

NextGenTel Holding ASA

Q1 2016 Financial report



NextGenTel Holding ASA – 1st Quarter 2016

Key figures

(Figures in NOK million)	Q1 2016	Q1 2015
Revenues	344.1	311.9
Gross profit	163.6	158.4
Gross margin	47.5%	50.8%
EBITDA	54.5	64.2

Group financials Q1 2016 (2015 figures in brackets)

Revenues in Q1 were NOK 344.1 million (311.9). Gross profit was NOK 163.6 million – 47.5% (158.4 – 50.8%). EBITDA was NOK 54.5 million – 15.8 % (64.2 – 20.6%).

Decline in customer base affects revenues negatively and high margin revenues are being replaced by lower margin revenues. The company will impose price increases within competitive terms in order to improve gross margin.

Operating profit was NOK 12.1 million (26.4). The Q1 2016 financial results include NOK 12.1 million in amortization cost related to business combinations. Profit after tax was NOK 5.5 million (NOK 17.6 million).

The company has planned reduction of operating expenses by NOK 5 and 10 million in 2016 and 2017 respectively. Furthermore, capex is planned to be reduced by NOK 15 million in 2016 and further reduction to a capex/sales ratio of 7% at the end of 2017.

Cash and cash equivalents were NOK 39.0 million at 31 March 2016 (excluding a NOK 50 million overdraft facility).

Capital expenditures

Capital expenditures in Q1 2016 were NOK 29.1 million (see notes 6 and 7 for details). Capex /sales ratio was 8.4% in Q1.

Financial debt

Payment of loan installment was NOK 25 million in Q1. Total interest-bearing debt was NOK 356.9 million (including financial lease) and net interest-bearing debt was NOK 317.9 million as of 31 March 2016.

Customer base development

The total customer base in Norway was 297,500*) at the end of Q1 2016, a decrease from 304,000 at the end of Q4 2015. The consumer segment had a decrease of 6,700 and the business segment an increase of 200 customers.

The customer base in the international markets declined by 5,600 customers, mainly driven by reduction of white label customers in the Netherlands.

Consumer segment Norway

The company continued its activities to sign up new customers within the housing cooperatives segment. In Q1 2016, 10 new cooperatives have signed an agreement with NextGenTel representing 519 households (total number of units is 85 and 3,513 households at the end of Q1).

The company had 6,000 subscribers on the VULA (Telenor fiber) product as of 31 March. The total number of subscribers on fiber access is now 16,500.

The mobile subscriber base has grown steadily and counted 54,000 subscriptions at the end of Q1 2016 (total consumer and corporate subscriptions).

Corporate segment Norway

The corporate customer base had a negative development for datacom (loss of a larger account) and a positive development for mobile subscriptions in Q1. On the services side, the company launched a new communication platform, integrating IP and mobile telephony with next generation mobile switchboard (IN/Bedriftsnett), enabling unified communication. This move will strengthen the company's competitiveness in the market.

Kvantel

The restructuring of Kvantel develops according to plan and organizational changes will have full impact from Q2 2016. Initiatives for reduction in CoGS and backbone costs are ongoing and will also show financial impact from Q2 2016.

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.

*) Customers defined as revenue generating units, not unique customers

Shareholder information

The total number of registered shares outstanding at the end of Q1 2016 was 23,283,180 out of which 299,201 shares were owned by NextGenTel Holding ASA.

The total number of shareholders was 532 and 34.5% of the shares were registered abroad.

Total outstanding options at the end of Q1 2016 were 473,500 with a weighted average strike price of NOK 14.88.

Strategy

The company hosted a capital markets day on 20 April 2016, providing an in-depth view of the current status of the company and the strategic landscape going forward. NextGenTel will be seeking organic as well as non-organic growth opportunities in line with the following priorities:

- Increase the value of the copper (existing customer base)
- Grow market share in the housing cooperatives segment
- Pursue opportunities to expand the fiber footprint

The presentation from the capital markets day is published on the company's IR web site:
<http://nextgentelholding.com/Investor-relations/Reports-and-presentations/Presentations>

Oslo, 27 April 2016
Board of Directors
NextGenTel Holding ASA

Ellen Hanetho
(sign.)

Audun W. Iversen
Chairman of the Board
(sign.)

Aril Resen
(sign.)

Silje Veen
(sign.)

Snorre Kjesbu
(sign.)

Eirik Lunde
CEO
(sign.)

Condensed consolidated interim balance sheet (unaudited)

(Figures in NOK 1000)

	Note	31.03.2016	31.03.2015	31.12.2015
ASSETS				
Non-current assets				
Property, plant and equipment	6	214 514	178 085	217 478
Intangible assets	7	196 192	192 495	206 299
Goodwill	7	132 672	67 100	132 672
Deferred tax assets		28 434	33 324	27 279
		<u>571 812</u>	<u>471 004</u>	<u>583 728</u>
Current assets				
Trade and other receivables		223 814	257 190	222 374
Cash and cash equivalents		38 964	69 231	47 401
		<u>262 778</u>	<u>326 421</u>	<u>269 775</u>
Total assets		<u>834 590</u>	<u>797 425</u>	<u>853 503</u>
EQUITY				
Share capital reduced for treasury shares		2 298	2 297	2 298
Premium paid-in capital		121 325	121 325	121 325
Other reserves		-2 167	-3 892	-1 557
Retained earnings		11 853	57 280	6 367
Total equity		<u>133 308</u>	<u>177 011</u>	<u>128 433</u>
LIABILITIES				
Non-current liabilities				
Long-term interest-bearing debt	9	272 368	161 265	290 359
Deferred tax liabilities		31 384	34 937	34 408
		<u>303 752</u>	<u>196 202</u>	<u>324 767</u>
Current liabilities				
Trade and other payables		216 754	193 796	241 089
Current income tax liabilities		10 326	28 119	5 048
Short-term interest-bearing debt	9	84 504	54 957	85 516
Deferred income/revenue		85 946	147 340	68 650
		<u>397 530</u>	<u>424 212</u>	<u>400 303</u>
Total liabilities		<u>701 282</u>	<u>620 414</u>	<u>725 070</u>
Total equity and liabilities		<u>834 590</u>	<u>797 425</u>	<u>853 503</u>

Oslo, 27 April 2016
Board of Directors
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(sign.)

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CEO
(sign.)

Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000)

	Note	Q1 2016	Q1 2015	Jan-Dec 2015
Total revenues		344 128	311 889	1 279 190
Cost of connection and traffic charges		-180 537	-153 515	-632 525
Salaries and personnel costs		-63 798	-58 752	-246 645
Selling and marketing costs		-14 551	-10 248	-52 026
Other costs		-30 725	-25 209	-111 842
Depreciation and amortization	6, 7	-42 467	-37 744	-156 340
Operating profit		12 050	26 421	79 812
Finance	8	-4 856	-2 414	-11 520
Profit before income tax		7 194	24 007	68 292
Income tax		-1 709	-6 407	-9 755
Profit		5 485	17 601	58 537
Attributable to:				
Equity holders of the parent company		5 485	17 601	58 537
Other comprehensive income		Q1 2016	Q1 2015	Jan-Dec 2015
Translation differences		-611	-2 411	-76
Other income and expenses during the period (after tax)		-611	-2 411	-76
Comprehensive profit for the period		4 874	15 190	58 461
Profit attributable to:				
Equity holders of the parent company		4 874	15 190	58 461
Earnings per share				
Earnings per share		0.24	0.77	2.55
Diluted earnings per share		0.24	0.76	2.52

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 1 January 2015	2 328	-30	121 325	-1 481	39 680	161 821
Comprehensive income for the period						
Profit for the period	-	-	-	-	58 537	58 537
Other income and expenses						
Translation differences	-	-	-	-76	-	-76
Total comprehensive income for the period	-	-	-	-76	58 537	58 461
Transactions with owners, recognized directly against equity						
Contributions by and distributions to owners of the Company						
Dividends paid in April 2015	-	-	-	-	-28 723	-28 723
Dividends paid in July 2015	-	-	-	-	-28 723	-28 723
Dividends paid in September 2015	-	-	-	-	-17 234	-17 234
Dividends paid in December 2015	-	-	-	-	-17 234	-17 234
Share options exercised	-	-	-	-	67	67
Total contributions by and distributions to owners of the Company	-	0	0	-	-91 849	-91 849
Equity as at 31 December 2015	2 328	-30	121 325	-1 557	6 368	128 433
Equity as at 1 January 2016	2 328	-30	121 325	-1 557	6 368	128 433
Comprehensive income for the period						
Profit for the period	-	-	-	-	5 485	5 485
Other income and expenses						
Translation differences	-	-	-	-611	-	-611
Total other revenues and expenses	-	-	-	-611	-	-611
Total comprehensive income for the period	-	-	-	-611	5 485	4 874
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 March 2016	2 328	-30	121 325	-2 167	11 853	133 308

Condensed consolidated interim statement of cash flows (unaudited)

Cash flows from operations	Q1 2016	Q1 2015	Jan-Dec 2015
Profit/loss for the year before tax	7 194	24 007	68 292
Taxes paid	-543	-7 762	-27 466
Net profit/loss from sale of fixed assets	-	-	-11
Depreciation and amortization	42 467	37 744	156 340
Net change in current liabilities	-12 657	-6 623	-116 262
Net change in receivables	4 206	-4 991	68 823
Net cash flow from operations	40 668	42 375	149 716
Cash flows from investment activities			
Investments in fixed assets	-10 567	-14 470	-14 291
Investments in intangible assets	-7 193	-6 507	-33 304
New subsidiaries, net of cash	-	-	-97 952
Net cash flows used in investment activities	-17 760	-20 977	-145 547
Cash flows from financing activities			
New financial debt	500	-	140 260
Repayment of debt	-26 863	-20 043	-50 509
Payment of financial lease obligations	-4 363	-892	-23 161
Payment of dividend	-	-	-91 916
Equity changes	-	-	68
Net cash flows used in financing activities	-30 725	-20 935	-25 258
Change in cash and cash equivalents	-7 818	463	-21 089
Cash and cash equivalents and credit facilities utilised as at beginning of period	47 401	68 005	68 005
Effect of exchange rate fluctuations on cash and cash equivalents	-619	763	485
Cash and cash equivalents as at end of period	38 964	69 231	47 401

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 2016 condensed consolidated interim financial statements of NextGenTel Holding ASA and its subsidiaries (together “the Group”) are for the three months ended 31 March 2016.

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 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 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 April 2016.

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 2015.

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 2015.

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 2016					
<i>Profit and loss by segment</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	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
Operating profit/loss	19 126	2 424	2 722	1 372	-13 595	12 050

	Q1 2015					
<i>Profit and loss by segment</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	Group
Total revenues	300 294	7 582	8 523	5 787	4 195	326 382
Intra-group revenues	-10 298	0	0	0	-4 195	-14 493
Net revenues	289 996	7 582	8 523	5 787	0	311 889
Total costs of sales	-148 577	-3 350	-7 801	-3 103	0	-162 831
Intra-group cost of sales	4 488	0	4 827	0	0	9 315
Net cost of sales	-144 089	-3 350	-2 974	-3 103	0	-153 516
Gross profit/loss	145 907	4 232	5 550	2 684	0	158 373
Gross margin	50 %	56 %	65 %	46 %	0 %	51 %
Total operating expenses	-119 605	-2 500	-149	-1 397	-13 253	-136 904
Intra-group operating expenses	3 872	819	0	261	0	4 952
Net operating expenses	-115 733	-1 681	-149	-1 136	-13 253	-131 952
Operating profit/loss	30 174	2 551	5 401	1 548	-13 253	26 421

	31.03.2016					
<i>Balance sheet</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	Group
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

	31.03.2015					
<i>Balance sheet</i>	Norway	Denmark	Netherlands	Switzerland	Other ¹⁾	Group
Assets	822 386	33 996	10 558	3 721	-73 236	797 425
Liabilities	529 022	6 874	-113	14 769	69 862	620 414
Equity capital	293 364	27 122	10 671	-11 048	-143 098	177 011

¹⁾ Other items include the parent company NextGenTel Holding ASA and Group adjustments (Q1 2016 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 2016	FY 2015
VoIP	60 387	222 235
Mobile	41 559	145 270
Broadband	234 373	861 982
Wholesale	4 209	21 957
Other	3 600	27 746
Total	344 128	1 279 190

Tertiary segment - revenue by customer segment

	Q1 2016	FY 2015
Consumers	228 831	834 180
Businesses	115 297	445 010
Total	344 128	1 279 190

Note 6: Property, plant and equipment

(Figures in NOK 1000)

	Q1 2016	Q1 2015	Jan-Dec 2015
Equipment			
Book value beg. of period	217 478	174 386	174 386
Additions from business combinations	-	-	43 967
Additions	24 654	24 097	91 581
Depreciation	-27 618	-20 398	-92 456
Property, plant and equipment	214 514	178 085	217 478

Note 7: Intangible assets and goodwill

(Figures in NOK 1000)

	Q1 2016	Q1 2015	Jan-Dec 2015
Intangible assets			
Book value beg. of period	206 299	203 333	203 333
Additions from business combinations	-	-	39 850
Additions	4 419	6 507	26 999
Amortization	-14 525	-17 345	-63 883
Impairment loss	-	-	-
Book value end of period	196 192	192 495	206 299
Goodwill			
Book value beg. of period	132 672	67 100	67 100
Additions from business combinations	-	-	65 572
Revaluation	-	-	-
Book value end of period	132 672	67 100	132 672
Intangible assets and goodwill	328 864	259 595	338 971

Amortization of intangible assets include amortization of excess values related to the acquisition of NextGenTel AS, Kvantel AS and Kvantel Voice AS (Q1 16: NOK 12.1 million).

Note 8: Finance

	Q1 2016	Q1 2015	Jan-Dec 2015
Interest income	201	281	1 696
Interest expense	-3 899	-2 493	-11 869
Foreign currency gain/(loss)	-252	-26	-1 734
Other financial income/(expenses)	-906	-176	386
Net finance	-4 856	-2 414	-11 520

Note 9: Interest-bearing debt

	31.03.2016	31.03.2015	31.12.2015
Term loan bank	220 000	150 000	245 000
Long term financial lease	52 368	11 265	45 359
Total long-term debt	<u>272 368</u>	<u>161 265</u>	<u>290 359</u>
Current part of term loan bank	70 000	50 000	70 000
Short term financial lease	14 504	4 957	15 516
Total short-term debt	<u>84 504</u>	<u>54 957</u>	<u>85 516</u>
Total interest-bearing debt	<u>356 872</u>	<u>216 222</u>	<u>375 875</u>

Company Facts

NextGenTel Holding ASA
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Telephone: +47 2167 3500
 Homepage: www.nextgentelholding.com

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

Board of Directors

Audun Wickstrand Iversen (Chairman)
 Aril Resen
 Ellen Hanetho
 Silje Veen
 Snorre Kjesbu

Group Management

Eirik Lunde, Chief Executive Officer
 Tom Nøttveit, Chief Financial Officer
 Sven Ole Skrivervik, Chief Technology Officer
 Jens Hetland, Director Products & Projects
 Roy Børsheim, Director Consumer
 Thomas Gunleiksrud, Director Business
 Tore Nyhammer, Director Customer Services

Investor Relations

Tom Nøttveit, Chief Financial Officer
 Telephone: +47 4153 9714
 Email address: tom.nottveit@nextgentel.com
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Financial Calendar

4th quarter 2015: 11 February at 9:00
 1st quarter 2016: 28 April at 09:00
 2nd quarter 2016: 25 August at 09:00
 3rd quarter 2016: 27 October at 09:00
 Annual general meeting: 21 April at 15:00

Equity Research Coverage

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