

NextGenTel Holding ASA

# Q1 2017 Financial report



## NextGenTel Holding ASA – 1<sup>st</sup> Quarter 2017

### Key figures

(Figures in NOK million)	Q1 2017	Q1 2016
Revenues	318.3	344.1
Gross profit	143.2	163.6
Gross margin	45.0%	47.5%
EBITDA	48.2	54.5

Note: EBITDA adjusted for non-recurring items

### Group financials Q1 2017 (2016 figures in brackets)

Revenues in Q1 were NOK 318.3 million (344.1). Gross profit was NOK 143.2 million – 45.0% (163.6 – 47.5%). EBITDA adjusted for non-recurring items was NOK 48.2 million – 15.1 % (54.5 – 15.8%).

Operating profit was NOK 2.5 million in Q1 (12.1). Lower revenues and reduced gross margin affects gross profit negatively. Opex is reduced by NOK 4.4 million from Q4 2016 and by NOK 13 million from Q1 2016.

The Q1 2017 financial results include NOK 12.1 million in amortization cost related to business combinations and NOK 1.1 million in non-recurring costs. Profit after tax was NOK 135 thousand negative (NOK 5.5 million).

Cash and cash equivalents were NOK 18.0 million at 31 March 2017 after payment of loan installments (NOK 35 million) and dividend (NOK 11.5 million) in March (excluding a NOK 50 million overdraft facility).

EPS was NOK 0.01 negative in Q1 2017 and equity ratio was 19.76% at 31 March.

### Capital expenditures

Capital expenditures in Q1 2017 were NOK 25.5 million (29.1). For details, see notes 6 and 7 to the financial statements. Capex /sales ratio was 8.0% in Q1 (9.3%).

### Financial debt

Total interest-bearing debt was NOK 285.0 million including financial lease (356.9). Net interest-bearing debt was NOK 267.0 million as of 31 March 2017 (317.9). See note 9 to the financial statements.

\*) Revenue generating units (RGU, not unique customers)

### 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.

### Customer base development

The total customer base in Norway was 270,500\*) at the end of Q1 2017, a decrease from 277,300 at the end of Q4 2016. The consumer segment had a decrease of 5,900 and the business segment a decrease of 900 to 43,800 RGUs.

The customer base in the international markets declined by 6,200 customers in Q1, mainly driven by reduction of white label customers in the Netherlands.

### Consumer segment Norway

The company has continued its activities to sign up new customers within the housing cooperatives segment. In Q1, 7 new cooperatives have signed an agreement with NextGenTel representing 557 households (total number of units is 111 and 5,274 households at the end of Q1).

The total number of subscribers on fiber access has increased from 19,500 to 23,400 during Q1.

The consumer mobile subscriber base counted 39,000 subscribers at the end of Q1.

### Corporate segment Norway

The corporate customer base had an increase of mobile subscriptions, offset by a decline for Datacom and VoIP. The mobile subscriber base counted 16,600 subscribers at the end of Q1 2017 (compared to 12,500 a year ago).

### New contracts

In Q1 2017, NextGenTel announced the following significant contracts:

- Renewal and expansion of a 3-year contract with Telia (annual revenues NOK 75 million)
- Framework agreement with Oslo S Utvikling AS (housing project)

Kvanten signed the following contracts:

- 3-year agreement with Nordic Choice Hotels
- Agreement with Phonect (annual revenues NOK 60 million)

The Kvantel business is developing very positively and the company is positioned to generate significant growth in 2017.

#### **Shareholder information**

The total number of registered shares outstanding at the end of Q1 2017 was 23,283,180 out of which 274,201 shares were owned by NextGenTel Holding ASA.

The total number of shareholders was 595 and 30.4% of the shares were registered abroad. For information about the top 20 shareholders, please refer to <http://nextgentelholding.com/Investor-relations/Share-information/Top-20-shareholders>

Total outstanding options at the end of Q1 2017 were 436,500 of which 336,000 have a dilutive effect with a weighted average strike price of NOK 10.35.

#### **Modernization of the copper network**

Negotiations are still ongoing in the Broadband Forum and between xDSL operators (Telenor, Broadnet and NextGenTel). According to correspondence between the Ministry of Transportation and Communication and NKOM dated 20 February 2017, a conclusion on the modernization issue is expected to be reached by the end of the second quarter in 2017.

#### **Tax issue**

On 23 January 2017, the company sent a stock exchange notice informing the market about a report from a tax audit performed by Norwegian tax authorities (Skatt øst). A meeting with the tax authorities was held on 7 February to present the company's view. The company has aimed at

paying sufficient tax in Switzerland in order not to be regarded as a low tax jurisdiction. A key and principal matter for the tax authorities is if Telio SA should be considered being in a low tax jurisdiction due to the general effective tax rate for comparable companies (which is significantly lower than the effective tax rate for Telio SA). It is the company's assessment that, in the event of a final outcome where NextGenTel Holding ASA has to pay 28% tax on dividends received for the relevant period, a tax credit will be given for the tax paid in Switzerland. 28% tax equals approximately NOK 56 million and the credit deduction is approximately NOK 45 million. In such a scenario the net risk amounts to NOK 11 million.

It is the company's view that no additional tax should be imposed and hence no additional tax expense was accounted for in the 2016 annual accounts or in the Q1 2017 financial accounts.

#### **Dividend**

Following a resolution by the board, the company paid a dividend of NOK 0.50 per share on 8 March 2017. Future dividend distributions will depend on the prevailing investment plans, financial covenants and necessary financial flexibility.

Oslo, 3 May 2017  
Board of Directors  
NextGenTel Holding ASA

Ellen Hanetho  
(sign.)

Lars B. Thoresen  
Chairman of the Board  
(sign.)

Aril Resen  
(sign.)

Kari Mette Toverud  
(sign.)

Espen Fjogstad  
(sign.)

Eirik Lunde  
CEO  
(sign.)

## Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK 1000)

	Note	31.03.2017	31.03.2016	31.12.2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	186 625	214 514	194 690
Intangible assets	7	174 750	196 192	185 847
Goodwill	7	132 672	132 672	132 672
Deferred tax assets		22 949	28 434	22 698
		<u>516 997</u>	<u>571 812</u>	<u>535 907</u>
<b>Current assets</b>				
Trade and other receivables		210 088	223 814	215 459
Cash and cash equivalents		18 003	38 964	66 593
		<u>228 091</u>	<u>262 778</u>	<u>282 052</u>
<b>Total assets</b>		<b><u>745 088</u></b>	<b><u>834 590</u></b>	<b><u>817 960</u></b>
<b>EQUITY</b>				
Share capital reduced for treasury shares		2 300	2 298	2 298
Premium paid-in capital		121 325	121 325	121 325
Other reserves		-4 051	-2 167	-3 641
Retained earnings		27 661	11 853	38 703
<b>Total equity</b>		<b><u>147 235</u></b>	<b><u>133 308</u></b>	<b><u>158 684</u></b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term interest-bearing debt	9	191 335	272 368	219 874
Deferred tax liabilities		18 370	31 384	21 360
		<u>209 706</u>	<u>303 752</u>	<u>241 234</u>
<b>Current liabilities</b>				
Trade and other payables		203 502	216 754	225 072
Current income tax liabilities		16 682	10 326	17 335
Short-term interest-bearing debt	9	93 685	84 504	95 084
Deferred income/revenue		74 279	85 946	80 552
		<u>388 148</u>	<u>397 530</u>	<u>418 042</u>
<b>Total liabilities</b>		<b><u>597 853</u></b>	<b><u>701 282</u></b>	<b><u>659 276</u></b>
<b>Total equity and liabilities</b>		<b><u>745 088</u></b>	<b><u>834 590</u></b>	<b><u>817 960</u></b>

Oslo, 3 May 2017  
Board of Directors  
NextGenTel Holding ASA

Ellen Hanetho  
(sign.)

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(sign.)

Eirik Lunde  
CEO  
(sign.)

## Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000)

	Note	Q1 2017	Q1 2016	Jan-Dec 2016
<b>Total revenues</b>		<b>318 340</b>	<b>344 128</b>	<b>1 358 632</b>
Cost of connection and traffic charges		-175 184	-180 537	-718 559
Salaries and personnel costs		-59 300	-63 798	-246 007
Selling and marketing costs		-8 943	-14 551	-50 622
Other costs		-27 803	-30 725	-117 669
Depreciation and amortization	6, 7	-44 628	-42 467	-170 526
<b>Operating profit</b>		<b>2 482</b>	<b>12 050</b>	<b>55 249</b>
Finance	8	-3 382	-4 856	-13 372
<b>Profit before income tax</b>		<b>-900</b>	<b>7 194</b>	<b>41 877</b>
Income tax		765	-1 709	-9 475
<b>Profit</b>		<b>-135</b>	<b>5 485</b>	<b>32 402</b>
<b>Attributable to:</b>				
Equity holders of the parent company		-135	5 485	32 402
<b>Other comprehensive income</b>		<b>Q1 2017</b>	<b>Q1 2016</b>	<b>Jan-Dec 2016</b>
Translation differences		-410	-611	-2 151
Other income and expenses during the period (after tax)		-410	-611	-2 151
<b>Comprehensive profit for the period</b>		<b>-545</b>	<b>4 874</b>	<b>30 251</b>
<b>Profit attributable to:</b>				
Equity holders of the parent company		-545	4 874	30 251
<b>Earnings per share</b>				
Earnings per share		-0.01	0.24	1.41
Diluted earnings per share		-0.01	0.24	1.40

## 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
<b>Equity as at 1 January 2016</b>	2 328	-30	121 325	-1 490	6 301	128 433
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	32 402	32 402
<b>Other income and expenses</b>						
Translation differences	-	-	-	-2 151	-	-2 151
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2 151</b>	<b>32 402</b>	<b>30 251</b>
<b>Transactions with owners, recognized directly against equity</b>						
Contributions by and distributions to owners of the Company	-	-	-	-	-	-
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity as at 31 December 2016</b>	<b>2 328</b>	<b>-30</b>	<b>121 325</b>	<b>-3 641</b>	<b>38 703</b>	<b>158 684</b>
<b>Equity as at 1 January 2017</b>	2 328	-30	121 325	-3 641	38 703	158 684
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	-135	-135
<b>Other income and expenses</b>						
Translation differences	-	-	-	-410	-	-410
Total other revenues and expenses	-	-	-	-410	-	-410
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-410</b>	<b>-135</b>	<b>-545</b>
<b>Transactions with owners, recognized directly against equity</b>						
Contributions by and distributions to owners of the Company						
Dividends to owners	-	-	-	-	-11 505	-11 505
Share-based payment transactions	-	-	-	-	-	-
Share options exercised	-	3	-	-	597	600
Total contributions by and distributions to owners of the Company	-	3	-	-	-10 908	-10 905
<b>Equity as at 31 March 2017</b>	<b>2 328</b>	<b>-28</b>	<b>121 325</b>	<b>-4 051</b>	<b>27 661</b>	<b>147 235</b>

## Condensed consolidated interim statement of cash flows (unaudited)

<b>Cash flows from operations</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>Jan-Dec 2016</b>
Profit/loss for the year before tax	-900	7 194	41 877
Taxes paid	-3 117	-543	-5 703
Depreciation and amortization	44 628	42 467	170 526
Changes in inventory	-	-	471
Net change in current liabilities	-19 797	-12 657	14 617
Net change in receivables	5 364	4 206	-21 777
<b>Net cash flow from operations</b>	<b>26 177</b>	<b>40 668</b>	<b>200 011</b>
<b>Cash flows from investment activities</b>			
Investments in fixed assets	-12 696	-10 567	-51 505
Investments in intangible assets	-9 000	-7 193	-36 065
New subsidiaries, net of cash	-	-	-
<b>Net cash flows used in investment activities</b>	<b>-21 696</b>	<b>-17 760</b>	<b>-87 570</b>
<b>Cash flows from financing activities</b>			
New financial debt	-	500	4 369
Repayment of debt	-35 000	-26 863	-75 048
Payment of financial lease obligations	-6 900	-4 363	-20 766
Payment of dividend	-11 505	-	-
Equity changes	600	-	-
<b>Net cash flows used in financing activities</b>	<b>-52 804</b>	<b>-30 726</b>	<b>-91 444</b>
<b>Change in cash and cash equivalents</b>	<b>-48 323</b>	<b>-7 818</b>	<b>20 997</b>
Cash and cash equivalents and credit facilities utilised as at beginning of period	66 593	47 401	47 401
Effect of exchange rate fluctuations on cash and cash equivalents	-267	-619	-1 806
<b>Cash and cash equivalents as at end of period</b>	<b>18 003</b>	<b>38 964</b>	<b>66 593</b>

## 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 2017 condensed consolidated interim financial statements of NextGenTel Holding ASA and its subsidiaries (together “the Group”) are for the three months ended 31 March 2017.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available at [www.nextgentelholding.com/investor\\_relations](http://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 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 3 May 2017.

#### **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 2016.

#### **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 2016.



## 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 2017					
<u>Profit and loss by segment</u>	Norway	Denmark	Netherlands	Switzerland	Other <sup>1)</sup>	Group
Total revenues	313 678	5 425	3 072	3 453	1 340	326 968
Intra-group revenues	-7 288	0	0	0	-1 340	-8 628
Net revenues	306 389	5 425	3 072	3 453	0	318 340
Total costs of sales	-174 936	-1 785	-1 949	-1 655	0	-180 325
Intra-group cost of sales	3 509	0	1 633	0	0	5 141
Net cost of sales	-171 427	-1 785	-317	-1 655	0	-175 184
Gross profit/loss	134 962	3 641	2 756	1 798	0	143 156
Gross margin	44 %	67 %	90 %	52 %	0 %	45 %
Total operating expenses	-125 959	-1 988	-296	-1 285	-14 579	-144 107
Intra-group operating expenses	2 426	678	0	329	0	3 433
Net operating expenses	-123 533	-1 309	-296	-956	-14 579	-140 674
<b>Operating profit/loss</b>	<b>11 429</b>	<b>2 331</b>	<b>2 459</b>	<b>841</b>	<b>-14 579</b>	<b>2 482</b>

	Q1 2016					
<u>Profit and loss by segment</u>	Norway	Denmark	Netherlands	Switzerland	Other <sup>1)</sup>	Group
Total revenues	336 959	7 098	4 209	4 559	1 132	353 957
Intra-group revenues	-8 697	0	0	0	-1 132	-9 829
Net revenues	328 262	7 098	4 209	4 559	0	344 128
Total costs of sales	-178 854	-3 241	-3 347	-2 202	0	-187 644
Intra-group cost of sales	4 499	0	2 608	0	0	7 107
Net cost of sales	-174 355	-3 241	-739	-2 202	0	-180 537
Gross profit/loss	153 907	3 857	3 470	2 357	0	163 591
Gross margin	47 %	54 %	82 %	52 %	0 %	48 %
Total operating expenses	-134 780	-2 200	-748	-1 356	-13 595	-152 679
Intra-group operating expenses	0	767	0	371	0	1 138
Net operating expenses	-134 780	-1 433	-748	-985	-13 595	-151 541
<b>Operating profit/loss</b>	<b>19 126</b>	<b>2 424</b>	<b>2 722</b>	<b>1 372</b>	<b>-13 595</b>	<b>12 050</b>

**31.03.2017**

<u>Balance sheet</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other <sup>1)</sup></u>	<u>Group</u>
Assets	679 354	22 435	7 509	6 274	29 516	745 088
Liabilities	390 741	2 650	1 018	12 232	191 213	597 854
Equity capital	288 613	19 784	6 491	-5 957	-161 696	147 235

**31.03.2016**

<u>Balance sheet</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other <sup>1)</sup></u>	<u>Group</u>
Assets	702 655	38 801	14 022	6 477	72 635	834 590
Liabilities	355 253	7 048	198	15 027	323 756	701 282
Equity capital	347 402	31 753	13 824	-8 551	-251 121	133 308

<sup>1)</sup> Other items include the parent company NextGenTel Holding ASA and Group adjustments (Q1 2017 includes amortization of NOK 12.1 million related to the acquisition of NextGenTel AS, Kvantel AS and Kvantel Voice AS).

**Secondary segment - revenue by product**

	Q1 2017	Q1 2016
VoIP	45 710	58 691
Mobile	46 979	41 559
Broadband (incl TV)	215 929	234 373
Wholesale	3 071	4 209
Other	6 287	5 296
<b>Total</b>	<b>317 976</b>	<b>344 128</b>

**Tertiary segment - revenue by customer segment**

	Q1 2017	Q1 2016
Consumers	205 342	228 831
Businesses	112 634	115 297
<b>Total</b>	<b>317 976</b>	<b>344 128</b>

## Note 6: Property, plant and equipment

(Figures in NOK 1000)

	Q1 2017	Q1 2016	Jan-Dec 2016
<b>Equipment</b>			
Book value beg. of period	194 690	217 478	217 478
Additions	16 466	24 654	80 994
Depreciation	-24 531	-27 618	-103 782
<b>Property, plant and equipment</b>	<b>186 625</b>	<b>214 514</b>	<b>194 690</b>

## Note 7: Intangible assets and goodwill

(Figures in NOK 1000)

	Q1 2017	Q1 2016	Jan-Dec 2016
<b>Intangible assets</b>			
Book value beg. of period	185 847	206 299	206 299
Additions	9 000	4 419	46 293
Amortization	-20 097	-14 525	-66 745
Impairment loss	-	-	-
<b>Book value end of period</b>	<b>174 750</b>	<b>196 192</b>	<b>185 847</b>
<b>Goodwill</b>			
Book value beg. of period	132 672	132 672	132 672
Revaluation	-	-	-
<b>Book value end of period</b>	<b>132 672</b>	<b>132 672</b>	<b>132 672</b>
<b>Intangible assets and goodwill</b>	<b>307 422</b>	<b>328 864</b>	<b>318 519</b>

Amortization of intangible assets include amortization of excess values related to the acquisition of NextGenTel AS, Kvantel AS and Kvantel Voice AS (Q1 17: NOK 12.1 million).

## Note 8: Finance

	Q1 2017	Q1 2016	Jan-Dec 2016
Interest income	400	201	1 039
Interest expense	-3 288	-3 899	-13 306
Foreign currency gain/(loss)	-236	-252	157
Other financial income/(expenses)	-258	-906	-1 262
<b>Net finance</b>	<b>-3 382</b>	<b>-4 856</b>	<b>-13 372</b>

## Note 9: Interest-bearing debt

	31.03.2017	31.03.2016	31.12.2016
Term loan bank	140 000	220 000	175 000
Long term financial lease	51 335	52 368	55 146
<b>Total long-term debt</b>	<b>191 335</b>	<b>272 368</b>	<b>230 146</b>
Current part of term loan bank	70 000	70 000	70 000
Short term financial lease	23 685	14 504	24 309
<b>Total short-term debt</b>	<b>93 685</b>	<b>84 504</b>	<b>94 309</b>
<b>Total interest-bearing debt</b>	<b>285 020</b>	<b>356 872</b>	<b>324 455</b>
Cash	18 003	38 964	66 593
<b>Net interest-bearing debt</b>	<b>267 017</b>	<b>317 908</b>	<b>257 862</b>

## Company Facts

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

Telephone: +47 2167 3500  
Homepage: [www.nextgentelholding.com](http://www.nextgentelholding.com)

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

### Board of Directors

Lars B. Thoresen (Chairman)  
Aril Resen  
Ellen Hanetho  
Kari Mette Toverud  
Espen Fjogstad

### Group Management

Eirik Lunde, Chief Executive Officer  
Tom Nøttveit, Chief Financial Officer  
Sven Ole Skrivervik, Chief Technology Officer  
Roy Børsheim, Director Consumer

### Investor Relations

Tom Nøttveit, Chief Financial Officer  
Telephone: +47 4153 9714  
Email address: [tom.nottveit@nextgentel.com](mailto:tom.nottveit@nextgentel.com)  
Web: <http://www.nextgentelholding.com>

### Financial Calendar

4<sup>th</sup> quarter 2016: 15 February at 9:00  
1<sup>st</sup> quarter 2017: 4 May at 09:00  
2<sup>nd</sup> quarter 2017: 16 August at 09:00  
3<sup>rd</sup> quarter 2017: 27 October at 09:00  
Annual general meeting: 20 April at 15:00

### Equity Research Coverage

Company	Contact	Phone
Norne Securities	Mindaugas Cekanavicius	+47 2195 3752
Indep Research LTD	Toni Yordanov	+44 (0)776 139 1953
Fondsfinans	Erik Hjulström	+47 9072 7556
SEB	Fredrik Thoresen	+47 9093 6994