

NextGenTel Holding ASA
Harbitzalleen 2A, 0275 Oslo
Postboks 54 Skøyen, 0212 Oslo
Att.: Gaute Wigenstad Krekling

4 March 2019

Independent statement in accordance with § 6-16 of the Norwegian Securities Trading Act

1. Background

Telecom Holding 3 AS (the “Offeror” or “TH3”), with support by Kistefos AS (“Kistefos”), has set forward a recommended voluntary offer to acquire all outstanding shares in NextGenTel Holding ASA (the “Company” or “NextGenTel”) (the “Offer”). The offer price is NOK 14.00 (the “Offer Price”) per share as further described in the stock exchange notice announcing the Offer dated 18 February 2019. We have also received and reviewed the final version of the offer document describing the Offer in more detail (“the “Offer Document”).

The Company’s Board of Directors (the “Board”) is required under section 6-16 (1) of the Norwegian Securities Trading Act (the “STA”) to issue a statement on its assessment of the Offer’s consequences in respect of the interest of the company, including the effect, if any, of strategic plans by the Offeror noted in the Offer Document on the employees and the location of the Company’s business as well as other factors of significance for assessing whether the Offer should be accepted by the shareholders.

In accordance with section 6-16 (4) of the STA, the Oslo Stock Exchange, in its capacity as takeover supervisory authority, may require that a statement on behalf of the Board is made by an independent third party. In relation to the Offer, such an independent statement has been required by the Oslo Stock Exchange, based on its view that the Offer is made in understanding with the Company’s Board of Directors.

In relation to the above, SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ) (“SEB”) has been engaged by the Company to provide a fairness opinion and an independent assessment of the Offer (the “Statement”). The Oslo Stock Exchange has approved that the Statement is provided by SEB.

In our assessment, we have only relied on publicly available information and have not received any non-public information other than introduction documents about NextGenTel, the final version of the Offer Document, the Transaction Agreement and a Financial and tax vendor assistance report from PwC covering historical financial figures. We have also had discussions with NextGenTel’s CFO and representatives from NextGenTel’s financial advisor, ABG Sundal Collier. We have not performed any legal, technical or other due diligence of the Company.

We have relied on, and assumed, without further verification, the accuracy and completeness of the information made available to us for the purpose of this Statement. Our assignment was finalized on 4 March 2019. Events or information occurring after this date have not been subject to consideration.

SEB is retained by NextGenTel to provide this Statement in connection with the Offer and will receive a fixed fee for its services. SEB's fee is not contingent upon, or related to, the size of the potential transaction consideration, nor whether the transaction occurs.

We are providing this Statement on behalf of the Board. The opinions presented in this statement are provided for the Board in NextGenTel and may not be relied upon by any third party for any other purpose whatsoever. Assessments such as this will almost always contain elements of uncertainties, and although reasonable care and efforts have been exerted, SEB does not accept any financial or legal liability related to this opinion or for any consequences resulting from relying on or acting to the opinions presented in this Statement.

SEB recommends all shareholders in NextGenTel to carefully study the information given in the Offer Document, as well as any other information being made available in relation to the Offer.

2. The Offer

According to the Offer Document Kistefos initiated concrete discussions with the Company regarding a possible offer in December 2018. Kistefos has been a significant shareholder since 2017.

NextGenTel has over the last years been involved in several strategic transactions and has sold various assets, including Kvantel and a mobile subscriber base. Following the approach from Kistefos, we understand that the Board has evaluated its strategic options, and following this thorough review, the Board has come to the conclusion that the offer from TH3 and Kistefos represents the best available alternative for NextGenTel and its shareholders. On this basis, the Board has unanimously decided to recommend to the Company's shareholders to accept the Offer.

The Offer is made on the basis of the Transaction Agreement dated 15 January 2019 and the Offeror is offering to acquire all outstanding shares in the Company to a price of NOK 14.00 per share.

The Offer is subject to several conditions, inter alia

- i. The offer shall on or prior to the expiration of the offer period have been accepted by shareholders representing (when taken together with any shares acquired or agreed to be acquired by Telecom Holding 3 AS other than through the offer) more than 90% of the issued and outstanding share capital and voting rights of the Company on a fully diluted basis. "Fully diluted basis" means that the acceptances received must represent more than 90% of the sum of the currently outstanding Shares in NextGenTel, i.e. 23,283,180 Shares, and the number of new Shares which NextGenTel may be required under existing share options or other financial instruments which give the right to require NextGenTel to issue new Shares. The Offeror is not aware of any such agreements other than the 486,000 options granted to members of NextGenTel's management, as further described in NextGenTel's Q4 2018 report. On this basis, the condition will be satisfied if the number of acceptances and the Shares already owned or

- otherwise acquired by the Offeror together represent at least 23,769,180 Shares;
- ii. No court or other governmental or regulatory authority of competent jurisdiction shall have taken any form of legal action (whether temporary, preliminary or permanent) that restrain or prohibit the consummation of the Offer;
 - iii. Following the Announcement Date, NextGenTel shall, other than with the prior written consent of the Offeror, in all material respects have conducted its business in the ordinary course and in accordance with applicable laws, regulations and decisions of competent governmental and regulatory authorities

The Offeror may waive the condition listed in (iii) above if, in the Offeror's sole determination, NextGenTel's failure to conduct its business in the ordinary course of business is not materially detrimental to the overall valuation of the Company.

The Offeror may not waive the conditions listed in (i) or (ii) above.

If the Offeror has not publicly announced that the conditions set out above (except for the closing conditions in item (ii) and (iii), which shall apply until settlement of the Offer) are satisfied or waived prior to 16:30 CET on 27 March 2019, then the Offer will lapse and any tendered shares will be released by the Offeror. An announcement with respect to whether the conditions are satisfied or waived will be made as soon as this has been determined, by an announcement through Oslo Børs' electronic information system.

For a further description of all conditions to the Offer, please refer to the Offer Document.

If all conditions are met, the settlement will, according to the Offer Document, be made in NOK within 14 calendar days after announcement that all conditions for completion of the Offer have been met or waived. Drop Dead Date is set in the Offer Document to be 27 March 2019. Hence, the latest possible settlement date will be 14 calendar days after the Drop Dead Date, meaning that the latest possible settlement date is 8 April 2019. No interest or other compensation other than the Offer Price will be paid by the Offeror to tendering shareholders for shares tendered. Further, no interest or other compensation will be paid by the Offeror to the tendering shareholders in the event the Offer is not completed. Further description of the Offer Price and terms, conditions and limitations to the Offer can be found in the Offer Document prepared by the Offeror.

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3. Impact on the Company and its employees

According to the Offer Document, the Offeror does not expect the completion of the Offer to have any legal, economic or other work-related consequences for the employees of the Company.

SEB notes that the Offeror, in the Offer Document, will make no payments to employees, board of directors and key employees under the Offer other than payments of the Offer Price in respect of NextGenTel's Shares sold under the Offer.

The Offer will trigger rights to bonuses from NextGenTel for certain members of the management of NextGenTel under existing incentive schemes of the Company.

4. Assessment of the financial fairness of the Offer

In order to assess the financial fairness of the Offer, we have performed the analyses deemed necessary, giving consideration, inter alia, to the following information and valuation methodologies:

- Estimated intrinsic value of NextGenTel based on NPV calculations;
- Ability to pay analysis, based on our Leveraged Buy-Out case;
- A review of implicit pricing multiples relative to NextGenTel's publicly traded peers;
- A review of selected precedent telecom transactions; and
- Historical offer premiums seen in other public offers in the Norwegian market;
- Such other financial analyses, studies and methods that we have considered appropriate.

Also, SEB has had discussions with NextGenTel's CFO and financial advisor and access to the Financial and tax vendor assistance report created by PwC to form the basis of our assumptions and estimates from which the valuation, which form the basis for this fairness statement, was derived. We also understand from the Financial and tax vendor assistance report that the underlying pro forma EBITDA declined from NOK 117.5m in 2017 to NOK 84.4m 2018, a decrease of 28%, which was mainly driven by a gross profit reduction somewhat offset by cost savings.

The Offer Price of NOK 14.00 represents an 18.1% premium to the closing share price of 14 February 2019 and a premium of 17.0%, 24.5% and 21.5% to the volume weighted average share price ("VWAP") for the one-, three- and six-month periods prior to the announcement dated 15 February 2019 (Source: FactSet). The one-month VWAP premium of 17.0% to the share price on 15 February 2019 is somewhat below the historical average offer premium of 30-35% seen in Norwegian public takeovers in the period from 1998-2018, but within the range of observed data points. We note however that historical premiums in many cases include significant value of synergies, which is not the case for the Offeror in NextGenTel.

The Offer values the Company below the low end of the range of other Nordic telecom operators, whom we consider the Company's most relevant peers, currently trading at an average 6.6x 2018 EV / EBITDA. We highlight that the current trading multiples of the Company's peers trading universe is considered less relevant amid high uncertainty inherent in the Company's future earnings prospects in light of the reduced dependency on xDSL amid aggressive roll-out of fiber based networks (i.e. Telenor has stated that its copper-based network in Norway will be phased out by 2023). In addition, the market capitalisation size, business model, historical and expected future revenue and margin development, and limited liquidity in the share also contribute to a discount to Nordic telecom peers, warranted by investors. Looking at the historical development in the valuation of NextGenTel we find that the median EV/EBITDA multiple over the last 10 years has been 3.3x.

We have further evaluated multiples from selected precedent telecom transactions based on the earnings of the acquired companies in the last 12 months prior to

announcement. Our analysis of selected relevant historical telecom transactions generated a median EV / LTM EBITDA of 4.5x with quite a wide range (i.e. EV / LTM EBITDA from 3.9x to 8.9x). We observe that the EV / LTM EBITDA multiple of 3.5x implied by the Offer is below the low end of our selection of relevant smaller size precedent transactions at 3.9x. Nevertheless, based on the aforementioned factors contributing to the Company's earnings prospects, we believe the implied discount is within a prudent reach of the lower end of our relevant smaller size precedent telecom transactions interval.

When applying the discounted cash flow method, giving credit to the Company's long-term growth and earnings potential and applying standard industry assumptions with regards to cost of capital, we arrive at a value per share interval of between NOK 12.2 - 14.1 per share. The Offer Price is in the high end of this interval. It should however be mentioned that the value of the Company's future cash flows is highly uncertain and will depend on whether it is able to maintain a level of profitability through significant cost cutting, and / or is able to increase the future revenue potential of the Company from the existing platform.

At the time of public announcement of the Offer there were no equity research analysts with official research coverage of NextGenTel.

Considering all of the above, we find that the Offer Price is in line with our estimated valuation interval for NextGenTel. Further, considering the recent development and the various risks associated with the future potential of NextGenTel, we see a substantial risk associated with its operational and financial development in the short to medium term.

Other considerations

The Board has issued a unanimous recommendation of the Offer, confirming that the Board recommends the shareholders of the Company to accept the Offer. The recommendation may only be revoked in the case that the Transaction Agreement is terminated or in the event that a competing offer, considered being more favourable to the Company's shareholders, is made to the Board. The Offer is subject to the Offeror receiving pre-acceptance undertakings from shareholders holding in the aggregate at least 19% of the Company's shares (on a fully diluted basis), including all the shares held directly and indirectly by Hortulan AS, Tigerstaden AS, Middelborg Invest AS, Datum AS and Eirik Lunde. As of the date of the Offer Document, the Offeror has obtained pre-acceptances of the Offer from shareholders holding approximately 44% of the outstanding shares in the Company, including all shareholders listed above.

5. Conclusion

The Offer Price is in line with our estimated fair value range for NextGenTel. Furthermore, we note that there are substantial risks associated with the future operational development of the Company, and as such, we are of the opinion that the Offer, on the date of issue of this document, is fair from a financial point of view for the shareholders of NextGenTel. Based on this, SEB recommends the shareholders of NextGenTel to accept the Offer.

Morten Nordgård
Managing Director
SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ)