

Q2 2017 presentation

Oslo / 16 August 2017

Eirik Lunde, CEO

Today's agenda

- Q2 2017 financial results
- Separation of the consumer and corporate operations

Q2 2017 financials in brief

CUSTOMERS
at 30 June

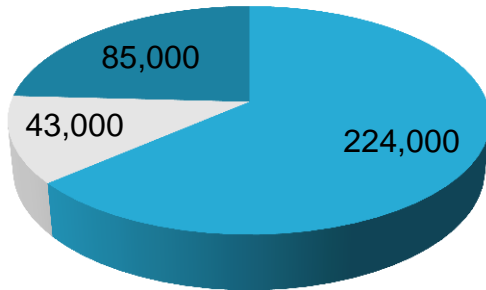
352,000

RGUs
Revenue
generating
units

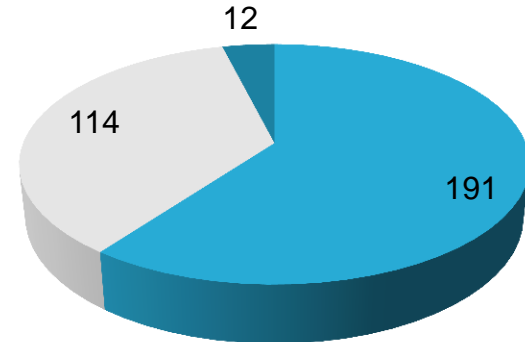
REVENUES
Q2 '17

317

NOK
MILLION



- Norway consumers
- Norway businesses
- International



Q2 2017 financials in brief

REVENUES

317.2

NOK
MILLION

CASH

19.4

NOK
MILLION

EBITDA

44.1

NOK
MILLION

EQUITY RATIO

20.0%

EBIT

-0.5

NOK
MILLION

NET DEBT
/EBITDA

1.29

Highlights Q2

CUSTOMER BASE DEVELOPMENT

- Increase in business mobile customers y-o-y
- Increase in TV customers y-o-y
- Increase in fiber access customers y-o-y
- Stable development for consumer broadband in Q2
- Acquisition of Bayonette customer base

BUSINESS SEGMENT SHOWING A POSITIVE TREND

- Letter of intent with Nordic Choice Hotels formalized in a 3-year agreement and implementation started in Q2

COST REDUCTION PLAN

- The board has approved a cost reduction plan which implies a reduction of operating expenses by additional **NOK 40 million** annually

Financial results

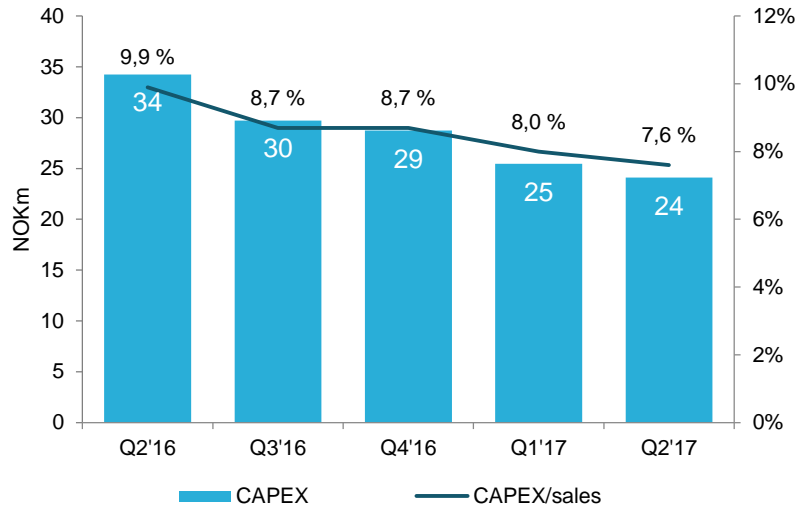
(Figures in NOKm)	Q2 2017	Q1 2017	Q2 2016
Revenues	317.2	318.3	345.5
Gross margin	44.0%	45.0%	47.5%
EBITDA (excl non-recurring items)	44.1	48.2	61.1
EBIT (excl non-recurring items)	(0.5)	3.6	19.9
Cash flow from operations	36.5	26.2	61.7
Free cash flow per share	0.32	0.19	1.87
Cash and cash equivalents at end of quarter	19.4	18.0	61.0

- Costs for implementing the agreements with Nordic Choice Hotels and Phonect affect EBITDA for Kvantel negatively, representing NOKm 2.5 of the reduced group EBITDA compared to Q1'17. Revenues from these contracts will materialize from Q3'17.
- The regulatory issue related to the VULA product from Telenor is still unresolved and awaiting a final decision by the Ministry of Transport and Communications. A positive effect from the expected reduction in CoGS for the VULA product is *not included in P&L*
 - Positive effect on EBITDA/EBIT for Q2 of NOK 1.0 million
 - Positive effect as of YTD 30 June 2017 of NOK 1.9 million
 - Total accumulated positive effect of NOK 4.2 million (includes 2016)

CAPEX development

Lower capex key to improve cash flow

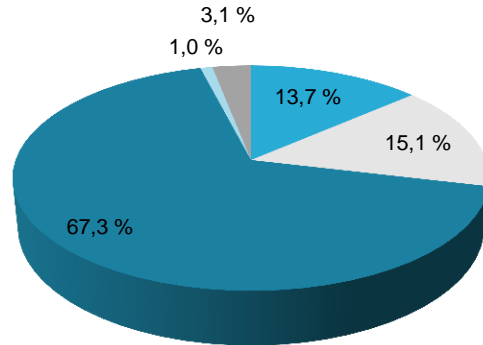
Positive trend



- Positive trend according to plan towards capex/sales of 7%
- Capex in Q2'17 do not include the acquisition of Bayonette customer base (4.5 mNOK)

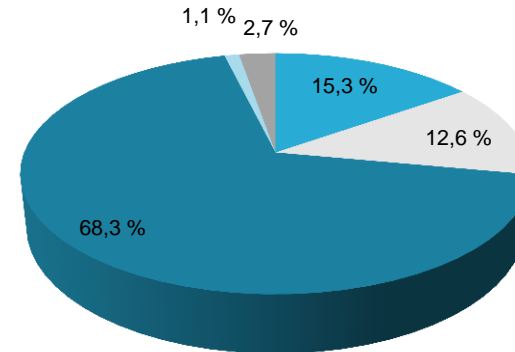
Product mix – share of revenues

Q2 2017



- VoIP
- Mobile
- Broadband (incl TV)
- Wholesale
- Other

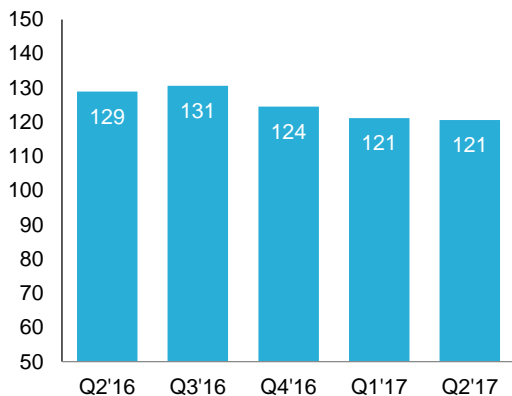
Q2 2016



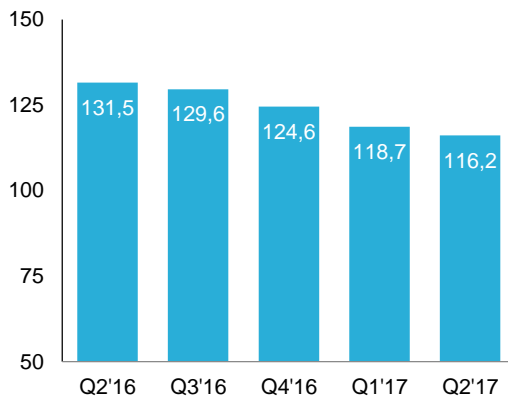
Consumer broadband

- Access independent broadband with growth opportunities within fiber (FTTH) and collective agreements (multi-dwelling units), while xDSL is declining
- Fairly stable ARPU

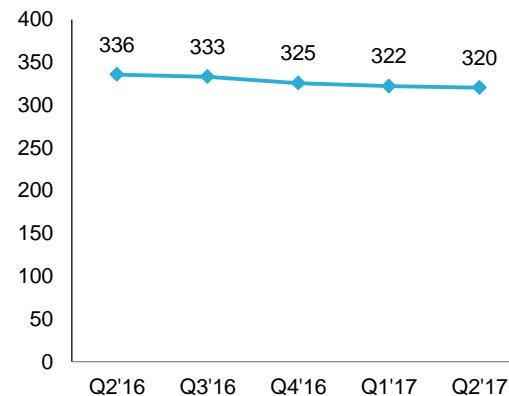
SUBSCRIPTIONS ('000)



REVENUES (MNOK)



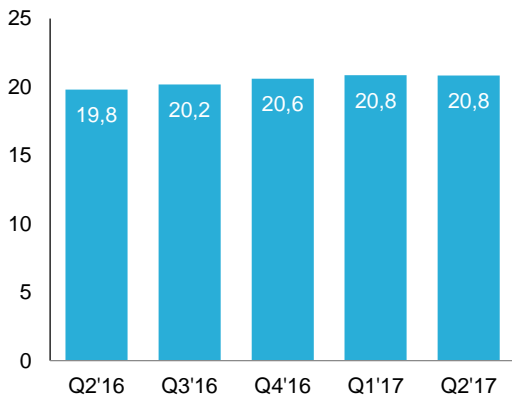
ARPU (NOK/MONTH)



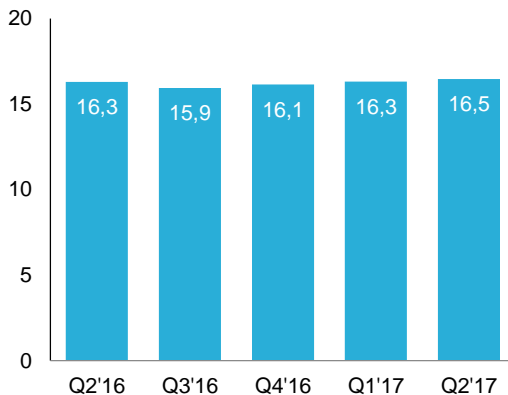
Consumer TV

- TV subscribers represent a smaller share of the broadband customer base
- Growth in high-speed broadband will facilitate upselling of TV services
- Fairly stable ARPU

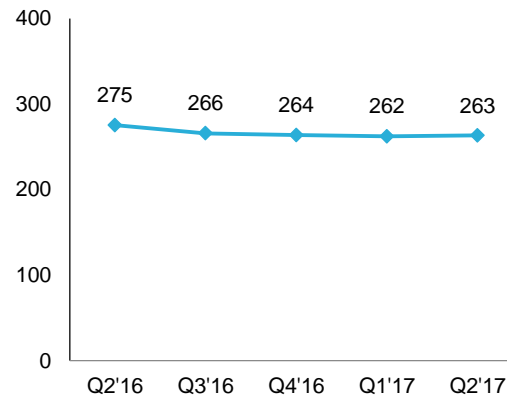
SUBSCRIPTIONS ('000)



REVENUES (MNOK)



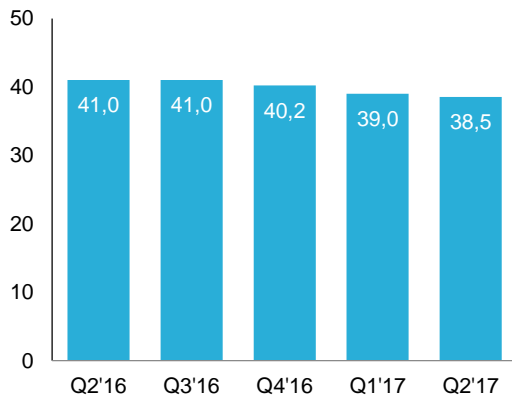
ARPU (NOK/MONTH)



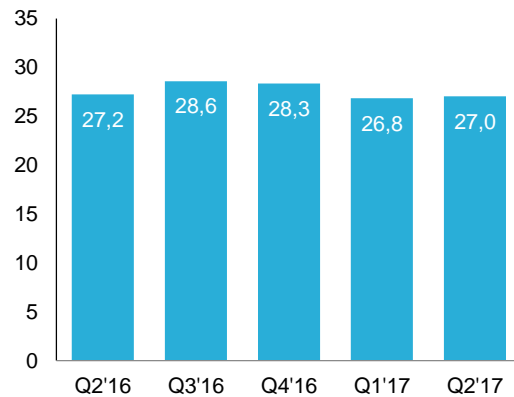
Consumer mobile

- Strong competition among operators to attract consumers
- Stable ARPU

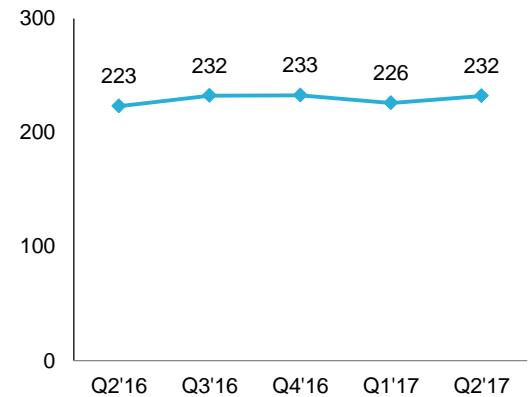
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REVENUES (MNOK)



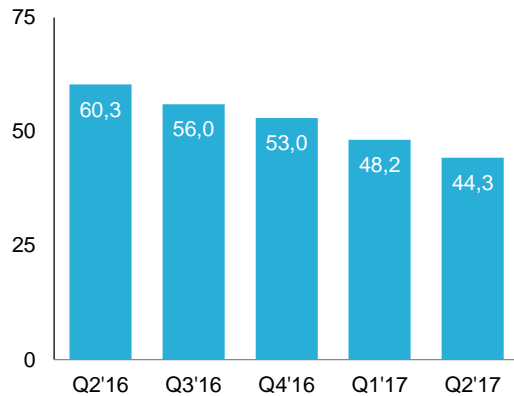
ARPU (NOK/MONTH)



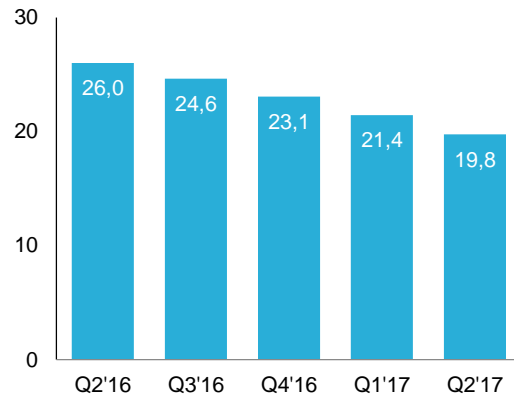
Consumer VoIP

- Subscriber base following the long term trend of VoIP being replaced by mobile
- Stable ARPU

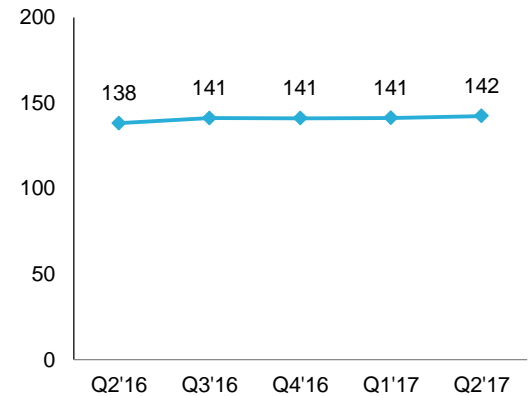
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REVENUES (MNOK)



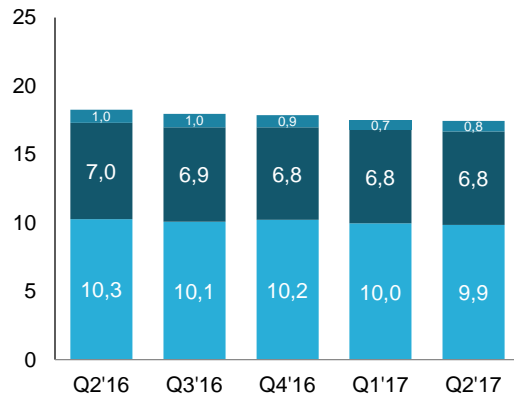
ARPU (NOK/MONTH)



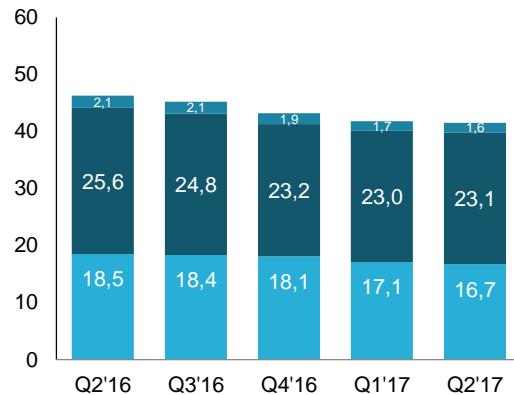
Business datacom

- Within the SMB segment, customers of Internet access over xDSL churn in favor of fiber or mobile broadband. Within Retail, xDSL is still the preferred access technology
- Fairly stable ARPU for the services Internet and Datanet and increased ARPU for Ethernet compared with previous period. Migration of portfolios of “high-end” Internet access to “low-end” Datanet access during the last year has to some extent affected ARPU development negatively for both services

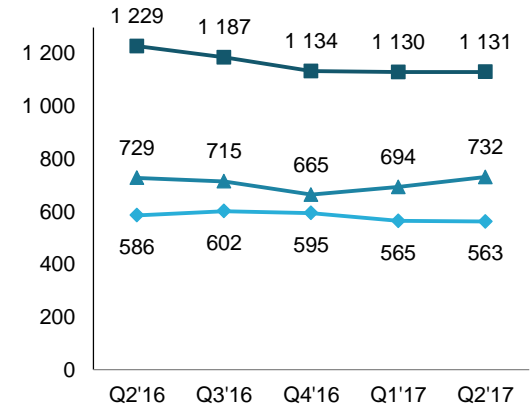
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REVENUES (MNOK)



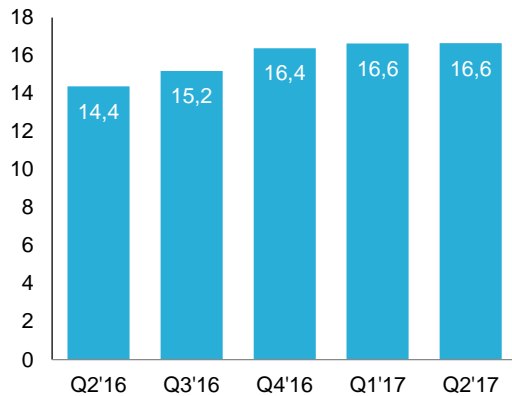
ARPU (NOK/MONTH)



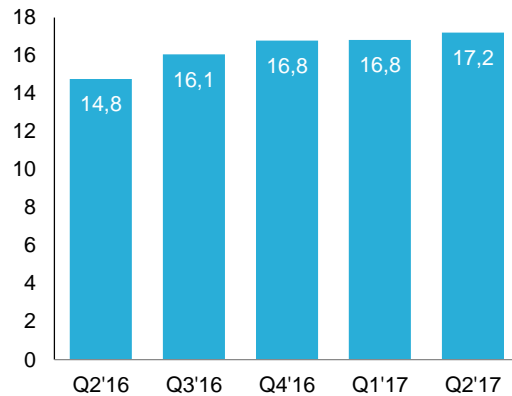
Business mobile

- Positive development for customer numbers and revenues, although a decline in ARPU (5.7% yoy)

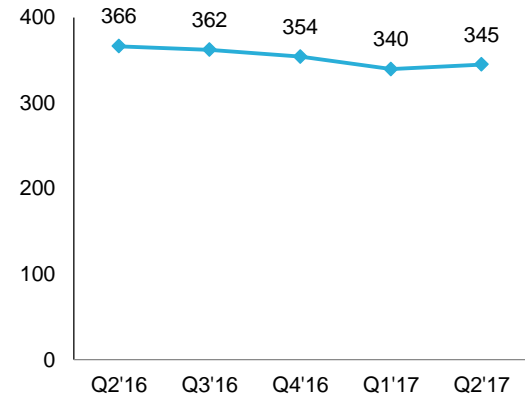
SUBSCRIPTIONS ('000)



REVENUES (MNOK)



ARPU (NOK/MONTH)



Cost reduction plan

- The board has approved a cost reduction plan which implies a reduction of operating expenses by additional **NOK 40 million** annually
- The main source for this cost reduction will be reduction in staff
- Other sources are related to maintenance/service agreements and external consultants
- This plan will have a limited impact from Q4 2017 and full impact from January 2018
- The implementation of the plan will not impose any material additional expenses (employees will be paid normal salary during the notice period)



Transformation of operations

Automation and digitalization

- The deployment of new business support systems during the past months represents opportunities to introduce robotics to increase effectiveness in processes and routines
- Customers' interaction with customer services will be made more effective through tools and robotics
- There is an untapped potential for the company to reduce operating expenses by digitalization and use of robotics in the months ahead
- Pilot project (Robotic Process Automation) in place with estimated implementation in December '17



Better customer experience
Additional cost savings

Status on modernization of the copper network

Telenor wants to modernize some small parts of the outer copper network where no other access technology will be available short and mid term.

There has been put forward an initiative by NKOM (the Norwegian regulator) where they suggest the current LLUB regime, with some modifications, to be used for modernization purposes paving the ground for GFAST modernization done by other operators. An agreement on modernization of the copper network would most probably imply:

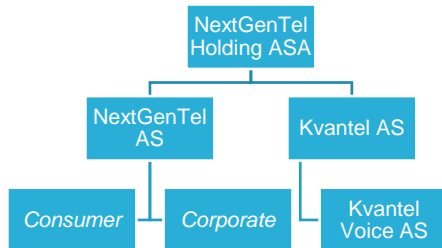
- Telenor will build to a limited extent
- Opportunity for other operators to build
- NexGenTel will build when financially viable (alone or together with others)

It is our expectation that this process will be concluded during September at the latest. There is still a risk that the parties will not reach an agreement.

Separating the consumer and corporate operations

Today

- NextGenTel AS operates towards both the consumer and the corporate market segments
- Kvantel AS and Kvantel Voice AS operates in the corporate wholesale market



Tomorrow (from 1 October 2017)

- The corporate activities in NextGenTel AS to be demerged to a new company, Proximo Norge AS
- Kvantel AS and Kvantel Voice AS to be merged
- Fiber Norge AS established as the parent of Proximo and Kvantel
- NextGenTel AS will serve the consumer market only



¹⁾ 100% owned by NextGenTel Holding ASA

Pro forma figures 1st half of 2017

Consumer segment (NextGenTel AS)			Corporate segment (Fiber Norge AS)		
REVENUES	400	NOK MILLION	REVENUES	233	NOK MILLION
EBITDA	50	NOK MILLION	EBITDA	29	NOK MILLION
CAPEX	30	NOK MILLION	CAPEX	20	NOK MILLION

Note: the pro forma figures show the consumer and corporate segments as stand-alone entities and include intra-group revenues and costs and estimates. Foreign subsidiaries not included.

Financial calendar 2017

Q3 2017

Friday 27 October at 09:00



Thank you!

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