

Q3 2018 Financial report



NextGenTel Holding ASA – 3rd quarter 2018

Key figures

(Figures in NOK million)	Q3 2018	Q3 2017
Revenues	213.6	253.9
Gross profit	91.9	111.2
Gross margin	43.0%	43.8%
EBITDA	17.7	27.1

Figures for 2017 have been restated to reflect the implementation of IFRS 15 and the fact that Kvantel AS has been presented as discontinued operations.

Group financials Q3 2018 (Q3 2017 figures in brackets)

Revenues in Q3 were NOK 213.6 million (253.9). NOK 26 million of the revenue in Q3 17 was related to the consumer mobile segment now sold to Telia. Gross profit was NOK 91.9 million and gross profit margin was 43.0% (111.2 and 43.8%). EBITDA was NOK 17.7 million and EBITDA margin was 8.3% (27.1 and 10.7%). EBITDA was in Q3 negatively affected by NOK 4.6 million related to IFRS 15.

Operating profit was NOK -4.6 million (-9.7).

Earnings per share was NOK -0.14 in Q3 2018 and equity ratio was 50.0 % at 30 September 2018 (20.0% at 30 September 2017).

Cash and cash equivalents were NOK 78.8 million at 30 September 2018.

Capital expenditures

Capital expenditures in Q3 2018 were NOK 9.1 million (18.5). Capex/sales ratio was 4.3% in Q3 (7.3%). For details, see notes 6 and 7 to the financial statements.

Financial debt

Total interest-bearing debt was NOK 34.5 million at 30 September 2018 (237.3), all related to financial lease at 30 September 2018. Net cash was NOK 44.3 million as of 30 September 2018 (-212.9). Tax claim of NOK 28 million have been paid in full in July. The claim is still disputed.

Strategy

The Group is still working with a plan for further growth within high-speed internet with a target to initiate fiber roll-out in selected areas in Q1 2019. The roll-out will be done in cooperation with other fiber owners, and the aim is to secure a broader customer reach for the Group's Broadband and TV offerings.

The improvement program is also a main focus for the company, and significant cost reductions will be implemented with effect in 2019. The Group target a cost reduction of NOK 40 million in 2019.

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 186,900 at the end of Q3 2018, a decrease from 192,800 at the end of Q2 2018.

The consumer segment had a decrease of 4,500. The largest decrease was within DSL broadband and VoIP with a total reduction of 3,900. The number of consumer fiber customers decreased with 400 as a result of the sale of ~700 customers.

The business segment had a decrease of 1,400 customers from the end of Q2, mainly within Mobile and VoIP.

The total number of consumer subscribers on high-speed Internet access is 47,700, including fiber and VDSL.

The customer base in the international markets declined by 1,600 customers in Q3, mainly driven by reduction of white label customers in the Netherlands. The total number of customers in the international markets was 66,100 at the end of Q3 2018.

Sale of all the shares in Kvantel AS

All the shares in Kvantel AS was sold to Broadnet AS in Q2 2018 based on an enterprise value of NOK 250 million. The final purchase price for the shares in Kvantel AS will be set during Q4 2018.

Shareholder information

The total number of registered shares outstanding at the end of Q2 2018 was 23,283,180 out of which 199,201 shares were owned by NextGenTel Holding ASA.

The total number of shareholders was 596 and 21% 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 Q3 2018 were 486,000 of which 184,000 have a dilutive effect with a weighted average strike price of NOK 1.2.

Oslo, 24 October 2018

Board of Directors
NextGenTel Holding ASA

Anette Juel Knudtzon
(sign.)

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

Willy Dahl
(sign.)

Kari Mette Toverud
(sign.)

Vidar Skogedal
Employee repr.
(sign.)

Geir Jensen
Employee repr.
(sign.)

Eirik Lunde
CEO
(sign.)

Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000 except earnings per share)

	Note	Q3 2018	Restated Q3 2017	Jan-Sep 2018	Restated Jan-Sep 2017	Restated Jan-Dec 2017
Operational revenue	5	213,593	253,872	670,172	791,566	1,047,614
Gain from sale of operations	5	-	-	219,461	-	-
Total revenues		213,593	253,872	889,634	791,566	1,047,614
Cost of connection and traffic charges	5	-121,717	-142,673	-376,421	-435,591	-577,545
Salaries and personnel costs		-41,332	-48,474	-118,592	-148,817	-188,435
Selling and marketing costs		-	-	-	-	-
Other costs	11	-32,873	-35,600	-109,225	-98,971	-141,493
Depreciation and amortization	6, 7	-22,271	-36,796	-77,732	-112,990	-155,680
Operating profit		-4,600	-9,671	207,664	-4,803	-15,539
Finance	8	680	-2,529	-4,172	-8,968	-12,489
Net profit before income tax		-3,920	-12,200	203,491	-13,771	-28,028
Income tax		790	3,115	-19,582	4,077	-23,352
Net profit from continued operations		-3,130	-9,085	183,909	-9,695	-51,380
Net profit from discontinued operations	10	-	399	-13,967	-6,775	-11,750
Net profit		-3,130	-8,686	169,941	-16,470	-63,130
Attributable to:						
Equity holders of the parent company		-3,130	-8,686	169,941	-16,470	-63,130
Total comprehensive income		Q3 2018	Restated Q3 2017	Jan-Sep 2018	Restated Jan-Sep 2017	Restated Jan-Dec 2017
Net profit		-3,130	-8,686	169,941	-16,470	-63,130
Translation differences		-321	-383	-1,782	1,397	3,238
Other income and expenses (after tax)		-321	-383	-1,782	1,397	3,238
Total comprehensive income		-3,451	-9,069	168,159	-15,073	-59,892
Total comprehensive in attributable to:						
Equity holders of the parent company		-3,451	-9,069	168,159	-15,073	-59,892
Earnings per share						
Earnings per share		-0.14	-0.38	7.36	-0.72	-2.74
Diluted earnings per share		-0.14	-0.37	7.33	-0.71	-2.72

Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK 1000)

	Note	30.09.2018	Restated 30.09.2017	Restated 31.12.2017
ASSETS				
Non-current assets				
Property, plant and equipment	6	82,785	167,158	151,652
Intangible assets	7	86,559	153,691	141,266
Goodwill	7	67,099	132,672	132,672
Deferred tax assets		7,300	23,962	22,035
Other non-current assets	11	39,798	46,805	46,074
Total non-current assets		283,541	524,288	493,699
Current assets				
Trade and other receivables		142,061	189,541	201,569
Cash and cash equivalents		78,769	24,447	17,821
Total current assets		220,830	213,988	219,391
Total assets		504,371	738,276	713,090
EQUITY				
Share capital reduced for treasury shares		2,308	2,300	2,301
Premium paid-in capital		122,292	121,325	121,325
Other reserves		-2,184	-2,205	-403
Retained earnings		130,006	52,143	6,233
Total equity		252,422	173,563	129,455
LIABILITIES				
Non-current liabilities				
Long-term interest-bearing debt	9	9,145	144,045	25,416
Deferred tax liabilities		1,602	23,886	19,911
Total non-current liabilities		10,747	167,931	45,327
Current liabilities				
Trade and other payables		155,545	220,445	225,229
Current income tax liabilities		19,282	16,484	31,792
Short-term interest-bearing debt	9	25,353	93,298	216,401
Deferred income/revenue		41,022	66,556	64,885
Total current liabilities		241,202	396,783	538,307
Total liabilities		251,949	564,714	583,634
Total equity and liabilities		504,371	738,276	713,090

Oslo, 24 October 2018
Board of Directors
NextGenTel Holding ASA

Anette Juel Knudtzon
(sign.)

Lars B. Thoresen
Chairman of the Board
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Willy Dahl
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Kari Mette Toverud
(sign.)

Vidar Skogedal
Employee repr.
(sign.)

Geir Jensen
Employee repr.
(sign.)

Eirik Lunde
CEO

Condensed consolidated interim statement of changes in equity (unaudited)

(Figures in NOK 1000)

	Share capital	Treasury shares	Premium paid-in capital	Other reserves	Retained earnings	Total equity
Equity as at 31 December 2016	2,328	-30	121,325	-3,641	38,703	158,684
Changes in accounting principles (note 3 and 11)					40,817	40,817
Equity as at 1 January 2017	2,328	-30	121,325	-3,641	79,520	199,501
Comprehensive income for the period						
Profit for the period					-63,130	-63,130
Other income and expenses						
Translation differences				3,238		3,238
Total comprehensive income for the period	-	-	-	3,238	-63,130	-59,892
Contributions by and distributions to owners of the Company						
Dividends to owners					-11,504	-11,504
Share-based payment transactions					755	755
Share options exercised		3			592	595
Total contributions by and distributions to owners of the Company	-	3	-	-	-10,157	-10,154
Equity as at 31 December 2017	2,328	-27	121,325	-403	6,233	129,455
Comprehensive income for the period						
Profit for the period					169,941	169,941
Other income and expenses						
Translation differences				-1,782		-1,782
Total comprehensive income for the period	-	-	-	-1,782	169,941	168,159
Contributions by and distributions to owners of the Company						
Dividends to owners					-46,168	-46,168
Share options exercised		8	968			975
Total contributions by and distributions to owners of the Company	-	8	968	-	-46,168	-45,193
Equity as at 30 September 2018	2,328	-20	122,292	-2,184	130,006	252,422

Condensed consolidated interim statement of cash flows (unaudited)

(Figures in NOK 1000)

	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Cash flows from operations					
Profit/loss for the period before tax from total operations 1)	-3,920	-11,675	185,352	-22,686	-43,488
Taxes paid	-27,121	-970	-32,184	-6,171	-18,696
Net profit/loss from sale of fixed assets	-	-	-219,461	-	-275
Depreciation and amortization	22,271	43,707	97,644	132,902	182,747
Net change in working capital and other	-12,130	33,551	-875	23,244	9,260
Net cash flows from operations	-20,900	64,613	30,475	127,289	129,548
Cash flows from investment activities					
Investments in fixed assets	-7,208	-12,095	-21,998	-41,363	-53,444
Investments in intangible assets	-1,378	-5,737	-10,740	-27,337	-36,106
Proceeds from sale of operations	-	-	312,290	-	-
Net cash flows used in investment activities	-8,587	-17,832	279,552	-68,700	-89,550
Cash flows from financing activities					
New financial debt	-	300	-	300	-
Repayment of debt	-	-35,000	-175,000	-70,000	-70,000
Change in bank overdraft facility	-	-	-13,931	-	17,374
Payment of financial lease obligations	-5,461	-6,876	-14,526	-20,596	-27,032
Payment of dividend	-46,168	-	-46,168	-11,505	-11,504
Equity changes	975	-	975	600	1,363
Net cash flows used in financing activities	-50,654	-41,576	-248,650	-101,201	-89,799
Change in cash and cash equivalents	-80,141	5,205	61,377	-42,612	-49,801
Cash and cash equivalents and credit facilities utilised as at beginning of period	158,944	19,423	17,821	66,593	66,593
Effect of exchange rate fluctuations on cash and cash equivalents	-33	-182	-428	465	1,029
Cash and cash equivalents as at end of period	78,769	24,447	78,769	24,447	17,821
1) Profit before tax from total operations consists of:					
Profit before tax from continuing operations:	-3,920	-11,675	185,352	-22,686	-43,488
Profit before tax from discontinuing operations:	-	525	-18,139	-8,915	-15,460
Cash flow from discontinuing operations					
Net cash flow from operating activities	-	5,370	6,133	1,772	-17,672
Net cash flow from investing activities	-	-4,297	1,663	-8,416	-21,203
Net cash flow from financing activities	-	-549	9,525	-2,272	-2,338

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 redefined in 2018, and based on the new structure with separate entities for the consumer and business segment in Norway. Norway Consumer consists of NextGenTel and Norway Business consists of Proximo. Foreign subsidiaries are presented as one segment. Other consists mainly of group functions and eliminations. Kvantel is classified as discontinued operations and not included in segment information below, see note 10 for further information on discontinued operations.

Operational segments

(Figures in NOK 1000)

<u>Profit and loss by segment</u>	Q3 2018				
	Norway consumer	Norway Business	Outside of Norway	Other	Group
Operational revenue	151,425	62,288	8,252	-8,372	213,593
Gain from sale of operations*	-	-	-	-	-
Total revenues	151,425	62,288	8,252	-8,372	213,593
Costs of sales	-88,538	-34,943	-3,679	5,443	-121,717
Gross profit/loss	62,887	27,345	4,573	-2,929	91,876
Gross margin	42%	44%	55%		43%
Operating expenses	-51,496	-22,543	-2,874	2,708	-74,205
EBITDA	11,391	4,802	1,699	-222	17,670

<u>Profit and loss by segment</u>	Q3 2017				
	Norway consumer	Norway Business	Outside of Norway	Other	Group
Total revenues	190,992	66,477	11,253	-14,850	253,872
Costs of sales	-113,898	-38,985	-4,710	14,920	-142,673
Gross profit/loss	77,095	27,492	6,543	70	111,199
Gross margin	40%	41%	58%		44%
Operating expenses	-59,438	-21,225	-3,183	-228	-84,074
EBITDA	17,657	6,266	3,360	-159	27,125

Operational segments*(Figures in NOK 1000)***Jan-Sep 2018**

<i>Profit and loss by segment</i>	Norway consumer	Norway Business	Outside of Norway	Other	Group
Operational revenue	480,632	193,699	29,134	-33,292	670,172
Gain from sale of operations*	86,793	132,668	-	-	219,461
Total revenues	567,425	326,367	29,134	-33,292	889,634
Costs of sales	-287,327	-108,329	-12,300	31,534	-376,421
Gross profit/loss	280,098	218,038	16,834	-1,758	513,213
Gross margin	58%	113%	58%		58%
Operating expenses	-149,955	-71,490	-8,396	2,023	-227,818
EBITDA	130,144	146,548	8,438	266	285,396

Jan-Sep 2017

<i>Profit and loss by segment</i>	Norway consumer	Norway Business	Outside of Norway	Other	Group
Total revenues	590,451	208,523	35,582	-42,990	791,566
Costs of sales	-347,903	-114,918	-15,584	42,814	-435,591
Gross profit/loss	242,548	93,605	19,998	-176	355,975
Gross margin	41%	45%	56%	0%	45%
Operating expenses	-175,287	-63,670	-10,273	1,442	-247,788
EBITDA	67,261	29,934	9,725	1,266	108,187

Note 6: Property, plant and equipment

(Figures in NOK 1000)

	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Equipment					
Book value beg. of period	92,219	178,572	151,652	194,690	194,690
Additions	7,712	12,783	22,684	45,876	59,022
Disposal	-	-	-32,967	-	-
Depreciation continuing operations	-17,148	-24,197	-50,939	-73,408	-87,716
Depreciation discontinuing operations	-	-	-7,608	-	-14,344
Translation differences	-12	-	-37	-	-
Property, plant and equipment	82,785	167,158	82,785	167,158	151,652

Note 7: Intangible assets and goodwill

(Figures in NOK 1000)

	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Intangible assets					
Book value beg. of period	90,283	167,463	141,266	185,847	185,847
Additions	1,399	5,738	10,740	27,338	36,106
Disposal	-	-	-31,596	-	-
Amortization continuing operations	-5,123	-19,510	-26,793	-59,494	-67,964
Amortization discontinuing operations	-	-	-7,058	-	-12,723
Book value end of period	86,559	153,691	86,559	153,691	141,266
Goodwill					
Book value beg. of period	132,672	132,672	132,672	132,672	132,672
Disposal	-65,573	-	-65,573	-	-
Book value end of period	67,099	132,672	67,099	132,672	132,672
Intangible assets and goodwill	153,658	286,363	153,658	286,363	273,938

Amortization of intangible assets includes amortization of excess values related to the acquisition of NextGenTel and Kvantel.

Note 8: Finance

(Figures in NOK 1000)

	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Interest income	577	306	1,195	932	2,130
Interest expense	-1,649	-2,758	-7,460	-8,924	-10,622
Foreign currency gain/(loss)	740	16	1,406	-696	-3,280
Other financial income/(expenses)	1,012	214	686	-299	-717
Net finance	680	-2,222	-4,172	-8,988	-12,489

Note 9: Interest-bearing debt

(Figures in NOK 1000)

	30.09.2018	30.09.2017	31.12.2017
Term loan bank	-	105,000	-
Long term financial lease	9,145	39,045	25,416
Total long-term debt	9,145	144,045	25,416
Term loan bank	-	70,000	175,000
Short term financial lease	25,353	23,298	41,401
Total short-term debt	25,353	93,298	216,401
Total interest-bearing debt	34,498	237,343	241,817
Cash	78,769	24,447	17,821
Net interest-bearing debt	-44,270	212,897	223,996

Note 10: Discontinued operations

On 27 April 2018 NextGenTel Holding AS entered into an agreement to sell Kvantel AS to Broadnet AS for NOK 250 million. According to the agreement, both datacom and telephony services will be transferred to Broadnet AS, the platform producing the voice services for NextGenTel AS is not a part of the transaction. Closing of the transaction was 29 June 2018. In accordance with IFRS 5, the results of Kvantel AS classified as discontinued operations for the third quarter of 2018 and 2017, the third quarter ended 30 September 2018 and 2017, and the year ended 31 December 2017 are as follows:

(Figures in NOK 1000)

	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Total revenues	-	63,512	112,754	161,385	221,534
Cost of connection and traffic charges	-	-43,186	-78,444	-103,011	-145,559
Salaries and personnel costs	-	-8,568	-19,857	-25,648	-36,784
Other costs	-	-4,629	-11,669	-21,709	-26,941
Depreciation and amortization	-	-6,911	-14,666	-19,912	-27,067
Impairment	-	-	-6,117	-	-
Operating profit	-	218	-18,000	-8,895	-14,817
Finance	-	307	-140	-20	-643
Profit before income tax	-	525	-18,139	-8,915	-15,460
Income tax	-	-126	4,172	2,140	3,710
Profit	-	399	-13,967	-6,775	-11,750

Note 11: Impact of IFRS 15 Revenues from contracts with customers

The new accounting standard, IFRS 15 Revenues from contracts with customers, has been implemented in accordance with the fully retrospective transitional approach with effect from 1 January 2017. The effect of implementing IFRS 15 is recorded as a change in shareholders equity as of 1 January 2017, and the comparable periods for 2017 in the balance sheet and income statement have been updated accordingly. The group have completed the assessment of implementation, and the only contracts that have a material effects on the previous reported figures are the incremental costs for obtaining a customer contract. Often, when acquiring a new customer (or group of customers), the company has paid a provision to a third-party in order to obtain the contract with the customer, expecting to be fully reimbursed during sales to the new customer. Until and including 2017, these expenses have been recognized as costs in the income statement when incurred. After implementation of IFRS 15, these costs will have to be capitalized as other non-current assets and amortized over the period in which the contract is expected to provide the company with revenue. The company has assessed the expected useful life of such contracts and at an average we have applied a three-year amortization schedule for the amortized costs. Amortisation of the capitalised cost of obtaining a customer is recognised as other costs in the profit and loss statement. The tables below shows the impact arising from implementation of IFRS 15 on the accounts in the balance sheet and income statement.

<i>(Figures in NOK 1000)</i>	As reported	Impact IFRS 15	Restated	Impact IFRS 5*	Total*
Impact on assets and equity 1 January 2017					
Other non-current assets (contract costs)	0	53,707	53,707	-	53,707
Deferred tax liabilities	21,360	12,890	34,250	-	34,250
Equity	94,280	40,817	135,097	-	135,097
Impact on assets and equity 30 September 2017					
Other non-current assets (contract costs)	0	46,805	46,805	-	46,805
Deferred tax liabilities	12,653	11,233	23,886	-	23,886
Equity	137,990	35,572	173,563	-	173,563
Impact on assets and equity 31 December 2017					
Other non-current assets (contract costs)	392	45,683	46,074	-	46,074
Deferred tax liabilities	9,404	10,507	19,911	-	19,911
Equity	94,280	35,176	129,455	-	129,455
Impact on profit and loss Q3 2017					
Other costs	-38,596	-1,633	-40,229	4,629	-35,600
Impact on profit and loss Jan-Sep 2017					
Other costs	-113,779	-6,901	-120,680	21,709	-98,971
Impact on profit and loss Jan-Dec 2017					
Other costs	-160,410	-8,024	168,434	26,941	-141,493

* Adjusted for IFRS 5 effects of sale of Kvantel AS as discontinued operations as presented in note 10 to reconcile the changes in the balance sheet and the income statement for the third quarter of 2017, the third quarter ended 30 September 2017 and the year ended 31 December 2017 against previous reported figures.

Alternative performance measures (APMs)

(Figures in NOK 1000)

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.

The Group uses the following APMs:

EBITDA: Operating profit + depreciation, amortization and impairments

Net interest-bearing debt: Total interest-bearing debt - cash and cash equivalents

Equity ratio: Total equity/total equity and liabilities

EBITDA	Q3 2018	Restated Q3 2017	Restated Jan-Dec 2017
Operating profit	-4,600	-9,671	-15,539
Depreciation and amortization	22,271	36,796	155,680
EBITDA	17,671	27,125	140,141

Net interest-bearing debt	30.09.2018	30.09.2017	31.12.2017
Long-term interest bearing debt	9,145	144,045	25,416
Short-term interest bearing debt	25,353	93,298	216,401
Cash and cash equivalents	-78,769	-24,447	-17,821
Net interest-bearing debt	-44,270	212,897	223,996

Equity ratio	30.09.2018	30.09.2017	31.12.2017
Total equity	252,422	173,563	129,455
Total equity and liabilities	504,371	738,276	713,090
Equity ratio	50.0%	23.5%	18.2%

Company Facts

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