UNLOCKING A WORLD OF CONNECTIONS

Six Month Report 2016

Contents

Chief Executive Officer's Report

I am pleased to present the unaudited six month accounts for KeyTech Limited ("KeyTech" or the "Company"). These results now fully reflect the positive impact of the recent transactions to acquire all of the Company's wireless business, Bermuda Digital Communications Ltd. ("CellOne"), and the cash injection made by ATN International, Inc. ("ATN") as part of its investment in KeyTech.

The Company is beginning to execute its comprehensive plans to improve customer care and enhance product offerings. Over the coming months, system and process changes will be implemented to improve cable service customer care both in store and on the phone, including the launch of a 24/7 call center support and new methods for account payments. In November, the Company rebranded its Bermuda operating subsidiaries, Logic Communications Ltd. and CellOne, to the trading name of "One Communications" to streamline our positioning of fixed and mobile services to customers. In support of that branding, we are proposing to legally rename KeyTech to be "One Communications Ltd." by amalgamating it with a newly incorporated subsidiary of that name. Included with this report is a proposed written shareholder's resolution regarding the possible name change.

Our network investment program continues as planned including the fiber upgrades for our core network and the launch of new internet and TV products. Our 4G LTE rollout will put to use new spectrum awarded to the Company and we are committed to providing island-wide LTE coverage before the end of 2017. Substantial improvements to subsea capacity on the Challenger cable system will also be implemented in the coming months to meet growing data demands.

In Cayman our fiber internet and TV business continues to grow as we expand our network footprint. Economic growth in the Cayman Islands continues to benefit the business and we are investing in infrastructure to optimize results.

Six Month Ended September 30, 2016 Financial Highlights

The six month accounts for the period ended September 30, 2016 include the full consolidation of the Company's wireless business effective as of the May 3, 2016 closing of the ATN transaction. Comparative September 30, 2015 statements have been restated to reflect the impairment of certain tangible and intangible assets as previously reported in the Company's March 31, 2016 annual report.

Consolidated unaudited profit for the six month ended September 30, 2016 was $24.1 million compared to $0.5 million in the prior year. This increase is mostly the result of a $22.0 gain, measured at a provisional amount based on management's preliminary estimate of fair value, on the acquisition of the remaining 58% of the Company's wireless business as part of the ATN transaction.

Consolidated unaudited operating profit for the period was $ 8.0 million, an increase of $9.7 million compared with the prior year operating loss of $1.7 million.

Consolidated revenue for the period was $61.1 million, an increase of $15.1 million compared with the same period in the prior year. Data revenues were $20.2 million for the period, an increase of $1.9 million due to growth in both Bermuda and Cayman subscriber counts and increased consumer demand for higher bandwidth products. Cellular revenues were $19.0 million for the period which represents the full consolidation of the Company's wireless business. In the prior year, this business was accounted for as "share of income in associates". Television revenues were $18.6 million for the period, a decrease of $1.6 million over the prior period as the trend towards "cord cutting" continues with consumers sourcing video content through IP based solutions. Other revenues, which includes broadcast television revenues and rental revenue, were $1.8 million, a decrease of $0.5 million due to the Company's sale of its broadcast television business in July 2015 and the expiration of a third party lease. Directory revenues for the period represent only two months of earnings prior to the Company's sale of its directory business in June 2016. The Company recognized a gain on this sale of $0.7 million in the period.

Operating expenses increased by $5.4 million from $47.7 million to $53.1 million in the period. This increase included $5.0 million of additional operation and maintenance costs due to the full consolidation of the Company's wireless business into the Company's results as well as one-time staff termination costs not part of the transaction of $1.3 million. General and administrative costs declined $1.7 million as the Company realized synergies from the merger of the Company's internet and television businesses, partially offset by management fees paid during the period. Depreciation and amortization increased $0.4 million as the Company continues to invest in its fiber and cellular networks both in Bermuda and Cayman.

KeyTech's share of income in associates for the period which includes investment in QuoVadis and one month of results from the Company's wireless business prior to the ATN transaction was $0.3 million compared to $3.4 million in the prior period. This reduction is the change in accounting for the Company's wireless business from income in associates to full consolidation.

KeyTech retired $24.7 million of subordinated debt as part of the ATN transaction completed in May 2016 and repaid $3.2 million of its bank borrowings on its remaining debt from the prior reporting period, reducing its long term liabilities by $27.9 million. KeyTech paid $1.3 million in interest on its primary and subordinated debt compared to $1.8 million in the prior period. The reduction was due to the payoff of the subordinated debt.

One-time costs related to closing the transaction with ATN were $4.3 million and have been recorded as restructuring costs on the income statement.

Earnings per share for the six month period ending September 30, 2016 was $0.64 per share compared to the restated earnings per share of $.03 for the same period last year.

The Company will be changing its reporting year end from March 31 to December 31 effective December 31, 2016.

FRANK AMARAL

CHIEF EXECUTIVE OFFICER

Consolidated Balance Sheet

(Unaudited) as at September 30, 2016 and March 31, 2016

	September 30, 2016	March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (excluding bank overdraft)	$ 19,917,196	$ 3,535,963
Accounts receivable	10,331,752	6,520,074
Materials	751,256	127,358
Prepaid expenses and other current assets	2,836,647	2,925,265
	33,836,851	13,108,660
Non-current assets		
Marketable securities	899,508	937,627
Property, plant and equipment	102,127,400	85,833,209
Investments in associates	1,400,823	26,720,267
Intangible assets	109,894,694	23,734,288
Total assets	$ 248,159,276	$ 150,334,051
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 20,564,798	$ 12,705,463
Bank overdraft	-	1,950,333
Foreign tax liabilities	165,570	207,997
Interest payable	15,741	577,101
Unearned income	6,707,353	6,710,338
Bank borrowings	6,428,571	6,428,571
Other liabilities	1,103,805	1,218,790
	34,985,838	29,798,593
Non-current liabilities		
Bank borrowings	25,714,285	28,928,571
Sub-ordinated debt	-	24,700,000
Other liabilities	200,000	-
Total liabilities	$ 60,900,123	$ 83,427,164
EQUITY		
Equity attributable to owners of the parent		
Share capital	10,586,542	3,806,197
Share premium	194,464,802	86,058,361
Contributed surplus	20,425,106	20,493,110
Shares held for issue	-	7,493,110
Other comprehensive income	14,200,011	14,238,129
Retained earnings	(52,417,308)	(65,390,392)
	187,259,153	66,698,515
Non-controlling interests	-	208,372
Total equity	187,259,153	66,906,887
Total liabilities and equity	$ 248,159,276	$ 150,334,051

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

(Unaudited) for the six months ended September 30, 2016 and 2015

		2016		2015 Restated
OPERATING REVENUES				
Data revenues	$	20,190,880	$	18,326,891
Cellular revenues		19,049,649		-
TV revenues		18,649,836		20,224,563
Voice revenues		1,240,381		1,334,207
Directory revenues		139,621		3,750,004
Hardware and software revenues		37,382		26,337
Other revenues		1,806,942		2,355,412
	$	61,114,691	$	46,017,414
OPERATING EXPENSES				
Salaries and employee benefit expenses		12,229,154		11,084,009
Staff termination costs		1,317,270		873,555
Operations and maintenance expenses		23,490,492		18,523,903
Depreciation and amortization		7,407,755		7,020,906
General and administrative expenses		6,462,614		8,140,533
Government taxes, fees and levies		2,194,620		2,088,704
	$	53,101,905	$	47,731,610
Operating profit (loss)		8,012,786		(1,714,196)
Share of income of associates		284,462		3,350,209
Finance income		265,538		52,662
Finance costs		(1,336,531)		(1,794,376)
Share payment		(1,322,314)		-
Claim against share payment		652,152		-
Gain on disposal of subsidiary		700,689		-
Gain on disposal of business unit		-		595,174
Restructuring costs		(4,276,609)		-
Impairment of marketable securities		-		(19,300)
Impairment of investments in associates		(830,000)		-
Gain on business combination		21,965,094		-
Profit for the period	$	24,115,267	$	470,173
Profit attributable to				
Equity holders of the company		**24,132,052**		**496,881**
Non-controlling interests		(16,785)		(26,708)
	$	**24,115,267**	**$**	**470,173**
Earnings per share attributable to owners of the parent				
From profit for the period	**$**	**0.64**	**$**	**0.03**

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income (Continued)

(Unaudited) for the six months ended September 30, 2016 and 2015

		2016		2015 Restated
Income for the period	$	24,115,267	$	470,173
Other comprehensive income (loss) for the period:				
Items that may be subsequently reclassified to profit or loss				
Realized loss on available-for-sale-investments		-		6,300
Changes in fair value of available-for-sale investments		(38,118)		(114,356)
Other comprehensive income (loss) for the period	$	(38,118)	$	(108,056)
Total comprehensive income for the period	**$**	**24,077,149**	**$**	**362,117**
Total comprehensive income (loss) attributable to:				
Equity holders of the company		24,093,934		388,825
Non-controlling interests		(16,785)		(26,708)
	$	24,077,149	$	362,117

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

(Unaudited) for the six months ended September 30, 2016 and 2015

Attributable to equity owners for the company

	Share capital	Shares held for issue	Share premium	Contributed surplus	Other comprehensive income (loss)	Retained earnings, restated	Total, restated	Non-controlling Interest, restated	Total, restated
Balance - April 1, 2015	$ 3,806,197	$ 7,493,110	$ 86,058,361	$ 20,994,717	$ 14,389,750	$ (63,041,421)	$ 69,700,714	$ 3,252,755	$ 72,953,469
Profit (loss) for the period	-	-	-	-	-	496,881	496,881	(26,708)	470,173
Other comprehensive income:									
Disposal of investment	-	-	-	-	6,300	-	6,300	-	6,300
Changes in fair value of available-for-sale investments	-	-	-	-	(114,356)	-	(114,356)	-	(114,356)
Comprehensive loss for the period	-	-	-	-	(108,056)	-	(108,056)	-	(108,056)
Purchase of non-controlling interest	-	-	-	1,201,623	-	-	1,201,623	(4,649,093)	(3,447,470)
Balance - September 30, 2015	$ 3,806,197	$ 7,493,110	$ 86,058,361	$ 22,196,340	$ 14,281,694	$ (62,544,540)	$ 71,291,162	$ (1,423,046)	$ 69,868,116
Balance - April 1, 2016	$ 3,806,197	$ 7,493,110	$ 86,058,361	$ 20,493,110	$ 14,238,129	$ (65,390,392)	$ 66,698,515	$ 208,372	$ 66,906,887
Profit (loss) for the period	-	-	-	-	-	24,132,052	24,132,052	(16,785)	24,115,267
Other comprehensive income:									
Changes in fair value of available-for-sale investments	-	-	-	-	(38,118)	-	(38,118)	-	(38,118)
Comprehensive loss for the period	-	-	-	-	(38,118)	-	(38,118)	-	(38,118)
Shares issued	440,770	-	7,052,340	-	-	-	7,493,110	-	7,493,110
Shares held for issue	-	(7,493,110)	-	-	-	-	7,493,110	-	7,493,110
Sale of subsidiaries	-	-	-	(68,004)	-	259,591	191,587	(191,587)	-
Purchase of non-controlling interest	6,339,575	-	101,354,101	-	-	-	107,693,676	-	107,693,676
Dividends paid on common shares	-	-	-	-	-	(11,418,559)	(11,418,559)	-	(11,418,559)
Balance - September 30, 2016	$ 10,586,542	$ -	$ 194,464,802	$ 20,425,106	$ 14,200,011	$ (52,417,308)	$ 187,259,153	$ -	$ 187,259,153

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

(Unaudited) for the six months ended September 30, 2016 and 2015

		2016		2015 Restated
CASH FLOW PROVIDED BY (USED IN)				
Operating activities				
Profit for the period	$	24,115,267	$	470,173
Adjustments for:				
Depreciation and amortization		7,407,755		7,020,906
Bad debt expenses and impairment allowances		379,906		638,820
Share of income of associates		(284,462)		(3,350,209)
Share payment		1,322,314		-
Claim against share payment		(652,152)		-
Impairment of investments in associates		830,000		-
Gain on business combinations		(21,965,094)		-
Gain on disposal of subsidiaries		(700,689)		-
Changes in items of working capital:				
Accounts receivable		(2,715,678)		1,466,384
Materials		30,547		(19,332)
Prepaid expenses and other current assets		(1,245,980)		1,857,040
Accounts payable and accrued liabilities		913,642		(2,562,166)
Foreign tax liabilities		(42,427)		18,944
Unearned income		2,748,782		(1,541,971)
Working capital acquired on business combinations		2,814,454		-
Net cash generated from (used in) operating activities	$	12,956,185	$	3,998,589
Investing activities				
Dividends received from associates		-		1,606,517
Sale of available-for-sale financial assets		-		19,311
Purchase of property, plant and equipment		(8,622,742)		(6,130,583)
Purchase of intangible assets		(1,812,612)		(240,697)
Property, plant and equipment acquired on business combinations		(13,693,607)		-
Intangible assets acquired on business combinations		(12,101,697)		(1,605,949)
Proceed on disposal of subsidiaries		1,569,166		(1,605,949)
Purchase of non-controlling interest		-		(1,605,949)
Loan repaid (arising) on business combinations		-		5,000,000
Net cash used for investing activities	$	(34,661,492)	$	(1,351,401)
Financing activities				
Proceeds from business combination		41,563,433		-
Shares issued on business combinations		38,476,447		-
Share payment		(1,322,314)		
Claim against share payment		652,152		
Amount paid on borrowing facility		(27,914,286)		(3,214,286)
Redemption of preferred shares		-		(34,479)
Dividends paid on common shares		(11,418,559)		-
Net cash received (used for) financing activities	$	40,036,873	$	(3,248,765)
Increase (Decrease) in cash and cash equivalents	$	18,331,566	$	(601,577)
Cash and cash equivalents and bank overdraft - Beginning of period	$	1,585,630	$	2,938,181
Cash and cash equivalents and bank overdraft - End of period	$	19,917,196	$	2,336,604

The accompanying notes are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

(Unaudited) for the six months ended September 30, 2016

1. The Company and its regulatory framework

KeyTech Limited (the "Company") is incorporated in Bermuda with limited liability under the Companies Act 1981. The Company, through its subsidiaries and associates, is a supplier of information and communications services, providing a wide range of data, cellular, internet and voice services.

The Company is listed on the Bermuda Stock Exchange ("BSX") and has operations in Bermuda and the Cayman Islands. The registered office is located at 30 Victoria Street, Hamilton, HM 12, Bermuda.

2. Accounting policies

The interim condensed consolidated financial statements for the six months ended September 30, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at March 31, 2016.

3. Segment information

Reportable segments correspond to the Company's internal organizational structure. The Company operates the following reportable segments, which are managed as separate business units, as they both operate in different geographic regions or different industries, and therefore require different market strategies.

The following subsidiaries operate in Bermuda:
Logic Communications Ltd.(trading as One Communications Ltd) – following the merger of Logic and Bermuda Cablevision Limited ("BCL") in July 2015, the Company now provides a wide range of data internet products and services, internet access, long distance and local voice services as well as subscription television services in Bermuda through its coaxial and fiber network.

Bermuda Digital Communications Ltd (trading as One Communications Ltd.) – provides a range of cellular products and solutions in Bermuda. Segment information for CellOne is presented for 5 months of 2016 following its May 2016 acquisition (see note 6).

Cable Co. Ltd. – provides international data services on its submarine cable system between Bermuda and the United States.

The following subsidiary operates in Cayman:
WestTel Limited (trading as Logic) – provides fixed wireless, wireline voice and data services, and subscription television services in the Cayman Islands.

Bermuda Yellow Pages Limited ("BYP") – provides print, on-line directory and digital marketing services. On June 3, 2016 the Company disposed of Bermuda Yellow Pages and Yabsta for a consideration of $1.6 million. Segment information is presented for 2 months of 2016.

Yabsta (BVI) Limited ("Yabsta") – provides on-line search capabilities, specializing in digital advertising. On June 3, 2016 the Company disposed of Bermuda Yellow Pages and Yabsta for a consideration of $1.6 million. Segment information is presented for 2 months of 2016.

Segment information

	Bermuda	Cayman	BYP	Yabsta	Total
Six months ended September 30, 2016					
Revenues from external customers	$47,809,979	$12,898,691	$140,182	$8,000	$60,856,852
Revenues from internal customers	1,806,701	81,637	-	10,000	1,898,338
Depreciation and amortization	5,458,248	1,101,873	4,976	41,956	6,607,053
Operating expenses	31,433,980	11,195,850	172,754	20,600	42,823,184
Segment income (loss)	12,724,452	682,605	(37,548)	(44,556)	13,324,953
Segment assets	$124,629,640	$35,870,032	-	-	$160,499,672

	Bermuda	Cayman	BYP	Yabsta	Total
Six months ended September 30, 2015 restated					
Revenues from external customers	$27,985,498	$13,785,571	$3,758,622	$24,000	$45,553,691
Revenues from internal customers	1,570,163	26,760	49,804	30,000	1,676,727
Depreciation and amortization	5,023,142	1,491,011	14,301	125,867	6,654,321
Operating expenses	23,895,315	12,139,669	3,050,585	73,197	39,158,766
Segment income (loss)	637,204	181,651	743,540	(145,064)	1,417,331
Segment assets	$45,301,784	$33,427,641	$1,865,199	$881,067	$81,475,691

4. Related parties

The following transactions were carried out with related parties:

(a) Half year-end balances arising from sales / purchases of goods / services

	2016	2015
Receivables from related parties:		
- Associates	$ 114,445	$ 204,537
Payables to related parties:		
- Associates	$ 26,560	$ 10,596,816
Sales to related parties:		
- Associates	$ 40,100	$ 189,305
Purchases from related parties:		
- Associates	$ 180,778	$ 142,102

The receivables from related parties arise mainly from sales transactions and are due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2015: Nil). Goods are sold based on the price lists in force and terms that would be available to third parties.

Notes to Consolidated Financial Statements

(Unaudited) for the six months ended September 30, 2016

(b) Key management compensation

Key management includes Directors (executive and non-executive) and members of Senior Management. The compensation paid or payable to key management for employee services is shown below:

		2016		2015
Salaries and other short-term employee benefits	$	1,993,449	$	2,897,637
Termination benefits	$	628,024	$	-
	$	2,621,473	$	2,897,637

(c) Loans to related parties

		2016		2015
Loans to associates:				
At April 1	$	740,684	$	715,684
Loan repayments received		-		-
Interest charged		12,500		12,500
Interest payments received		-		-
Write off		(753,184)		-
At September 30	$	-	$	728,184

The loans to associates were considered capital contributions to the associates and are included as 'investments in associates' on the face of the consolidated balance sheet.

On November 30, 2016, a letter of intent was received from an external party to sell the Company's equity investment in QuoVadis. Considering the proposed amount is lower than the carrying amount of the investment and the probability of the transaction, management considered the letter of intent as an indicator of impairment and proceeded to impair the value of its investments in associates. As such, the full value of the loan and accrued interests relating to QuoVadis was written off and included in the impairment of investments in associates charge.

5. Dividends

On May 9, 2016, the Company paid a one-time special dividend to KeyTech's shareholders of record immediately before the close of the ATN transaction. The total amount of the special dividend was $11,418,559 and was funded from the proceeds of the ATN transaction.

6. Business combinations

On May 3, 2016, the Company completed a transaction with ATN whereby ATN acquired a 51% controlling interest in KeyTech. In exchange, KeyTech received $41.6 million in cash and ATN's 42.79% interest in Bermuda Digital Communications Ltd. (trading as "CellOne"). Additionally, KeyTech acquired the remaining shares in CellOne held by minority shareholders in exchange for 8.9% of newly issued common shares in KeyTech. As of May 3, 2016, KeyTech owned 100% of CellOne. On the same day, the Company used a portion of the proceeds of the ATN transaction to retire all of its $24.7 million subordinated debt and associated accrued interest of $0.76 million.

The Company will account for the business combination of CellOne using the acquisition method. The accounting guidance requires the previously held interest in CellOne to be remeasured to fair value with a gain or loss to be recognized in the consolidated statement of comprehensive income. Identified assets and liabilities acquired were measured at a provisional amount, based on management's preliminary estimate of fair value. A gain of $22 million was also recorded during the period based on those provisional amount. This, and any potential change in depreciation and amortization relating to the transaction will be remeasured and finalized for the December 31, 2016 consolidated financial statements, in accordance with the measurement period permitted by IFRS 3 — Business Combinations.

Board of Directors

CHAIRMAN
Mr. Gary L. Phillips, OBE, J.P., CIArb

DEPUTY CHAIRMAN
Mr. Kurt Eve
Cofounder
Bermuda Digital Communications Ltd.

Mr. E. Michael Leverock, B. Eng., P. Eng., MBA
Cofounder
Bermuda Digital Communications Ltd.

Charles Jillings
Director
Somers Limited

Director
ICM Limited

Mr. Justin Benincasa
Chief Financial Officer
ATN International, Inc.

Ms. Fiona E. Beck
ACBDA - Telecommunication Chair

Mr. Michael Prior
Chief Executive Officer
ATN International, Inc.

Executives and Officers

Mr. Frank Amaral
Chief Executive Officer

Ms. Leslie Rans, CPA
Chief Financial Officer

Mr. Michael Tanglao
General Counsel
Secretary

Mr. Richard Lau
Chief Technology Officer

Mr. Philip S. Harris
Director of Human Resources

Common shares held by Directors – 2,204,349

Commons shares held by KeyTech Executive Management – 3,238

No rights to subscribe to shares or debt securities in the Company have been granted to, or exercised by, any Director, Officer or member of KeyTech Executive Management.

There are no contracts of significance subsisting during or at the end of the financial year in which a Director was materially interested either directly or indirectly.

PRINCIPAL SUBSIDIARIES

Logic Communications Ltd.
(trading as "One Communications Ltd.")
30 Victoria Street
Hamilton HM 12
Bermuda
www.onecomm.bm

Bermuda Digital Communications Ltd.
(trading as "One Communications Ltd.")
30 Victoria Street
Hamilton HM 12
Bermuda
www.onecomm.bm

Cable Co. Ltd.
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Bermuda

WestTel Limited
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