

Q1 2018 Financial report



NextGenTel Holding ASA – 1st quarter 2018

Key figures

(Figures in NOK million)	Q1 2018	Q1 2017
Revenues	377.6	318.3
Gross profit	202.8	143.2
Gross margin	53.7%	45.0%
EBITDA	106.6	44.5

Figures for 2017 have been restated to reflect the implementation of IFRS 15.

Group financials Q1 2018 (Q1 2017 figures in brackets)

Revenues in Q1 were NOK 377.6 million (318.3), positively affected by proceeds from sale of customer portfolios of NOK 79.8 million. Gross profit was NOK 202.8 million – 53.7% (143.2 – 45.0%). EBITDA was NOK 106.6 million – 28.2 % (44.5 – 14.0%).

Operating profit was NOK 71.0 million (-0.1).

EPS was NOK 2.32 in Q1 2018 and equity ratio was 27.8% at 31 March.

Cash and cash equivalents were NOK 15.0 million at 31 March 2018 (excluding available overdraft facility of NOK 17.5 million).

Capital expenditures

Capital expenditures in Q1 2018 were NOK 11.9 million (25.5). Capex/sales ratio (excluding sale of customer portfolio) was 4.0% in Q1 (8.0%). For details, see notes 6 and 7 to the financial statements.

Financial debt

Total interest-bearing debt was NOK 157.8 million (285.0) where NOK 106.5 million is bank loan and NOK 51.3 million is financial lease. Net interest-bearing debt was NOK 142.9 million as of 31 March 2018 (267.0).

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.

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Customer base development

The total customer base^{*)} in Norway was 200,500 at the end of Q1 2018, a decrease from 241,500 at the end of Q4 2017. The main driver for the reduction is a reduction of 33,600 consumer mobile customers related to the sale of this portfolio to Telia.

The consumer segment had a decrease of 39,200 (including mobile customers) and the business segment a decrease of 1,700.

The total number of subscribers on high-speed Internet access is 46,100.

The customer base in the international markets declined by 4,200 customers in Q1, mainly driven by reduction of white label customers in the Netherlands. The total number of customers in the international markets was 70,100 at the end of March.

Sale of consumer mobile customer portfolio

On 4 December 2017, the company announced an agreement to sell its consumer mobile customer portfolio to Telia Norge AS. The purchase price is minimum NOK 75 million and maximum NOK 95 million depending on the number of customers actually being migrated. The main part of the customers have been migrated during March and the minimum payment of NOK 75 million have been booked as revenue in Q1. Final purchase price will be set after the migration has been completed during Q2.

*) Customer base = revenue generating units (RGUs)

Shareholder information

The total number of registered shares outstanding at the end of Q1 2018 was 23,283,180 out of which 274,201 shares were owned by NextGenTel Holding ASA.

The total number of shareholders was 619 and 21.6% 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 2018 were 561,000 of which 259,000 have a dilutive effect with a weighted average strike price of NOK 6.00.

Oslo, 26 April 2018
Board of Directors
NextGenTel Holding ASA

Ellen Hanetho
(sign.)

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

Espen Fjogstad
(sign.)

Kari Mette Toverud
(sign.)

Vidar Skogedal
Employee repr.
(sign.)

Linn Anette Husøy
Employee repr.
(sign.)

Eirik Lunde
CEO
(sign.)

Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK 1000)

	Note	31.03.2018	31.03.2017	31.12.2017
ASSETS				
Non-current assets				
Property, plant and equipment	6	139 065	186 625	151 652
Intangible assets	7	173 673	225 875	186 949
Goodwill	7	132 672	132 672	132 672
Deferred tax assets		22 428	22 949	22 035
Other long term assets		494	-	392
		<u>468 332</u>	<u>568 122</u>	<u>493 699</u>
Current assets				
Trade and other receivables		209 637	210 088	201 569
Cash and cash equivalents		14 958	18 003	17 821
		<u>224 595</u>	<u>228 091</u>	<u>219 391</u>
Total assets		<u>692 927</u>	<u>796 212</u>	<u>713 090</u>
EQUITY				
Share capital reduced for treasury shares		2 301	2 300	2 301
Premium paid-in capital		121 325	121 325	121 325
Other reserves		-1 218	-4 051	-403
Retained earnings		70 220	78 785	16 740
Total equity		<u>192 628</u>	<u>198 359</u>	<u>139 963</u>
LIABILITIES				
Non-current liabilities				
Long-term interest-bearing debt	9	62 375	191 335	25 416
Deferred tax liabilities		8 088	18 370	9 404
		<u>70 463</u>	<u>209 706</u>	<u>34 820</u>
Current liabilities				
Trade and other payables		225 230	203 502	225 229
Current income tax liabilities		44 315	16 682	31 792
Short-term interest-bearing debt	9	95 434	93 685	216 401
Deferred income/revenue		64 857	74 279	64 885
		<u>429 836</u>	<u>388 148</u>	<u>538 307</u>
Total liabilities		<u>500 299</u>	<u>597 853</u>	<u>573 127</u>
Total equity and liabilities		<u>692 927</u>	<u>796 212</u>	<u>713 090</u>

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Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000)

	Note	Q1 2018	Q1 2017	Jan-Dec 2017
Total revenues		377 641	318 340	1 269 148
Cost of connection and traffic charges		-174 812	-175 184	-723 104
Salaries and personnel costs		-52 343	-59 300	-225 219
Selling and marketing costs		-2 115	-8 943	-43 156
Other costs		-41 820	-30 385	-125 278
Depreciation and amortization	6, 7	-35 515	-44 628	-182 747
Operating profit		71 036	-100	-30 356
Finance	8	-1 761	-3 382	-13 132
Profit before income tax		69 275	-3 482	-43 488
Income tax		-15 795	765	-22 033
Profit		53 480	-2 717	-65 521
Attributable to:				
Equity holders of the parent company		53 480	-2 717	-65 521
Other comprehensive income		Q1 2018	Q1 2017	Jan-Dec 2017
Translation differences		-815	-410	3 238
Other income and expenses during the period (after tax)		-815	-410	3 238
Comprehensive profit for the period		52 665	-3 127	-62 282
Profit attributable to:				
Equity holders of the parent company		52 665	-3 127	-62 282
Earnings per share				
Earnings per share		2.32	-0.12	-2.85
Diluted earnings per share		2.31	-0.12	-2.83

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 31 December 2016	2 328	-30	121 325	-3 641	38 703	158 684
Efect from new accounting standards					53 707	53 707
Equity as at 1 January 2017	2 328	-30	121 325	-3 641	92 410	212 391
Comprehensive income for the period						
Profit for the period	-	-	-	-	-65 521	-65 521
Other income and expenses						
Translation differences	-	-	-	3 238	-	3 238
Total comprehensive income for the period	-	-	-	3 238	-65 521	-62 282
Transactions with owners, recognized directly against equity						
Contributions by and distributions to owners of the Company	-	-	-	-	-	-
Dividends to owners					-11 504	-11 504
Share-based payment transactions					763	763
Share options exercised		3			592	595
Total contributions by and distributions to owners of the Company	-	3	-	-	-10 149	-10 146
Equity as at 31 December 2017	2 328	-27	121 325	-403	16 740	139 962
Equity as at 1 January 2017	2 328	-27	121 325	-403	16 740	139 962
Comprehensive income for the period						
Profit for the period	-	-	-	-	53 480	53 480
Other income and expenses						
Translation differences	-	-	-	-815	-	-815
Total other revenues and expenses	-	-	-	-815	-	-815
Total comprehensive income for the period	-	-	-	-815	53 480	52 665
Transactions with owners, recognized directly against equity						
Contributions by and distributions to owners of the Company						
Dividends to owners	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-
Equity as at 31 December 2017	2 328	-27	121 325	-1 218	70 220	192 628

Condensed consolidated interim statement of cash flows (unaudited)

(Figures in NOK 1000)

	Q1 2018	Q1 2017	Jan-Dec 2017
Cash flows from operations			
Profit/loss for the year before tax	69 275	-3 482	-43 488
Taxes paid	-4 957	-3 117	-18 696
Net profit/loss from sale of fixed assets			-275
Depreciation and amortization	35 515	44 628	182 747
Amortizations	-	2 583	33 016
Net change in current liabilities	1 605	-19 797	-12 569
Net change in receivables	-8 003	5 364	13 805
Net cash flows from operations	93 437	26 178	154 539
Cash flows from investment activities			
Investments in fixed assets	-6 686	-12 696	-53 444
Investments in intangible assets	-4 969	-9 000	-61 097
Net cash flows used in investment activities	-11 655	-21 696	-114 541
Cash flows from financing activities			
New financial debt	20 281	-	17 374
Repayment of debt	-103 480	-35 000	-70 000
Payment of financial lease obligations	-1 208	-6 900	-27 032
Payment of dividend	-	-11 505	-11 504
Equity changes	-	600	1 363
Net cash flows used in financing activities	-84 407	-52 804	-89 799
Change in cash and cash equivalents	-2 625	-48 322	-49 801
Cash and cash equivalents and credit facilities utilised as at beginning of period	17 821	66 593	66 593
Effect of exchange rate fluctuations on cash and cash equivalents	-239	-267	1 029
Cash and cash equivalents as at end of period	14 958	18 004	17 821

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 2018 condensed consolidated interim financial statements of NextGenTel Holding ASA and its subsidiaries (together “the Group”) are for the three months ended 31 March 2018.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 are available 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 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 April 2018.

Note 3: Significant accounting policies

These condensed consolidated interim financial statements 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 2017, except for the implementation of IFRS 15. The Company has adopted IFRS 15 Revenue from contracts with customers for reporting periods beginning on and after 1 January 2018. IFRS 15 has replaced IAS 18 Revenue, IAS 11 Construction contracts, and related interpretations. The standard has been implemented in accordance with the fully retrospective transitional approach, which means that the effect of implementing the new standard is recorded as a change in shareholders equity as of 1 January 2017, and the comparable periods for 2017 in the income statement have been updated accordingly. Please see note 2 in the annual consolidated financial statements for 2017 for more information.

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 2017.

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 now redefined and based on the new structure with separate entities for the consumer and business segment in Norway. Foreign subsidiaries are now presented as one segment.

Operational segments

(Figures in NOK 1000)

<u>Profit and loss by segment</u>	Q1 2018				
	<u>Norway consumer</u>	<u>Norway Business</u>	<u>Outside of Norway</u>	<u>Other ¹⁾</u>	<u>Group</u>
Operational revenue	177 336	138 160	10 577	-28 181	377 641
Proceeds from sale*	79 750				
Total revenues	257 086	138 160	10 577	-28 181	377 641
Total costs of sales	-110 845	-85 863	-4 425	26 321	-174 812
Gross profit/loss	146 241	52 296	6 152	-1 860	202 829
Gross margin	57 %	38 %	58 %	7 %	54 %
Total operating expenses	-52 048	-43 618	-2 907	2 294	-96 278
EBITDA	94 193	8 679	3 245	434	106 551

* Proceeds from sale of private mobile customers and a smaller fiber portfolio are presented separately.

Q1 2017 pro forma

<u>Profit and loss by segment</u>	<u>Norway consumer</u>	<u>Norway Business</u>	<u>Outside of Norway</u>	<u>Other ¹⁾</u>	<u>Group</u>
Total revenues	201 681	116 692	11 950	-11 983	318 340
Total costs of sales	-119 395	-60 574	-5 389	10 174	-175 184
Gross profit/loss	82 286	56 118	6 561	-1 809	143 156
Gross margin	41 %	48 %	55 %	15 %	45 %
Total operating expenses	-60 315	-38 466	-1 652	1 805	-98 628
EBITDA	21 971	17 652	4 909	-4	44 528

Revenue by product

	Q1 2018	Q1 2017
VoIP/fixed	50 360	45 710
Mobile	36 571	46 978
Broadband incl TV	202 934	215 929
Wholesale	3 001	3 072
Other	84 775	6 651
Total	377 641	318 340

Revenue by customer segment

	Q1 2018	Q1 2017
Consumer	177 988	205 706
Corporate	119 903	112 634
Sale portfolio	79 750	0
Total	377 641	318 340

Note 6: Property, plant and equipment

(Figures in NOK 1000)	Q1 2018	Q1 2017	Jan-Dec 2017
Equipment			
Book value beg. of period	151 652	194 690	194 690
Additions	6 966	16 466	59 022
Depreciation	-19 553	-24 531	-102 060
Property, plant and equipment	139 065	186 625	151 652

Note 7: Intangible assets and goodwill

(Figures in NOK 1000)	Q1 2018	Q1 2017	Jan-Dec 2017
Intangible assets			
Book value beg. of period	186 949	239 554	239 554
Additions from business combinations	-	-	-
Additions	2 597	6 417	28 082
Amortization	-15 873	-20 097	-80 687
Impairment loss	-	-	-
Book value end of period	173 673	225 875	186 949
Goodwill			
Revaluation	-	-	-
Book value end of period	132 672	132 672	132 672
Intangible assets and goodwill	306 345	358 547	319 621

Amortization of intangible assets include amortization of excess values related to the acquisition of NextGenTel AS, Kvantel AS and Kvantel Voice AS.

Note 8: Finance

(Figures in NOK 1000)	Q1 2018	Q1 2017	Jan-Dec 2017
Interest income	290	400	1 199
Interest expense	-2 679	-3 288	-11 105
Foreign currency gain/(loss)	373	-236	-2 509
Other financial income/(expenses)	256	-258	-717
Net finance	-1 761	-3 382	-13 132

Note 9: Interest-bearing debt

(Figures in NOK 1000)	31.03.2018	31.03.2017	31.12.2017
Term loan bank	37 375	140 000	-
Long term financial lease	25 000	51 335	25 416
Total long-term debt	62 375	191 335	25 416
Current part of term loan bank	69 173	70 000	175 000
Short term financial lease	26 261	23 685	35 064
Total short-term debt	95 434	93 685	210 064
Total interest-bearing debt	157 808	285 020	235 480
Cash	14 958	18 003	11 485
Net interest-bearing debt	142 850	267 017	223 995

Note 10: Alternative performance measures (APMs)

Alternative performance measures are performance measures not within the applicable financial reporting framework (IFRS). Financial APMs are intended to enhance comparability of financial performance over time and are frequently used by analysts and investors. APMs may also be used internally as basis for performance related remuneration.

NextGenTel uses the following APMs:

EBITDA: EBIT (operating profit) + depreciation, amortization and impairments

Net interest-bearing debt (NIBD): total interest-bearing debt less cash and cash equivalents

Equity ratio: total equity/total equity and liabilities

EBITDA

<i>(Figures in NOK 1000)</i>	Q1 2018	Q1 2017	Jan-Dec 2017
Operating profit	71 036	-100	-30 356
Depreciation and amortization	35 515	44 628	182 747
Impairments	-	-	-
EBITDA	106 551	44 528	152 391

Net interest-bearing debt (NIBD)

<i>(Figures in NOK 1000)</i>	31.03.2018	31.03.2017	31.12.2017
Long-term interest bearing debt	62 375	191 335	25 416
Short-term interest bearing debt	95 434	93 685	210 064
Cash and cash equivalents	-14 958	-18 003	-11 485
Net interest-bearing debt (NIBD)	142 850	267 017	223 995

Equity ratio

	31.03.2018	31.03.2017	31.12.2017
Total equity	192 628	198 359	139 963
Total equity and liabilities	692 927	796 212	713 090
Equity ratio	27,80 %	24,91 %	19,63 %

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

Lars B. Thoresen (Chairman)
 Ellen Hanetho
 Kari Mette Toverud
 Espen Fjogstad
 Vidar Skogedal (employee repr.)
 Linn Anette Husøy (employee repr.)

Group Management

Eirik Lunde, Chief Executive Officer
 Gaute Wigenstad Krekling, Chief Financial Officer
 Roy Børsheim, Director Consumer
 Ole Jacob Moldestad, Director Corporate

Investor Relations

Gaute Wigenstad Krekling, Chief Financial Officer
 Telephone: +47 986 86 973
 Email address: gaute.wigenstad.krekling@nextgentel.com
 Web: <http://www.nextgentelholding.com>

Financial Calendar

1st quarter 2018: 26 April at 09:00
 2nd quarter 2018: 16 August at 09:00
 3rd quarter 2018: 25 October at 09:00
 Annual general meeting: 2 May at 15:00

Equity Research Coverage

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