alleged breach of loan agreement
  - GoldenTree has been informed of the public bond issues and has never before objected to or raised any concerns in relation thereto
  - GoldenTree sold parts of their holding to third parties in 2019
  - ICE sees GoldenTree's behaviour as an unjustified attempt to achieve early redemption of its debt
  - ICE considers the legal claim to be without any merit and feels confident that a Norwegian court will agree

## Guidance & outlook

### Smartphone network build-out:

2020: **750-800** new smartphone base stations

updated

### CAPEX:

2020: NOK **~650** million (excl. contracts with customers)

updated

### National Roaming Cost (NRA):

2020: NOK **~450** million

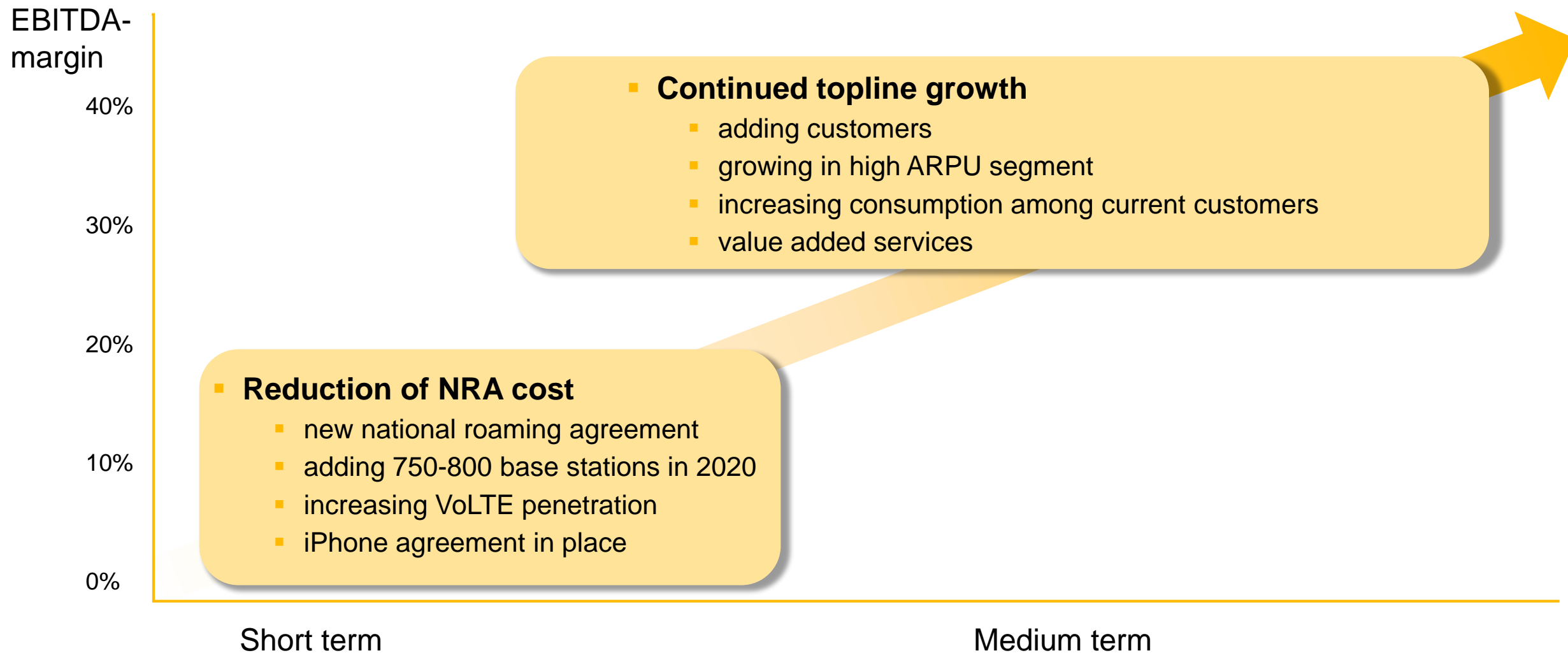
restated

### EBITDA:

2020: Expect to have **positive** annual adj. EBITDA in 2020

restated

# Key drivers behind profitability improvements



# Summary

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# Third quarter highlights and main developments

**Secured NOK  
689 million in  
funding**

**New NRA  
agreement in  
effect from Q1  
2021**

**Continued  
positive  
operational  
development**



# Q & A

# Appendix

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# Our path to medium-term and long-term value creation

- **Subscriber share<sup>1</sup>**
- **ARPU<sup>1,2</sup>**
- **Adj EBITDA margin<sup>3</sup>**
- **Capex / sales**

## Medium term targets:

**>20%**

**~NOK300**

**mid 30s %**

**~10%**

## Long term targets:

>25%

+2.5% p.a.

mid 40s %

~10%

# Income statement\*

NOK millions	Third quarter		Jan-sep		Full year
	2019	2020	2019	2020	2019
Service revenue total	449	494	1,219	1,410	1,687
Other operating revenue total	34	40	143	113	173
<b>Total operating revenue</b>	<b>483</b>	<b>535</b>	<b>1,362</b>	<b>1,523</b>	<b>1,859</b>
Operating expenses, NRA	(122)	(119)	(329)	(343)	(440)
Operating expenses, excl. NRA	(150)	(150)	(407)	(412)	(574)
Sales and administrative expenses	(180)	(199)	(597)	(603)	(793)
Employee benefit expenses	(61)	(70)	(172)	(177)	(238)
<b>EBITDA</b>	<b>(31)</b>	<b>(3)</b>	<b>(143)</b>	<b>(13)</b>	<b>(186)</b>
Depreciation, amortization and impairment losses	(121)	(129)	(339)	(372)	(468)
<b>Total operating expenses</b>	<b>(635)</b>	<b>(666)</b>	<b>(1,844)</b>	<b>(1,907)</b>	<b>(2,514)</b>
			-	-	-
<b>Operating result</b>	<b>(153)</b>	<b>(131)</b>	<b>(482)</b>	<b>(385)</b>	<b>(655)</b>
Financial items - net	(168)	(92)	(412)	(438)	(488)
<b>Result before tax</b>	<b>(321)</b>	<b>(223)</b>	<b>(895)</b>	<b>(823)</b>	<b>(1,142)</b>
			-	-	-
Income taxes	1	(0)	2	(1)	10
<b>Net result for the period</b>	<b>(320)</b>	<b>(223)</b>	<b>(893)</b>	<b>(824)</b>	<b>(1,133)</b>
Basic earnings per share (NOK)	(1.59)	(1.11)	(4.43)	(4.08)	(5.62)
<b>Adjusted EBITDA</b>	<b>(20)</b>	<b>5</b>	<b>(131)</b>	<b>10</b>	<b>(165)</b>

\*Numbers from the divested Swedish operation are included in the 2019 figures (divested Q1 2019)

Ice Group defines Adjusted EBITDA as operating profit after adjustment of operating expenses for depreciation, amortisation, impairment network upgrades, share based compensation expense, non-recurring and other non-operational items. Any effects from business combinations are not included. For details, see the section on Alternative Performance Measures and definitions.

# Cash flow\*

<i>NOK millions</i>	Third quarter		Jan-sep		Full year
	2019	2020	2019	2020	2019
Result before tax	(321)	(223)	(895)	(823)	(1,142)
Payments related to lease interest	27	36	85	113	113
Paid interest expense	40	44	102	165	142
<i>Non-cash items</i>					
Depreciation & amortisation of non-current assets	99	100	269	281	370
Depreciation & amortisation of right-of-use assets	22	29	70	91	98
Depreciation & amortisation of costs to obtain/fulfil contracts	52	69	153	200	206
Net interest expense	30	48	129	115	183
Adjustments for other non-cash items	81	(33)	106	52	56
<b>Cash flows before changes in working capital</b>	<b>31</b>	<b>71</b>	<b>21</b>	<b>194</b>	<b>27</b>
<b>Cash flows from changes in working capital</b>	<b>(140)</b>	<b>(7)</b>	<b>(201)</b>	<b>(85)</b>	<b>(314)</b>
<b>Cash flows from operating activities</b>	<b>(109)</b>	<b>63</b>	<b>(180)</b>	<b>109</b>	<b>(287)</b>
<b>Cash flows from investing activities</b>	<b>(64)</b>	<b>(162)</b>	<b>(331)</b>	<b>(468)</b>	<b>(461)</b>
<b>Cash flows from financing activities</b>	<b>(90)</b>	<b>603</b>	<b>1,140</b>	<b>294</b>	<b>1,656</b>
<b>Cash flows for the period</b>	<b>(263)</b>	<b>505</b>	<b>628</b>	<b>(66)</b>	<b>907</b>
Cash and cash equivalents at the beginning of the period	1,164	618	275	1,183	275
Exchange rate differences in cash and cash equivalents	1	1	(1)	7	0
<b>Cash and cash equivalents at the end of the period</b>	<b>902</b>	<b>1,123</b>	<b>902</b>	<b>1,123</b>	<b>1,183</b>

# Balance sheet\*

<i>NOK millions</i>	30 Sep		Full year
	2019	2020	2019
<b>Assets</b>			
Intangible assets	1,669	1,975	2,070
Tangible assets	2,230	3,040	2,383
Other non-current assets	350	378	382
<b>Total non-current assets</b>	<b>4,249</b>	<b>5,393</b>	<b>4,835</b>
Inventory	6	8	9
Trade receivables	138	143	143
Other receivables	50	23	18
Prepaid expenses and accrued income	63	80	27
Cash and cash equivalents	902	1,123	1,183
<b>Total current assets</b>	<b>1,159</b>	<b>1,378</b>	<b>1,381</b>
<b>TOTAL ASSETS</b>	<b>5,408</b>	<b>6,771</b>	<b>6,216</b>

<i>NOK millions</i>	30 Sep		Full year
	2019	2020	2019
<b>Equity and liabilities</b>			
Equity	(634)	(1,658)	(889)
<b>Total Equity</b>	<b>(634)</b>	<b>(1,658)</b>	<b>(889)</b>
Borrowings	3,788	5,120	4,331
Non-current leases	1,220	1,926	1,618
Deferred tax liabilities	8	1	0
Other non-current liabilities	303	305	303
<b>Total non-current liabilities</b>	<b>5,319</b>	<b>7,352</b>	<b>6,252</b>
Trade payables	262	324	164
Current leases	63	67	112
Other current liabilities	18	25	21
Accrued expenses and deferred income	379	661	555
<b>Total current liabilities</b>	<b>722</b>	<b>1,076</b>	<b>852</b>
<b>Total liabilities</b>	<b>6,042</b>	<b>8,428</b>	<b>7,104</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,408</b>	<b>6,771</b>	<b>6,216</b>

# Key KPIs

NORWAY	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>No. of active subscriptions (in thousands)</b>	<b>541</b>	<b>622</b>	<b>641</b>	<b>659</b>	<b>668</b>	<b>683</b>	<b>701</b>
- smart phone	457	536	555	573	584	598	619
- consumer	420	498	517	535	545	558	578
- business	37	38	38	38	39	40	41
- MBB (excl. M2M/IoT)	84	85	86	86	85	84	82
Smartphone ARPU	221	220	231	234	224	223	233
Number of Smartphone base stations in service EoP	1,873	1,933	1,987	2,116	2,238	2,470	2,696
Smartphone avg. Data on-net share %	71 %	72 %	73 %	80 %	83 %	84 %	83 %
Voice on-net share %	16 %	19 %	22 %	30 %	37 %	43 %	57 %
Smartphone churn, annualized %	24 %	24 %	33 %	26 %	27 %	24 %	26 %

ARPU Q1 2020 and Q2 2020 is recalculated due to reclassification of operating revenue.

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