

NextGenTel Holding ASA

Q1 2015 Financial report



NextGenTel Holding ASA – 1st Quarter 2015 Report

Change of company name

The ordinary general meeting for 2015 approved a proposal to change the name of Telio Holding ASA to NextGenTel Holding ASA. NextGenTel has the strongest brand name and the change of name of the parent company will support the identity to the NextGenTel brand in the Norwegian market. The name change was effective from 6 May 2015. The new ticker name at Oslo Stock Exchange is 'NGT'.

Key figures

(Figures in NOK million)	Q1 2015	Q1 2014
Revenues	311.9	322.4
Gross profit	160.3	170.7
Gross margin	51.4%	52.9%
EBITDA	64.2	76.8

Customer development

The total customer base in Norway was 301,000^{*)} at the end Q1 2015, a decline from 305,000 at year-end 2014. The consumer segment had a net decline of 3,600 (whereof VoIP 3,800) and the business segment declined by 900.

The customer base in the international markets declined by 36,000 customers, mainly driven by the planned outflow of white label customers in the Netherlands.

Merger

The Group has with effect from 1 January 2015 merged the two Norwegian entities Telio Telecom AS and NextGenTel AS with the latter as the acquirer in order to achieve an even more efficient organization.

Group financials Q1 2015 (2014 figures in brackets)

Revenues in Q1 were NOK 311.9 million (322.4). Gross profit was NOK 160.3 million –51.4% (170.7 –52.9%). EBITDA adjusted for non-recurring items was NOK 64.2 million – 20.6 % (76.8 – 23.8%).

*) Customers defined as revenue generating units, not unique customers

Operating profit adjusted for non-recurring items was NOK 26.4 million (37.5). Profit after tax was NOK 17.6 million (loss of NOK 3.5 million).

The Q1 2015 financial statements include NOK 9.6 million in amortization cost related to the acquisition of NextGenTel AS.

Cash and cash equivalents were NOK 69.2 million at 31 March 2015 (excluding a NOK 75 million overdraft facility).

Capital expenditures

Capital expenditures in Q1 2015 were NOK 30.6 million (see notes 6 and 7 for details). Capex /sales ratio was 9.8% in Q1.

Related party transactions

There have been no transactions by related parties that have had a material effect on the Group's financial position or results in the period.

Risks

The Dutch wholesale business increases the company's risk since one distributor represents a majority of the customers.

Financial debt

The company paid a semi-annual loan installment of NOK 25 million in Q1 2015. Remaining loan balance was NOK 200 million and net interest-bearing debt was NOK 147 million as of 31 March 2015.

There are financial covenants related to the loan facilities and the company's performance is in compliance with the financial covenants as of 31 March 2015.

Dividend

A quarterly dividend of NOK 1.25 per share was decided by the board 23 March 2015. The dividend was paid 9 April 2015. The board will consider the next quarterly dividend in a board meeting 2 June 2015.

Shareholder information

The total number of registered shares outstanding at the end of Q1 2015 was 23,283,180 out of which 304,201 shares were owned by NextGenTel Holding ASA.

The total number of shareholders was 558 and 35.8% of the shares were registered abroad.

Total outstanding options at the end of Q1 2015 were 508,100 with a weighted average strike price of NOK 15.57.

Oslo, 6 May 2015
Board of Directors
NextGenTel Holding ASA

Ellen Hanetho
(sign.)

Audun W. Iversen
Chairman of the Board
(sign.)

Aril Resen
(sign.)

Silje Veen
(sign.)

Snorre Kjesbu
(sign.)

Eirik Lunde
CEO
(sign.)

Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK 1000)

	Note	31.03.2015	31.03.2014	31.12.2014
ASSETS				
Non-current assets				
Property, plant and equipment	6	178 085	179 193	174 386
Intangible assets	7	192 495	225 853	203 333
Goodwill	7	67 100	67 100	67 100
Deferred tax assets		33 324	15 374	31 362
		<u>471 004</u>	<u>487 520</u>	<u>476 181</u>
Current assets				
Inventories		-	511	-
Trade and other receivables		257 190	231 491	251 829
Cash and cash equivalents		69 231	80 839	68 005
		<u>326 421</u>	<u>312 841</u>	<u>319 834</u>
Total assets		<u>797 425</u>	<u>800 361</u>	<u>796 015</u>
EQUITY				
Share capital reduced for treasury shares		2 297	2 295	2 297
Premium paid-in capital		121 325	121 398	117 283
Other reserves		-3 892	-2 829	-1 481
Retained earnings		57 280	31 807	43 722
Total equity		<u>177 011</u>	<u>152 671</u>	<u>161 821</u>
LIABILITIES				
Non-current liabilities				
Long-term interest-bearing debt	9	161 265	200 830	177 425
Deferred tax liabilities		34 937	45 024	37 518
		<u>196 202</u>	<u>245 854</u>	<u>214 943</u>
Current liabilities				
Trade and other payables		193 796	188 699	191 103
Current income tax liabilities		28 119	4 119	27 728
Short-term interest-bearing debt	9	54 957	54 229	55 111
Deferred income/revenue		147 340	154 789	145 309
		<u>424 212</u>	<u>401 836</u>	<u>419 251</u>
Total liabilities		<u>620 414</u>	<u>647 690</u>	<u>634 194</u>
Total equity and liabilities		<u>797 425</u>	<u>800 361</u>	<u>796 015</u>

Oslo, 6 May 2015
Board of Directors
NextGenTel Holding ASA

Ellen Hanetho
(sign.)

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Eirik Lunde
CEO
(sign.)

Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000)

	Note	Q1 2015	Q1 2014	Jan-Dec 2014
Total revenues		311 889	322 434	1 271 835
Cost of connection and traffic charges		-151 580	-151 781	-597 557
Salaries and personnel costs		-58 752	-56 403	-227 081
Selling and marketing costs		-10 248	-12 315	-42 768
Other costs		-27 144	-25 183	-96 425
Depreciation and amortization	6, 7	-37 744	-39 224	-159 782
Operating profit		26 421	37 528	148 222
Finance	8	-2 414	-44 594	-54 625
Profit before income tax		24 007	-7 066	93 597
Income tax		-6 407	3 567	-15 347
Profit		17 601	-3 499	78 250
Attributable to:				
Equity holders of the parent company		17 601	-3 499	78 250
Other comprehensive income		Q1 2015	Q1 2014	Jan-Dec 2014
Translation differences		-2 411	576	2 116
Other income and expenses during the period (after tax)		-2 411	576	2 116
Comprehensive profit for the period		15 190	-2 923	80 366
Profit attributable to:				
Equity holders of the parent company		15 190	-2 923	80 366
Earnings per share				
Earnings per share		0.77	-0.15	3.41
Diluted earnings per share		0.76	-0.15	3.36

Condensed consolidated interim statement of changes in equity (unaudited)

(Figures in NOK 1000)

	Share capital	Treasury shares	Premium paid-in equity	Translation differences	Retained earnings	Total equity
Equity as at 1 January 2014	2 328	-23	121 325	-3 405	40 103	160 328
Comprehensive income for the period						
Profit for the period	-	-	-	-	78 250	78 250
Other income and expenses						
Translation differences	-	-	-	1 924	-	1 924
Total comprehensive income for the period	-	-	-	1 924	78 250	80 174
Transactions with owners, recognized directly against equity						
Contributions by and distributions to owners of the Company						
Purchase of treasury shares	-	-10	-	-	-4 797	-4 807
Dividends paid in May 2014	-	-	-	-	-45 907	-45 907
Dividends paid in December 2014	-	-	-	-	-28 724	-28 724
Share-based payment transactions	-	-	-	-	194	194
Share options exercised	-	3	-	-	561	563
Total contributions by and distributions to owners of the Company	-	-7	0	-	-78 674	-78 681
Equity as at 31 December 2014	2 328	-31	121 325	-1 481	39 680	161 821
Equity as at 1 January 2015	2 328	-31	121 325	-1 481	39 680	161 821
Comprehensive income for the period						
Profit for the period	-	-	-	-	17 601	17 601
Other income and expenses						
Translation differences	-	-	-	-2 411	-	-2 411
Total other revenues and expenses	-	-	-	-2 411	-	-2 411
Total comprehensive income for the period	-	-	-	-2 411	17 601	15 190
Transactions with owners, recognized directly against equity						
Contributions by and distributions to owners of the Company						
Purchase of treasury shares	-	-	-	-	-	-
Dividends to owners	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-
Equity as at 31 March 2015	2 328	-31	121 325	-3 892	57 280	177 011

Condensed consolidated interim statement of cash flows (unaudited)

Cash flows from operations	Q1 2015	Q1 2014	Jan-Dec 2014
Profit/loss for the year before tax	24 007	-7 066	93 595
Adjustment for:			
- Net financial items	2 414	44 594	54 625
- Interest paid	-2 737	-36 522	-45 469
- Interest received	350	1 588	3 561
- Realized foreign exchange gain/(loss)	-1 937	311	-1 123
- Taxes paid	-7 762	-1 892	-22 230
- Depreciation	20 398	21 253	84 494
- Amortisation	17 346	17 973	75 288
- Non-cash transactions related to option costs	-	74	194
Changes in inventory	-	161	672
Changes in trade accounts payable and other liabilities	2 883	-5 234	-27 729
Changes in trade accounts and other receivables	-4 991	-4 417	-2 856
Change in deferred revenue	2 031	-1 856	-11 336
Net cash flow from operations	52 002	28 967	201 686
Cash flows from investment activities			
Purchase of property, plant and equipment (tangible fixed assets)	-24 097	-19 628	-69 268
Purchase of other investments (intangible assets)	-6 507	-10 939	-45 854
Proceeds / (Acquisition) in subsidiaries - net of cash*)	-	93 708	93 708
Net cash flows used in investment activities *)	-30 604	63 141	-21 414
Cash flows from financing activities			
Proceeds from share issues	-	-	-
Proceeds for shares issued to employees	-	-	564
Purchase of treasury shares	-	-4 797	-4 797
Repayment of borrowings	-20 043	-226 828	-300 000
Proceeds from borrowings	-	-	47 552
Payment of finance lease liabilities	-892	-1 356	-5 700
Dividends paid	-	-	-74 632
Net cash flows used in financing activities	-20 935	-232 981	-337 013
Change in cash and cash equivalents	463	-140 873	-156 741
Cash and cash equivalents and credit facilities utilised as at beginning of period	68 005	221 831	221 831
Effect of exchange rate fluctuations on cash and cash equivalents	763	-119	2 915
Cash and cash equivalents as at end of period	69 231	80 839	68 005

*) Net of capital expenditures financed through financial lease. For capitalized expenditures, see notes 6 and 7.

NextGenTel Holding ASA

Notes to the condensed consolidated interim financial statements (unaudited)

Note 1: Reporting entity

NextGenTel Holding ASA (the “Company”) is a company domiciled in Oslo, Norway. These March 2015 condensed consolidated interim financial statements of NextGenTel Holding ASA and its subsidiaries (together “the Group”) are for the three months ended 31 March 2015.

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 are available upon request from the Company’s registered office at Harbitzalleen 2A, Oslo, or at www.nextgentelholding.com/investor_relations.

Note 2: Statement of compliance

These condensed consolidated interim financial statements of NextGenTel Holding ASA Group have been prepared in accordance with rules and regulations from Oslo Stock Exchange and International Financial Reporting Standard (IFRS) IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

These condensed consolidated interim financial statements were approved by the Board of Directors on 6 May 2015.

Note 3: Significant accounting policies

These condensed consolidated interim financial statements have been prepared under the historical cost convention. They have been prepared under the same accounting principles as those set out in the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

Note 4: Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

Note 5: Segment information

The group has defined and presented operating segments based on information that is provided to the Board of Directors and CEO, which collectively represent the group's highest decision-making body. The operating segments are defined based on where the customers are domiciled. The following four operating segments have been defined: Norway, Denmark, Switzerland and the Netherlands. The risk and return are influenced by the geographic location of the operations, in addition to the market. Transactions between the segments are eliminated.

Geographical segments

(Figures in NOK 1000)

							Q1 2015
<u>Profit and loss by segment</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Group</u>	
Total revenues	300 294	7 582	8 523	5 787	4 195	326 382	
Intra-group revenues	-10 298	0	0	0	-4 195	-14 493	
Net revenues	289 996	7 582	8 523	5 787	0	311 889	
Total costs of sales	-146 642	-3 350	-7 801	-3 103	0	-160 896	
Intra-group cost of sales	4 488	0	4 827	0	0	9 315	
Net cost of sales	-142 154	-3 350	-2 974	-3 103	0	-151 581	
Gross profit/loss	147 842	4 232	5 550	2 684	0	160 308	
Gross margin	51 %	56 %	65 %	46 %	0 %	51 %	
Total operating expenses	-121 540	-2 500	-149	-1 397	-13 253	-138 839	
Intra-group operating expenses	3 872	819	0	261	0	4 952	
Net operating expenses	-117 668	-1 681	-149	-1 136	-13 253	-133 887	
Operating profit/loss	30 174	2 551	5 401	1 548	-13 253	26 421	

							Q1 2014
<u>Profit and loss by segment</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Group</u>	
Total revenues	304 217	8 531	12 286	5 253	0	330 286	
Intra-group revenues	-7 852	0	0	0	0	-7 852	
Net revenues	296 365	8 531	12 286	5 253	0	322 434	
Total costs of sales	-147 699	-3 175	-5 275	-2 899	0	-159 049	
Intra-group cost of sales	7 268	0	0	0	0	7 268	
Net cost of sales	-140 431	-3 175	-5 275	-2 899	0	-151 781	
Gross profit/loss	155 934	5 355	7 011	2 353	0	170 654	
Gross margin	53 %	63 %	57 %	45 %	0 %	53 %	
Total operating expenses	-116 174	-1 718	-334	-1 337	-13 491	-133 054	
Intra-group operating expenses	0	0	0	0	0	0	
Net operating expenses	-116 174	-1 718	-334	-1 337	-13 491	-133 054	
Operating profit/loss	39 760	3 637	6 677	1 016	-13 491	37 600	

							31.03.2015
<u>Balance sheet</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Eliminations</u>	<u>Group</u>
Assets	822 386	33 996	10 558	3 721	4 824	-78 060	797 425
Liabilities	529 022	6 874	-113	14 769	273 274	-203 412	620 414
Equity capital	293 364	27 122	10 671	-11 048	-268 450	125 352	177 011

							31.03.2014
<u>Balance sheet</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Eliminations</u>	<u>Group</u>
Assets	675 975	19 205	15 470	6 235	-21 964	105 440	800 361
Liabilities	352 674	6 396	4 730	16 890	336 934	-69 935	647 690
Equity capital	323 301	12 809	10 740	-10 656	-358 898	175 374	152 671

¹⁾ Other items include the parent company Telio Holding ASA and Group adjustments (Q1 2015 includes amortization of NOK 9.6 million related to the acquisition of NextGenTel AS).

Revenues by product and segment Q1 2015

	Consumer	Norway Business	Other	Int'l Consumer	Total	Share
Broadband	135 943	53 040	0	0	188 983	61 %
VoIP	32 976	6 642	0	21 893	61 511	20 %
Mobile	23 309	9 042	0	0	32 351	10 %
TV	10 610	0	0	0	10 610	3 %
Other	7 761	6 976	3 697	0	18 434	6 %
Total	210 599	75 700	3 697	21 893	311 889	100 %
Share	68 %	24 %	1 %	7 %	100 %	

Note 6: Property, plant and equipment

(Figures in NOK 1000)

	Q1 2015	Q1 2014	Jan-Dec 2014
Equipment			
Book value beg. of period	174 386	180 819	180 819
Additions	24 097	19 627	78 061
Depreciation	-20 398	-21 253	-84 494
Property, plant and equipment	178 085	179 193	174 386

Note 7: Intangible assets and goodwill

(Figures in NOK 1000)

	Q1 2015	Q1 2014	Jan-Dec 2014
Intangible assets			
Book value beg. of period	203 333	232 887	232 887
Additions	6 507	10 939	45 734
Amortization	-17 345	-17 973	-74 911
Impairment loss	-	-	-377
Book value end of period	192 495	225 853	203 333
Goodwill			
Book value beg. of period	67 100	67 100	67 100
Additions	-	-	-
Revaluation	-	-	-
Book value end of period	67 100	67 100	67 100
Intangible assets and goodwill	259 595	292 953	270 433

Amortization of intangible assets include amortization of excess values related to the acquisition of NextGenTel AS (Q1 15: NOK 9.6 million).

Note 8: Finance

	Q1 2015	Q1 2014	Jan-Dec 2014
Interest income	281	1 193	3 133
Interest expense	-2 493	-6 940	-25 305
Foreign currency gain/(loss)	-26	-1 251	-844
Other financial income/(expenses)	-176	-37 596	-31 609
Net finance	-2 414	-44 594	-54 625

Note 9: Interest-bearing debt

	31.03.2015	31.03.2014	31.12.2014
Term loan bank	150 000	200 000	175 000
Long term financial lease	11 265	830	2 425
Total long-term debt	<u>161 265</u>	<u>200 830</u>	<u>177 425</u>
Current part of term loan bank	50 000	50 000	50 000
Short term financial lease	4 957	4 229	5 111
Total short-term debt	<u>54 957</u>	<u>54 229</u>	<u>55 111</u>
Total interest-bearing debt	<u>216 222</u>	<u>255 059</u>	<u>232 536</u>

Company Facts

NextGenTel Holding ASA
Harbitzalleen 2A
P.O. Box 54 Skøyen
0212 Oslo

Telephone: +47 2167 3500
Homepage: www.nextgentelholding.com

Company reg. number: 985 968 098
Founded: 12 August 2003

Board of Directors

Audun Wickstrand Iversen (Chairman)
Aril Resen
Ellen Hanetho
Silje Veen
Snorre Kjesbu

Group Management

Eirik Lunde, Chief Executive Officer
Tom Nøttveit, Chief Financial Officer
Jørn Hodne, Chief Technology Officer
Jens Hetland, Director Products & Projects
Roy Børsheim, Director Consumer
Thomas Gunleiksrud, Director Business
Tore Nyhammer, Director Customer Services

Investor Relations

Tom Nøttveit, Chief Financial Officer
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Financial Calendar

1st quarter 2015: 7 May at 09:00
2nd quarter 2015: 27 August at 09:00
3rd quarter 2015: 5 November at 09:00
Annual general meeting: 24 April at 15:00

Equity Research Coverage

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