

# Q1 2016 Financial report



## NextGenTel Holding ASA – 1<sup>st</sup> Quarter 2016

### Key figures

(Figures in NOK million)	<b>Q1 2016</b>	<b>Q1 2015</b>
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
<b>ASSETS</b>				
<b>Non-current assets</b>				
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>
<b>Current assets</b>				
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>
<b>Total assets</b>		<u>834 590</u>	<u>797 425</u>	<u>853 503</u>
<b>EQUITY</b>				
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
<b>Total equity</b>		<u>133 308</u>	<u>177 011</u>	<u>128 433</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
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>
<b>Current liabilities</b>				
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>
<b>Total liabilities</b>		<u>701 282</u>	<u>620 414</u>	<u>725 070</u>
<b>Total equity and liabilities</b>		<u>834 590</u>	<u>797 425</u>	<u>853 503</u>

Oslo, 27 April 2016  
 Board of Directors  
 NextGenTel Holding ASA

Ellen Hanetho  
 (sign.)

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 Chairman of the Board  
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 (sign.)

Eirik Lunde  
 CEO  
 (sign.)

## Condensed consolidated interim income statement (unaudited)

(Figures in NOK 1000)

	Note	Q1 2016	Q1 2015	Jan-Dec 2015
<b>Total revenues</b>		<b>344 128</b>	<b>311 889</b>	<b>1 279 190</b>
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
<b>Operating profit</b>		<b>12 050</b>	<b>26 421</b>	<b>79 812</b>
Finance	8	-4 856	-2 414	-11 520
<b>Profit before income tax</b>		<b>7 194</b>	<b>24 007</b>	<b>68 292</b>
Income tax		-1 709	-6 407	-9 755
<b>Profit</b>		<b>5 485</b>	<b>17 601</b>	<b>58 537</b>
<b>Attributable to:</b>				
Equity holders of the parent company		5 485	17 601	58 537
<b>Other comprehensive income</b>		<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Jan-Dec 2015</b>
Translation differences		-611	-2 411	-76
Other income and expenses during the period (after tax)		-611	-2 411	-76
<b>Comprehensive profit for the period</b>		<b>4 874</b>	<b>15 190</b>	<b>58 461</b>
<b>Profit attributable to:</b>				
Equity holders of the parent company		4 874	15 190	58 461
<b>Earnings per share</b>				
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
<b>Equity as at 1 January 2015</b>	2 328	-30	121 325	-1 481	39 680	161 821
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	58 537	58 537
<b>Other income and expenses</b>			-			
Translation differences	-	-	-	-76	-	-76
<b>Total comprehensive income for the period</b>	-	-	-	-76	58 537	58 461
			-			
<b>Transactions with owners, recognized directly against equity</b>			-			
<b>Contributions by and distributions to owners of the Company</b>			-			
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
			-			
<b>Equity as at 31 December 2015</b>	2 328	-30	121 325	-1 557	6 368	128 433
<b>Equity as at 1 January 2016</b>	2 328	-30	121 325	-1 557	6 368	128 433
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	5 485	5 485
<b>Other income and expenses</b>						
Translation differences	-	-	-	-611	-	-611
Total other revenues and expenses	-	-	-	-611	-	-611
<b>Total comprehensive income for the period</b>	-	-	-	-611	5 485	4 874
			-			
<b>Transactions with owners, recognized directly against equity</b>			-			
<b>Contributions by and distributions to owners of the Company</b>			-			
Dividends to owners	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-
<b>Equity as at 31 March 2016</b>	2 328	-30	121 325	-2 167	11 853	133 308

## Condensed consolidated interim statement of cash flows (unaudited)

	Q1 2016	Q1 2015	Jan-Dec 2015
<b>Cash flows from operations</b>			
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
<b>Net cash flow from operations</b>	<b>40 668</b>	<b>42 375</b>	<b>149 716</b>
<b>Cash flows from investment activities</b>			
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
<b>Net cash flows used in investment activities</b>	<b>-17 760</b>	<b>-20 977</b>	<b>-145 547</b>
<b>Cash flows from financing activities</b>			
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
<b>Net cash flows used in financing activities</b>	<b>-30 725</b>	<b>-20 935</b>	<b>-25 258</b>
<b>Change in cash and cash equivalents</b>	<b>-7 818</b>	<b>463</b>	<b>-21 089</b>
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
<b>Cash and cash equivalents as at end of period</b>	<b>38 964</b>	<b>69 231</b>	<b>47 401</b>

**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](http://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					
<u>Profit and loss by segment</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other<sup>1)</sup></u>	<u>Group</u>
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
<b>Operating profit/loss</b>	<b>19 126</b>	<b>2 424</b>	<b>2 722</b>	<b>1 372</b>	<b>-13 595</b>	<b>12 050</b>
	Q1 2015					
<u>Profit and loss by segment</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other<sup>1)</sup></u>	<u>Group</u>
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
<b>Operating profit/loss</b>	<b>30 174</b>	<b>2 551</b>	<b>5 401</b>	<b>1 548</b>	<b>-13 253</b>	<b>26 421</b>
	31.03.2016					
<u>Balance sheet</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other<sup>1)</sup></u>	<u>Group</u>
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					
<u>Balance sheet</u>	<u>Norway</u>	<u>Denmark</u>	<u>Netherlands</u>	<u>Switzerland</u>	<u>Other<sup>1)</sup></u>	<u>Group</u>
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

<sup>1)</sup> 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
<b>Total</b>	<b>344 128</b>	<b>1 279 190</b>

**Tertiary segment - revenue by customer segment**

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

**Note 6: Property, plant and equipment**

(Figures in NOK 1000)

	Q1 2016	Q1 2015	Jan-Dec 2015
<b>Equipment</b>			
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
<b>Property, plant and equipment</b>	<b>214 514</b>	<b>178 085</b>	<b>217 478</b>

**Note 7: Intangible assets and goodwill**

(Figures in NOK 1000)

	Q1 2016	Q1 2015	Jan-Dec 2015
<b>Intangible assets</b>			
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	-	-	-
<b>Book value end of period</b>	<b>196 192</b>	<b>192 495</b>	<b>206 299</b>
<b>Goodwill</b>			
Book value beg. of period	132 672	67 100	67 100
Additions from business combinations	-	-	65 572
Revaluation	-	-	-
<b>Book value end of period</b>	<b>132 672</b>	<b>67 100</b>	<b>132 672</b>
<b>Intangible assets and goodwill</b>	<b>328 864</b>	<b>259 595</b>	<b>338 971</b>

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
<b>Net finance</b>	<b>-4 856</b>	<b>-2 414</b>	<b>-11 520</b>

**Note 9: Interest-bearing debt**

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

## Company Facts

**NextGenTel Holding ASA**  
**Harbitzalleen 2A**  
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**0212 Oslo**

Telephone: +47 2167 3500  
 Homepage: [www.nextgentelholding.com](http://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 Skrivenvik, Chief Technology Officer  
 Jens Hetland, Director Products & Projects  
 Roy Børshem, Director Consumer  
 Thomas Gunleiksrud, Director Business  
 Tore Nyhammer, Director Customer Services

### Investor Relations

Tom Nøttveit, Chief Financial Officer  
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 Email address: [tom.nottveit@nextgentel.com](mailto:tom.nottveit@nextgentel.com)  
 Web: <http://www.nextgentelholding.com>

### Financial Calendar

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

### Equity Research Coverage

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