

NextGenTel Holding ASA

Q4 2015 Financial report



NextGenTel Holding ASA – 4th Quarter 2015

Key figures

(Figures in NOK million)	Q4 2015	Q4 2014
Revenues	347.1	314.0
Gross profit	174.9	170.5
Gross margin	50.4%	54.3%
EBITDA	57.9	78.3

*) EBITDA Q4 2015 adjusted for one-off costs related to Kvantel

Group financials Q4 2015 (2014 figures in brackets)

Revenues in Q4 were NOK 347.1 million (314.0). Gross profit was NOK 174.9 million –50.4% (170.5 –54.3%). EBITDA adjusted for non-recurring items was NOK 57.9 million – 16.7 % (78.3 – 24.9%).

Operating profit adjusted for non-recurring items was NOK 15.1 million (36.9). Profit after tax was NOK 10.1 million (NOK 32.8 million).

The Q4 2015 financial results include NOK 1.2 million in costs related to the acquisition of Kvantel. The financial results of Kvantel AS and Kvantel Voice AS had a negative impact of NOK 5.2 million on the Group EBITDA and NOK 8.3 million on EBIT for Q4 2015.

Cash and cash equivalents were NOK 47.4 million at 31 December 2015 (excluding a NOK 50 million overdraft facility).

Capital expenditures

Capital expenditures in Q4 2015 were NOK 31.9 million (see notes 6 and 7 for details). Capex /sales ratio was 9.2% in Q4.

Financial debt

Total interest-bearing debt was NOK 380.1 million (including financial lease) and net interest-bearing debt was NOK 332.7 million as of 31 December 2015.

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

Acquisition of Kvantel

The acquisition of Kvantel AS and Kvantel Voice AS was completed on 8 October 2015 and the company hosted a presentation on 15 October 2015 regarding the acquisition. The Kvantel companies are included in the consolidated accounts from 1 October 2015. A restructuring plan is being implemented to realize cost synergies and further development of the Kvantel business.

Customer base development

The total customer base in Norway was 304,000*) at the end of Q4 2015, an increase from 302,400 at the end of Q3. The consumer segment had an increase of 300 and the business segment an increase of 1,300 customers.

The customer base in the international markets declined by 5,600 customers, mainly driven by the planned outflow of white label customers in the Netherlands.

Consumer segment Norway

The company continued its activities to sign up new customers within the housing cooperatives segment. In 2015, 19 cooperatives have signed an agreement with NextGenTel representing 1,409 households (total number of units is 75 and 3,017 households). The sales force has been strengthened from January 2016.

The company had 5,200 subscribers on the VULA (Telenor fiber) product as of 31 December.

The total number of subscribers on fiber access is now 14,000.

The mobile subscriber base has grown steadily and counted 52,000 subscriptions at the end of 2015 (total consumer and corporate subscriptions).

Corporate segment Norway

The corporate customer base had a positive development in Q4, especially for mobile subscriptions. On the services side, the company launched a new communication platform, integrating IP and mobile telephony with next generation mobile switchboard (IN/Bedriftsnett), enabling unified communication. This move will strengthen the company's competitiveness in the market.

Strategy

Management and the board have focused on the assessment of the company's strategic direction during the second half of 2015. NextGenTel will be seeking organic as well as non-organic growth opportunities in line with the following priorities:

- Increase the value of the copper (existing customer base)
- Grow market share in the housing cooperatives segment
- Pursue opportunities to expand the fiber footprint

The company will host a capital markets day on 20 April 2016.

Shareholder information

The total number of registered shares outstanding at the end of Q4 2015 was 23,283,180 out of which 299,201 shares were owned by NextGenTel Holding ASA.

The total number of shareholders was 549 and 33.6% of the shares were registered abroad.

Total outstanding options at the end of Q4 2015 were 473,500 with a weighted average strike price of NOK 15.35.

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.

Dividends

A quarterly dividend of NOK 0.75 per share was paid on 3 December 2015. The company has paid a total of NOK 4 per share in dividends during 2015, representing a yield of 11.0% based on average weighted share price for 2015.

The impact of the acquisition of Kvantel leads to an equity ratio of 13.4% as of 31 December 2015. The bank has waived the financial covenant of 15.0% equity ratio at this reporting date. However, the 15.0% covenant, increasing to 17.5% at 30 June 2016, remains. To ensure compliance with financial covenants and to allow for possible new acquisitions, the board has in a board meeting 10 February 2016 decided to impose a temporary stop in quarterly dividend distributions. However, the expectation is that the company can resume dividend payments towards the end of 2016.

The Kvantel acquisition is expected to provide a positive impact on the financial results of the NextGenTel Group and the ability to pay dividends.

Oslo, 10 February 2016
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	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	217 478	174 386
Intangible assets	7	206 299	203 333
Goodwill	7	132 672	67 100
Deferred tax assets		27 279	31 362
		<u>583 728</u>	<u>476 181</u>
Current assets			
Trade and other receivables		324 749	251 829
Cash and cash equivalents		47 401	68 005
		<u>372 151</u>	<u>319 834</u>
Total assets		<u>955 879</u>	<u>796 015</u>
EQUITY			
Share capital reduced for treasury shares		2 298	2 297
Premium paid-in capital		121 325	117 283
Other reserves		-1 557	-1 481
Retained earnings		6 367	43 722
Total equity		<u>128 434</u>	<u>161 821</u>
LIABILITIES			
Non-current liabilities			
Long-term interest-bearing debt	9	290 391	177 425
Deferred tax liabilities		34 408	37 518
		<u>324 799</u>	<u>214 943</u>
Current liabilities			
Trade and other payables		236 863	191 103
Current income tax liabilities		5 048	27 728
Short-term interest-bearing debt	9	89 710	55 111
Deferred income/revenue		171 027	145 309
		<u>502 647</u>	<u>419 251</u>
Total liabilities		<u>827 446</u>	<u>634 194</u>
Total equity and liabilities		<u>955 879</u>	<u>796 015</u>

Oslo, 10 February 2016
 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 income statement (unaudited)

(Figures in NOK 1000)

	Note	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Total revenues		347 089	313 961	1 279 190	1 271 835
Cost of connection and traffic charges		-172 237	-143 497	-624 785	-597 557
Salaries and personnel costs		-66 785	-58 425	-246 645	-227 081
Selling and marketing costs		-16 798	-10 115	-54 640	-42 768
Other costs		-38 327	-23 634	-116 969	-96 425
Depreciation and amortization	6, 7	-42 889	-41 412	-156 340	-159 782
Operating profit		10 052	36 878	79 812	148 222
Finance	8	-5 071	-2 754	-11 520	-54 625
Profit before income tax		4 981	34 124	68 292	93 597
Income tax		5 110	-1 318	-9 755	-15 347
Profit		10 091	32 806	58 537	78 250
Attributable to:					
Equity holders of the parent company		10 091	32 806	58 537	78 250
Other comprehensive income		Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Translation differences		-2 761	-421	-76	2 116
Other income and expenses during the period (after tax)		-2 761	-421	-76	2 116
Comprehensive profit for the period		7 330	32 385	58 461	80 366
Profit attributable to:					
Equity holders of the parent company		7 330	32 385	58 461	80 366
Earnings per share					
Earnings per share		0.44	1.15	2.55	3.41
Diluted earnings per share		0.43	1.14	2.52	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	-	-	-	-	58 537	58 537
Other income and expenses						
Translation differences	-	-	-	-76	-	-76
Total other revenues and expenses	-	-	-	-76	-	-76
Total comprehensive income for the period	-	-	-	-76	58 537	58 461
Transactions with owners, recognized directly against equity						
Contributions by and distributions to owners of the Company						
Dividends to owners	-	-	-	-	-91 916	-91 916
Share-based payment transactions	-	-	-	-	-	-
Share options exercised	-	1	-	-	67	67
Total contributions by and distributions to owners of the Company	-	1	-	-	-91 849	-91 849
Equity as at 31 December 2015	2 328	-30	121 325	-1 557	6 367	128 434

Condensed consolidated interim statement of cash flows (unaudited)

Cash flows from operations	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Profit/loss for the year before tax	4 981	34 124	68 292	93 597
Taxes paid	-13 391	-16 117	-27 466	-22 230
Net profit/loss from sale of fixed assets	-11	-	-11	-
Depreciation and amortization	42 890	41 412	156 340	159 782
Non-cash transactions related to option costs	-	36	-	194
Changes in inventory	-	444	-	672
Net change in current liabilities	-98 764	-2 831	-116 262	-27 473
Net change in receivables	85 275	-1 752	65 622	-2 856
Net cash flow from operations	20 980	55 316	146 515	201 686
Cash flows from investment activities				
Investments in fixed assets	-2 366	-27 062	-14 291	-69 268
Investments in intangible assets	-16 586	-6 744	-33 304	-45 854
New financial investments	3 201	-	3 201	-
New subsidiaries, net of cash	-97 952	-	-97 952	93 708
Net cash flows used in investment activities	-113 704	-33 806	-142 347	-21 414
Cash flows from financing activities				
New financial debt	140 260	-	140 260	-
Proceeds for shares issued to employees	-	-	-	564
Purchase of treasury shares	-	-563	-	-4 797
Repayment of debt	-509	-	-50 509	-300 000
Proceeds from borrowings	-	3 345	-	47 552
Payment of financial lease obligations	-23 161	-1 443	-23 161	-5 700
Payment of dividend	-17 236	-28 724	-91 916	-74 632
Equity changes	68	-	68	-
Net cash flows used in financing activities	99 422	-27 385	-25 258	-337 013
Change in cash and cash equivalents	6 698	-5 875	-21 090	-156 741
Cash and cash equivalents and credit facilities utilised as at beginning of period	40 563	73 787	68 005	221 831
Effect of exchange rate fluctuations on cash and cash equivalents	141	93	487	2 915
Cash and cash equivalents as at end of period	47 401	68 005	47 401	68 005

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 December 2015 condensed consolidated interim financial statements of NextGenTel Holding ASA and its subsidiaries (together “the Group”) are for the twelve months ended 31 December 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 10 February 2016.

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)

	Q4 2015					
<i>Profit and loss by segment</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	Group
Total revenues	304 171	7 576	3 212	5 026	1 352	321 337
Intra-group revenues	27 104	0	0	0	-1 352	25 752
Net revenues	331 275	7 576	3 212	5 026	0	347 089
Total costs of sales	-154 744	-3 096	5 069	-2 273	0	-155 045
Intra-group cost of sales	-11 267	0	-5 925	0	0	-17 192
Net cost of sales	-166 011	-3 096	-856	-2 273	0	-172 237
Gross profit/loss	165 264	4 480	2 356	2 753	0	174 853
Gross margin	50 %	59 %	73 %	55 %	0 %	50 %
Total operating expenses	-153 164	-2 438	-111	-1 546	-15 158	-172 416
Intra-group operating expenses	7 088	375	0	225	-73	7 615
Net operating expenses	-146 076	-2 063	-111	-1 320	-15 231	-164 801
Operating profit/loss	19 188	2 417	2 245	1 432	-15 231	10 052

	Q4 2014					
<i>Profit and loss by segment</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	Group
Total revenues	310 403	7 783	11 493	5 050	2 114	336 843
Intra-group revenues	-11 297	0	0	0	-11 585	-22 882
Net revenues	299 106	7 783	11 493	5 050	-9 471	313 961
Total costs of sales	-148 620	-3 272	-7 844	-2 816	0	-162 552
Intra-group cost of sales	5 351	-9	3 965	9	9 738	19 054
Net cost of sales	-143 269	-3 281	-3 879	-2 808	9 738	-143 498
Gross profit/loss	155 837	4 502	7 615	2 242	267	170 463
Gross margin	52 %	58 %	66 %	44 %	0 %	54 %
Total operating expenses	-122 473	-2 357	-200	-1 146	-11 396	-137 573
Intra-group operating expenses	3 049	743	0	195	0	3 987
Net operating expenses	-119 424	-1 614	-200	-951	-11 396	-133 586
Operating profit/loss	36 413	2 888	7 414	1 291	-11 129	36 878

	Jan-Dec 2015					
<i>Profit and loss by segment</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	Group
Total revenues	1 228 807	29 744	22 371	21 798	10 555	1 313 276
Intra-group revenues	-23 531	0	0	0	-10 555	-34 086
Net revenues	1 205 277	29 744	22 371	21 798	0	1 279 190
Total costs of sales	-603 946	-12 730	-16 857	-10 738	0	-644 271
Intra-group cost of sales	9 896	0	9 591	0	0	19 487
Net cost of sales	-594 051	-12 730	-7 266	-10 738	0	-624 785
Gross profit/loss	611 226	17 015	15 105	11 060	0	654 406
Gross margin	51 %	57 %	68 %	51 %	0 %	51 %
Total operating expenses	-516 642	-9 562	-1 127	-6 073	-54 945	-588 350
Intra-group operating expenses	9 992	2 648	0	1 189	-73	13 756
Net operating expenses	-506 650	-6 914	-1 127	-4 884	-55 018	-574 594
Operating profit/loss	104 576	10 101	13 977	6 176	-55 018	79 812

Jan-Dec 2014

<i>Profit and loss by segment</i>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Group</u>
Total revenues	1 256 010	32 421	43 525	19 930	11 167	1 363 052
Intra-group revenues	-45 033	0	0	0	-46 184	-91 217
Net revenues	1 210 977	32 421	43 525	19 930	-35 017	1 271 835
Total costs of sales	-609 501	-12 015	-31 214	-11 804	0	-664 533
Intra-group cost of sales	18 697	-687	13 262	687	35 017	66 976
Net cost of sales	-590 804	-12 702	-17 952	-11 116	35 017	-597 558
Gross profit/loss	620 173	19 719	25 572	8 813	0	674 278
Gross margin	51 %	61 %	59 %	44 %	0 %	53 %
Total operating expenses	-478 412	-10 638	-1 043	-5 857	-51 697	-547 647
Intra-group operating expenses	16 676	3 458	0	1 457	0	21 592
Net operating expenses ²⁾	-461 736	-7 179	-1 043	-4 400	-51 697	-526 056
Operating profit/loss	158 437	12 539	24 529	4 414	-51 697	148 222

31.12.2015

<i>Balance sheet</i>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Group</u>
Assets	821 962	38 141	14 229	7 349	74 198	955 879
Liabilities	488 827	7 228	-118	17 118	314 391	827 445
Equity capital	333 135	30 913	14 348	-9 769	-240 193	128 434

31.12.2014

<i>Balance sheet</i>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other ¹⁾</u>	<u>Group</u>
Assets	778 535	30 992	16 013	3 253	-32 778	796 015
Liabilities	348 706	6 435	542	14 072	264 438	634 194
Equity capital	429 829	24 557	15 470	-10 819	-297 216	161 821

¹⁾ Other items include the parent company NextGenTel Holding ASA and Group adjustments (Q4 2015 includes amortization of NOK 12.0 million related to the acquisition of NextGenTel AS, Kvantel AS and Kvantel Voice AS. YTD 2015: NOK 40.7 million).

Note 6: Property, plant and equipment

(Figures in NOK 1000)

	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Equipment				
Book value beg. of period	178 835	162 861	174 386	180 818
Additions from business combinations	43 967	-	43 967	-
Additions	21 621	31 562	91 581	78 062
Depreciation	-26 945	-20 037	-92 456	-84 494
Property, plant and equipment	217 478	174 386	217 478	174 386

Note 7: Intangible assets and goodwill

(Figures in NOK 1000)

	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Intangible assets				
Book value beg. of period	172 112	218 085	203 333	232 887
Additions from business combinations	39 850	-	39 850	-
Additions	10 281	6 623	26 999	45 734
Amortization	-15 944	-21 375	-63 883	-74 911
Impairment loss	-	-	-	-377
Book value end of period	206 299	203 333	206 299	203 333
Goodwill				
Book value beg. of period	67 100	67 100	67 100	67 100
Additions from business combinations	65 572	-	65 572	-
Revaluation	-	-	-	-
Book value end of period	132 672	67 100	132 672	67 100
Intangible assets and goodwill	338 971	270 433	338 971	270 433

Amortization of intangible assets include amortization of excess values related to the acquisition of NextGenTel AS, Kvantel AS and Kvantel Voice AS (Q4 15: NOK 12.0 million, YTD 15: NOK 40.7 million).

Note 8: Finance

	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Interest income	743	252	1 696	2 806
Interest expense	-4 204	-3 374	-11 869	-16 900
Foreign currency gain/(loss)	-1 035	818	-1 734	-2 697
Other financial income/(expenses)	-576	-449	386	-37 834
Net finance	-5 071	-2 754	-11 520	-54 625

Other financial income includes net contribution from the liquidation of Telio IP Services BV (NOK 1.5 million).

Note 9: Interest-bearing debt

	31.12.2015	31.12.2014
Term loan bank	245 000	175 000
Long term financial lease	45 391	2 425
Total long-term debt	290 391	177 425
Current part of term loan bank	70 000	50 000
Short term financial lease	19 710	5 111
Total short-term debt	89 710	55 111
Total interest-bearing debt	380 101	232 536

Company Facts

NextGenTel Holding ASA
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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
Sven Ole Skrivervik, 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
Telephone: +47 4153 9714
Email address: tom.nottveit@nextgentel.com
Web: <http://www.nextgentelholding.com>

Financial Calendar

4th quarter 2015: 11 February at 9:00
1st quarter 2016: 28 April at 09:00
2nd quarter 2016: 25 August at 09:00
3rd quarter 2016: 27 October at 09:00
Annual general meeting: 21 April at 15:00

Equity Research Coverage

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