



Second quarter result 2020

18 August 2020

CEO Eivind Helgaker and CFO Henning Karlsrud



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Second quarter highlights and main developments

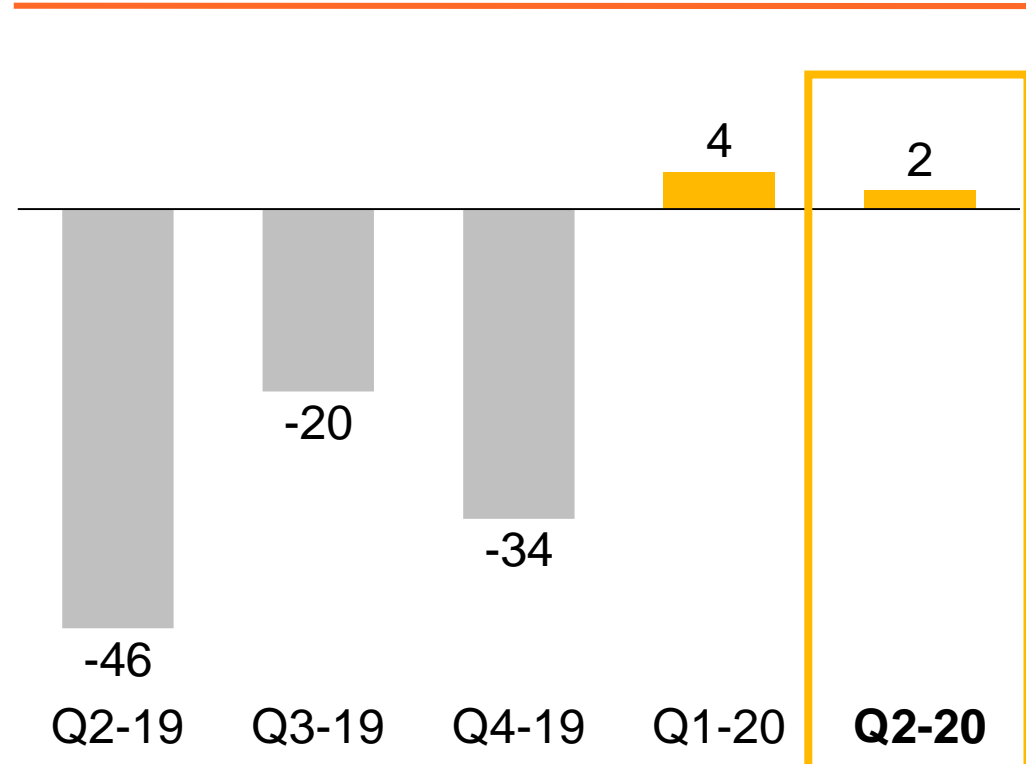
- Secured **NOK 550 million in deferred payments** to Norwegian state
- **Market-15 regulation** of Norwegian telecom market in effect from 1 June, negotiations ongoing with the other operators on future roaming agreements
- 598k smartphone subscriptions at end of Q2, **up 15k in Q2** in a market which is down due to Covid-19
- **Smartphone service revenues** grew by 19% to NOK 379 million
- Adjusted **EBITDA of NOK 2 million**, second positive quarter in a row
- **232 new smartphone sites** on air in Q2, continued increase in on-net data and voice
- **Divestment of Danish operation**, in line with the strategic focus on Norway

Break-even adj. EBITDA in Q2 2020



Adjusted EBITDA

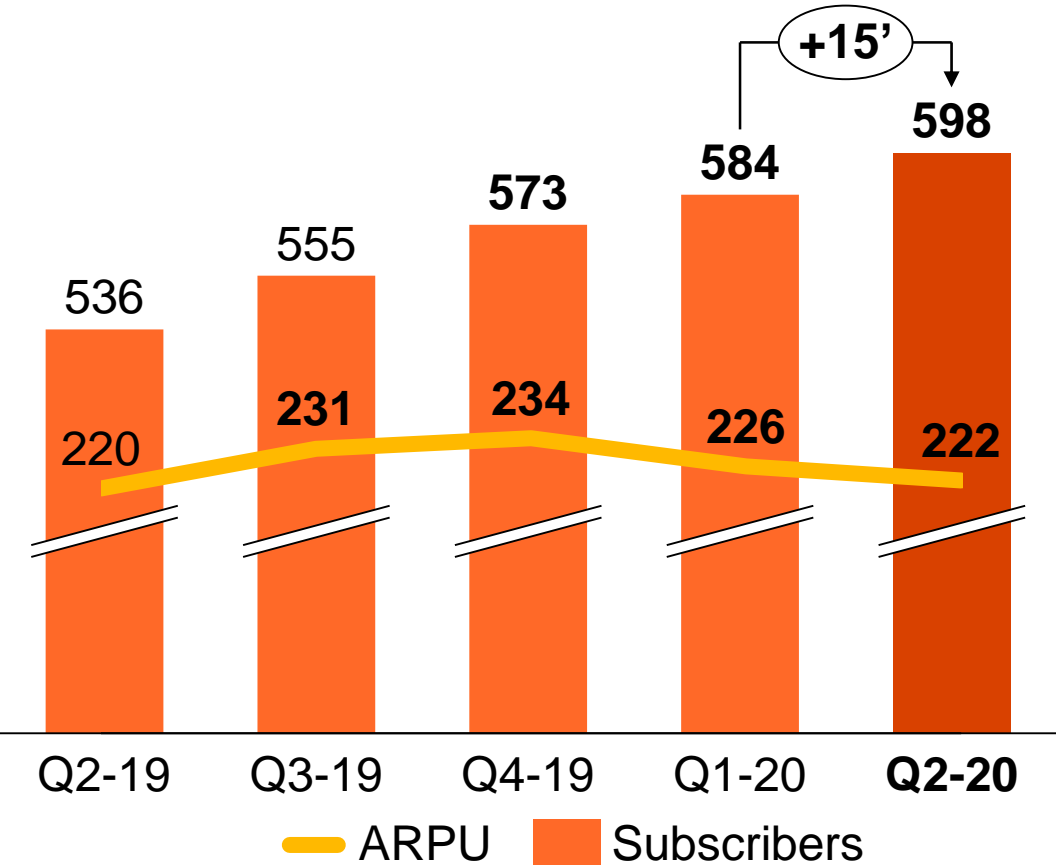
NOK million



Growth in smartphone subscribers leading to 18% increase in smartphone service revenues

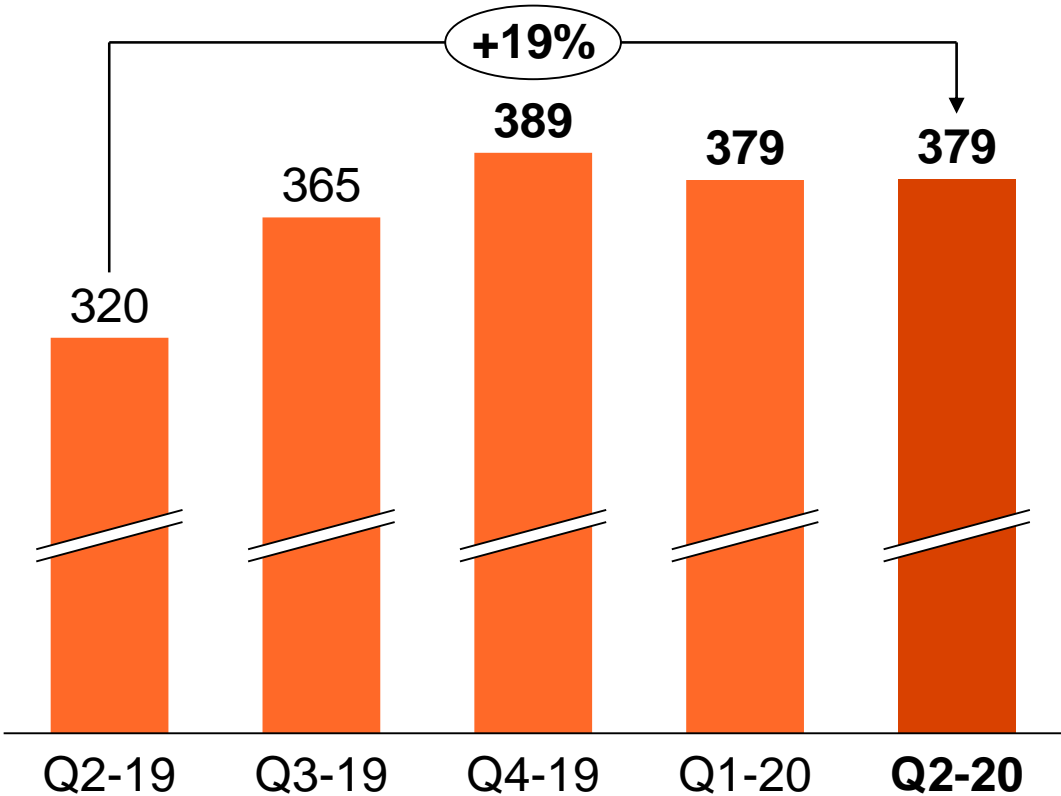
Smartphone subscribers & ARPU

1,000 subscribers / ARPU in NOK



Smartphone service revenues

NOK million



Slow start to the quarter but activity picked up towards the end of the quarter

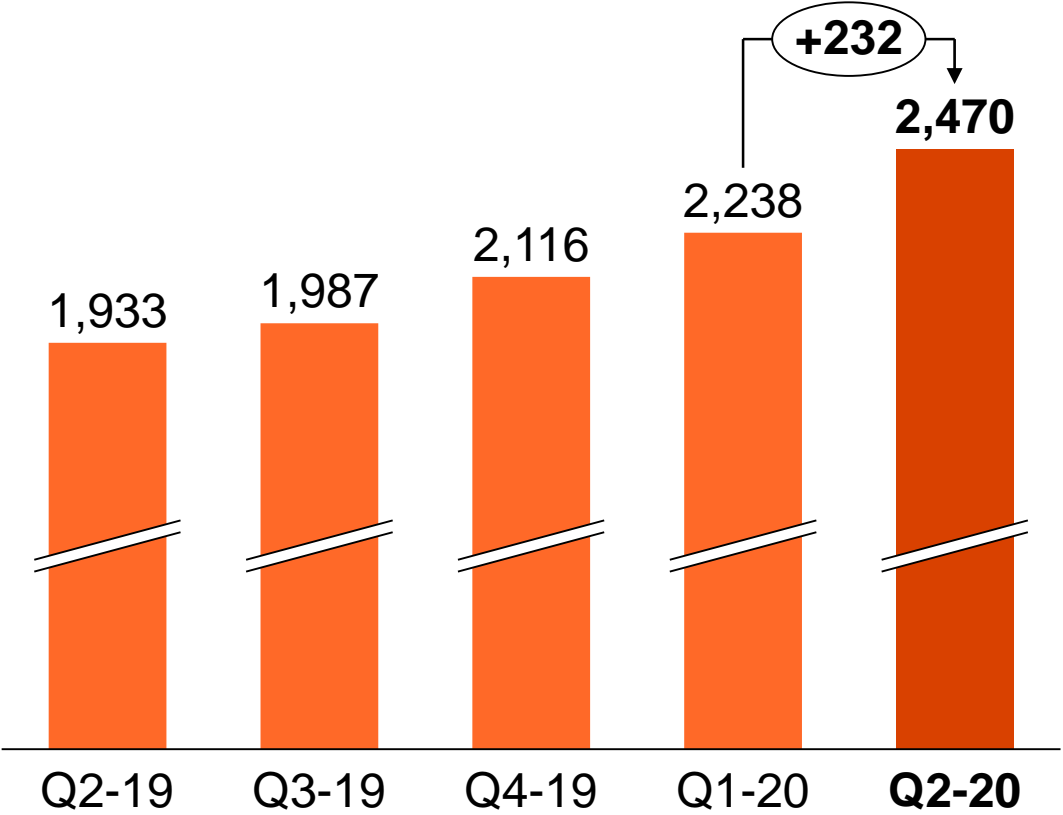
- Start of Q2 with lower than normal activity due to Covid-19 restrictions
- Higher than normal churn in April due to price increase on 1GB price plan
- Churn and sales picked up towards the end of the quarter
- Ice «win rate» in the market (share of net porting¹) was above 20% in Q2



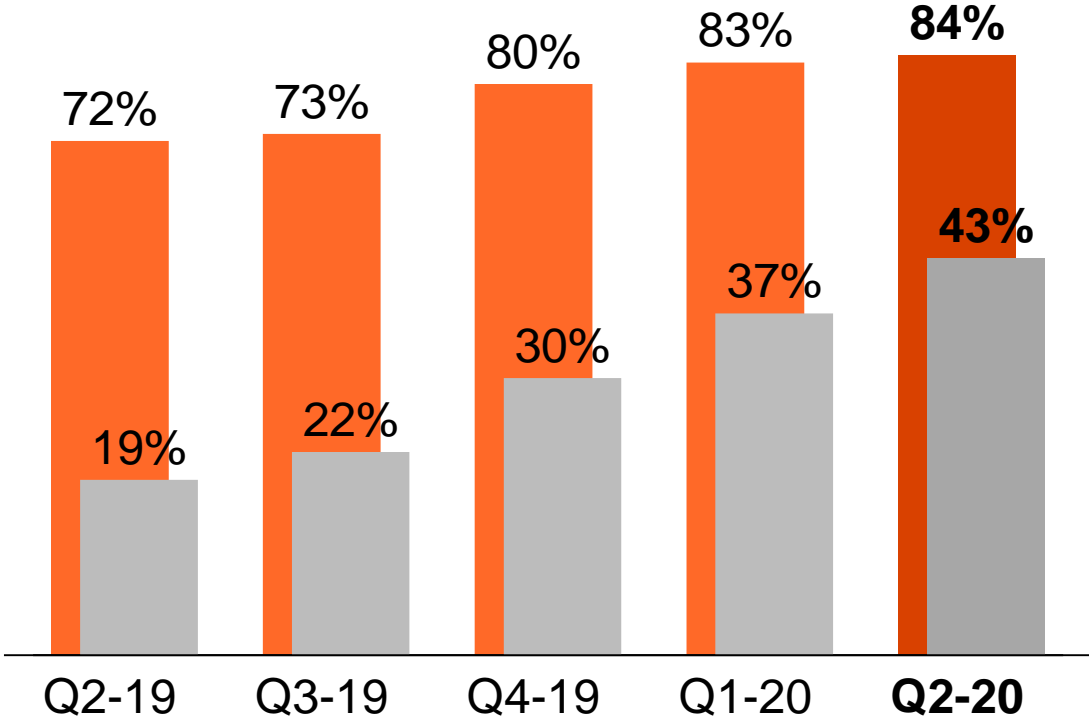
«New» 8GB subscription is the bestseller since launch in May

We continue to build base stations – giving us higher on-net share and lowering our roaming costs

Operational smartphone sites



Average on-net data and voice share



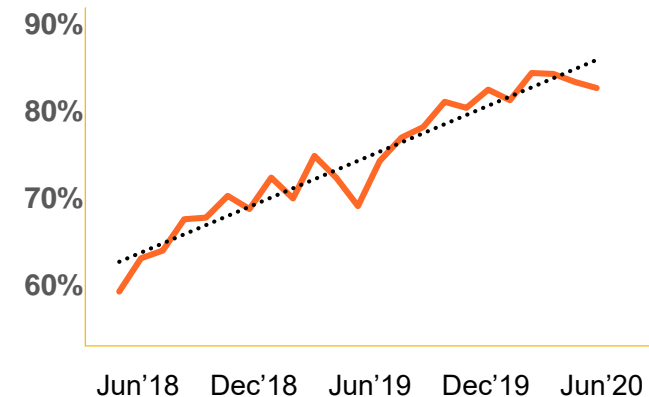
iPhone agreement with positive effects

- **Increased on-net voice and data**
 - On-net voice on iPhone now higher than Android, with continued upside going forward
- **Increased sale of iPhone**
 - 56% of sales in Q2'20 vs 35% in Q2 last year
 - iPhone share of total user base has increased to 45%, up from 41% a year ago

Good underlying development in on-net usage

- Lifting of travel ban in May boosted domestic travel to areas outside ice+ coverage, reducing the average on-net share
- Peak days at **88%** on-net data

Monthly on-net data last 2 years



Continued government support for a third network in Norway

Deferred payments

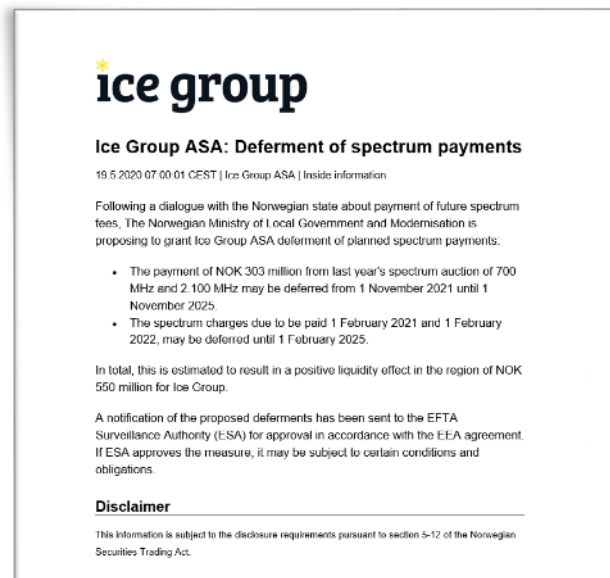
- The Ministry of Local Government and Modernisation has made the final decision to grant Ice deferred payment of license payments and license fees
 - NOK 303 million due in November 2021
 - License fees due in January 2021 and 2022
 - All payments above deferred until 2025
 - Liquidity effect of NOK ~550 million in total

Market-15 regulation

- The Norwegian telecom market will continue to be highly regulated, as one of the least competitive markets in Europe
 - Regulation in effect from 1 June 2020
 - Lower roaming prices for Ice
 - Stricter regulation on site sharing

Regulatory focus on telecom

- Both Norwegian Competition Authority and EFTA Surveillance Agency (ESA) with high focus on fair competition in Norwegian telecom



ice group

Ice Group ASA: Deferment of spectrum payments

19.5.2020 07:00:01 CEST | Ice Group ASA | Inside information

Following a dialogue with the Norwegian state about payment of future spectrum fees, The Norwegian Ministry of Local Government and Modernisation is proposing to grant Ice Group ASA deferment of planned spectrum payments.

- The payment of NOK 303 million from last year's spectrum auction of 700 MHz and 2.100 MHz may be deferred from 1 November 2021 until 1 November 2025.
- The spectrum charges due to be paid 1 February 2021 and 1 February 2022, may be deferred until 1 February 2025.

In total, this is estimated to result in a positive liquidity effect in the region of NOK 550 million for Ice Group.

A notification of the proposed deferments has been sent to the EFTA Surveillance Authority (ESA) for approval in accordance with the EEA agreement. If ESA approves the measure, it may be subject to certain conditions and obligations.

Disclaimer

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.



N K Nasjonal
O M kommunikasjons-
myndighet

Vedtak om utpeking av tilbyder med sterk markedsstilling og pålegg om særskilte forpliktelser i markedet for tilgang til og samtaleoriginering i offentlige mobilkommunikasjonsnett

Sak 1804194
14. mai 2020



KONKURRANSE-
TILSYNET
Norwegian Competition Authority

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Konkurransetilsynet • Nyheter • 788 millioner i gebyr til Telenor

788 millioner i gebyr til Telenor

Konkurransetilsynet legger Telenor et gebyr på 788 millioner misbrukt sin dominerende stilling i det norske mobilmarkedet.

— Konkurransetilsynet har konkludert med at Telenor la hindring utbyggingen av et tredje mobilnett i Norge. Når dominerende aktører hindrer konkurrenter i å etablere seg, er det et alvorlig brudd på konkurransedirektor Lars Særgard.

Norge har vært et av svært få land i Europa med bare to mobil-landsdekkende mobilnett, med Telenor som den dominerende aktøren uten eget landsdekkende nett må leie tilgang i Telenors eller Telias nett.



ESA fines Telenor EUR 112 million for anticompetitive practices

Following an in-depth investigation, the EFTA Surveillance Authority (ESA) concludes that Telenor abused its market dominance by a pricing strategy that resulted in rivals making a loss when selling residential mobile broadband services on tablets and laptops. During a critical...

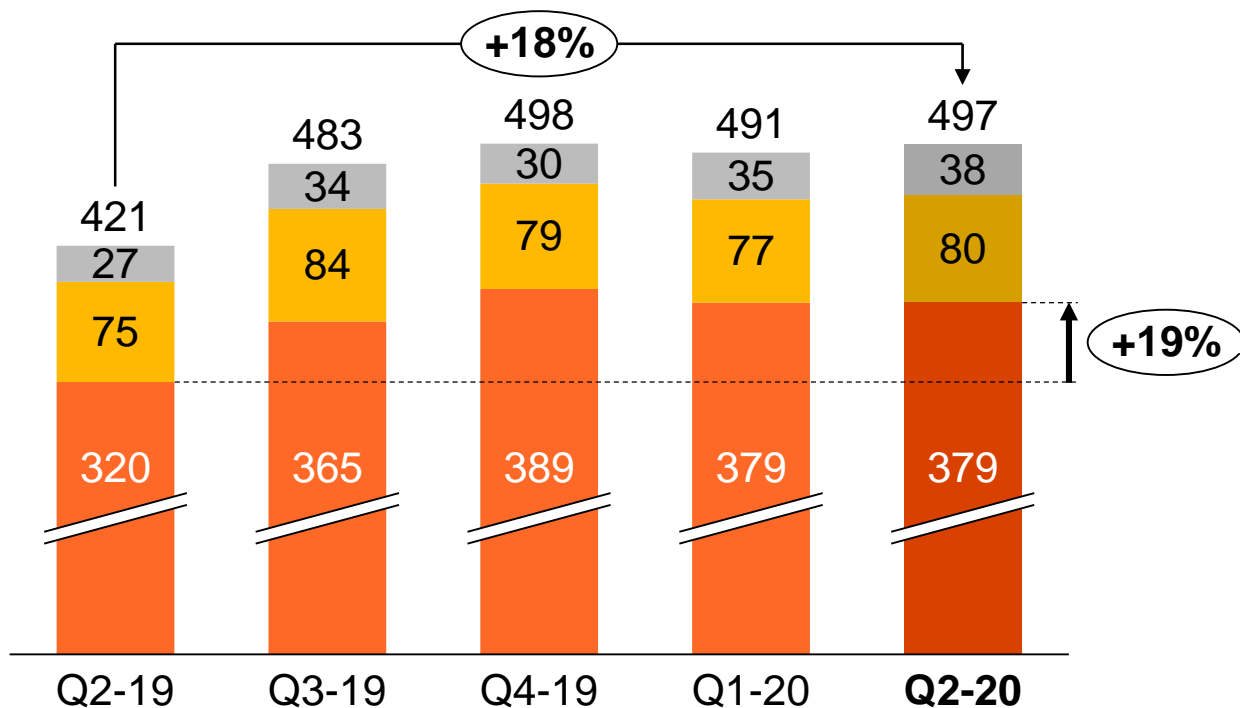
30 JUN 2020

Finance

Positive adj. EBITDA again in Q2 2020

Operating revenues

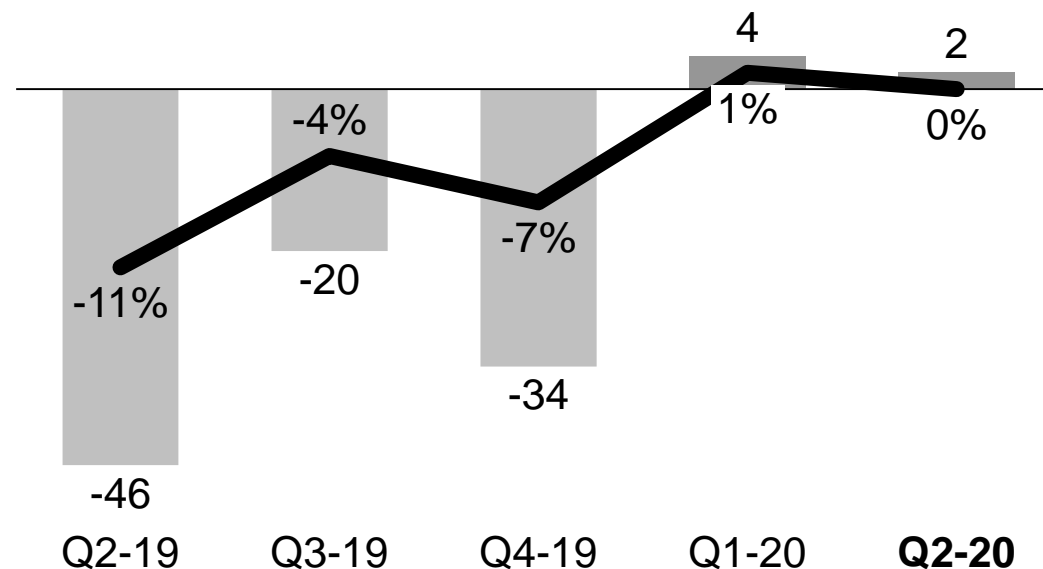
NOK million



- Other revenues
- MBB service revenues
- Smartphone service revenues

Adj EBITDA and adj EBITDA margin

NOK million / %

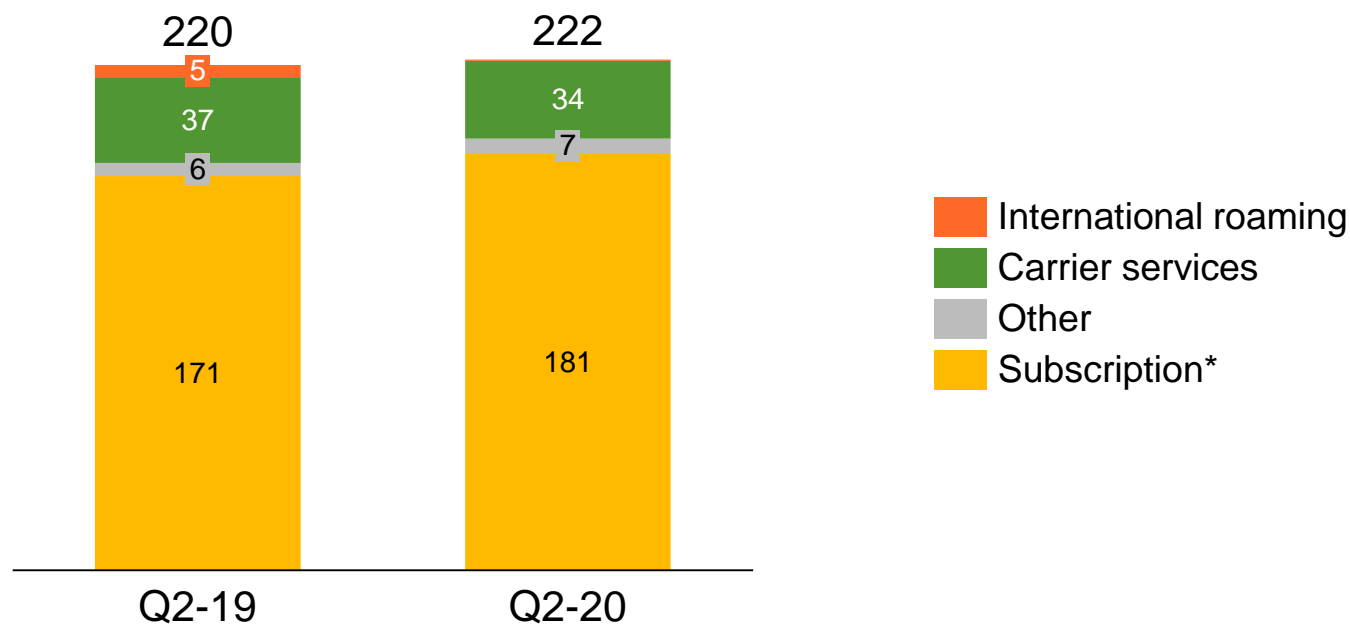


- Adj EBITDA
- Adj EBITDA margin

Positive underlying ARPU development

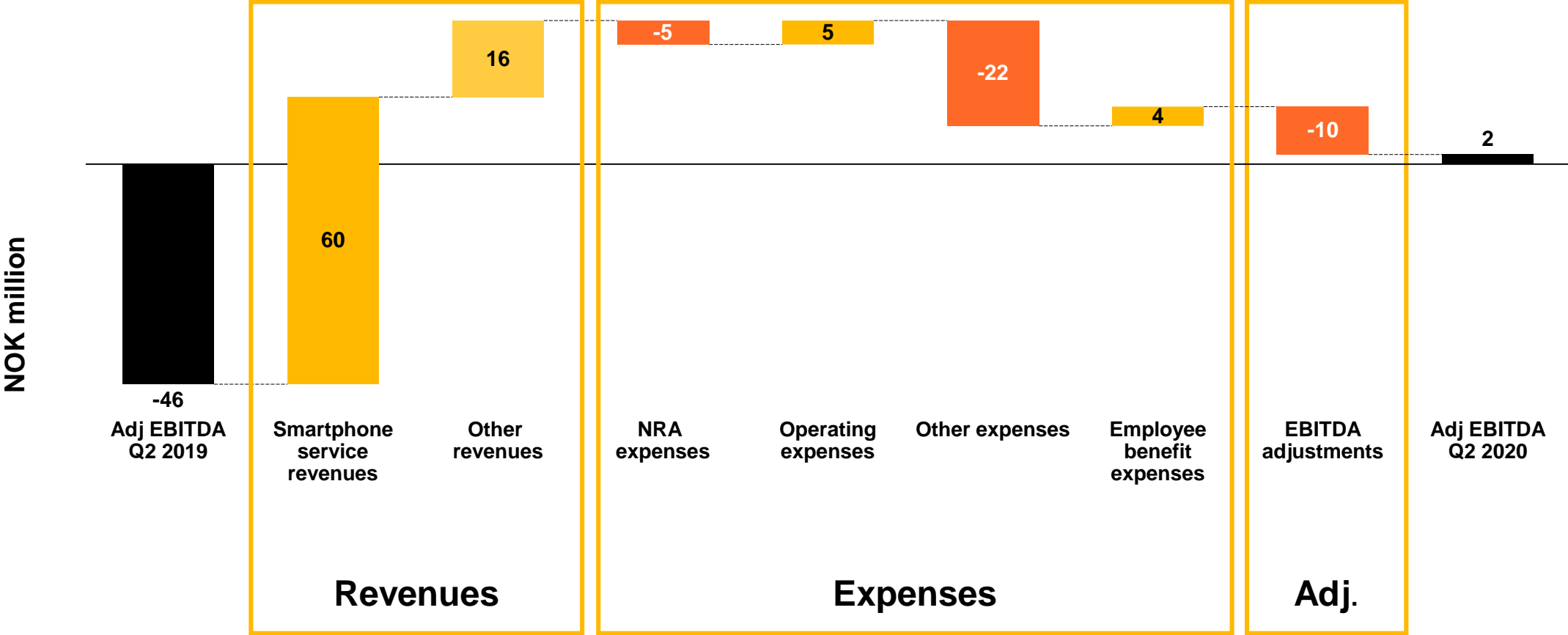
Smartphone ARPU detailed

Average monthly revenue per subscription (NOK)



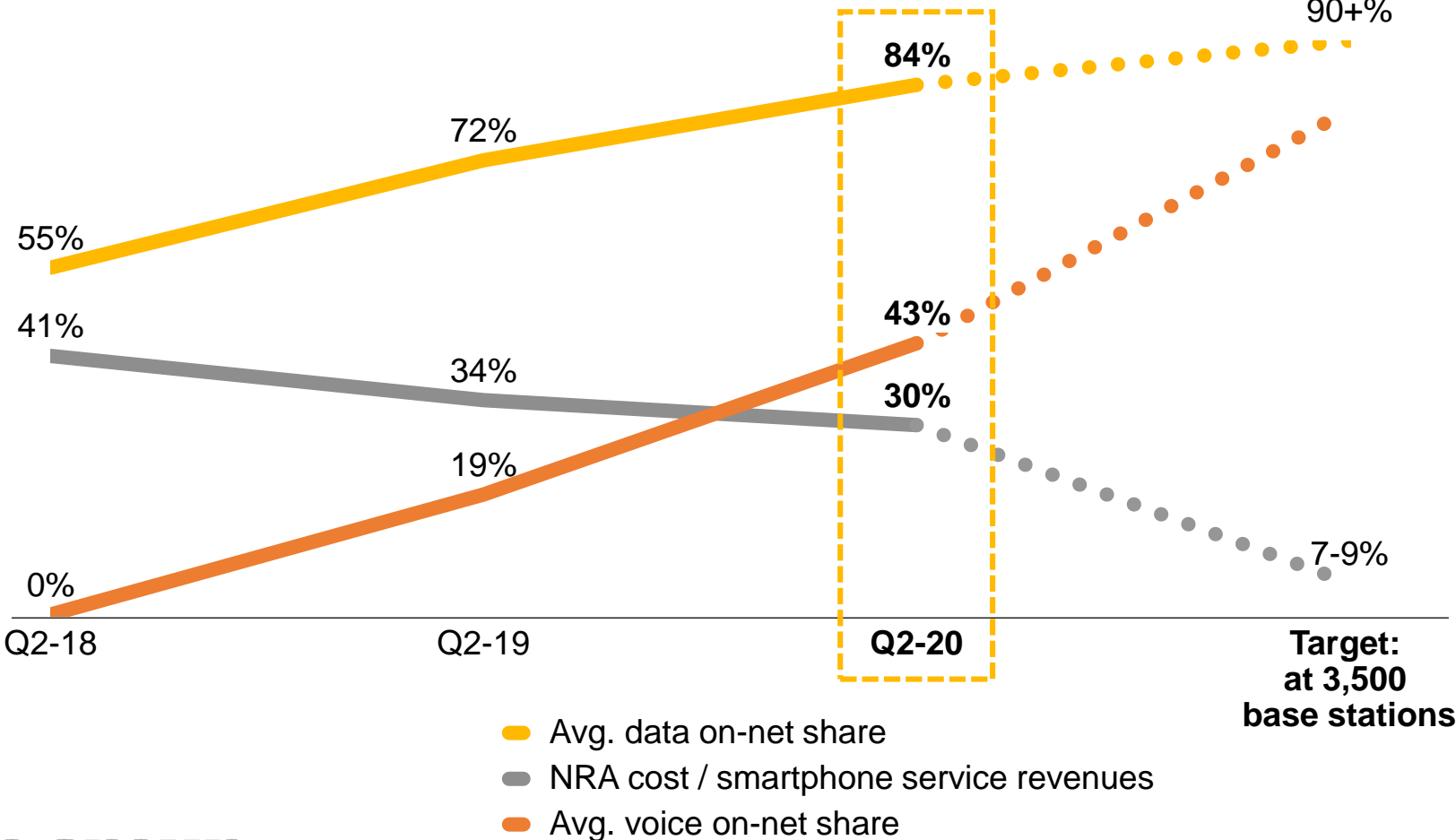
- Slight increase in APRU despite loss of international roaming due to Covid-19 travel restrictions
- +10 NOK increase in Subscription revenues
- Carrier services has regulated prices and zero margin
- Working on value added products to increase ARPU
- New product portfolio very attractive on higher price plans

Adj. EBITDA development – Q2 2019 vs Q2 2020



The increasing on-net share driving the decline in NRA cost share despite growth in data consumption

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
- Additional positive effect on NRA cost from new regulation (Market-15)

Income statement

mnok	Q2 2020	Q2 2019
Service revenue	460	394
Other operating revenue	38	27
Total operating revenue	497	421
National roaming expenses	-114	-109
Operating expenses, excl. NRA	-125	-130
Other expenses	-220	-198
Employee benefit expenses	-46	-50
EBITDA	-8	-66
Depreciation and amortisation	-128	-116
Operating result (EBIT)	-136	-182
Net financial income/expenses	-44	-115
Profit/loss before tax	-180	-298
Income taxes	-0	1
Net result for the period	-181	-297
Adjusted EBITDA	2	-46
Earnings per share (NOK)		
- Basic from continuing operations	-0.89	-1.48

Danish business divested in Q2, included in figures until 30 April 2020.

The net financial items for the second quarter holds a NOK 96 million non-cash positive currency effect from borrowings in USD and SEK. Interest expense for Q2 amounted to NOK 93 million while NOK 61 million were paid interest in the period. Financial expenses related to IFRS 16 amounted to NOK 40 million for the period.

Cash flow

mnok	Q2 2020	Q2 2019
Result before tax	-180	-298
Payments related to lease interest	40	26
Paid interest expense	61	10
Depreciation & amortization of non-current assets	95	93
Depreciation & amortization of right-of-use assets	33	24
Depreciation & amortization of costs to obtain/fulfil contracts	76	51
Net interest expense	31	74
Adjustments for other non-cash items	-77	10
Cash flows before changes in working capital	79	-11
Cash flows from changes in working capital	-79	136
Cash flows from operating activities	0	126
Cash flows from investing activities	-159	-307
Cash flows from financing activities	-178	-150
Cash flows for the period	-337	-331
Cash and cash equivalents at the beginning of the period	958	1,496
Exchange rate differences in cash and cash equivalents	-3	-1
Cash and cash equivalents at the end of the period	618	1,164

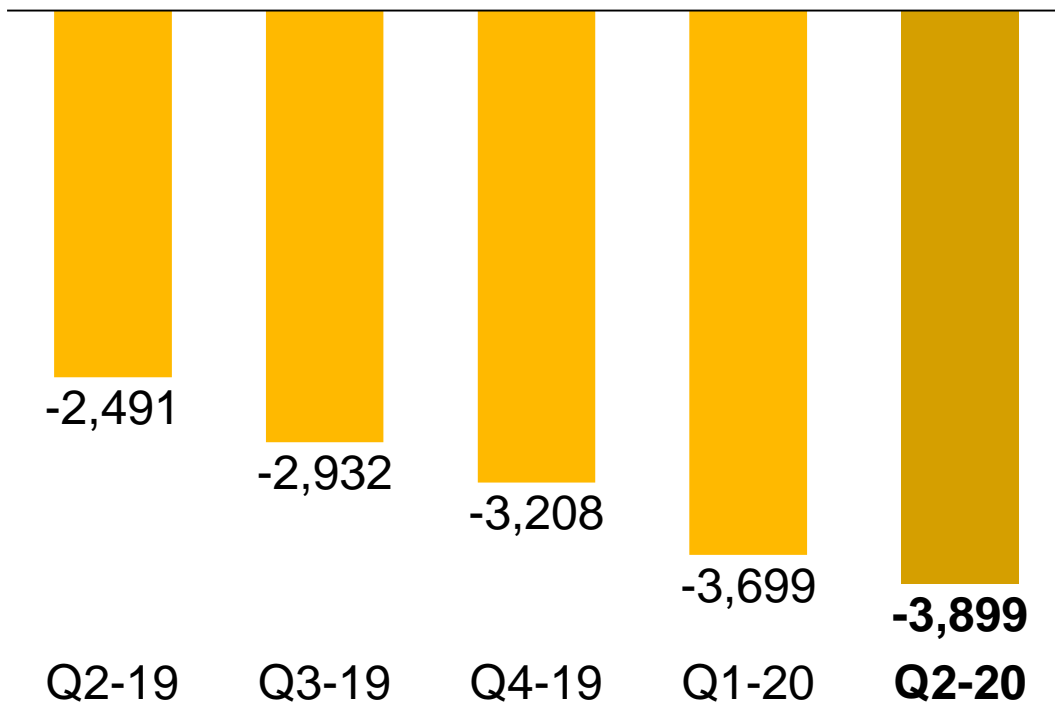
Mainly currency effects on SEK/USD loans

Mainly investments in network build-out and core modernization

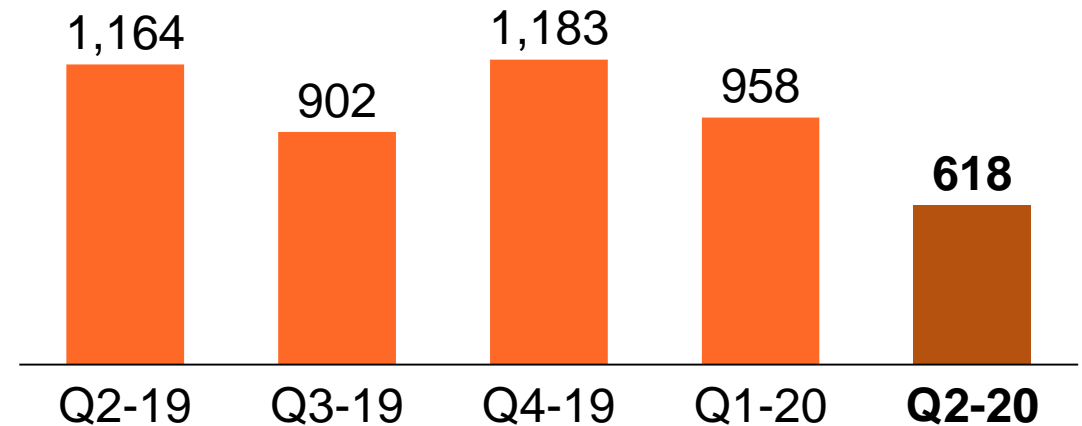
Includes NOK 57 million in repayment of Telia sellers credit

Liquidity level sufficient to fund network build-out and growth in Norway for the coming period

Net interest bearing debt (NOK million)

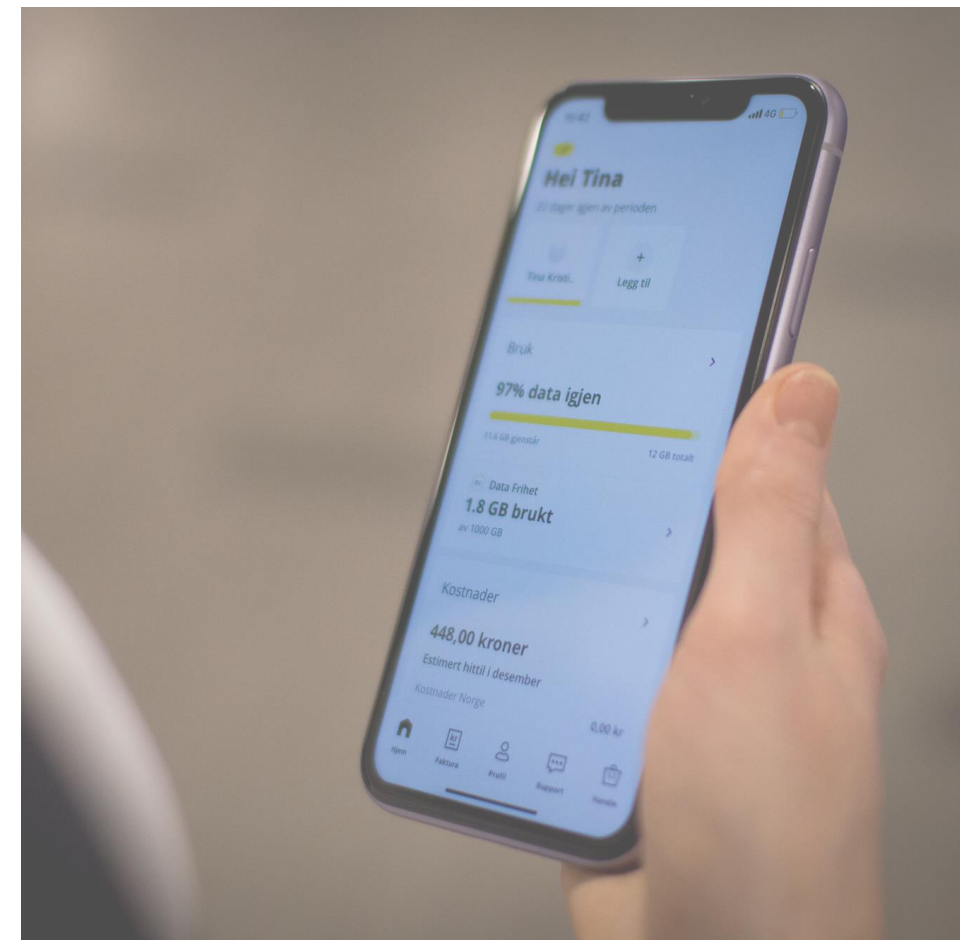


Cash and cash equivalents (NOK million)



Update on refinancing process

- Secured NOK 550 million in deferred spectrum payment to Norwegian state, significantly reducing the funding need
- Financing process has been re-initiated during Q2 and is ongoing with advanced talks
- Multiple sources and debt structures have been evaluated
- Management is positive that additional financing may be accessible in the coming period
- Secured bond refinancing process to be initiated late 2020 (maturity Oct 2021)



Guidance & outlook

Smartphone network build-out:

2020: ~1,000 new smartphone base stations

restated

CAPEX:

2020: NOK ~750 million

restated

National Roaming Cost (NRA):

2020: NOK ~450 million

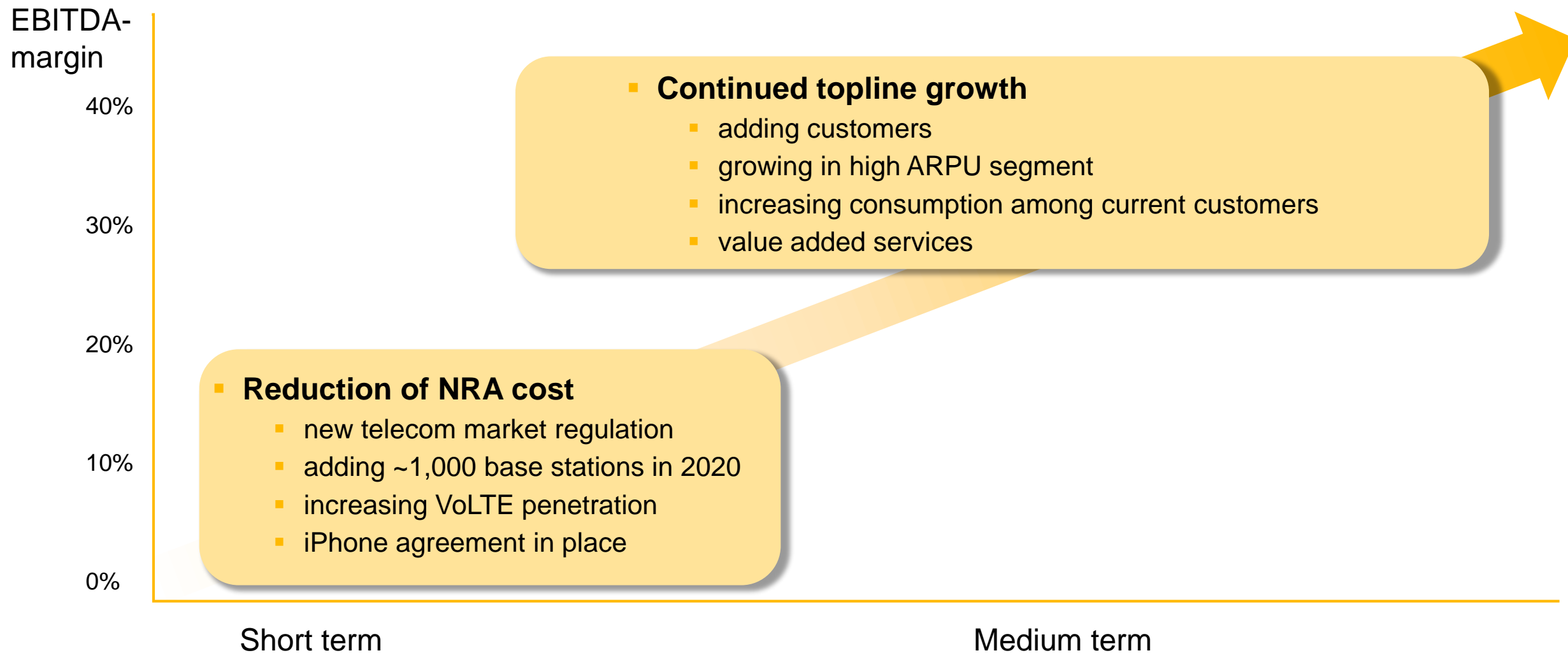
updated

EBITDA:

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

updated

Key drivers behind profitability improvements



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

- **Subscriber share¹**
- **ARPU^{1,2}**
- **Adj EBITDA margin³**
- **Capex / sales**

Medium term targets:

>20%

~NOK300

mid 30s %

~10%

Long term targets:

>25%

+2.5% p.a.

mid 40s %

~10%

Summary

Second quarter highlights and main developments

**Secured NOK
550 million in
deferred
payments**

**Continued
positive
operational
development,
despite Covid-
19 impact**

**Positive adj.
EBITDA for the
second quarter
in a row**

Q & A

Appendix

Income statement*

mnok	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Service revenue	460	394	915	769	1,687
Other operating revenue	38	27	73	109	173
Total operating revenue	497	421	988	879	1,859
National roaming expenses	-114	-109	-225	-206	-440
Operating expenses, excl. NRA	-125	-130	-261	-257	-574
Other expenses	-220	-198	-405	-417	-793
Employee benefit expenses	-46	-50	-108	-110	-238
EBITDA	-8	-66	-10	-112	-186
Depreciation and amortisation	-128	-116	-243	-218	-468
Operating result (EBIT)	-136	-182	-253	-330	-655
Net financial income/expenses	-44	-115	-346	-244	-488
Profit/loss before tax	-180	-298	-600	-574	-1,142
Income taxes	-0	1	-1	1	10
Net result for the period	-181	-297	-600	-573	-1,133
Adjusted EBITDA	2	-46	6	-111	-165
Earnings per share (NOK)					
- Basic from continuing operations	-0.89	-1.48	-2.98	-2.84	-5.62

*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*

mnok	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Result before tax	-180	-298	-600	-574	-1,142
Payments related to lease interest	40	26	77	58	113
Paid interest expense	61	10	121	62	142
Depreciation & amortization of non-current assets	95	93	182	171	370
Depreciation & amortization of right-of-use assets	33	24	62	48	98
Depreciation & amortization of costs to obtain/fulfil contracts	76	51	131	101	206
Net interest expense	31	74	67	99	183
Adjustments for other non-cash items	-77	10	84	26	56
Cash flows before changes in working capital	79	-11	123	-10	27
Cash flows from changes in working capital	-79	136	-78	-61	-314
Cash flows from operating activities	0	126	45	-71	-287
Cash flows from investing activities	-159	-307	-306	-268	-461
Cash flows from financing activities	-178	-150	-310	1,229	1,656
Cash flows for the period	-337	-331	-571	890	907
Cash and cash equivalents at the beginning of the period	958	1,496	958	1,496	902
Exchange rate differences in cash and cash equivalents	-3	-1	-3	-1	1
Cash and cash equivalents at the end of the period	618	1,164	618	1,164	1,183

Balance sheet*

mnok	30.06.2020	30.06.2019	31.12.2019
ASSETS			
Intangible assets	2,005	1,700	2,070
Tangible assets	3,037	2,249	2,383
Other non-current assets	374	331	382
Total non-current assets	5,416	4,280	4,835
Inventory	10	6	9
Trade receivables	131	130	143
Other receivables	35	21	18
Prepaid expenses and accrued income	56	32	27
Cash and cash equivalents	618	1,164	1,183
Total current assets	851	1,353	1,381
TOTAL ASSETS	6,267	5,633	6,216

mnok	30.06.2020	30.06.2019	31.12.2019
EQUITY AND LIABILITIES			
Total Equity	-1,575	-314	-889
Total Equity	-1,575	-314	-889
Borrowings	4,466	3,604	4,331
Non-current leases	1,992	1,219	1,618
Deferred tax liabilities	1	8	0
Other non-current liabilities	304	303	303
Total non-current liabilities	6,763	5,135	6,252
Trade payables	280	232	164
Current leases	75	62	112
Other current liabilities	24	20	21
Accrued expenses and deferred income	700	498	555
Total current liabilities	1,079	812	852
Total liabilities	7,842	5,947	7,104
TOTAL EQUITY AND LIABILITIES	6,267	5,633	6,216

Key KPIs

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
No. of active subscriptions (in thousands)	622	641	659	668	683
- Smartphone	536	555	573	584	598
- consumer	498	517	535	545	558
- business	38	38	38	39	40
- MBB Norway (excl. M2M/IoT)	85	86	86	85	84
Smartphone ARPU	220	231	234	226	222
Number of Smartphone base stations in service EoP	1,933	1,987	2,116	2,238	2,470
Smartphone avg. Data on-net share %	72 %	73 %	80 %	83 %	84 %
Voice on-net share %	19 %	22 %	30 %	37 %	43 %
Smartphone churn, annualized %	24 %	33 %	26 %	27 %	24 %

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