Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	985 968 098
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	NEXTGENTEL HOLDING AS
Forretningsadresse:	Harbitzalléen 2A 0275 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Gaute W. Krekling
Dato for fastsettelse av årsregnskapet:	22.03.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert

År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 31.10.2020

Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1	4 358 000	4 162 000
Sum inntekter		**4 358 000**	**4 162 000**
Kostnader			
Annen driftskostnad	3	9 791 000	5 587 000
Sum kostnader		**9 791 000**	**5 587 000**
Driftsresultat		**-5 433 000**	**-1 425 000**
Finansinntekter og finanskostnader			
Annen finansinntekt	4	22 286 000	83 940 000
Sum finansinntekter		**22 286 000**	**83 940 000**
Annen rentekostnad	4	41 308 000	17 965 000
Sum finanskostnader		**41 308 000**	**17 965 000**
Netto finans		**-19 022 000**	**65 975 000**
Ordinært resultat før skattekostnad		**-24 455 000**	**64 550 000**
Skattekostnad på ordinært resultat	6	31 011 000	-77 000
Ordinært resultat etter skattekostnad		**-55 466 000**	**64 627 000**
Årsresultat		**-55 466 000**	**64 627 000**
Overføringer og disponeringer			
Utbytte			11 504 000
Overføringer til/fra annen egenkapital		-55 466 000	53 123 000
Sum overføringer og disponeringer		**-55 466 000**	**64 627 000**

Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6	689 000	741 000
Sum immaterielle eiendeler		**689 000**	**741 000**
Finansielle anleggsmidler			
Investering i datterselskap	7	469 773 000	495 338 000
Sum finansielle anleggsmidler		**469 773 000**	**495 338 000**
Sum anleggsmidler		**470 462 000**	**496 079 000**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		711 000	1 875 000
Konsernfordringer	12	2 045 000	94 986 000
Sum fordringer		**2 756 000**	**96 861 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	7, 12	3 000	34 971 000
Sum bankinnskudd, kontanter og lignende		**3 000**	**34 971 000**
Sum omløpsmidler		**2 759 000**	**131 832 000**
SUM EIENDELER		**473 221 000**	**627 911 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	9, 1	2 301 000	2 298 000
Annen innskutt egenkapital	9	110 976 000	110 976 000
Sum innskutt egenkapital		**113 277 000**	**113 274 000**

Balanse

Beløp i: NOK	Note	2017	2016
Opptjent egenkapital			
Annen egenkapital	9	82 127 000	136 231 000
Sum opptjent egenkapital		**82 127 000**	**136 231 000**
Sum egenkapital		**195 404 000**	**249 505 000**
Gjeld			
Langsiktig gjeld			
Andre avsetninger for forpliktelser	15	795 000	795 000
Sum avsetninger for forpliktelser		**795 000**	**795 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	13	0	173 739 000
Øvrig langsiktig gjeld	4	1 436 000	2 291 000
Sum annen langsiktig gjeld		**1 436 000**	**176 030 000**
Sum langsiktig gjeld		**2 231 000**	**176 825 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	13	173 692 000	70 000 000
Leverandørgjeld		1 929 000	1 051 000
Betalbar skatt	6	30 959 000	
Utbytte	9		11 504 000
Kortsiktig konserngjeld	12	66 579 000	117 135 000
Annen kortsiktig gjeld	11	2 427 000	1 891 000
Sum kortsiktig gjeld		**275 586 000**	**201 581 000**
Sum gjeld		**277 817 000**	**378 406 000**
SUM EGENKAPITAL OG GJELD		**473 221 000**	**627 911 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		1 238 539 000	1 324 188 000
Annen driftsinntekt	16	30 609 000	34 444 000
Sum inntekter		**1 269 148 000**	**1 358 632 000**
Kostnader			
Varekostnad		723 104 000	718 559 000
Lønnskostnad	17	225 219 000	246 007 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	6, 7	182 747 000	170 526 000
Annen driftskostnad	18	117 254 000	115 537 000
Salg og markedsføring	18	43 156 000	52 754 000
Sum kostnader		**1 291 480 000**	**1 303 383 000**
Driftsresultat		**-22 332 000**	**55 249 000**
Finansinntekter og finanskostnader			
Annen finansinntekt	19	3 513 000	1 195 000
Sum finansinntekter		**3 513 000**	**1 195 000**
Annen finanskostnad	19	16 644 000	14 567 000
Sum finanskostnader		**16 644 000**	**14 567 000**
Netto finans		**-13 131 000**	**-13 372 000**
Ordinært resultat før skattekostnad		**-35 463 000**	**41 877 000**
Skattekostnad på ordinært resultat	14	22 033 000	9 475 000
Ordinært resultat etter skattekostnad		**-57 496 000**	**32 402 000**
Årsresultat		**-57 496 000**	**32 402 000**
Omregningsdifferanse		3 238 000	-2 151 000
Totalresultat		**-54 258 000**	**30 251 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-54 258 000	30 251 000

Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016
Sum overføringer og disponeringer		**-54 258 000**	**30 251 000**

Konsernets balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Immaterielle eiendeler	7	141 266 000	185 847 000
Utsatt skattefordel	14	22 035 000	22 698 000
Goodwill	7	132 672 000	132 672 000
Sum immaterielle eiendeler		**295 973 000**	**341 217 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	6	151 652 000	194 690 000
Sum varige driftsmidler		**151 652 000**	**194 690 000**
Finansielle anleggsmidler			
Andre fordringer		391 000	373 000
Sum finansielle anleggsmidler		**391 000**	**373 000**
Sum anleggsmidler		**448 016 000**	**536 280 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer og andre fordringer	8, 23	201 569 000	215 086 000
Sum fordringer		**201 569 000**	**215 086 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9, 23	17 822 000	66 594 000
Sum bankinnskudd, kontanter og lignende		**17 822 000**	**66 594 000**
Sum omløpsmidler		**219 391 000**	**281 680 000**
SUM EIENDELER		**667 407 000**	**817 960 000**

BALANSE - EGENKAPITAL OG GJELD

Konsernets balanse

Beløp i: NOK	Note	2017	2016
Egenkapital			
Innskutt egenkapital			
Selskapskapital	10	2 328 000	2 328 000
Beholdning av egne aksjer		-27 000	-30 000
Overkurs		121 325 000	121 325 000
Annen innskutt egenkapital		-403 000	-3 641 000
Sum innskutt egenkapital		**123 223 000**	**119 982 000**
Opptjent egenkapital			
Annen egenkapital		-28 943 000	38 702 000
Sum opptjent egenkapital		**-28 943 000**	**38 702 000**
Sum egenkapital		**94 280 000**	**158 684 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	14	9 404 000	21 360 000
Sum avsetninger for forpliktelser		**9 404 000**	**21 360 000**
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	12, 13	25 416 000	219 873 000
Sum annen langsiktig gjeld		**25 416 000**	**219 873 000**
Sum langsiktig gjeld		**34 820 000**	**241 233 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	12, 13	216 401 000	95 084 000
Leverandørgjeld	11	225 229 000	225 072 000
Betalbar skatt	14	31 792 000	17 335 000
Utsatt inntekt	15	64 885 000	80 552 000
Sum kortsiktig gjeld		**538 307 000**	**418 043 000**
Sum gjeld		**573 127 000**	**659 276 000**
SUM EGENKAPITAL OG GJELD		**667 407 000**	**817 960 000**

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jan Hoelstad	11.02.2011	16.02.2011
Telefon	Deres referanse	Vår referanse
22077325	Tom Nøttveit	2011/158781

Telio Holding ASA
Postboks 54, Skøyen
0212 OSLO

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for Telio Holding ASA, org. nr: 985 968 098

Det vises til deres brev av 11. februar 2011 samt e-post av 15. februar 2011 med supplerende opplysninger i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Telio Holding ASA.

Bakgrunn
Telio Holding ASA er et rent holdingselskap med datterselskap i Sveits, Nederland, Sverige, Danmark og Norge. Konsernet er leverandør av bredbåndstelefoni (kommunikasjonsløsninger.) Selskapet har et nært samarbeide med teknologileverandører av hard- og software fra over hele verden. I holdingselskapet er det ansatt kun to personer som begge sitter i konsernledelsen. Konsernets arbeidsspråk er engelsk. I konsernledelse og styre er det normalt enkelte medlemmer som ikke er norsk språklig. All operativ drift skjer i selskapets datterselskap hvorav de norske datterselskapene fortsatt vil avlegge årsregnskap og årsberetning på norsk. Det er datterselskapene som forestår salg til konsernets kunder. Selskapet har ingen større norske kreditorer p.t.

Selskapet er notert på Oslo Børs, men er innvilget dispensasjon fra krav om norsk språk ved rapportering jamfør verdipapirhandelloven § 5-13. Det er opplyst at omkring 40 % av selskapets aksjer er på utenlandske hender. Generelt er det opplyst at aksjene til selskapet i hovedsak innehas av profesjonelle investorer.

Selskapet utarbeider og benytter en engelsk språklig versjon av årsregnskap og årsberetning alt i dag. Dette er begrunnet i den internasjonale aktivitet som er beskrevet ovenfor. Selskapet mener at alle sentrale interessenter til selskapets regnskap behersker og benytter engelsk språk, og at en norsk versjon derfor ikke gir noen vesentlig økt nytte. Det søkes derfor om dispensasjon.

Skattedirektoratets vurdering og konklusjon
Etter regnskapsloven § 3-4 tredje ledd *skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapet er holdingselskap for en virksomhet som både skjer internasjonalt og i Norge. Engelsk språk benyttes både internt som arbeidsspråk og eksternt. Operativ virksomhet i Norge skjer fra datterselskap som fortsatt vil avlegge årsregnskap og årsberetning på norsk. Selskapet er innvilget dispensasjon fra verdipapirhandelloven § 5-13 av Oslo Børs, og en betydelig del av selskapets aksjonærer er utenlandske og/eller profesjonelle investorer.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Telio Holding ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

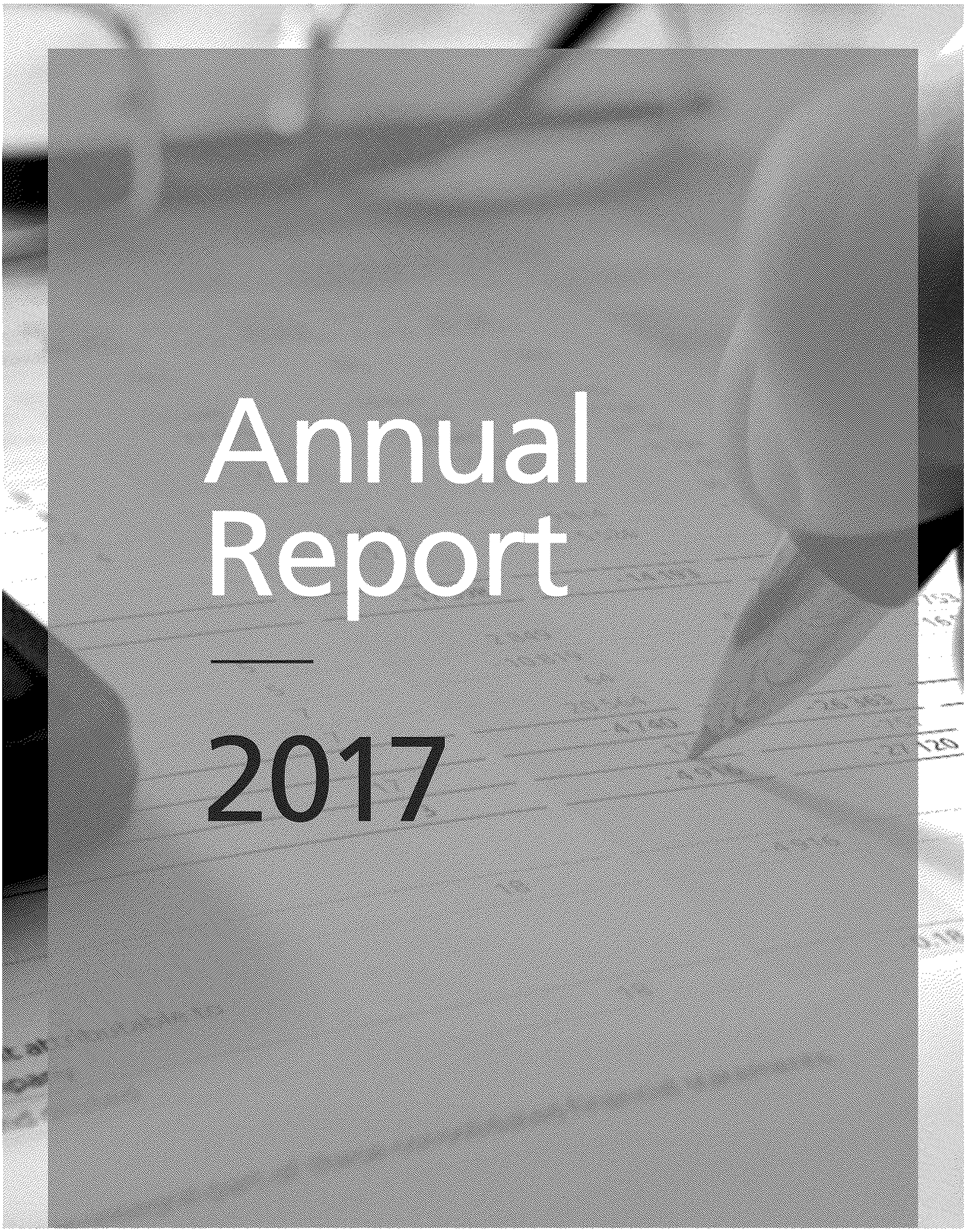
Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jan Hoelstad

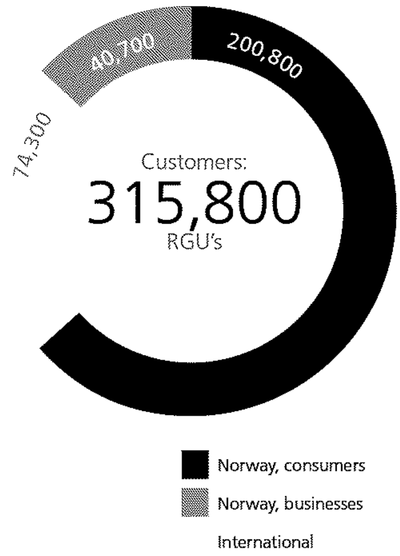


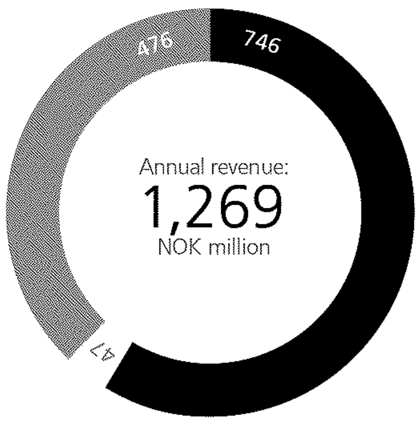
Annual Report

2017

NextGenTel
Holding

Content





NextGenTel's mission is to be a major force in defining and providing fixed and mobile internet communications to the consumer and small businesses.

Board of Directors' Report 2017

The NextGenTel Group's activities, as stated in the articles of association, are to develop and sell IP based services and communications solutions, operate consultancy activities and participate in other enterprises. NextGenTel Holding ASA is listed on the Oslo Stock Exchange and is traded under the ticker 'NGT'.

The NextGenTel Group has operations in Norway, Denmark, Switzerland and the Netherlands, where Norway is the dominating market currently representing 96.3% of total revenues. The largest entity in the Group is NextGenTel AS. In 2017, the NextGenTel Group provided services under both the NextGenTel and Telio brands to end users in addition to Kvantel and Proximo for the corporate market in Norway, and through the Telio brand in Denmark and Switzerland. In the Netherlands, distribution is arranged through 'white label' agreements under local brands.

The Norwegian operation

NextGenTel provides broadband and broadband services adapted to the customer's needs, from high-speed broadband in the consumer market to integrated data communications solutions in the business market. The company had at year-end 2017 installed more than 130,000 broadband connections across Norway.

NextGenTel's vision is to provide the best broadband experience in Norway. Its mission is to be a low-price vendor of broadband services to the consumer market and to selected segments of the business market and the public sector. NextGenTel operates in a mature market with price competition and significant migration from xDSL to new access technologies.

The company is realizing the digital home with services including internet access, mobile, VoIP and TV based on access over xDSL, fiber and mobile network.

In the business market, the NextGenTel Group provides complete solutions, independent of access technology, to large and small enterprises, directly and through partners. In 2017, the Group announced a separation of the consumer and business segment operations and NextGenTel AS was demerged as of 1 November 2017. The business segment operation was incorporated in Proximo Norge AS and Fiber Norge AS was incorporated serving as the owner of Proximo Norge AS (direct sales) and Kvantel AS (indirect sales). Following this demerger, NextGenTel AS will serve the consumer market only.

Market development

Broadband

According to the Norwegian Communications Authority, Norway had 2 million broadband subscribers in the first half of 2017. This represents an increase of 3.4% compared to first half of 2016.

26.1% of broadband subscriptions in the consumer segment was over xDSL and has seen a reduction during the last years. Broadband based on fiber is the largest category with a 40.7% share. For the first time there is a decline in the number of broadband subscriptions over cable TV (decline of 11,000 subscriptions).

During 2017, NextGenTel has been the fourth largest provider in the Norwegian broadband market in terms of number of lines. Total number of broadband lines at the end of 2017 was 124,000, a reduction of 14,000 lines during the year. This is the same net loss as in 2016. During 2017, total subscriptions for high-speed broadband increased from 42,993 to 44,300. The company is focusing on providing customer experience and network operations of high quality to meet customer needs in the best possible way.

Regulation of Telenor fiber

Effective from January 2015, the Norwegian Communications Authority imposed a regulation on Telenor to provide competitors access to Telenor's fiber network. This product is delivered on different categories and speed to fulfill various customer needs. The product supports Multicast, enabling NextGenTel to provide linear TV as part of the service offering. At the end of 2017, NextGenTel had 8,100 customers on this VULA product (Virtual Unbundled Local Access) compared to 5,800 at the end of 2016.

Modernizing the copper network – vectoring (high-speed DSL)

Since 2015 there has been a dialog ongoing with Telenor (as owner of the copper network) and other xDSL vendors regarding a common modernization of copper based broadband with a goal to create a competitive product with substantially higher speed than today's xDSL. It is a prerequisite for such a modernization that there can be only one DSLAM operator in each geographic area. In practice, it has not been possible to deploy the newest high-speed technology owing to the fact that there normally are several DSLAM operators in an area.

Both the Ministry of Transport and Communication and the Norwegian Communications Authority (NKOM) supported the initiatives from the industry related to vectoring technology. NKOM established a work group (Broadband Forum) to facilitate the modernization of the copper network. Under NKOM's leadership of Broadband Forum, the xDSL operators (Telenor, Broadnet and NextGenTel) have tried to find a common solution for how to modernize the copper broadband. Broadband Forum ended its work in the fall 2017 without mutual agreement on the modernization issue.

However, in January 2018 NKOM launched a proposal for a new broadband regulation which will replace current regulation, i.e. new regulation for the wholesale markets for local and central access to Telenor's copper and fiber based access infrastructure. As part of the proposal, NKOM propose new regulation that will make modernization of the copper-based fixed access network possible. The proposal is in line with the discussions in Broadband Forum. After a public hearing that ended in March, the next step for the proposal is consultation with ESA (the European Surveillance Authority). New regulations that will make modernization of the copper network possible will, according to prior experience, enter into force by end of the fourth quarter in 2018 at the earliest.

Broadband telephony

Broadband telephony (or Voice over IP) is fixed telephony over Internet Protocol (IP), a communications protocol handling routing of data packets for Internet and other IP based networks. The service was introduced in the Norwegian market in 2004. The growth in number of subscribers was particularly strong in 2005 and 2006. This service has seen a decline in subscribers over the last years together with regular fixed telephony. NextGenTel had 48,100 VoIP customers at the end of 2017.

Digital TV - NextTV

NextTV is the company's digital TV offering comprising all the standard TV channels in addition to a wide range of movies and series. The service is based on a TV platform developed by an external partner. The company had 17,600 digital TV customers at the end of 2017. Further growth in the customer base is expected in 2018. NextTV is also available for fiber customers, directly or over other providers' networks.

Mobile services

NextGenTel is providing mobile and mobile broadband services through an MVNO (Mobile Virtual Network Operator) agreement with Telia. This product is provided to both the consumer and corporate segment. On 4 December 2017, the company announced an agreement to sell its consumer mobile customer portfolio to Telia Norge AS. In reassessing the company's strategy, the board of NextGenTel Holding ASA has concluded that the consumer mobile customers are of less strategic importance for the future of the NextGenTel Group. Therefore, the company initiated a sale of this customer portfolio which counted approximately 36,500 subscriptions as of 31 December 2017. The purchase price is minimum NOK 75 million and maximum NOK 95 million depending on the number of customers actually being migrated. The Norwegian competition authorities had no objections to the transaction and the first payment of NOK 75 million was received in January. Customer migration has started and the finalized transaction is expected to close during June 2018.

Unified communication – "Bedriftsnett"

At the end of 2015, NextGenTel launched a new service for unified communication. «Bedriftsnett» is a cloud based communication platform for mobile and IP telephony with all the services a business customer needs for professional customer care and effective communication between employees.

Call-center and switchboard functionality is handled by the platform as well as services for the user directly from a mobile app. Full presence information is available to all users including the switchboard.

The new platform also enables advanced online meetings with video, document sharing and instant messaging to make interaction between people more effective.

International operations

International markets represented 3.7% of Group revenues in 2017 (4.2% in 2016). The operations outside Norway are small with 4 employees in Denmark and 2 employees in Switzerland. These markets have seen a continued decline in the customer base during 2017. Both these operations provide a single line VoIP service in the Telio brand to consumers. At year-end

2017, Denmark and Switzerland had 9,700 and 4,300 customers respectively.

The Dutch entity provides VoIP as a wholesale service to white label partners. The company currently has three white label partners. Telio Netherlands BV had a customer base of 60,200 subscribers at the end of 2017.

All entities have a small and efficient operation and provide a significant positive cash flow to the Group. The Group's strategy is to focus on the home market in Norway and to maintain the international operations as long as they are profitable.

Financial performance

(2016 figures in brackets)

The Group has prepared its accounts in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

Net revenues in 2017 ended at NOK 1,269 million (NOK 1,359 million).

EBITDA for the Group was NOK 160.4 million (NOK 225.8 million), while operating loss (EBIT) was NOK 22.3 million (profit of NOK 55.2 million). Loss before tax was NOK 35.5 million (profit of NOK 41.9 million) and loss after tax was NOK 57.5 million (profit of NOK 32.4 million). Earnings per share were NOK 2.50 negative (NOK 1.41).

The Group has in-house resources developing new products and services. The Group also engages external consultants for specific development projects. Development costs are capitalized in compliance with IFRS and NOK 29.3 million was capitalized in 2017 (NOK 32.6 million in 2016 - see note 7 to the financial statements).

The Group had a net negative cash flow of NOK 48.8 million in 2017 (positive NOK 19.2 million). Cash flow from operating activities was NOK 129.5 million compared to an operating loss of NOK 22.3 million. Depreciation and amortization reduces operating profit by NOK 182.7 million while net finance of NOK 13.1 million and taxes paid of NOK 18.7 million reduces cash flow from operating activities. Total cash balance was NOK 17.8 million at the end of the year.

The Group's equity at the end of the financial year was NOK 94.3 million (NOK 158.7 million), which implies an equity ratio of 14.13 % (19.40 %). At the end of 2017, the company owned 274,201 treasury shares comprising 1.2% of total shares outstanding.

The parent company had a loss before tax of NOK 24.5 million (profit of NOK 64.5 million). The loss after tax for the year was NOK 55.5 million (profit of NOK 64.6 million).

Investments

The Group has invested NOK 58.9 million (NOK 94.1 million) in IT and customer equipment and hardware infrastructure. Furthermore, total investments in intangible assets were NOK 36.1 million (NOK 33.3 million). Intangible assets include in-house developed technology platform and software applications.

Financing

At the end of 2017, the company had bank debt of NOK 175 million with semi-annual instalments of NOK 35 million and a NOK 50 million overdraft facility (of which NOK 36.1 million were unused). In addition, the company had financial lease obligations of NOK 52.9 million. Total interest-bearing debt was NOK 241.8 million and net interest-bearing debt was NOK 224 million.

As the equity ratio at 31.12.2017 was below the financial covenant in the loan agreement, the debt to Nordea is presented as short-term debt in the balance sheet. Nordea has, however, in Q1 2018 issued a waiver and reduced the equity ratio covenant to 14.0% as of 31.12.2017 and the long term part of the loan will be reclassified from short term to long term in the balance sheet at 31 March 2018. Both the equity ratio and the interest-bearing debt will be positively affected by the sale of the consumer mobile portfolio, where NOK 68 million of the received first payment of NOK 75 million have been used to reduce the interest-bearing debt in Q1 2018.

Financial market conditions

During 2017, we have seen continued low interest rate levels across Europe. The refinancing of the company's debt in 2014, at better terms and conditions, in addition to reduced interest rates in general and reduced debt through 2017 have had a positive impact on the company's financial situation.

Shareholder information

At the end of the year, the company had in total 23,283,180 shares outstanding of nominal value NOK 0.10. The company owned 274,201 treasury shares at year-end comprising 1.18 % of total shares outstanding. The company had 624 shareholders and 22.5% of total shares were registered outside Norway. Total outstanding options at the end of the year were 561,000, of which 259,000 have a dilutive effect with a weighted average strike price of NOK 6.00. For details regarding share options, see note 10 to the financial statements.

The Group has a policy of continuously keeping shareholders, analysts, employees and others updated on the Group's operations. This is achieved by open quarterly presentations and continuously updating the investor relations website on www.nextgentelholding.com.

Corporate governance

The company's Board of Directors recognizes the importance of good corporate governance. This is ensured through regular interaction between shareholders, the Board of Directors and the administration. NextGenTel's goal is that all company stakeholders are confident that the Group's activities are being operated in an acceptable way and that governing bodies have sufficient insight and influence to carry out their functions.

Guidelines on corporate governance are approved annually by the Board of Directors in connection with the approval of the annual accounts or when deemed necessary. The guidelines are in accordance with Section 3-3b of the Norwegian Accounting Act and based on the Norwegian Code of Practice for Corporate Governance, last revised on 30 October 2014, and using the 'follow or explain principle'. The guidelines are presented in a separate section of the annual report and are also presented on the company's investor relations website.

Corporate social responsibility

As a leading provider of communications services, NextGenTel has a responsibility to act as a good corporate citizen in all the markets in which we operate. At NextGenTel we recognize and perform the obligations we have towards our people, investors, customers, suppliers, competitors and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets. In order to keep this reputation and trust, we demand and maintain the highest ethical standards in carrying out our business activities. Reporting on Corporate social responsibility are in accordance with Section 3-3c of the Norwegian Accounting Act and the complete statement can be read on the company's investor relations website: www.nextgentelholding.com

Risks

The Group, via its activities, is exposed to credit risk due to the outstanding accounts of customers and co-operative partners. The company operates in a high volume business and no single customer constitutes a major part of accounts receivable. The procedures for credit rating, monitoring and collection are being continuously monitored and improved. The Group believes that the provisions for bad debt are adequate.

The Group is furthermore exposed to currency risks as a result of activities in countries where different currencies are used. Implicit hedging is arranged by subsidiaries carrying out their business in local currencies. Net currency exposure is therefore limited; however, subsidiaries are exposed to currency risk from inter-company borrowings denominated in NOK. The Group is subject to interest rate risk on its long term borrowings. This risk is partly being mitigated by interest rate hedging where up to 50% of net interest-bearing debt is being hedged.

Management of liquidity risk has become more challenging after recent year's business combinations with increased financial leverage. The Group's liquidity risk has increased following declining profits; however, the company still has relatively low debt ratios. The Group must secure and maintain sufficient equity capital to support such borrowing facilities. The management of liquidity risk requires maintenance of adequate liquid reserves in accordance with the development of the operations. Cash reserves are monitored regularly.

The Group operates in mature markets where market development is rather predictable. The market for VoIP services has been in a declining phase for several years. The Group has introduced new services to offset this decline, however, new services represent lower gross margins putting pressure on the Group's gross profit. The Dutch wholesale business increases the company's risk since the majority of the customers are represented by a few distributors.

Risk management and internal control

The administrative risk management relating to the Group's financial performance (liquidity, currency and credit risk) is controlled by the Group CFO. Operational risk relating to the Group's fixed assets including the operating platform is controlled by the CTO.

The Board of Directors receives monthly financial reports from the administration. The company approves and presents quarterly financial reports to the market in accordance with IAS 34. Financial reporting is prepared and issued by the company's finance function and quality assurance lies with the group controller and the CFO. The Board of Directors receives a monthly overview of important key performance indicators of a financial and operational nature.

The Group has set up procedures to secure the best possible division of duties and to measure exposure areas to secure the Group's assets in the best way possible. For further description of the company's risk management and internal control procedures, see the corporate governance section of the annual report.

Working environment

NextGenTel Holding ASA has its head office at Harbitzalleen 2A in Oslo while its main subsidiaries NextGenTel AS and Proximo Norge AS have the majority of their employees located at Sandslimarka 31 in Bergen.

The average number of full-time equivalents in the Group was 342 during 2017 (368 during 2016).

The company puts great emphasis on good working environment measures to make the workplace a productive and pleasant place based on the company's values. Information about the company's values, objectives, strategy and development is highly emphasized. Quarterly staff meetings are being held and the intranet is regularly updated with relevant news.

The Board of Directors considers the working environment as good. Employee surveys are performed annually followed by targeted efforts to continuously improve employee satisfaction in the company.

Total sickness absence was in 2017 at 5.1% of total FTEs, which is a decrease of 0.4% points compared to 2016. The company's working environment committee has held four meetings in 2017. Efforts are ongoing related to health, safety and environment issues. In 2017, courses have been held in first aid and the use of heart defibrillator. The company sports committee and the social committee have carried out a broad range of activities during 2017.

No significant personal injury or property damage or accidents have been registered during 2017.

Equal opportunities

Both the Board of Directors and management are aware of society's expectations for measures to promote equality in the company and in the Board. The Board is continuously informed about the company's internal processes, and is not aware of any discrimination in promotions, wages or recruitment based on gender or ethnic background.

At the end of 2017, women represented 30% (28%) of the workforce across various departments and job categories. The disciplines from which the company normally recruits have historically had low representation of women. The average annual salary was 25% (28%) higher for male employees than female employees and this reflects the individual employee's responsibilities and qualifications.

NextGenTel promotes gender equality in its operations and strives for equal treatment in accordance with the law on gender equality. 30.3% (26%) of recruited personnel in 2017 were women.

Discrimination

The purpose of the Discrimination Act is to promote equality, ensure equal opportunities and rights and prevent discrimination based on ethnicity, national origin, ancestry, color, language, religion or belief. The company is actively working to promote this purpose within our business. The activities include recruitment, wages and working conditions, promotion, possibilities for personal development and protection against harassment.

The company tries wherever possible to adjust the working conditions to allow for people with disabilities to work for the company. The company has several employees with disabilities. The company has taken steps to ensure that these employees can have a rewarding working day in line with other employees in the company.

External environment

Companies in the Group do not generate higher levels of direct pollution or releases than normal for a company in the industry. The Group consumes electric power in the operation of its offices and in providing data and telecom services.

Waste from the operation is mainly related to packaging material and the risk for accidents related to the operation is considered low.

Board meetings

During 2017, the Board of Directors held 7 scheduled meetings and 8 additional ad hoc meetings. Board meetings are normally attended in person, ad hoc meetings may however be arranged as a conference call. All board members were present at 11 meetings, 3 meetings had 1 member absent and 1 meeting had 2 members absent.

Legal matters

There are currently no legal proceedings of significance which involve any company in the NextGenTel Group.

Tax

Reference is made to announcements related to the tax issue regarding the taxation of dividends from Switzerland (stock exchange notice and Q1 2017 report). The company has received a final report from the tax authorities implying a total tax claim of NOK 30.6 million including interest and the company has accounted for an accrual for this tax claim in the financial accounts for 2017. It is still the company's view that no additional tax should be imposed and the company has filed a complaint with the tax appeal board ("Skatteklagenemnda") as well as an application for postponement with paying the tax awaiting a ruling by the tax appeal board.

Going concern
In accordance with the Accounting Act paragraph 3-3, the Board confirms that the 2017 financial statements are prepared based on the going concern assumption. This assumption is founded on the financial results for 2017 and plans for 2018. Reference is made to the previous section about the financing situation for the company, where sale of the mobile consumer portfolio has strengthened the net debt position in Q1 2018. Further initiatives to secure long term financing and enable the growth ambitions within selected areas going forward will be assessed during 2018.

The Board of Directors' opinion is that the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows and notes present a true and fair view of the Group's financial position at the end of the financial year. The Board of Directors is not aware of significant uncertainties in the annual financial statements or extraordinary circumstances which have influenced the annual financial statements beyond what is stated in the annual financial statements and the Board of Directors' report.

Strategic direction
Management and the Board have continued the assessment of the company's strategic direction during 2017. NextGenTel will continue to capitalize on its strong market position in the Norwegian market by providing competitive services to both the consumer and corporate segments. The consumer market is challenging by means of maintaining the customer base in a competitive market, but NextGenTel has a strong position in the market for broadband services as the second largest xDSL provider in Norway. The company is pursuing the opportunities in other access technologies in order to offset the decline in the xDSL customer base. As described in a separate section in this report, the Norwegian Communications Authority (NKOM) has recently launched a proposal for new regulations that will make modernization of the copper network possible. The final outcome of this and the consequences for NextGenTel remains to be seen.

The incorporation of Fiber Norge AS and its subsidiaries Kvantel AS and Proximo Norge AS was a major event in 2017 to facilitate focus on the growth opportunities within the corporate segment.

In the international markets, focus is to maintain customer base and profitability.

NextGenTel will continue to maneuver in a challenging environment in our industry, in addition to seek opportunities for growth in a consolidating telecommunications industry with the aim of creating increased shareholder value.

Oslo, 22 March 2018
Board of Directors in NextGenTel Holding ASA

Lars B. Thoresen
Chairman of the Board

Espen Fjogstad

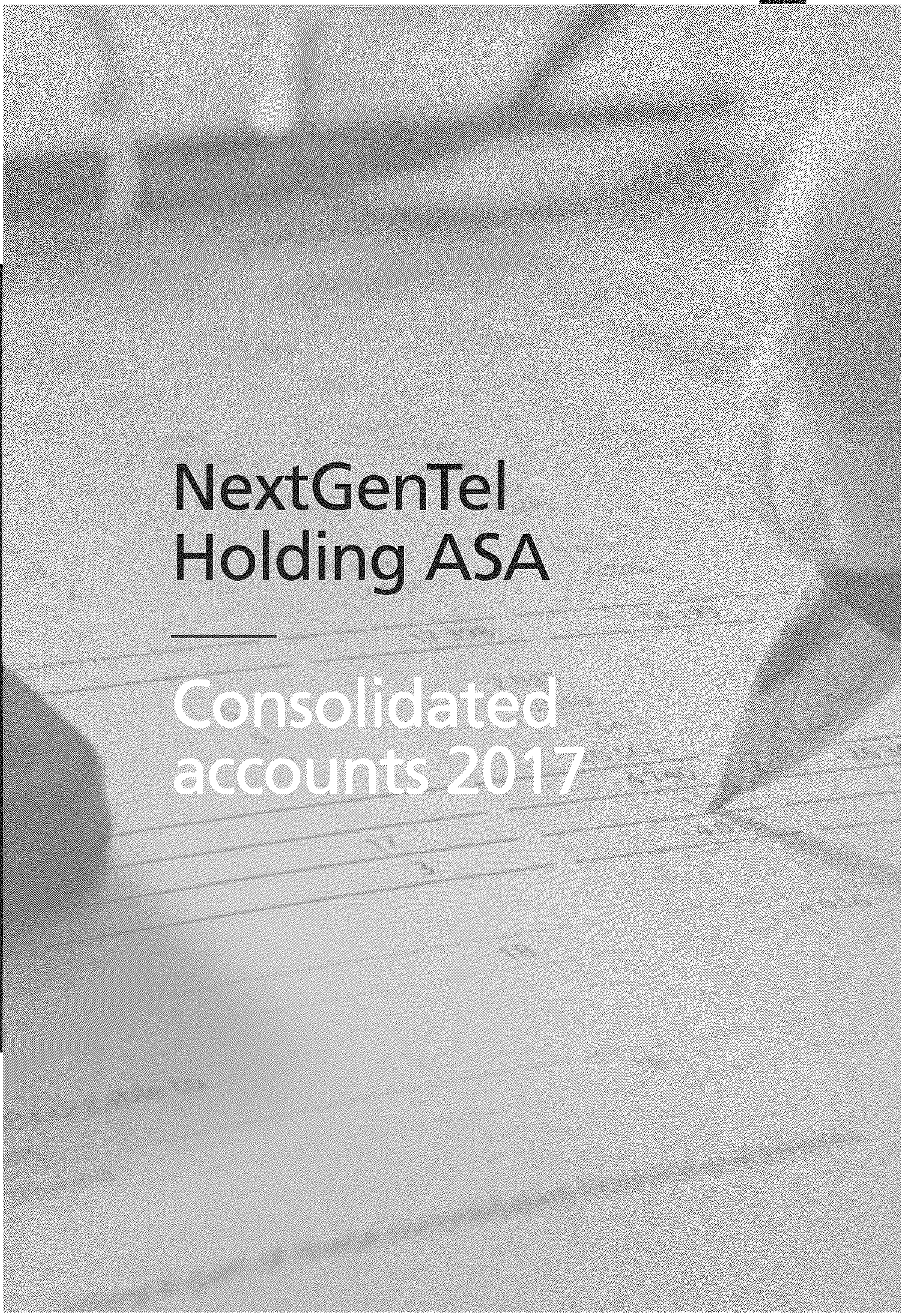
Ellen Hanetho

Kari Mette Toverud

Linn Anette Husøy
Employee repr.

Vidar Skogedal
Employee repr.

Eirik Lunde
CEO



NextGenTel Holding ASA

Consolidated accounts 2017

Consolidated statement of financial position

For the year ended 31 December

(In thousands of NOK)	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	6	151 652	194 690
Intangible assets	7	141 266	185 847
Goodwill	7	132 672	132 672
Deferred tax assets	14	22 035	22 698
Other long Term Assets		392	373
Non-current assets		448 016	536 280
Current assets			
Trade and other receivables	8, 23	201 569	215 086
Cash and cash equivalents	9, 23	17 821	66 593
Current assets		219 391	281 679
Total assets		667 407	817 960
Equity			
Share capital reduced for treasury shares	10	2 301	2 298
Premium paid in capital		121 325	121 325
Other reserves		-403	-3 641
Retained earnings		-28 943	38 703
Total equity		94 280	158 684
Liabilities			
Long-term interest bearing debt	12, 13	25 416	219 874
Deferred tax liabilities	14	9 404	21 360
Non-current liabilities		34 820	241 233
Trade and other payables	11	225 229	225 072
Current tax liabilities	14	31 792	17 335
Short-term interest bearing debt	12, 13	216 401	95 084
Deferred income/revenue	15	64 885	80 552
Current liabilities		538 307	418 043
Total liabilities		573 127	659 276
Total equity and liabilities		667 407	817 960

Oslo, 22 March 2018 - **Board of Directors in NextGenTel Holding ASA**

Lars B. Thoresen, Chairman of the Board
Espen Fjogstad
Ellen Hanetho
Kari Mette Toverud
Linn Anette Husøy, Employee repr.
Vidar Skogedal, Employee repr.

Eirik Lunde, CEO

Consolidated statement of profit or loss and comprehensive income

For the year ended 31 December

(In thousands of NOK)	Note	2017	2016
Continuing operations			
Sales revenue		1 238 539	1 324 188
Other revenues	16	30 609	34 444
Total revenues		1 269 148	1 358 632
Connection costs and traffic charges		-723 104	-718 559
Payroll expenses	17	-225 219	-246 007
Marketing expenses	18	-43 156	-52 754
Other expenses	18	-117 254	-115 537
Depreciation and amortisation	6, 7	-182 747	-170 526
Total operating expenses		-1 291 479	-1 303 383
Result from operating activities		-22 332	55 249
Finance income	19	3 512	1 195
Finance cost	19	-16 644	-14 567
Net finance cost		-13 132	-13 372
Profit before income tax		-35 463	41 877
Income tax expense	14	-22 033	-9 475
Net profit for the year		-57 496	32 402
Profit attributable to:			
Equity holders of the parent company		-57 496	32 402
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences		3 238	-2 151
Other comprehensive income for the year		3 238	-2 151
Total comprehensive income for the year		-54 258	30 251
Total comprehensive income attributable to:			
Equity holders of the parent company		-54 258	30 251
Earnings per share			
Earnings per share	20	-2.50	1.41
Diluted earnings per share	20	-2.50	1.40

The notes on the following pages are an integral part of the consolidated accounts.

Consolidated statement of changes in equity

For the year ended 31 December 2017

(In thousands of NOK)	Share capital	Treasury shares	Premium paid-in capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	2 328	-30	121 325	-1 490	6 301	128 433
Total comprehensive income for the year						
Profit for the year	-	-	-	-	32 402	32 402
Translation differences	-	-	-	-2 151	-	-2 151
Total comprehensive income for the year	-	-	-	-2 151	32 402	30 251
Balance at 31 December 2016	2 328	-30	121 325	-3 641	38 703	158 684
Balance at 1 January 2017	2 328	-30	121 325	-3 641	38 703	158 684
Total comprehensive income for the year						
Profit for the year	-	-	-	-	-57 496	-57 496
Translation differences	-	-	-	3 238	-	3 238
Total comprehensive income for the year	-	-	-	3 238	-57 496	-54 258
Contributions by and distributions to owners of the Company						
Dividend distribution	-	-	-	-	-11 504	-11 504
Share options exercised	-	3	-	-	592	595
Share-based payment transactions	-	-	-	-	763	763
Total contributions by and distributions to owners of the Company	-	3	-	-	-10 149	-10 146
Balance at 31 December 2017	2 328	-27	121 325	-403	-28 943	94 280

Consolidated statement of cash flows

For the year ended 31 December

(In thousands of NOK)	Note	2017	2016
Cash flows from operations			
Profit before income tax		-35 463	41 877
Taxes paid		-18 696	-5 703
Net profit/loss from sale of fixed assets		-275	-
Depreciation and amortisation	6, 7	182 747	170 526
Other non-cash amortisations		-	-678
Net change in inventory		-	471
Net change in trade and other receivables		13 805	-21 777
Net change in trade and other payables		-12 569	14 617
Cash generated from operating activities		129 548	199 333
Cash flows from investing activities			
Investments in intangible assets	7	-36 106	-36 065
Investments in fixed assets	6	-53 444	-51 505
Net cash used in investing activities		-89 550	-87 570
Cash flows from financing activities			
New financial debt	23	17 374	-
Repayment of debt	23	-70 000	-70 000
Payment of financial lease obligations	13, 23	-27 032	-20 766
Payment of dividend		-11 504	-
Equity Changes		1 363	-
Net cash used in financing activities		-89 799	-90 766
Currency translation of cash		1 029	-1 806
Net change in cash and cash equivalents		-48 773	19 191
Cash and cash equivalents at 1 January	9	66 593	47 401
Cash and cash equivalents at 31 December		17 821	66 593

Notes to the consolidated financial statements

Note 1. Reporting entity

NextGenTel Holding ASA (the Company) and its subsidiaries (collectively the Group) provide fixed and mobile broadband and mobile services in the Norwegian markets. In addition broadband telephony services (Voice over IP) and pure Internet services are provided to end customers under the Telio brand both in Norway and in other countries where Telio is established. The Group also offers its own proprietary technology platform to partners who sell broadband telephony services under their own name (ASP).

The Company is a public limited company (ASA) registered and domiciled in Norway. The Company's registered business address is Harbitzalleen 2, N-0275 Oslo. In addition, the Group has companies in Denmark, Switzerland and the Netherlands.

The Board of Directors and CEO adopted the financial statements for the 2017 financial year, ending on 31 December 2017, on 22 March 2018. The Annual General Meeting will review and adopt the financial statements on 24 April 2018.

Note 2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and approved by the European Union (EU), as well as additional information requirements in accordance with the Norwegian Accounting Act. The financial statements are presented in Norwegian kroner (NOK) and rounded off to the nearest thousand.

The preparation of accounts in accordance with IFRS requires the use of estimates. In addition, the application of the Company's accounting principles requires that the management exercise judgment. Areas that contain a high degree of such discretionary assessments, or a high degree of complexity, or areas where the assumptions and estimates are of significance to the financial statements are described in Note 4.

New and revised standards

New and revised standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year. IASB has made an amendment to IAS 7 – Statement of cashflow regarding the disclosure initiative. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate the changes in financial liabilities arising from financing activities, including both cash and non-cash changes. NextGenTel Holding has provided this reconciliation in note 23, including comparative numbers for 2016.

Other than this, there are no new standards or amendments that are mandatorily effective in the current year that have a material impact on the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been published by IASB, but are not yet mandatory and have not been applied. Relevant for the Group are the following:

IFRS 9, 'Financial instruments'

The new standard will supersede IAS 39 'Financial instruments: Recognition and measurement' upon its effective date, which will be for annual periods starting on or after 1 January 2018. IFRS 9 contains the requirements for I) Classification and measurement of financial assets and liabilities, II) Impairment methodology, and III) General hedge accounting. Compared to IAS 39, the number of categories of financial assets has been reduced, and all assets within the scope of IFRS 9 will be subsequently measured either at fair value or at amortised cost. Furthermore, the impairment model under IFRS 9 reflects expected losses, as opposed to incurred losses under IAS 39. Under IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. IFRS 9 introduce greater flexibility to the types of transactions eligible for hedge accounting and the effectiveness test has been replaced with a principle of economic relationship.

The Group considers the impact of IFRS 9 to be limited, as the Group has limited use of financial instruments and does not enter into hedging instruments. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under IAS 39. The Group has previously recognized only immaterial credit losses; however, the new standard may result in an earlier recognition of credit losses.

IFRS 15 'Revenue from Contracts with customers'
IASB has published a new standard for revenue recognition and the standard establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The standard replaces both IAS 18 'Revenue' and IAS 11 'Construction contracts' as well as several interpretations on revenue recognition guidance. The core principle of IFRS 15 is that revenue is recognised to reflect the transfer of contracted goods or services to customers, at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. IFRS 15 introduces a new five-step approach to revenue recognition and measurement, and the standard has far more descriptive guidance than the previous standards. The new standard will typically have effect on whether revenue should be recognised over time or at a certain point in time, and it will affect the amount and timing of revenue when the transaction price includes a variable consideration element. IFRS 15 will be effective for annual reporting periods beginning on or after 1 January 2018.

The Company will apply IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c) but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

The Group has been working on identifying the impact of implementing this standard during 2016 and 2017, and the consequences for the financial reporting. Even though most of the services and products offered by the Company will be unaffected by the implementation of IFRS 15, the Group have several products that are bundled when offered to our customers. The implementation consequences are the following:

Bundled products applies especially to the sale of mobile phones, which often are sold at a significant discount, but in return, the customer is locked to his subscription for a certain period. After the implementation of IFRS 15, it will be necessary to allocate a reasonable remuneration and profit to the sale of the mobile phones, thus allocating parts of the discount to the subscription fees. This will result in an earlier revenue recognition than what is practiced today. The amortization-schedule of the customer-locking-period has been examined, and the implementation-effects regarding sale of mobile phones are negligible. Therefore, the Company will not recognize any effects as at the implementation date, but the new standard will have an effect on the accounting principles going forward.

The Company delivers other sorts of subscription services, which are sometimes bundled before delivery to our customers. These subscriptions are in most cases independent of each other, and will have to be treated separately after implementation of IFRS 15. Separating the income into its different components will have an insignificant effect on the financial statements, but the unbundling of products sold with an upfront discount will possibly have some effect, where we expect the income to be recognised earlier than today. We have examined how much discount has been given regarding currently running subscriptions, and the implementation effects are negligible. Therefore, the Company will not recognize any effects as at the implementation date, but it will have an effect on the accounting principles going forward.

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 an asset 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, a three-year amortization schedule will be applicable.

We have examined how much has been expensed over the last three years and estimated the implementation-effects as follows (all amounts in thousands of NOK, debits in positives, credits in negatives):

Impact on assets and equity	1 Jan. 2017
Contract costs (current assets)	47 138
Equity	-47 138

Impact on Profit or loss	Year ended 2017
Other operating expenses	-20 113
Depreciation and amortisations	29 499
Net profit	-9 386

Impact on assets and equity	31 Dec. 2017
Contract costs (current assets)	37 751
Equity	-37 751

The accounting principles for all future transactions will have to be modified accordingly.

IFRS 16 'Leasing', will replace the existing IAS 17 'Leases' as well as some related interpretations, and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. For lessees, the new standard removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases (12 months or less and does not contain a purchase option) and leases of low value assets (such as tablets, telephones, computers and small items of office furniture).

IFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019, and the Company will apply the new standard using the modified retrospective approach, recognizing the cumulative effect of initially applying the Standard at the date of the application, without restating the comparative information. At the implementation date, the Company must recognize a lease liability at the present value of the remaining lease payments and a right-of-use asset either at the value as if the Standard had been applied since the lease arrangement commenced, or at the same value as the liability, for all leases previously classified as operating leases. For all leases previously classified as finance leases, there are no implementation effects; The carrying amount of the lease asset shall be the carrying amount of the right-of-use asset, and the carrying amount of the lease liability shall remain unchanged. From the date of the application of IFRS 16, the asset and liability shall be accounted for using the new standard.

As at the reporting date, the group has non-cancellable operating lease commitments of TNOK 84.408, see note 13. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Other amendments to existing standards are expected to have negligent effect on the Groups financial statements.

2.2 Consolidation principles

Subsidiaries are entities controlled by the Group. The Group controls the entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which the Group obtains control and are excluded from consolidation when control ceases. Change in ownership interest in subsidiaries without loss of control, is accounted for as an equity transaction. The difference between the proceeds and the carrying value of the non-controlling interests are recognized directly in equity and attributed to the shareholders of NextGenTel Holding ASA. When control is lost, the subsidiary's assets, liabilities, non- controlling interests and any accumulated translation differences are derecognized. Any remaining interest at the date of loss of control is measured at fair value and gains or losses are recognized in profit or loss.

All intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. The accounting principles applied in the subsidiaries have been changed where necessary to ensure consistency with the Group's accounting policies.

Non-controlling interests in subsidiaries are shown as part of the equity but separate from the equity attributable to shareholders of the Group. The non-controlling interests are measured either at fair value or at the proportionate share of identifiable net assets and liabilities. The principle for measurement of non-controlling interests is determined separately for each transaction.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The purchase method involves the identification of the acquirer, determining the date of acquisition, recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and the recognition and measurement of goodwill or gain from bargain purchase.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for deferred tax assets and liabilities, share-based payment arrangements and held-for-sale assets or disposal groups. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquiree's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Direct costs associated with the acquisition are recognized in the profit or loss. If the business combination is achieved in stages, the acquisition date fair value of the Groups previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2.4 Foreign currency translation

Foreign currency transactions in the different group entities are recognized and measured in the functional currency at the transaction date. Monetary items denominated in foreign currencies are translated to the functional currency at the closing rate. Gains and losses resulting from exchange rate fluctuations are recognized in profit or loss.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the parent company. When consolidating subsidiaries in foreign currency, the profit or loss items are translated to Norwegian kroner using average rate for the year. For balance sheet items, including fair value adjustments for assets and liabilities associated with acquisitions and goodwill, the exchange rate at the balance sheet date is used. Currency translation effects resulting from the consolidation of foreign operations are recognized as other comprehensive income until the subsidiary is disposed of.

2.5 Recognition of revenue

Revenue consists primarily of revenue from connection fees, subscriptions and traffic charges. Revenue from the sale of services is valued at fair value of the consideration, net of value-added tax and discounts.

Revenue from sale of goods is recognized when the profit and loss potential of the goods is transferred to the customer, proceeds from the sale are expected to flow to the Company and the amount can be reliably estimated. Revenue from delivery of services is recognized as the services are delivered, if progress in the delivery and the associated revenues and costs can be measured reliably. If the contracts contain multiple elements, revenue is recognized from each subset separately provided that the transfer of risks and can be measured separately for these items. Revenue is recognized in the income statement as follows:

(a) Connection fees
Revenue from connection fees is recognized at the time of establishment of a new customer.

(b) Subscriptions
Revenue from subscriptions is recognized when it is earned during the subscription period in accordance with the actual content of the subscription agreement, starting on the subscription's activation date.

(c) Traffic (origination and termination)
Revenue from traffic from subscribers is recognized in accordance with the actual traffic during the period, multiplied by the contractual rates per traffic unit and type (origination).

Revenue from traffic to subscribers from external sources is recognized in accordance with the same principle (termination).

(d) Hardware
Revenue from sales of hardware is recognized when the goods have been delivered. Hardware is usually sold stand-alone to existing customers who already have a subscription.

e) Deferred revenue
All payments from subscriptions are collected in advance. Revenue from prepaid subscriptions are therefore deferred and recognized as revenue during the subscription period. Deferred revenue is classified as a current liability as the prepayment period always is shorter than 12 months.

2.6 Other revenue

Other revenue consist of invoicing fees, invoicing of adapters that are not returned, invoicing of agreement period violations and other fees. Other revenue is recognized based on the same recognition criteria as ordinary sales revenue.

2.7 Connection costs and traffic charges

Costs associated with leased connection capacity consist primarily of costs associated with the termination of calls, bandwidth, hosting, etc. Such costs are recognized when incurred in accordance with the actual content of the lease agreements. Traffic charge costs are recognized in the same period as the traffic activity, corresponding to the associated traffic revenue.

2.8 Recognized customer acquisition and connection costs

External costs that can be associated directly to a customer acquisition and connection are expensed when incurred.

2.9 Development costs

Internally generated intangible assets from development of identifiable and unique software products are capitalized if all of the following criteria are met:

- The asset can be identified
- The Company has both the intention and ability to complete the intangible asset, including the adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The technical feasibility of completing the intangible asset is known
- It is probable that the asset will generate future positive cash flows
- The development costs can be measured reliably

Direct expenses include payroll expenses for software development personnel and a share of the associated overhead costs.

Subsequent to initial recognition development expenditure is measured at cost less accumulated amortization and any accumulate impairment losses. The assets are amortized over their useful lives from the date the assets are available for use.

If the criteria are not met, the expenses associated with developing or maintaining software are recognized in the profit or loss as they are incurred.

2.10 Income taxes

Tax expense in the income statement consists of current tax and changes in deferred tax. Tax on items recognized in other comprehensive income in the statement of comprehensive income (OCI) is also recognized in other comprehensive income. Tax on items related to equity transactions is recognized in equity.

The tax payable for the period is calculated according to the tax rates and regulations ruling at the end of the reporting period. Tax payable for the period is calculated on the tax basis, which deviates from "Profit before tax" as a consequence of amounts that shall be recognized as income or expense in another period (temporary differences) or items never to be subject to tax (permanent differences).

Deferred tax is calculated on temporary differences between book and tax values of assets and liabilities in the financial statements and any tax effects of losses carried forward at the reporting date.

Deferred tax assets are only recognized in the balance sheet to the extent that it is probable that there will be sufficient taxable profits to utilize the benefits of the tax reducing temporary differences. Deferred tax liabilities and assets are calculated at nominal amounts. Deferred tax liabilities and assets offset when the Company has a legal right to offset assets and liabilities, and is able to and intend to settle the tax obligation net.

2.11 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there are indications that amounts might be impaired, and carried at cost less accumulated amortization. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination. Impairment of goodwill is not reversed in a subsequent period.

2.12 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired in a business combination are capitalized at fair value at the date of the business combination. In subsequent accounting periods, intangible assets at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over their estimated useful lives. Normally, linear depreciation profiles are used, as this normally best reflect the use of the assets. This will apply to intangible assets such as software, customer relationships, patents and rights and capitalized development costs.

Intangible assets with indefinite lives are not amortized, but tested for impairment annually. Some of the Group's capitalized trademarks have an indefinite life.

2.13 Property, plant and equipment
Tangible assets are carried at cost, less accumulated depreciation and amortization. The cost includes expenditure directly attributable to the acquisition of the asset, including borrowing costs. Subsequent costs related to the asset is recognized to the extent it is probable that future economic benefits will flow to the Group and the cost can be measured reliably, while ongoing current maintenance is expensed.

Tangible assets are depreciated over their expected useful lives, normally on a straight-line basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. If indications of impairment exist, the asset is tested for impairment.

2.14 Lease agreements
The Group leases certain operating assets. Property, plant and equipment which is leased on conditions which substantially transfer all the economic risks and rewards to the Company (finance lease) are accounted for as property, plant and equipment at the lowest of fair value of the leased asset or the present value of the minimum lease payments. The corresponding lease commitments, excluding the financial expenses, are recognized as finance lease obligations in the balance sheet. Equipment acquired through financial lease agreements are depreciated over the shorter of the expected life of the asset or term of the lease agreement. The related liabilities are reduced by the amount of lease payments less the effective interest expense.

Lease agreements where a significant portion of the risk and reward associated with ownership still lies with the lessor, are classified as operating lease agreements, and lease payments are recognized as expenses over the lease terms.

2.15 Impairment of non-financial non-current assets
Intangible assets that have an indefinite useful life are not depreciated and the value is tested annually for impairment. Tangible and intangible assets that are depreciated are assessed for impairment in value when there are indicators that future earnings cannot support the carrying amount.

An impairment loss is recognized in the profit and loss account if the carrying amount of an asset or cash-generating unit (assets grouped at the lowest level at which it is possible to identify independent cash flows) exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is the present value of future cash flows expected to be generated by an asset or a cash-generating unit. Previously recognized impairment losses, except for goodwill, are subsequently reversed when the impairment indicator no longer exists.

2.16 Government grants
Government grants are recognized at fair value in the accounts when it is reasonably certain that the grants will be received and the Group will comply with conditions attached to the grants. Grants are recognized according to the actual terms of the scheme. Government grants that compensate the Group for expenses are recognized in the statement of income as the expenses are incurred. Government grants that compensate the Group for the cost of an asset (investment grants) are deducted in the carrying amount of the asset and recognized in the statement of income on a systematic basis over the useful life of the asset as a reduction to depreciation expense.

The Company has utilized a tax scheme that is available to all businesses registered in Norway. In accordance with this scheme, the Company qualifies for a direct tax reduction by qualifying for and subsequently documenting certain qualifying research and development expenses (SkatteFunn scheme). The government grant consists of a reduction in the tax charge.

2.17 Inventory
Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, and other cost incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.18 Financial instruments
Classification
Financial assets and liabilities are recognized when the Company becomes a party to the contractual obligations and rights of the instrument. All financial instruments are classified in the following categories, pursuant to IAS 39, at their initial recognition

1. Financial instruments at fair value and with changes in value recognized over profit and loss
2. Available for sale financial instruments, measured at fair value and with changes in value recognized over other comprehensive income
3. Loans and receivables
4. Financial liabilities

Financial instruments are classified as held for trading and included in category 1 only if acquired primarily for benefiting from short-term price fluctuations. Derivatives are normally classified as held for trading and as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They are classified as current assets, unless they are expected to be realized more than 12 months after the balance sheet date. Loans and receivables are presented as trade receivables or other receivables in the balance sheet.

Trade payables and other financial liabilities are classified as current liabilities unless there is an unconditional right to postpone payment of the debt by more than 12 months from the date of the balance sheet.

Recognition, measurement and presentation of financial instruments in the income statement and balance sheet

Purchases and sales of financial instruments are recognised on the date of the agreement, which is when the Company has made a commitment to buy or dispose of the financial instrument. Financial instruments are derecognised when the contractual rights to the cash flows from the asset expire or are transferred to another party. Correspondingly, the financial instruments are derecognised when the Company has transferred the risks and rewards connected with the ownership.

Financial instruments at "fair value over profit and loss" are initially measured at quoted prices at the balance sheet date or estimated on the basis of measurable market information available at the balance sheet date. Transaction costs are recognised in profit or loss. In subsequent periods, the financial instruments are presented at fair value based on market values or generally accepted calculation methods. Value changes are recognised over profit and loss.

Borrowings and receivables are initially measured at fair value with the addition of direct transaction costs. In subsequent periods, the assets and liabilities are measured at amortised cost by using the effective interest method less any decline in value. A provision for a decline in value is made for actual and possible losses on receivables. Objective evidence that financial assets are impaired includes; significant financial problems facing the customer, probability that the customer will enter into bankruptcy or undergo financial restructuring, postponements and non-payments are regarded as indicators that the receivables from customers must be written down. Provisions for losses are recognized when there are indicators that the Group will not receive settlement in accordance with the original terms. Losses on loans and receivables are recognised in the income statement.

Financial liabilities are measured at amortised cost by using the effective interest method.

Gain and loss from the realisation of financial instruments and changes in fair values are recognised in the income statement in the period they arise. Dividend received is recognised as income when the Company has a legal right to receive payment.

Financial derivatives and hedge accounting

The Company applies financial derivatives to reduce any potential loss from exposures to unfavourable changes in interest rates (interest-rate swaps). The derivatives are recognised as financial instruments at fair value, and the value changes are recognised in the income statement. The Company does not apply hedge accounting in the financial statements.

2.19 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and other short-term easily realisable investments with an original maturity of less than three months, including restricted funds.

The Group has established a cash pool for all Norwegian companies. Subsidiaries' cash balances are presented as inter-company balances in their separate financial statements and eliminated in the group accounts.

2.20 Share capital and reserves

Ordinary shares are classified as equity. The paid-up capital is presented as share capital and share premium, the first of which represents ordinary shares at par value. Expenses that are directly attributable to the issuance of new shares are recognized as a reduction in the proceeds received above par.

When the Company's own shares are purchased, the consideration, including any transaction costs less taxes, is entered as a reduction of the equity (attributable to the Company's shareholders) and presented as treasury shares until the shares are annulled, reissued or sold. If the Company's own shares are subsequently sold or reissued, gain/loss from the sale of own shares is recognized as a change in equity.

2.21 Deferred tax assets and liabilities

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent these can be utilized against probable taxable profits. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2.22 Pension obligations, bonus schemes and other compensation schemes for employees

(a) Defined contribution plans

The companies in Norway and Switzerland have established a defined contribution pension plan for employees. A defined contribution plan is a pension scheme in which the Group pays fixed contributions to a separate legal entity. The Group does not have any legal or other obligation to pay additional contributions.

Obligations for contributions to defined contribution plans are recognized as a payroll expense in the statement of income when employees have rendered services entitling them to the contributions. Contributions paid in advance are recognized as an asset in the accounts if the contribution can be refunded or reduce future payments.

(b) Share-based reward system

The Group has a share-based settlement payment plan. The share-based payments will be settled with issuance of new shares. The Company recognizes an increase in equity and an expense in profit and loss when the services are received from the counterparty and the equity instruments are vested. The amount recognized as an expense is based on the fair value of the options granted at the time of the grant, less the effect of any contribution terms that are not market-based (such as profitability or sales growth goals).

The National Insurance contributions related to share-based compensation schemes are expensed at the same time and recognized as liabilities. Adjustments to the National Insurance obligation will be recognized as a cost or as a reduced cost in subsequent periods, based on changes in the intrinsic value over the vesting period.

2.23 Provisions

A provision is recognized when the Company has an obligation as a result of a previous event, it is probable that a financial settlement will take place and the amount can be reliably measured. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, discounted at present value if the discount effect is significant.

2.24 Dividend

Dividend proposed by the Board is classified as equity in the financial statements and recognized as a liability only when it has been approved by the shareholders in a Shareholders' Meeting.

2.25 Operating segments

The operating segments are presented based on the same information provided to the Board of Directors and CEO, who collectively represent the Group's highest decision-making body. The segments are evaluated on a regular basis by the Company's senior management based on financial and operational information prepared specifically for each segment for the purpose of assessing performance and allocating resources. Including 2017, the Board of Directors have considered the business from three perspectives:

The primary segment; Products
The secondary segment; Geographically
The third segment; Customer types

From a product perspective, management separately considers broadband, VOIP, mobile and wholesale as segments. Geographically, the following four operating segments have been defined: Norway, Denmark, Switzerland and the Netherlands. Thirdly, management monitors sales revenue and customer receivables separated by residential customers and business customers.

2.26 Cash-flow statement

The cash flow statement has been prepared using the indirect method. This implies that when presenting the cash-flow from operating activities, profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments. Cash-flow from investing activities and financing activities are included in the statement.

2.27 Related parties
Parties are considered related when one of the parties has the control, joint control or significant influence over another party. Parties are also related if they are subject to a third party's control or one party can be subject to significant influence and the other joint control. Companies controlled by or being under joint control by key executives are also considered to be related parties.

All related party transactions are carried out in accordance with written agreements and established principles.

Note 3. Financial risk management

The Group's activities are exposed to certain financial risks: a market risk, credit risk, interest risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The CFO is responsible for risk in the company. The CFO monitors financial risk and operating risk is monitored by the CTO.

3.1 Market risk

Foreign exchange risk

The Group operates internationally, but it has a limited foreign exchange risk since most of the revenues (approximately 95%) and expenses are in Norwegian kroner (NOK). The Group is exposed to foreign exchange risk because of operations in multiple countries with different currencies, although there is a degree of implicit hedging because subsidiaries are doing business in the local currency. The net exposure to foreign currency is thus limited. Subsidiaries are exposed to foreign currency risk through intra-group loans in Norwegian kroner (NOK).

Interest rate risk

Interest rates are depending on the economy and political actions, which will influence the Group's funding cost over time. However, the overall exposure of its business to interest rate fluctuations is considered low. The interest rate risk is managed on an assessment of the financial markets and macro-economic development, in relation to the expected impact an interest change will have on the Group's financial performance. The Group is subject to interest rate risk on its long-term borrowings. This risk is partly being mitigated by interest rate hedging where up to 50% of net interest-bearing debt is being hedged. The Group does not apply hedge accounting; the hedging instruments are accounted for as other derivatives.

3.2 Credit risk
The Group has no significant concentrations of credit risk, since the customer base consists of many customers with relatively small balances. The foreign subsidiaries have factoring agreements. The credit rating, monitoring and collection routines are subject to continuous evaluation and improvements. The Group has appropriate procedures to monitor high consumption, watch out for fraud and disconnect customers who do not settle their accounts with the company.

3.3 Liquidity risk
Management of liquidity risk has become more challenging after recent years' business combinations with increased financial leverage. The Group's liquidity risk has increased following declining profits; however, the company still has relatively low debt ratios. The Group must secure and maintain sufficient equity capital to support such borrowing facilities. The management of liquidity risk requires maintenance of adequate liquid reserves in accordance with the development of the operations. Cash reserves are monitored regularly.

Note 4. Management's judgement, estimation uncertainty, accounting estimates and discretionary assessments

4.1 Critical judgement in applying accounting policies

In the process of applying the entity's accounting policies, management makes various judgements, primarily regarding assumptions about the future and estimates. Apart from those involving estimations, judgement regarding the application of the accounting policies is seldom required, as the application is fairly straightforward.

Judgements regarding estimates are discussed below in paragraph 4.2.

4.2 Key sources of estimation uncertainty

Estimates and discretionary assessments are evaluated continuously and based on historical experience and other factors, including expectations of future events that are regarded as probable under the current circumstances. The Group prepares estimates and makes assumptions concerning the future. The accounting estimates that are made as a result of this will rarely coincide in full with the final outcome. Estimates and assumptions/prerequisites that represent a significant risk of major changes in the book value of assets and liabilities during the next financial year are discussed below.

For some of the Groups assets or liabilities, a sensitivity analysis has been prepared and presented in the according note, demonstrating sensitivity to certain risk and estimation uncertainty. Furthermore, if changes has been made to past assumptions concerning certain assets or liabilities, an explanation has been presented together with the effects in the according note.

(a) Uncertain tax positions

The Group is taxed for income in several different jurisdictions. The use of discretion is required to determine the income tax in all the countries combined in the consolidated accounts. For many transactions and calculations there will be uncertainty related to the ultimate tax liability. The Group accounts for tax obligations related to future decisions in tax/dispute cases, based on estimates of whether additional income tax will accrue. If the final outcome of the cases deviates from the original provisions set aside, the deviation will affect the recorded taxes and provisions for deferred taxes during the period when the deviation is established.

(b) Evaluation of impairment in the value of non-financial assets

The impairment exists when carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is higher of its fair value less costs to sell and value in use. Fair value less costs to sell calculation is based on available data for similar assets or observable market prices less costs to sell. The value in use calculation is based on DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected cash flows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Annual tests are performed to assess whether the value of non-financial assets is impaired. The management has defined each subsidiary as an individual cash-generating unit (CGU).

(c) Development expenses, amortization and depreciation

Development expenses can either be capitalized or recognized as an expense when they are incurred based on an evaluation of the cost category. Expenses directly related to the development of identifiable and unique software products that are owned by the Group are recognized as intangible assets on the balance sheet if it is probable that they will generate economic benefits exceeding the expected future expenses. Direct expenses included payroll expenses for software development personnel and a share of the associated fixed costs. Capitalized proprietary software is depreciated on a straight-line basis over the software's expected economic life (three to five years). Other expenses associated with developing or maintaining software are recognized as they are incurred.

The corporate management evaluated the expected economic life and related depreciation for capitalized development expenses. The management reviews the capitalized assets' expected economic life and the depreciation method used at least annually. The effect of any changes to the depreciation method will be amortized over the remaining economic life of the assets. Capitalized internally developed software will be tested annually for impairment in accordance with IAS 36, or more often if there are indications of impairment in value.

(d) Provisions for losses on receivables

Trade accounts receivable consist typically of a large number of balances with relatively small amounts. The Group has standardized reminder and collection routines for all the claims that are not paid when they fall due. The Group sets aside provisions for losses on receivables monthly based on the age distribution of the outstanding receivables taking into account the expected payment ratio. The provisions are reviewed regularly. Provisions for non-consumer-related receivables are evaluated individually.

(e) Measurement of fair value
The group has to a small extent accounting policies and disclosures that require the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than Quoted prices included in level 1 that is observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that is not based on observable market data.

Note 5. Operating segments

Segment reporting
The group has defined and presented operating segments based on information that is provided to the Board of Directors and CEO, who collectively represent the group's highest decision-making body. At the end of 2017, a restructuring of the Group was carried out, leading to a change in how the Group is governed and followed-up by the management and the Board. However, for 2017 and earlier years, the following apply. The Board of Directors has considered the business from both a geographic and product perspective. Geographically, the following four operating segments have been defined: Norway, Denmark, Switzerland and the Netherlands. From a product perspective, management separately considers broadband, VOIP, mobile and wholesale as segments however this only include the revenues and no other financial figures. Wholesale segment derive the revenue from VoIP services, however Average Revenue Per User and Gross Margin are different from regular VoIP services. Norway has all product categories represented while the other countries only have VOIP activities. All products are sold to both residentials and businesses. Transactions between the segments are eliminated.

Although the countries outside Norway do not meet the quantitative thresholds required by IFRS 8 for reportable segments, management has concluded that these should be presented as they have been included in previous years and also to continue showing the operations in foreign markets.

2017 (In thousands of NOK)

Profit and loss by segment	Norway	Denmark	Netherlands	Switzerland	Other/elim.	Group
Total revenues	1 247 948	21 220	11 666	13 990	7 142	1 301 966
Intra-group revenues	-25 676				-7 142	-32 818
Net revenues	1 222 272	21 220	11 666	13 990	-	1 269 148
Total costs of sales	-726 041	-6 718	-7 369	-6 198		-746 326
Intra-group cost of sales	17 431		5 792			23 223
Net cost of sales	-708 610	-6 718	-1 578	-6 198	-	-723 104
Gross profit/loss	513 662	14 502	10 088	7 792	-	546 044
Gross margin	42%	68%	86%	56%	0%	43%
Total operating expenses	-505 240	-7 160	-1 203	-4 969	-59 660	-578 232
Intra-group operating expenses	6 064	2 570		1 222		9 856
Net operating expenses	-499 176	-4 590	-1 203	-3 747	-59 660	-568 376
Operating profit/loss	14 486	9 912	8 885	4 045	-59 660	-22 332
Financial items					-13 132	-13 132
Profit before tax expense	14 486	9 912	8 885	4 045	-72 792	-35 463

2016 (In thousands of NOK)

Profit and loss by segment	Norway	Denmark	Netherlands	Switzerland	Other/elim.	Group
Total revenues	1 333 782	26 022	14 655	16 962	4 162	1 395 583
Intra-group revenues	-32 789				-4 162	-36 951
Net revenues	1 300 993	26 022	14 655	16 962	-	1 358 632
Total costs of sales	-715 838	-11 440	-9 181	-8 387	-	-744 845
Intra-group cost of sales	19 341		6 947	-	-	26 288
Net cost of sales	-696 497	-11 440	-2 234	-8 387	-	-718 557
Gross profit/loss	604 496	14 582	12 421	8 575	-	640 074
Gross margin	46%	56%	85%	51%	0%	47%
Total operating expenses	-525 695	-8 224	-2 147	-5 242	-53 659	-594 967
Intra-group operating expenses	5 680	3 127		1 335		10 142
Net operating expenses	-520 015	-5 097	-2 147	-3 907	-53 659	-584 825
Operating profit/loss	84 481	9 485	10 274	4 668	-53 659	55 249
Financial items					-13 372	-13 372
Profit before tax expense	84 481	9 485	10 274	4 668	-67 031	41 877

31.12.2017

Balance sheet	Norway	Denmark	Netherlands	Switzerland	Other/elim.	Group
Assets	668 893	26 919	20 368	4 767	-53 540	667 407
Liabilities	398 697	1 615	1 435	8 452	162 927	573 127
Equity capital	270 196	25 304	18 933	-3 685	-216 467	94 280

31.12.2016

Balance sheet	Norway	Denmark	Netherlands	Switzerland	Other/elim.	Group
Assets	707 033	21 693	16 746	8 199	64 289	817 960
Liabilities	425 060	3 016	818	14 544	215 837	659 276
Equity capital	281 973	18 677	15 928	-6 345	-151 548	158 684

Secondary segment - Revenue by products	2017	2016
VoIP	204 523	211 345
Mobile	183 692	185 429
Broadband	845 086	919 723
Wholesale	11 666	14 746
Other	24 181	27 388
Total	1 269 148	1 358 632

Tertiary segment - Revenue by customer segment	2017	2016
Residential customers	792 684	892 738
Business customers	476 464	465 894
Total	1 269 148	1 358 632

Note 6. Property, plant and equipment

(In thousands of NOK)	IT equipment rented to customers	Office equipment, furniture	Infrastructure and network	Total fixed assets
Accumulated acquisition cost 01.01.17	2 213	23 694	1 437 801	1 463 709
Additions	180	8 638	50 090	58 908
Currency translation differences	156	-	-24	132
Accumulated acquisition cost 31.12.17	2 550	32 332	1 487 867	1 522 749
Accumulated depreciation 01.01.17	-869	-13 218	-1 254 932	-1 269 019
Depreciation in the period	-929	-3 330	-97 801	-102 059
Disposals	275			275
Currency translation differences	-97	-	-197	-295
Accumulated depreciation 31.12.17	-1 619	-16 548	-1 352 930	-1 371 097
Carrying value 31.12.17	930	15 784	134 937	151 652
Depreciation method	Linear	Linear	Linear	
Economic useful lifetime	2-3 years	3-5 years	3-7 years	

Part of these fixed assets are capitalised as financial lease assets. See note 13 for further details.

(In thousands of NOK)	IT equipment rented to customers	Office equipment, furniture	Infrastructure and network	Total fixed assets
Accumulated acquisition cost 01.01.16	839	19 167	1 362 710	1 382 715
Additions	1 450	4 528	88 099	94 077
Disposals	-	-	-12 853	-12 853
Currency translation differences	-76	-	-154	-230
Accumulated acquisition cost 31.12.16	2 213	23 694	1 437 801	1 463 709
Accumulated depreciation 01.01.16	-199	-11 141	-1 153 898	-1 165 237
Depreciation in the period	-697	-2 077	-100 848	-103 622
Disposals	-	-	-315	-315
Currency translation differences	27	-	128	155
Accumulated depreciation 31.12.16	-869	-13 218	-1 254 932	-1 269 019
Carrying value 31.12.16	1 345	10 476	182 869	194 690
Depreciation method	Linear	Linear	Linear	
Economic useful lifetime	2-3 years	3-5 years	3-7 years	

Part of these fixed assets are capitalised as financial lease assets. See note 13 for further details.

Note 7. Intangible assets

(In thousands of NOK)	Internally developed IT systems	Other rights/ customer relations	Total	Goodwill
Accumulated acquisition cost 01.01.17	387 973	386 342	774 316	132 672
Additions	29 336	6 770	36 106	-
Reclassification, acquisition cost	-19 406	58 268	38 862	-
Accumulated acquisition cost 31.12.17	397 903	451 381	849 284	132 672
Accumulated depreciation 01.01.17	-297 797	-290 294	-588 091	-
Depreciation in the period	-26 937	-53 750	-80 687	-
Recassification, acc depreciation	1	-38 863	-38 862	-
Accumulated depreciation 31.12.17	-324 733	-382 907	-707 640	-
Accumulated Write downs 01.01.17	-378	-	-378	-
Accumulated Write downs 31.12.17	-378	-	-378	-
Carrying value 31.12.17	72 792	68 474	141 266	132 672
Depreciation method	Linear	Linear		
Economic useful lifetime	3-7 years	5 years		

(In thousands of NOK)	Internally developed IT systems	Other rights/ customer relations	Total	Goodwill
Accumulated acquisition cost 01.01.16	344 646	487 488	832 134	132 672
Additions	32 635	655	33 290	-
Reclassification, acquisition cost	10 692	-101 801	-91 109	-
Accumulated acquisition cost 31.12.16	387 973	386 342	774 315	132 672
Accumulated depreciation 01.01.16	-248 233	-377 602	-625 835	-
Depreciation in the period	-17 684	-49 226	-66 910	-
Reclassification, acc depreciation	-32 258	136 534	104 276	-
Currency translation differences	178	201	379	
Accumulated depreciation 31.12.16	-297 997	-290 093	-588 090	-
Accumulated Write downs 01.01	-378	-	-378	-
Accumulated Write downs outgoing balance	-378	-	-378	-
Carrying value 31.12.16	89 598	96 249	185 847	132 672
Depreciation method	Linear	Linear		
Economic useful lifetime	3-7 years	5 years		

The depreciation of development expenses is found under "depreciation and amortization" in the income statement. The recognised value of the SkatteFUNN programme is TNOK 744 (2016:T NOK 1 082). SkatteFunn has been recognized as a reduction in the capitalized development expenses.

Goodwill - Impairment test

The Group's carrying value of goodwill arises from two acquisitions: (1) The acquisition of NextGenTel AS with effect from 1 February 2013 and (2) The acquisition of Kvantel AS and Kvantel Voice AS with effect from 1 October 2015.

The two Kvantel-companies have subsequently been merged, and is regarded as one joint cash-generating unit (CGU). During 2017, a restructuring of the Group has been carried out, establishing Fiber Norge AS and Proximo AS as provider of services to the corporate market, and cultivating NextGenTel as provider of services to the consumer market. However, despite the demerger, the activities in the companies use the same network, the same technology platform and other key assets and personell, and the activities in NextGenTel and Proximo should still be considered one joint CGU for impairment-testing purposes.

The goodwill is tested for impairment losses annually. It has been concluded that future cash flows are sufficient to support the carrying value of recognized goodwill.

Determination of recoverable amount

The company has used "value in use" to determine the recoverable amount for each of the cash generating units. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the next year. Cash flows for other years are extrapolated using the estimated growth rates stated below.

Key assumptions used in the calculation of value in use are:

EBITDA
EBITDA represents the operating profit before depreciation and amortization and is estimated based on the most recent business plan for each of the CGU's and the estimated future development in the market.

Growth rate
Both of the CGU's are operating in mature markets, thus the growth rate should be conservatively set. For the NextGenTel/Proximo - CGU, the company has applied a negative growth rate of - 4% in its estimates, extrapolating current budget assumptions. For Kvantel, a growth rate of 2 % has been applied to determine the terminal value.

Capital expenditure
Capital expenditure is estimated based on the most recent business plan for each of the CGU's. Capex is retained at a level above 5% of revenues to support the ongoing shift from DSL-based broadband to fiber-based broadband.

Discount rate
Discount rate reflects the current market assessment of the risks specific to the specific cash generating unit. Discount rate (WACC) used in calculations is 11.54% for 2017 (7.9% for 2016).

Sensitivity to changes in assumptions

There is significant headroom between recoverable amounts of goodwill and the carrying amounts. As a basis for sensitivity evaluation, the company has used the following changed assumptions for each of the CGU's:

(In thousands of NOK)	NextGenTel / Proximo	Kvantel
Tangible assets	112 890	37 383
Intangible assets	160 266	113 672
Total carrying value	**273 156**	**151 055**
Calculated recoverable amount	368 425	312 232
Excess value	**95 269**	**161 178**

(In thousands of NOK)	NextGenTel / Proximo	Kvantel
Sensitivity, recalculated excess value:		
- Increase of discount rate of 1%	74 268	131 828
- Negative growth rate at 1%	80 900	139 321
- Reduction of EBITDA of 10%	18 268	101 229
- Combined all three	-8 259	63 449

Combined change of all assumptions would reduce the excess value to 55 million and would still not require an impairment for Kvantel, but for the NextGenTel/Proximo - CGU, a small impairment could be the result. The Group operate a recurring revenue business in a mature market. The ability to achieve EBITDA estimates is dependent on a successful strategy and that no major unforeseen negative market events occur.

Note 8. Trade and other receivables

(In thousands of NOK)	2017	2016
Trade accounts receivable	111 985	97 491
Provisions for expected losses on trade receivables	-12 074	-14 356
Net trade accounts receivable	99 911	83 135
Prepaid expenses	92 493	117 915
Accrued, not yet invoiced income	8 229	7 243
Other receivables	936	6 793
Total trade receivables and other receivables	201 569	215 086
The movement in the provision for bad debt during the year was as follows		
Balance at 1 January	-14 356	-15 843
Amounts written off during the year as uncollectable	3 460	2 237
Provision for receivables impairment	-1 178	-750
Balance at 31 December	-12 074	-14 356
Realized losses	13 093	9 533
Change in bad debts provision	-2 282	-1 487
Payments received for previously written off rec.	-4 057	-1 915
Included in Other expenses	6 753	6 131

See note 23 regarding credit risk exposure.

The Group's delivery of subscriptions are invoiced up-front to our customers. This is accounted for as an account receivable and a deferred revenue; The deferred revenue is normally presented as a short-term liability in the balance sheet awaiting delivery of services (then it is recognised as sales revenue in the profit and loss). However, this is provided that payment has been made from our customer. Until payment has been collected, the deferred revenue and receivable are presented net.

Tellio ApS has an agreement to sell receivables to Svea Finans. This agreement implies that Svea will purchase receivables related to traffic and subscription fees at nominal value. This agreement also implies that Svea has recourse against Tellio ApS based on specific criteria. A similar agreement is signed with Swisscom Health AG for the Swiss market. Included in these agreements are also dunning and collection services.

Note 9. Cash and cash equivalents

(In thousands of NOK)	2017	2016
Unrestricted cash and bank deposits	14 992	64 929
Restricted cash, tax withholdings	1 846	1 500
Other restricted cash *)	984	164
Total cash and bank deposits	17 821	66 593

*) Cash and bank deposits include separate bank accounts in connection with guarantees furnished to TDC and other supplier contracts.

The Group has an overdraft facility with Nordea amounting to MNOK 50. At 31.12.2017, MNOK 13.9 had been used. The overdraft facility is not treated as cash, but as short-term borrowings (see note 12).

The Group has established a cash pool with Nordea for all Norwegian companies. Subsidiaries' cash balances are presented as intercompany balances in their separate financial statements and eliminated in the Group accounts. Participating subsidiaries are jointly responsible for the bank facilities.

Note 10. Capital and reserves

Share capital
Total number of shares issued is 23,283,180 ordinary shares with a nominal value of NOK 0.10 per share. All the shares issued are fully paid-up. All shares have equal voting rights. The company held 274 201 treasury shares as at 31 December 2017.

List of the 20 largest shareholders as at 31 December 2017:

Shareholder's name	Number of shares	Percentage
SKANDINAVISKA ENSKILDA BANKEN AB	6 224 667	26.7 %
TALIR HOLDING AS	1 260 000	5.4 %
STOREBRAND NORGE I VERDIPAPIRFOND	1 256 331	5.4 %
SYNESI AS	1 250 000	5.4 %
ZONO HOLDING AS	1 132 894	4.9 %
ZICO AS	1 038 551	4.5 %
STATE STREET BANK AND TRUST COMP	965 998	4.1 %
TIGERSTADEN AS	862 904	3.7 %
MATHIAS HOLDING AS	600 000	2.6 %
ARCTIC FUNDS PLC	458 157	2.0 %
VERDIPAPIRFONDET STOREBRAND OPTIMA	420 364	1.8 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	419 376	1.8 %
HORTULAN AS	404 859	1.7 %
DATUM AS	300 000	1.3 %
NEXTGENTEL HOLDING ASA	274 201	1.2 %
VERDIPAPIRFONDET DNB SMB	261 491	1.1 %
HUSTADLITT A/S	191 961	0.8 %
SCAN CHEMICALS AS	166 840	0.7 %
STORFJELL AS	147 717	0.6 %
LUNDE	144 881	0.6 %
OTHERS	5 501 988	23.6 %
Total number of shares	23 283 180	100.0 %

Movements in the number of outstanding share options and the associated weighted average exercise prices are as follows:

	2017		2016	
	Aver. exercise price in NOK per share	Options (in 1,000)	Aver. exercise price in NOK per share	Options (in 1,000)
As of 1 January	14.48	473	14.48	473
New	25.30	200	-	-
Exercised	24.00	-25	-	-
Expired	23.54	-87	-	-
As at 31 December	16.51	561	14.48	473

The outstanding share options (in 1,000) at the end of the year have the following expiration dates and exercise prices:

Expiration year	Exercise price in NOK per share	Number of options
2019	13.0	75
2020	25.3	200
Infinite	3.0	180
Infinite	10.0	4
Infinite	23.0-26.0	102
Total		561

Infinite means that options are valid and can be exercised as long as the employment with the company exists. Intervals have been consolidated and the weighted average exercise price have been used.

Share options are allotted to management and selected employees. The company does not have a standardised option program. The exercise price for the options corresponds to the market price on the date when the options were granted. The vesting of the options is normally contingent on the employee working for the company for one to three years after the options are granted (vesting period). Some options have an indefinite exercise period. Others must be exercised within a year after the options have been vested, or within other dates that have been negotiated individually. Some options will have to be exercised within six months after a voluntary resignation or within one year after termination of employment.

The fair value of the options allotted is calculated by the Black-Scholes option pricing model. The most important input data is weighted average share price on the date of allotment, the exercise prices listed above, standard deviation of the expected return on the shares, dividends, term of the option from a set of assumptions and an average risk-free interest rate. The duration of the risk-free interest rate is the same as the allotted options. The volatility has been measured by the standard deviation of the expected return on the shares. The company has access to its own data for the volatility of shares, and these numbers have therefore been used. It has been assumed that holders of more than 30,000 options exercise on average their options within three months after the vesting date. Holders of less than 30,000 options exercise on average their options nine months after the vesting date.

Note 11. Trade and other payables

(In thousands of NOK)	2017	2016
Trade accounts payable	139 799	122 410
Accrued expenses - payroll & vacation salary	17 634	22 956
Provision related to stock options *)	818	818
Accrued expenses - costs	36 529	40 581
Public dues other than income tax	28 227	27 266
Accrued interest on loan	382	2 887
Other current liabilities	1 840	8 154
Total trade payables and other current liabilities	225 229	225 072

*) The provision is related to social security tax on options.

Note 12. Loans and borrowings

At the end of 2017, the Company had bank debt of NOK 175 million with semi-annual instalments of NOK 35 million in addition to a NOK 50 million overdraft facility. Instalments falling due within 12 months are classified as short term.

(In thousands of NOK)	2017	2016
Long-term loan Nordea	-	175 000
Loan expenses	-	-1 261
Long-term financial lease commitments	25 416	46 135
Total long-term interest-bearing debt	25 416	219 874
"Long-term" loan Nordea, presented as short-term	105 000	-
Short-term loan Nordea	70 000	70 000
Bank overdraft facility	13 933	-
Short-term financial lease commitments	27 468	25 084
Total-short term interest-bearing debt	216 401	95 084

Interest rate on the bank loan is 3 months NIBOR + 2.50 %.

NextGenTel AS and Telio SA are guarantors in the Senior Facilities Agreement (SFA) with Nordea Bank Norge ASA. Furthermore, the SFA is secured by share pledges of the shares in all subsidiaries in addition to bank account pledges.

There are financial covenants related to the loan facilities which the company's performance must be in compliance with. The bank loan is subject to the following main financial covenants:

Equity ratio	15.0%
Maximum annual capital expenditure (NOK million)	150
Leverage (net debt/EBITDA)	<1.50

See separate section after the notes regarding Alternative Performance Measures (APM).

The equity ratio is calculated as total equity/total assets. At 31.12.2017 the ratio is 14.13%. As the equity ratio at 31.12.2017 was below the financial covenant in the loan agreement, the debt to Nordea is presented as short-term debt in the balance sheet. Nordea has, however, in Q1 2018 issued a waiver and reduced the equity ratio covenant to 14.0% as of 31.12.2017 and the long term part of the loan will be reclassified from short term to long term in the balance sheet at 31 March 2018. Both the equity ratio and the interest-bearing debt will be positively affected by the sale of the consumer mobile portfolio, where NOK 68 million of the received first payment of NOK 75 million have been used to reduce the interest-bearing debt in Q1 2018. Furthermore, the sale of the consumer mobile portfolio allows for an additional payment of NOK 0-20 million upon closing of the transaction in June 2018.

The leverage ratio is calculated as total interest-bearing debt less cash and devided by the EBITDA (Operating profit + depreciations and amortisations). The ratio as at 31.12.17 is 1.40.

See note 19 for information regarding interest expense.

Note 13. Leasing

Financial leasing:

	2017		2016	
(In thousands of NOK)	Minimum lease payment	Present value (=book value)	Minimum lease payment	Present value (=book value)
Overview of future minimum lease payments (nominal value) and their present value separated by maturity:				
Maturity within one year:	27 468	27 468	25 084	25 084
Total payments with maturity between 1-5 years:	25 416	25 416	46 135	46 135
Total payments with maturity after 5 years:				
Total future financial lease payments	52 884	52 884	71 219	71 219

(In thousands of NOK)	2017	2016
Net book value of leased assets, broken down by asset class. The assets are also included in the fixed assets note.		
Property	-	-
IT equipment	54 312	70 004
Office equipment and furniture	444	1 215
Other assets	-	-
Total book value of leased assets	54 756	71 219
Variable rent expensed in the income statement for the year:	3 356	2 977

Payments that mature within one year are classified as current. Equipment from Societe Generale is leased in accordance with a Fair Market Value (FMV) agreement. This agreement is based on the company returning the equipment at the end of the term of the lease. The company has an option to purchase the assets at one month lease price three months prior to the expiration of the agreement. Equipment from suppliers other than SG are leased in accordance with a Standard Pay-Out (SPO) agreement.

Operational leasing:

(In thousands of NOK)	2017	2016
Specification of this years' rental costs:		
Variable rent expensed in the income statement for the year	-	-
Minimum-rent and fixed rent expensed in the income statement for the year	12 906	11 186
Payment from subleases, recognised as expence-reductions	-	-
Total rental costs	12 906	11 186
Overview of future minimum lease payments under non-cancelable operating leases at maturity :		
Maturity within one year:	18 936	9 449
Total payments with maturity between 1-5 years:	51 630	34 429
Total payments with maturity after 5 years:	13 842	27 696
Total future minimum lease payments	84 408	71 574

Rental agreement with I/S Klaveness for premises at Skøyen is running until 2021. The minimum annual lease payment is TNOK 2 525. The lease payment can be adjusted annually in accordance with Statistics Norway's consumer price index. In Denmark and Switzerland office space is leased on short term contracts. NextGenTel AS has signed a lease-contract for the premises in Sandslimarka 31 in Bergen which is running until 31.12.2025. Minimum annual payment for the premises is TNOK 6 921.

Note 14. Income tax expense, deferred tax assets and liabilities

(In thousands of NOK)

Specification of tax expense	2017	2016
Taxes payable	33 163	-18 151
Change in deferred tax	-11 130	8 676
Income tax expense	22 033	-9 475

Reconciliation of tax expense from nominal to effective tax rate	2017	2016
Profit before tax	-35 463	41 877
Expected tax expense, calculated from nominal tax rate in Norway (24% in 2017, 25% i 2016)	-8 511	-10 469
Non-deductable expenses from shares and other financial instruments	21	-
Non-taxable income from shares and other financial instruments		-201
Non-deductable gifts and representation expenses	27	-230
Effect from difference in tax rate from nominal tax rate in Norway	-558	802
Effect from change in tax provisions from previous years (see note 24)	31 174	151
Effect from change in valuation allowance, tax losses	-499	508
Other permanent differences	380	-36
Tax expense	22 033	-9 475
Effective tax rate	62.1 %	22.6 %

Specification of taxes payable	2017	2016
Taxes payable, current year	2 403	18 151
Current year taxes, prepaid	-1 698	-1 125
Taxes payable, rest from previous years	31 097	315
Currency translation effect	-10	-6
Tax payable on the balance sheet	31 792	17 335

Overview of deferred tax assets (+) and liabilities (-)	2017	2016
Receivables	2 338	425
Financial lease agreements	-285	-1 083
Tangible and intangible fixed assets	8 638	-1 406
Other deferred tax items	426	506
Tax losses carried forward	5 213	6 619
Deferred tax assets	16 331	5 061
Of which are unrecognised deferred tax assets	-3 700	-3 723
Net deferred tax liabilities	12 631	1 338
Deferred tax asset, balance sheet	22 035	22 698
Deferred tax liability, balance sheet	-9 404	-21 360
Net deferred tax liabilities	12 631	1 338

Deferred tax assets have been recognised since it is probable that there will be future taxable income in the companies with deferred tax assets, and that the temporary differences can be offset against this income.

Reconciliation of changes in deferred tax assets / liabilities:	2017	2016
Net deferred tax assets / liabilities, as of 01.01.	1 338	-7 128
Deferred tax expense	11 130	8 676
Deferred tax booked in other comprehensive income (currency translation effects)	162	-210
Net deferred tax assets / liabilities as of 31.12.	12 631	1 338

Specification of tax losses carried forward by expiration dates	2017	2016
Expiry within 1 year	35	35
Expiry between 1-2 years	5 097	5 128
Expiry between 2-3 years	4 941	4 971
Expiry later than 3 years	-	-
No expiration	6 876	10 768
Total tax losses carried forward	16 948	20 902

Note 15. Deferred income/revenue

(In thousands of NOK)

Specification of deferred revenues	2017	2016
Subscriptions	64 885	80 552
Total deferred revenues	64 885	80 552

Deferred revenues are related to prepaid subscriptions. They are classified as current since they are related to the Group's ordinary activities and include prepayments for a period of up to 6 months. See also note 8.

Note 16. Other revenues

(In thousands of NOK)	2017	2016
Hardware sales	-	-
Fees	13 920	23 672
Porting	-	-
Other revenues	16 689	10 772
Total other revenues	30 609	34 444

Fees include invoice fees, invoicing of customer equipment that are not returned and fees for break of binding period.

Other revenues are mainly dunning and collection revenues.

Note 17. Wages and social costs

(In thousands of NOK)	2017	2016
Wages	167 352	186 624
Social security tax	25 349	23 060
Share options allotted to the management and employees	763	-
Pension costs – defined contribution pension schemes	12 231	8 775
Capitalised personnel expenses *)	-16 242	-20 238
Other personnel expenses	1 484	6 496
Temporary employees	34 282	41 290
Total personnel expenses	**225 219**	**246 007**
Average number of full-time employees	252	368

*) See note 7 for intangible assets.

Employees from the former Telio companies in Norway and the Swiss companies have a defined contribution pension plan. The agreement implies 3% savings for wages between 1-6 G and 5% between 6-12G (G = National Insurance basic amount) in Norway. The company recognises the payments on an ongoing basis. The company pays the monthly amount and the employees themselves choose their risk profile. The plan includes a contribution or premium waiver in the event of disability and is in compliance with the Act on Occupational Pensions. The company covers the administrative costs for the plan. NextGenTel AS has the same defined contribution pension plan for its employees as former Telio employees, but their savings rates are 5% for wages between 1-6G, and 8% between 6-12G.

Note 18. Other expenses

(In thousands of NOK)	2017	2016
Fees for professional services (attorneys, auditors, etc.)	35 006	20 880
Travel and car expenses	2 119	2 842
Office supplies, equipment and communication	50 501	59 148
Office space	19 838	18 748
Losses on receivables	6 753	9 521
Other	3 037	4 398
Total other expenses	**117 254**	**115 537**
Customer acquisition costs	26 719	35 659
Other sales and marketing costs	16 437	17 095
Total sales and marketing expenses	**43 156**	**52 754**

Audit fees	2017	2016
Statutory auditing	887	1 223
Tax consulting	351	-
Total auditing services	**1 238**	**1 223**

The services above include services provided by the auditor's partner law firm and advisors. Statutory auditing includes audit related services (assistance).

Note 19. Finance income and finance cost

(In thousands of NOK)	2017	2016
Interest income – bank deposits	2 408	1 039
Foreign exchange gains	1 105	155
Total finance income	3 512	1 194
Interest expenses	8 024	9 044
Interest cost of lease agreements	4 290	2 977
Other financial expenses	717	1 284
Foreign exchange losses	3 613	1 261
Total finance expenses	16 644	14 566
Net finance cost	-13 132	-13 372

NextGenTel Holding ASA has entered into an interest rate swap with Nordea on the amount of NOK 72.5 million for the period October 2016 - October 2020, the amount decreasing along with the loan payments. The agreed swap rate is 3.20%. The Group has accounted for this as a financial liability measured at fair value through profit and loss. Based on this swap the Group has recognised TNOK 630 as financial income for 2017.

Note 20. Earnings per share

	2017	2016
Net profit for the year attributable to the company's shareholders (in 1,000 NOK)	-57 496	32 402
Weighted average of number of outstanding shares (in 1,000)	23 008	22 984
Dilution effect of outstanding options to employees and employee representatives	181	213
Weighted average number of shares including dilution (in 1,000)	23 189	23 197
Basic earnings per share (NOK per share)	-2.50	1.41
Diluted earnings per share (NOK per share) *)	-2.50	1.40

*) No dilution effect when negative net profit.

NextGenTel Holding ASA has a total of 561 000 options to employees and employee representatives outstanding as at 31 December 2017. The exercise price for options varies from NOK 3.00 to NOK 26.00. The term of the options varies from a period of 3 years to infinite. Only the outstanding options that have a diluting effect have been included when the diluted number of shares has been calculated. The options that have a diluting effect are those that have an exercise price lower than the average market price. The weighted average share price was NOK 19.96 in 2017. The share price at 31 December 2017 was NOK 17.80.

Note 21. Remuneration of key executives

Statement on executive remuneration

This executive remuneration statement applies to remuneration for work performed by key executives in the NextGenTel Group. NextGenTel shall strive to have a management that can safeguard the interests of the shareholders at any given time in the best possible manner. In order to achieve this, the company must offer competitive terms to the individual executives.

The Board of Directors reviews the guidelines annually, and the statement is presented to the General Meeting for review in accordance with Section 5-6 of the Norwegian Public Limited Companies Act.

1. Principles for base salary
   Key employees shall have a competitive base salary that is based on the performance and responsibilities of the individual employee.

2. Principles for variable benefits, incentive schemes, etc.
   Key employees can receive a variable salary. A variable salary is based on the achievement of targets for the group or the department or company where the individual is employed. The variable salary is based on the achievement of key performance indicators or various improvement measures. Such criteria can be stipulated by the Board of Directors for the CEO and by the CEO for other key executives. Performance related benefits should be directly linked to the performance of the company and the creation of shareholder value. Performance criteria should be measurable and the employee should be able to influence the outcome. There is a limit on the amount of variable performance related benefits that an employee can receive.

   The CEO has a bonus agreement where the actual bonus payment is based on the achievement of guided targets or budgets for the following metrics: revenues, EBITDA and capital expenditures.

   Bonus to key executives is to a great extent based on achievement of the same metrics as for the CEO.

   It is seen as positive for the long-term creation of value in the company that key executives own shares or options in the company. The Board of Directors can offer options to key executives if the General Meeting has granted the authority to do so. The exercise price for the option shall be the market value or higher when the employment contract was signed. The vesting period should typically be a total of three years.

   As for all payroll items, the company has the right to rectify erroneous payments of variable salary based on pure error, wrong premises or misleading information from the employee.

3. Principles for benefits without any cash payment
   Key executives may be offered various benefits such as insurance, pensions, etc. Benefits in kind shall primarily be offered in the form of free broadband access, broadband telephony and mobile telephony so that the key employees are available to the company.

   Key employees are entitled to participate in the defined contribution pension plan in the same manner and at the same terms as other employees.

4. Severance pay schemes
   The CEO has an agreement that entitles him to severance pay of 18 months for termination by the employer. The company's policy is that key executives shall have a notice period of from three to six months. The notice period is six months for the CEO, the CFO and the CTO.

   The CEO has a severance pay scheme, but not the other key executives. If severance pay is agreed on with an executive who does not have this documented in his employment contract, then it shall be approved by the Chairman of the Board. The CFO will be paid 3 months' severance pay in addition to the ordinary notice period of 6 months in the event of a "Change of Control".

5. Processes for remuneration agreements
   The Board of Directors reviews the CEO's salary terms annually in a meeting.

These guidelines have been in effect for 2016 and will also apply to 2017. No new remuneration agreements were established nor existing agreements amended in 2016 that could have had significant consequences for the company and its shareholders.

Remuneration to key executives in 2017
(In thousands of NOK)

Position	Fixed salary	Share options exercised	Variable salary	Other remuneration	Mandatory Occupational Pension	Total remunera-tion in 2017
CEO	3 529	-	555	20	28	4 132
CFO	1 285	-	142	22	28	1 477
Director Corporate	1 275	-	-	8	70	1 353
Director Consumer	1 169	-	186	19	68	1 441
CTO	1 014	-	179	15	22	1 230
Total	8 271	-	1 061	84	217	9 633

Remuneration to key executives in 2016

Position	Fixed salary	Share options exercised	Variable salary	Other remuneration	Mandatory Occupational Pension	Total remunera-tion in 2016
CEO	3 525	-	1 177	301	19	5 022
CFO	1 285	-	218	132	19	1 654
Director Corporate	976	-	187	104	73	1 341
Director Consumer	1 060	-	238	79	81	1 458
CTO	1 014	-	221	127	34	1 396
Total	7 860	-	2 042	743	226	10 871

Directors' fees

Name	Position	Total remuneration in 2017	Total remuneration in 2016
Audun Iversen	Board Chairman	300	200
Erik Osmundsen	Board Chairman	-	100
Aril Resen	Board Member	150	150
Ellen Merethe Hanetho	Board Member	150	150
Silje Veen	Board Member	150	150
Snorre Kjesbu	Board Member	150	150
Harald James Otterhaug	Nomination Committee	15	15
Geir Moe	Nomination Committee	15	15
Petter Tusvik	Nomination Committee	15	15
Total		945	945

Shares and options in the company owned by board members and key executives as at 31 December 2017

Name	Position	Number of shares	Number of options	Average exercise price
Lars B. Thoresen	Board Chairman	-	200 000	25.30
Ellen Hanetho	Board Member	-	-	-
Kari Mette Toverud	Board Member	-	-	-
Espen Fjogstad *)	Board Member	1 250 000	-	-
Vidar Skogedal	Board Member (employee repr.)	-	-	-
Linn Anette husøy	Board Member (employee repr.)	-	-	-
Eirik Lunde	CEO	144 881	280 000	11.21
Tom Nøttveit **)	CFO	57 500	75 000	13.00
Sven Ole Skrivervik	CTO	22 500	-	-
Ole Jacob Moldestad***)	CEO of Kvantel AS (subsidiary)	20 000	0	NA
Total		1 494 881	555 000	

*) Indirectly through Synesi AS
**) Indirectly through Prosperis Invest AS
***) Ole Jacob Moldestad - indirectly through Aria Industrier AS

Note 22. Guarantees

All guarantees are off-balance sheet as none of these guarantees have been recognised in the balance sheet as a liability. The following is a list of possible exposure regarding guarantees issued.

NextGenTel Holding ASA has on behalf of NextGenTel AS issued a guarantee to IBM Global Finance AS relating to the financing of adapters and hardware amounting to NOK 7.5 million.

NextGenTel AS has a bank guarantee of NOK 6 million in relation to interconnect agreement with Telenor.

NextGenTel AS has a bank guarantee of NOK 1 million relating to interconnect agreement with Telia.

NextGenTel Holding ASA has issued a guarantee to KPN in the Netherlands for the interconnect agreement entered into with the subsidiary Telio Netherlands BV. This guarantee implies that the company must redeem obligations that Telio Netherlands BV is not able to service itself.

NextGenTel Holding ASA has issued a guarantee to Swisscom Health AG in Switzerland for an invoicing and factoring agreement entered into with the subsidiary Telio Telecom AG. This guarantee implies that the company must redeem obligations that Telio Telecom AG is not able to service itself.

NextGenTel AS has issued a guarantee to Tele2 Nederland BV for the interconnect agreement entered into with the subsidiary Telio Netherlands BV. This guarantee implies that the company must redeem obligations that Telio Netherlands BV is not able to service itself.

NextGenTel AS has issued a guarantee to Verizon Switzerland AG concerning the agreement entered into with the subsubsidiary Telio Telecom AG. This guarantee implies that the company must redeem obligations that Telio Telecom AG is not able to service itself.

NextGenTel Holding ASA has on behalf of Tellio ApS issued a guarantee to Post Danmark AS and Post Danmark AS Logistik limited to DKK 125,000.

NextGenTel AS has issued a guarantee of NOK 2.2 million to Sameiet I/S Klaveness related to the office rent for the head office in Oslo.

NextGenTel Holding ASA has on behalf of Kvantel Voice AS issued a guarantee of NOK 3 million for interconnect agreement with Telenor Norge AS.

NextGenTel Holding ASA has on behalf of Kvantel AS issued a guarantee of NOK 4 million for interconnect agreement with Telenor Norge AS.

NextGenTel AS has issued a guarantee related to employee withholding tax of NOK 9 million and other guarantees of NOK 1.5 million.

Tellio APS has issued a guarantee related to interconnect agreement with TDC.

Note 23. Financial instruments

Accounting classifications and fair values

The table below shows an overview of carrying amount and fair value of financial assets and liabilities and how they are valued in the financial statements. For all of the presented assets and liabilities, the carrying amounts are equal to fair values.

	31.12.2017				31.12.2016			
	Financial assets at fair value	Loans and receivables	Financial liabilities at fair value	Other financial liabilities	Financial assets at fair value	Loans and receivables	Financial liabilities at fair value	Other financial liabilities
Financial assets								
Trade and other receivables		201 569				215 086		
Cash and cash equivalents		17 821				66 593		
Financial liabilities								
Long-term interest bearing debt								175 000
Trade and other payables			1 436	222 571			2 291	216 100
Financial leases				52 884				71 219
Short-term interest bearing debt				188 933				70 000

All financial assets and liabilities measured at fair value in the balance sheet are classified in a hierarchy based on the underlying object for the valuation. The hierarchy has the following levels:

Level 1: Valuation based on quoted prices in active markets for identical assets without adjustments. An active market is characterised by the fact that the security is traded with adequate frequency and volume in the market. The price information shall be continuously updated and represent expected sales proceeds.

Level 2: Comprises investments where there are quoted prices , but the markets do not meet the requirements for being characterised as active. Also included are investments where the valuation can be fully derived from the value of other quoted prices, including the value of underlying securities, interest rate level, exchange rate etc. In addition, financial derivatives like interest rate swaps and currency futures are considered to be level 2 investments.

Level 3: All other securities are valued on level 3. This concerns investments where all or parts of value-sensitive information cannot be observed in the market and investments where there is little or no trading. The value of these investments must be estimated using valuation methods.

Each investment is allocated to its respective level in the hierarchy at the acquisition. Transfers from one level to another are made only exceptionally, depending on features regarding the investment itself.

The following table shows in what level in the valuation hierarchy the financial instruments valued at fair value is considered to be:

	31.12.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value						
Financial liabilities at fair value		1 436			2 291	

Valuation techniques

Interest rate swap - valuation is based on market comparison technique from broker.

Financial Risk Management

The companies Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The CFO is responsible for risk on the company level. Financial risk is monitored by the CFO and operating risk is monitored by the CTO. The Group's activities are exposed to certain financial risks: credit risk, liquidity risk and market risk (currency risk and interest risk).

i) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Summary of maximum credit risk exposure at 31 December:

	2017	2016
Gross receivables before provisions for losses (see note 8)	111 985	97 491
Provision for bad debt	-12 074	-14 356
Net receivables after provision for bad debt	99 911	83 135

Maximum credit exposure for trade accounts receivable by geographic origin at 31 December:

	2017	2016
Norway	106 517	91 494
Denmark	2 332	2 737
Switzerland	1 011	1 521
Netherlands	2 126	1 739
Total	111 985	97 491

Maximum credit exposure for trade accounts receivable by type of customer at 31 December:

	2017	2016
Residential customers	37 565	51 509
Business customers	74 420	45 982
Total	111 985	97 491

The aging of trade receivables at 31 December:

	2017		2016	
	Gross	Net (after provisions)	Gross	Net (after provisions)
Not past due	57 936	57 936	59 642	59 642
Past due 0-30 days	24 746	24 746	20 971	20 971
Past due 31-60 days	4 695	2 760	4 002	598
Past due 61-90 days	1 578	928	3 019	451
More than 91 days	23 030	13 541	9 857	1 473
Total	111 985	99 911	97 491	83 135

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet the liabilities when they are due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31.12.2017	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial commitments							
Trade payables	139 799	139 799	139 799	-	-	-	-
Other current liabilities	85 430	82 772	57 940	24 832	-	-	-
Financial leases	52 884	52 884	13 734	13 734	15 249	10 166	-
Interest-bearing debt	188 933	188 933	48 933	35 000	105 000	-	-
Derivative financial commitments							
Interest rate swap	1 436	-	-	-	-	-	-
Total	468 482	464 387	260 406	73 566	120 249	10 166	-

31.12.2016	Book value	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial commitments							
Trade payables	122 640	122 640	122 640	-	-	-	-
Other current liabilities	102 432	103 005	60 550	42 455	-	-	-
Financial leases	71 219	71 219	11 507	11 507	25 076	23 129	-
Interest-bearing debt	243 739	245 000	35 000	35 000	70 000	105 000	-
Derivative financial commitments							
Interest rate swap	2 291	-	-	-	-	-	-
Total	542 321	541 864	229 697	88 962	95 076	128 129	-

Reconciliation of the changes in financial debt during the year 2017

		Non-cash changes			Cash-flow effect		
	Balance at 01.01	New leasing agreements	Amorti-sations	Reclassi-fications	New loans	Repaym. of existing loans	Balance at 31.12
Long-term lease commitments	46 135	6 410	-	-1 821	-	-25 309	25 416
LT liabilities to financial institutions	173 739	-	1 261	-105 000	-	-70 000	-
Short-term lease commitments	25 084	2 287	-	1 821	-	-1 723	27 468
ST liabilities to financial institutions	70 000	-	-	105 000	13 933	-	188 933
Total	314 958	8 697	1 261	-	13 933	-97 032	241 817

Reconciliation of the changes in financial debt during the year 2016

		Non-cash changes			Cash-flow effect		
	Balance at 01.01	New leasing agreements	Amorti-sations	Reclassi-fications	New loans	Repaym. of existing loans	Balance at 31.12
Long-term lease commitments	34 903	28 788	-	-	-	-17 556	46 135
LT liabilities to financial institutions	243 333	-	406	-	-	-70 000	173 739
Short-term lease commitments	15 516	12 778	-	-	-	-3 210	25 084
ST liabilities to financial institutions	70 000	-	-	-	-	-	70 000
Total	363 752	41 566	406	-	-	-90 766	314 958

iii) Currency risk

Exposure to foreign exchange risk

The group has cash, receivables and liabilities denominated in the following currencies and therefore exposure to foreign currency risk as follows:

31.12.2017

	NOK	EUR	DKK	CHF
Receivables	170 743	1 671	13 502	436
Bank deposits	7 020	345	5 009	94
Trade payable	-138 731	-8	-891	-14
Other current liabilities	-296 866	-4	-930	-88
Non-current liabilities	-25 416	-	-	-
Gross exposure:	-283 251	2 004	16 691	428

31.12.2016

	NOK	EUR	DKK	CHF
Receivables	208 953	788	10 397	-632
Bank deposits	35 581	1 515	6 333	3 828
Trade payable	-119 038	-782	-1 815	-746
Other current liabilities	-186 307	-20	-1 437	-166
Non-current liabilities	-223 205	-	-	-
Gross exposure:	-284 016	1 501	13 478	2 284

Key exchange rates throughout the year:

	Average rate		Rate on the date of the balance sheet	
	2017	2016	31.12.2017	31.12.2016
DKK	125.39	125.39	132.18	122.22
CHF	8.39	8.54	8.41	8.46
EUR	9.33	9.35	9.84	9.09

Sensitivity analysis

The sensitivity analysis applies to a change in the exchange rate with a view to the translation of subsidiaries (monetary items in Norwegian companies are not included). A 10% stronger NOK against the following currencies would have entailed an increase (reduction) in the equity and profit/loss as illustrated in table below. The analysis requires that the other variables, and the interests rates in particular, remain constant.

	2017		2016	
	Equity	Profit/Loss	Equity	Profit/Loss
DKK	-2 530	-484	-3 457	-540
CHF	369	-262	635	-297
EUR	-1 893	-160	-1 592	-289

iv) Interest rate risk

Profile
At the end of the year the group had the following interest-bearing financial instruments.

(In thousands of NOK)	31.12.2017	31.12.2016
Financial liabilities (leasing)	-52 884	-71 219
Interest rate swap	-1 436	-2 291
Net exposure	-54 320	-73 510
Variable rate instruments:		
Financial assets	17 821	66 593
Financial liabilities	-188 933	-245 000
Net exposure	-171 111	-178 407

Note 24. Contingent liabilities and provisions

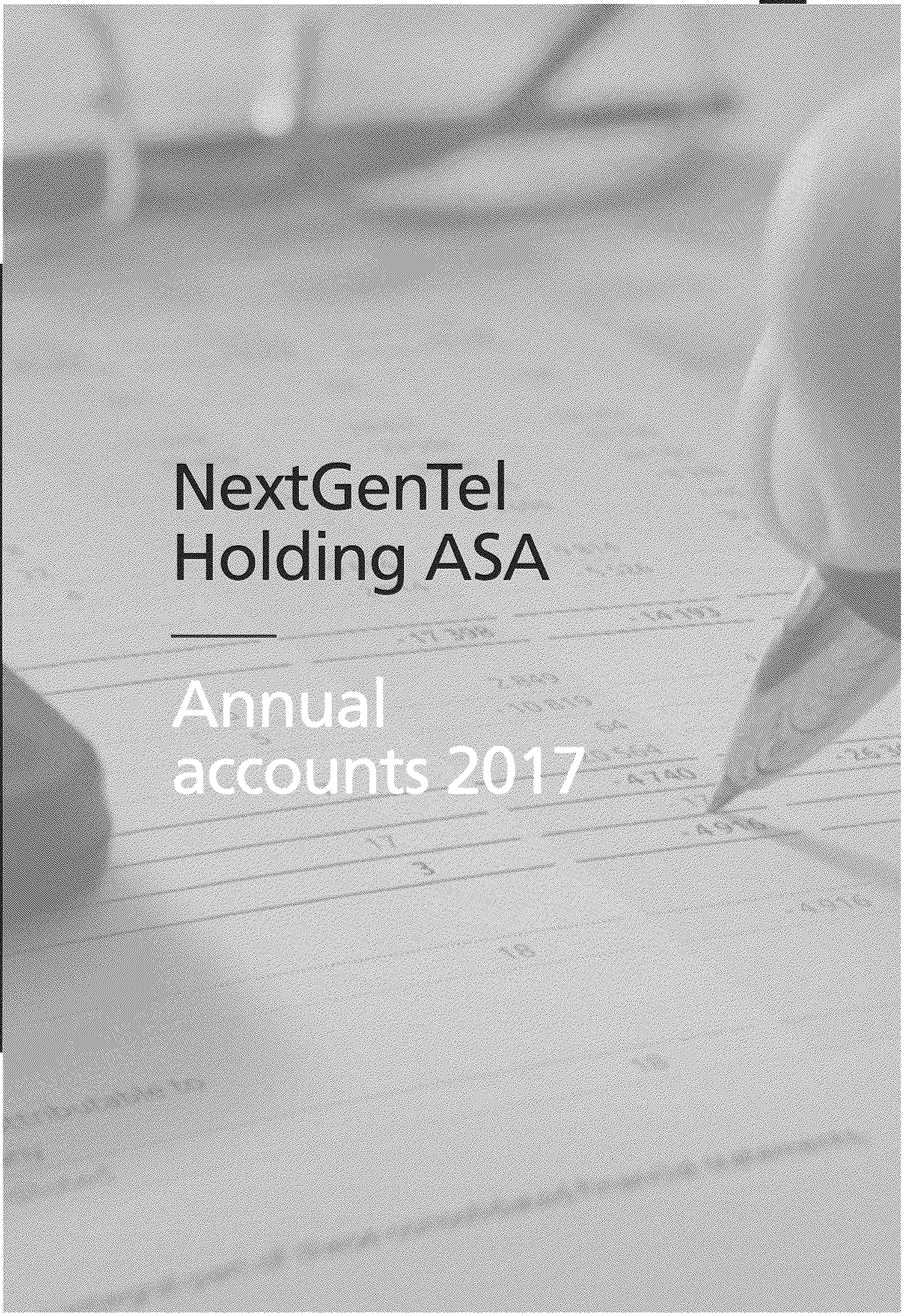
On 23 January 2017, the company sent a stock exchange notice informing the market about a report from a tax audit performed by Norwegian tax authorities (Skatt øst). The company has received a final report from the tax authorities implying a total tax claim of NOK 30.6 million incl interest and the company has accounted for an accrual for this tax claim in the financial accounts for 2017. It is still the company's view that no additional tax should be imposed and the company has filed a complaint with the tax appeal board ("Skatteklagenemnda") as well as an application for postponement with paying the tax awaiting a ruling by the tax appeal board.

Kvantel AS and Broadnet AS has an unresolved disagreement related to the companies' business relationship. In the balance sheet of Kvantel AS as of 31 December 2017, NOK 10.6 million of accounts receivable (excl VAT) and NOK 4.7 million of accrued provision for bad debt are related to this disagreement. Consequently, the net financial exposure for Kvantel AS is NOK 5.9 million.

Note 25. Divestments

On 4 December 2017, the company announced an agreement to sell its consumer mobile customer portfolio to Telia Norge AS. In reassessing the company's strategy, the board of NextGenTel Holding ASA has concluded that the consumer mobile customers are of less strategic importance for the future of the NextGenTel Group. Therefore, the company initiated a sale of this customer portfolio which counted approximately 36,500 subscriptions as of 31 December 2017. The revenues from this customer portfolio was NOK 109 million in 2017. The purchase price is minimum NOK 75 million and maximum NOK 95 million depending on the number of customers actually being migrated. The Norwegian competition authorities had no objections to the transaction and the first payment of NOK 75 million was received in January 2018. Customer migration has started and the finalized transaction is expected to close during June 2018.

The customer portfolio is not recognised in the balance sheet, thus no carrying value of assets or liabilities will be affected. The business represents appr. 8.5 % of the Group's revenue and 3.6 % of the Group's EBITDA, which has been deemed immaterial for IFRS 5 purposes. The customer portfolio is therefore included in ongoing business in the statement of profit/loss.



NextGenTel Holding ASA

Annual accounts 2017

Income statement

For the year ended 31 December

(In thousands of NOK)	Note	2017	2016
Other operating revenues	1	4 358	4 162
Total operating revenues		4 358	4 162
Payroll expenses	2	-	-
Depreciation and amortization expences	5	-	-
Other operating expenses	3	9 791	5 587
Total operating expenses		9 791	5 587
Operating profit/loss		-5 433	-1 425
Financial income	4	22 286	83 940
Financial expenses	4	41 308	17 965
Ordinary result before tax		-24 455	64 549
Tax on ordinary result	6	-31 011	78
Profit for the year		-55 466	64 627
Allocations			
Dividend provision		-	-
Additional dividend		-	11 504
Transferred to other reserves		-55 466	53 122
Total allocations		-55 466	64 627

Balance sheet

For the year ended 31 December

(In thousands of NOK)	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	5	-	-
Deferred tax asset	6	689	741
Investments in subsidiaries	7	469 773	495 338
Total non-current assets		470 462	496 079
Current assets			
Intercompany receivables	12	2 045	94 986
Other receivables		711	1 875
Bank deposits, cash and cash equivalents	7, 12	2	34 971
Total current assets		2 759	131 832
TOTAL ASSETS		473 221	627 911
EQUITY			
Share capital reduced for treasury stocks	9, 1	2 301	2 298
Premium paid in capital	9	110 976	110 976
Total paid in capital		113 277	113 274
Retained earnings	9	82 126	136 231
Total equity		195 404	249 505
LIABILITIES			
Non-current liabilities			
Provisions	15	795	795
Financial liability	4	1 436	2 291
Long term interest bearing debt	13	-	173 739
Total non-current liabilities		2 231	176 825
Current liabilities			
Taxes payable	6	30 959	-
Dividend payable	9	-	11 504
Trade accounts payable		1 929	1 051
Intercompany liabilities	12	66 579	117 135
Short term interest bearing debt	13	173 692	70 000
Other current liabilities	11	2 427	1 890
Total current liabilities		275 586	201 581
Total liabilities		277 817	378 406
TOTAL EQUITY AND LIABILITIES		473 221	627 911

Oslo, 22 March 2018 - **Board of Directors in NextGenTel Holding ASA**

Lars B. Thoresen Chairman of the Board	Espen Fjogstad	Ellen Hanetho	Kari Mette Toverud	Linn Anette Husøy Employee repr.	Vidar Skogedal Employee repr.

Eirik Lunde
CEO

Cash flow statement

For the year ended 31 December

(In thousands of NOK)	Note	2017	2016
Cash flows from operating activities			
Profit before tax		-24 455	64 549
Paid taxes	6	0	-4 713
Change in trade accounts payables		878	926
Writedown of investments in subsidiaries		25 625	
Non-cash transactions related to option costs		763	0
Changes in inter-company receiveables and payables		42 385	-12 110
Changes in other accruals		2 106	-5 061
Net cash flow from operating activities		47 302	43 591
Cash flows from investment activities			
Payments for the purchase of other investments / share capital increases in subsidiaries	7	-60	30 702
Net cash flow from investment activities		-60	30 702
Cash flows from financing activities			
Share options exercised		600	0
Proceeds from borrowings	13	-1 308	0
Payment of long-term debt	13	-70 000	-70 000
Dividends paid		-11 504	0
Net cash flow from financing activities		-82 212	-70 000
Net change in cash and cash equivalents		-34 969	4 293
Cash and cash equivalents at the start of the period		34 971	30 678
Cash and cash equivalents at the end of the period		2	34 971

Notes to the financial statements

Accounting Principles

Financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Revenue

As NextGenTel Holding ASA is a holding company the company's revenues come from the invoicing of intra-group services performed on behalf of subsidiaries.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities. Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value. Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 24 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

Intangibles

Intangibles are capitalized and depreciated linearly over the estimated useful life. Depreciation of each component is based on the economic life of the component. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

Subsidiaries and investment in associates

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a lather period. Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Options - Share-based reward system

The company has equity share-based settlement payment plan. The total amount that is to be charged as an expense over the contribution period will be based on the fair value of the options granted at the time of the grant, less the effect of any contribution terms that are not market-based (such as profitability or sales growth goals). The National Insurance contributions related to share-based compensation schemes will be recognized as liabilities. Adjustments to the National Insurance obligation will be recognized as a cost or as a reduced cost in subsequent periods, based on changes in the intrinsic value over the vesting period.

Provisions

Provisions are measured as the net present value of the expected payments to redeem the liability. A pre-tax discount rate is used that reflects the current market situation and risk specific to the liability. An increase in the liability as the result of a change in the time value is recognized as an interest cost.

Borrowings

Loans are recognized at their fair value when they are disbursed, less any transaction costs. In subsequent periods, loans are recognized at their amortized cost, as calculated by means of the effective interest rate. The difference between the loan amount disbursed (less transaction costs) and the redemption value are recognized in the income statement over the term of the loan. Loans are classified as current liabilities unless there is an unconditional right to postpone payment of the debt by more than 12 months from the date of the balance sheet.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Note 1. Operating revenues

(In thousands of NOK)	2017	2016
Denmark	435	417
Switzerland	319	305
Netherlands	321	308
Norway	3 283	3 133
Total intra-group sale of services	4 358	4 162

Note 2. Payroll expenses, number of employees, other remunerations, loans to employees, etc.

All employees in NextGenTel Holding ASA are transferred to NextGenTel AS from 1 January 2016.
There are no loan/guarantees to the CEO, Chairman or other related parties.

Auditor	2017	2016
Statutory audit	146	229
Other services	351	0
Total auditing fees	497	229

Auditing fees are exclusive VAT.

Note 3. Other operating expenses

(In thousands of NOK)	2017	2016
External services	8 341	5 126
Other expenses	687	461
Total	9 028	5 587

Note 4. Finance

(In thousands of NOK)	2017	2016
Financial income		
Interest income	21 319	11 797
Interest income from group companies	967	799
Dividends from subsidiaries (Telio SA/Telio IP Services BV)	-	2 849
Change in market value interest swap	-	345
Foreign exchange gain	-	581
Group contributions from subsidiaries	-	67 568
Total financial income	22 286	83 940
Financial expenses		
Interest on loans	7 178	10 292
Interest cost from group companies	380	-
Change in market value interest swap	-	-
Change in market value financial assets	25 625	-
Other financial cost	8 124	7 673
Total financial expenses	41 308	17 965

NectGenTel Holding ASA has entered into an interest rate swap with Nordea on the amount of NOK 72.5 million for the period October 2016 - October 2020. The agreed swap rate is 3.20%. The Group has accounted for this as a financial liability measured at fair value through profit and loss. Based on this swap the Group has recognised TNOK 630 as financial income for 2017.

Note 5. Intangible assets

(In thousands of NOK)	2017	2016
Historical cost 1 January	187	187
Additions	0	0
Historical cost as at 31 December	187	187
Amortizations as at 1 January	187	187
Amortization	0	0
Accumulated amortization 31 December	187	187
Carrying amount intangible assets as at 31 December	0	0
Expected economic life	2 years	
Depreciation plan	Linear	

Note 6. Taxes

(In thousands of NOK)	2017	2016
Specification of income tax expense		
Payable tax on profit	259	0
Adjustment tax payable previous years	30 700	0
Tax effect of group contributions	0	-234
Change in deferred tax	22	125
Change in tax law	30	31
Total	31 011	-78
Reconciliation of change in deferred taxes		
Change in deferred tax in the balance sheet	52	156
Change in deferred tax on the income statement	52	125
Calculation of deferred tax asset		
Temporary differences		
Provisions	-795	-795
Other differences	-2 199	-2 291
Net temporary profit/loss differences	-2 994	-3 086
Basis for deferred tax / tax assets	-2 994	-3 086
23%/24% tax on deferred tax assets and liabilities	-689	-741
Deferred tax assets/liabilities in balance sheet	-689	-741
Basis for tax payable		
Profit before tax	-24 455	64 549
Permanent differences	25 625	17
Change in tax provisions from previous years	-92	-501
Received (unrecognized) / group contribution	0	-64 064
Basis for tax payable	1 078	0
Utilisation of tax-related losses	0	0
Taxable income	1 078	0
24% tax on taxable income	259	0
Adjustment tax payable previous years	30 700	0
Tax payable	30 959	0
Explanation of taxes		
Profit/loss before tax	-24 455	64 549
Nominal tax (24%)	-5 869	16 137
Tax effect of permanent differences	6 150	-16 246
Adjustment tax payable previous years	30 700	0
Change in tax law	30	31
Recognised tax charge	31 011	-78
Effective tax rate (as a percentage of profit/loss before tax)	-127%	0%

On 23 January 2017, the company sent a stock exchange notice informing the market about a report from a tax audit performed by Norwegian tax authorities (Skatt øst). The company has received a final report from the tax authorities implying a total tax claim of NOK 30.7 million incl interest and the company has accounted for an accrual for this tax claim in the financial accounts for 2017. It is still the company's view that no additional tax should be imposed and the company has filed a complaint with the tax appeal board ("Skatteklagenemnda") as well as an application for postponement with paying the tax awaiting a ruling by the tax appeal board.

Note 7. Investment in subsidiaries

Investments in subsidiaries are accounted for in accordance with the cost method.

(In thousands of NOK)

Subsidiaries	Business office	Ownership interest	Profit/loss for year	Equity capital	Book value
Telio SA	Zürich	100%	3 440	12 562	2 316
Fiber Norge AS	Oslo	100%	-20	147 731	147 751
NextGenTel AS	Bergen	100%	-1 672	159 225	319 707
Book value as at 31 December 2017			1 748	319 518	469 773

Note 8. Restricted bank deposits, drawing rights and guarantees

(In thousands of NOK)

Restricted bank deposits	2017	2016
Tax withholdings	2	2

Note 9. Equity capital

(In thousands of NOK)	Share capital	Treasury stocks	Premium paid in capital	Retained earnings	Total
2016					
Equity as at 1 January	2 328	38	110 976	83 041	196 384
Additional dividend				-11 504	-11 504
Profit for the year				64 627	64 627
Equity as at 31 December	2 328	38	110 976	136 163	249 506
2017					
Equity as at 1 January	2 328	-30	110 976	136 231	249 506
Purchase of treasury shares		3		597	600
Option costs				763	763
Profit for year				-55 466	-55 466
Equity as at 31 December	2 328	-27	110 976	82 126	195 404

The company owns 274,201 treasury shares as at 31 December 2017 (31 December 2016: 299,201 shares).

Note 10. Share capital and shareholder information

NextGenTel Holding ASA
Total number of shares issued is 23,283,180 (2016: 23,283,180) with a nominal value of NOK 0.10 per share.

List of all the largest shareholders as at 31 December 2017:

Shareholder's name	Number of shares	Percentage
SKANDINAVISKA ENSKILDA BANKEN AB	6 224 667	26.7 %
TALIR HOLDING AS	1 260 000	5.4 %
STOREBRAND NORGE I VERDIPAPIRFOND	1 256 331	5.4 %
SYNESI AS	1 250 000	5.4 %
ZONO HOLDING AS	1 132 894	4.9 %
ZICO AS	1 038 551	4.5 %
STATE STREET BANK AND TRUST COMP	965 998	4.2 %
TIGERSTADEN AS	862 904	3.7 %
MATHIAS HOLDING AS	600 000	2.6 %
ARCTIC FUNDS PLC	458 157	2.0 %
VERDIPAPIRFONDET STOREBRAND OPTIMA	370 501	1.8 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	419 376	1.7 %
HORTULAN AS	404 859	1.6 %
DATUM AS	300 000	1.3 %
NEXTGENTEL HOLDING ASA	274 201	1.2 %
VERDIPAPIRFONDET DNB SMB	261 491	1.1 %
HUSTADLITT A/S	191 961	0.8 %
SCAN CHEMICALS AS	166 840	0.7 %
STORFJELL AS	147 717	0.6 %
LUNDE	144 881	0.6 %
OTHERS	5 551 851	23.8 %
Total number of shares	23 283 180	100.0 %

In accordance with the authority granted by the General Meeting of NextGenTel Holding ASA, the Board of Directors has granted the following options:

Each option entitles the holder to subscribe for one share.

Movements in the number of outstanding share options and the associated weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price in NOK per share	Options (in 1,000)	Average exercise price in NOK per share	Options (in 1,000)
As of 1 January	14.48	473	14.48	473
New	25.30	200	-	-
Exercised	24.00	-25	-	-
Expired	23.54	-87	-	-
As at 31 December	16.51	561	14.48	473

The outstanding share options (in 1,000) at the end of the year have the following expiration dates and exercise prices:

Expiration year	Exercise price in NOK per share	Number of options in 2017
2019	13.0	75
2020	25.3	200
Infinite	3.0	180
Infinite	10.0	4
Infinite	23.0-26.0	102
Total		561

Infinite means that options are valid and can be exercised as long as the employment with the company exists.

Intervals have been consolidated and the weighted average exercise price have been used.

Total number of outstanding share options as at 31 December 2017 was 561,000 (2016: 473,000.) The exercise price has been set at the market value of the share when the option was granted.

Key executives and members of the Board of Directors own the following shares and options in the company as at 31 December 2017:

Name	Function	Number of shares	Number of options	Average exercise price
Lars Bjørn Thoresen	Board Chairman	0	200 000	25.3
Kari Mette Toverud	Board Member	0	0	NA
Ellen Hanetho	Board Member	0	0	NA
Espen Fjogstad *)	Board Member	1 250 000	0	NA
Vidar Skogedal	Board Member (employee repr.)	0	0	NA
Linn Anette Husøy	Board Member (employee repr.)	0	0	NA
Eirik Lunde	CEO	144 881	280 000	11.2
Tom Nøttveit **)	CFO	57 500	75 000	13.0
Ole Jacob Moldestad ***)	CEO of Kvantel AS (subsidiary)	20 000	0	NA
Total		1 472 381	555 000	

*) Espen Fjogstad - indirectly through Synesi AS
**) Tom Nøttveit - indirectly through Prosperis Invest AS
***) Ole Jacob Moldestad - indirectly through Aria Industrier AS

Note 11. Other current liabilities

(In thousands of NOK)	2017	2016
Provisions for incurred costs	2 046	1 294
Provision for interest	382	596
Total	2 427	1 890

Note 12. Intercompany balances

(In thousands of NOK)	2017	2016
Specification of Intra-group receivables		
NextGenTel AS	1 309	62 850
Telio Telecom AG	-	108
Telio Nehterlands BV	-	89
Telio SA	-	49
Kvantel AS	736	31 891
Total	2 045	94 986
Specification of Intra-group liabilities		
Telio Telecom AG	-5 228	-
Telio Nehterlands BV	-14 422	-
Telio SA	-2 514	-
Tellio ApS	-9 281	-2 682
Total	-31 444	-2 682
Specification of cash pool to be presented as intercompany balances		
NextGenTel Holding ASA	-35 135	-79 485
NextGenTel AS	38 804	81 803
Fiber Norge AS	30	-
Proximo Norge AS	-12 079	-
Kvantel AS	-10 411	32 649
Cash in total as a part of cash pool	-18 790	34 969
Specification of dividends and group contribution from subsidiaries included in intra-group receivables		
NextGenTel AS	-	67 568
Kvantel AS	-	30 936
Total	-	98 504

Note 13. Loans & borrowings

At the end of 2017, the company had long term bank debt of NOK 175 million with semi-annual instalments of NOK 35 million and a NOK 50 million overdraft facility. Instalments falling due within 12 months are classified as short term.

(In thousands of NOK)	2017	2016
Long term loan Nordea	-	75 000
Long-term loan Nordea	-	100 000
Loan expenses	-	-1 261
Total long term loan/ bond	-	173 739
"Long-term" loan Nordea, presented as short-term	105 000	-
Short term loan Nordea	50 000	50 000
Short term loan Nordea	20 000	20 000
Loan expenses	-1 308	
Total short term loan	173 692	70 000

Interest rate on the bank loan is 3 months NIBOR + 2.50%.

NextGenTel AS and Telio SA are guarantors in the Senior Facilities Agreement (SFA) with Nordea Bank Norge ASA. Furthermore, the SFA is secured by share pledges of the shares in all subsidiaries and bank account pledges.

There are financial covenants related to the loan facilities and the company's performance is in compliance with the financial covenants as of 31 December 2017. The bank loan is subject to the following main financial covenants:

Equity ratio	15.0 %
Maximum annual capital expenditure (NOK million)	150
Leverage (net debt/EBITDA)	<1.50

The equity ratio is calculated as total equity/total assets. At 31.12.2017 the ratio is 14.13% at the group level. As the equity ratio at 31.12.2017 was below the financial covenant in the loan agreement. Nordea has, however, in Q1 2018 issued a waiver and reduced the equity ratio covenant to 14.0% as of 31.12.2017. Both the equity ratio and the interest-bearing debt at group level will be positively affected by the sale of the consumer mobile portfolio, where NOK 68 million of the received first payment of NOK 75 million have been used to reduce the interest-bearing debt in Q1 2018. Furthermore, the sale of the consumer mobile portfolio allows for an additional payment of NOK 0-20 million upon closing of the transaction in June 2018.

Management of liquidity risk has become more challenging after recent years' business combinations with increased financial leverage. The Group's liquidity risk has increased following declining profits; however, the company still has relatively low debt ratios. The Group must secure and maintain sufficient equity capital to support such borrowing facilities. The management of liquidity risk requires maintenance of adequate liquid reserves in accordance with the development of the operations. Cash reserves are monitored regularly.

Note 14. Guarantees

NextGenTel Holding ASA has on behalf of NextGenTel AS issued a guarantee to IBM Global Finance AS relating to the financing of adapters and hardware amounting to NOK 7.5 mill.

NextGenTel Holding ASA has issued a guarantee to KPN in the Netherlands for the interconnect agreement entered into with the subsidiary Telio Netherlands BV. This guarantee entails that the company must redeem obligations that Telio Netherlands BV is not able to service itself.

NextGenTel Holding ASA has on behalf of Tellio ApS given a guarantee to Post Danmark AS and Post Danmark AS Logistik limited to DKK 125,000.

NextGenTel Holding ASA has issued a guarantee to Swisscom Health AG in Switzerland for an invoicing and factoring agreement entered into with the subsidiary Telio Telecom AG. This guarantee implies that the company must redeem obligations that Telio Telecom AG is not able to service itself.

NextGenTel Holding ASA has on behalf of Kvantel AS issued a guarantee of NOK 7 million for interconnect agreement with Telenor Norge AS.

Note 15. Provisions for contingent liabilities

(In thousands of NOK)	2017	2016
Provisions as at 1 January 2017	795	951
Recognised as an expense during the year	-	-156
Provisions as at 31 December 2017	795	795

The provisions are related to social security tax on share options.

Directors' responsibility statement

Today, the board of directors and the chief executive officer reviewed and approved the board of directors' report and the consolidated and separate annual financial statements for NextGenTel Holding ASA, for the year ended as of 31 December 2017 (annual report 2017). NextGenTel Holding ASA consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, and that should be applied as of 31 December 2017. The separate financial statements for NextGenTel Holding ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31 December 2017. The board of directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16, as of 31 December 2017.

To the best of our knowledge:

the consolidated and separate annual financial statements for 2017 have been prepared in accordance with applicable financial reporting standards
the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 31 December 2017 for the group and the parent company
the board of directors' report for the group and the parent company includes a fair review of
- the development and performance of the business and the position of the group and the parent company
- the principal risks and uncertainties the group and the parent company face

Oslo, 22 March 2018
Board of Directors in NextGenTel Holding ASA

Lars B. Thoresen Chairman of the Board	Espen Fjogstad	Ellen Hanetho	Kari Mette Toverud	Linn Anette Husøy Employee repr.	Vidar Skogedal Employee repr.

Eirik Lunde
CEO

Auditor's report

Deloitte.

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To the General Meeting of NextGenTel Holding ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NextGenTel Holding ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects,the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Carrying value of goodwill

Key audit matter	How the matter was addressed in the audit
As disclosed in note 2.11, 4.2b and 7 to the financial statements, the Group has recognized goodwill of TNOK 132.672. In accordance with ISA 36, management is required to carry out an impairment test related to goodwill. Impairment reviews contain highly judgemental assumptions, and are based on management's assessment of future profitability. Due to that there is a risk that the assumptions used in the impairment reviews are inappropriate, and hence that the incorrect conclusions may be drawn in respect of whether an impairment is required, this has been identified as a key audit matter.	We have challenged the assumptions and judgement used by management in undertaking their impairment test, including specifically: • We obtained an understanding of managements process of impairment testing of goodwill • We tested methodology applied to estimate recoverable amount against the requirements in IAS 36 and the mathematical accuracy in the model • We agreed the cash flow forecast used in the impairment model to the profit forecast figures in the budget and challenged the estimation of cash flows and the growth rate applied beyond the forecast period • We assessed the discount rate applied by benchmarking against independent data • We assessed the sufficiency of the sensitivity analysis performed by the management • We considered the appropriateness of the disclosures in note 7 to the financial statements

Other information

Management is responsible for the other information. The other information comprises the Annual Report and statements on Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting

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insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 22, 2018
Deloitte AS

Torgeir Dahle
State Authorised Public Accountant (Norway)

Guidelines on Corporate Governance

NextGenTel is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations. In this respect, the company complies with the Norwegian Code of Practice for Corporate Governance based on the latest revision as of 30 October 2014 (available at www.nues.no). The topic of corporate governance is discussed and reviewed by the board of directors annually or more often if deemed necessary. This includes all documents related to corporate governance and the following description of the company's corporate governance guidelines which forms an integral part of the company's annual report for 2017. An important aim of these guidelines is to define the roles and responsibilities between the governing bodies of the company:

Owners
Shareholders
General meeting → Board → CEO
Management

1. Reporting on corporate governance

The board has decided that the company's guidelines for corporate governance should be based on the Norwegian Code of Practice for Corporate Governance. NextGenTel's guidelines for corporate governance aim to strengthen the confidence in the company and contribute to optimal added value over time, to the benefit of shareholders, employees and other stakeholders. In order to comply with the Code of Practice, the company will apply the "follow or explain principle". It is the company's aim to follow all recommendations in the Code of Practice. Instances where NextGenTel's guidelines depart from the Code of Practice will be followed by an explanation.

NextGenTel's corporate values and ethical guidelines are an important foundation for these guidelines on corporate governance. NextGenTel's corporate values are:

Innovative: - In NextGenTel we strive to build a culture that inspires innovation and continuous improvement through all fields of our business
Respectful: - In NextGenTel we respect our customers, shareholders, colleagues and partners by being accountable and committed to deliver results and quality. We emphasize being honest, showing empathy and always being service minded
Simplistic: - In NextGenTel we strive for simplicity in our communication, operations, product portfolio and development process
Courageous: -In NextGenTel we dare to think different, dare to do the impossible, dare to challenge the existing, dare to prioritize
Fun: - In NextGenTel we celebrate the success, achievements and challenges!

2. Operations

The objective of the company is stated in the Articles of Association to be as follows:

"The company's business is to develop and sell IP based telephony solutions, render consultancy services, and participate in other activities."

It is the board of directors' view that the company's business is clearly stated in the Articles of Association, that the company, within the objectives stated in the Articles of Association, has distinct goals and strategies for its business. The company's goals and principal strategies are discussed in the board of directors' report.

3. Equity and dividend

Equity

NextGenTel will at all times strive to have an equity level adapted to the company's goals, strategies and risk profile.

Dividend policy

NextGenTel's dividend policy is to distribute the maximum possible dividend to its shareholders given the prevailing legal framework, financial covenants and investment plans. The level of dividend may vary over time, determined by the company's evaluation of expected cash flows, acquisition opportunities and satisfactory financial flexibility. Dividends will be distributed annually or quarterly, depending on the circumstances. To support the company's dividend policy, the general meeting on 20 April 2017 authorized the board to distribute additional dividends (quarterly). The authorization is valid until the next ordinary shareholders meeting.

Capital increase

At the ordinary general meeting on 20 April 2017 it was resolved to authorize the board of directors to increase the company's share capital as follows:

> The share capital may be increased by up to NOK 232,832 for consideration in acquisitions and strategic investments and/or capital increases done to provide necessary financing for the company's business. The authority remains in force until the next ordinary general meeting, however not longer than for 18 months.
> The share capital may be increased by up to NOK 65,000 in connection with the company's incentive and option programs, including the allocation of 200,000 share options to the Chairman.

Purchase of treasury shares

The company's articles of association do not govern the ability to purchase treasury shares or issue shares. This is governed through decisions by the general meeting and transactions related to treasury shares are handled in accordance with the Norwegian Securities Trading Act. The general meeting on 20 April 2017 also granted the board of directors' authority to purchase own shares at an aggregate face value of NOK 232,831 (equal to 10 per cent of total outstanding share capital). This authority remains in force until and including the next ordinary general meeting, however no longer than for 18 months. The shares shall be acquired at an amount per share of between NOK 0.1 and the market price plus 10% of the market price, maximum NOK 100.

4. Equal treatment of shareholders and transactions with close associates

Class of shares

NextGenTel has one class of shares, and each share entitles to one vote at the company's general meeting.

Increase of share capital

If the board, in accordance with proxy given by the AGM, decides to derogate from the shareholders' preemption rights pursuant to the public limited liability companies act, then this decision will be justified in a stock exchange notice in connection with the capital increase.

Trading in treasury shares

Transactions in the company's own shares (share buyback) are carried out through the Oslo Stock Exchange at prevailing stock exchange prices. The company emphasizes equal treatment of shareholders when it comes to price sensitive information. NextGenTel Holding ASA is listed on the Oslo Stock Exchange and is therefore obliged to follow all relevant information requirements. The company publishes all price sensitive information to the stock market through relevant information systems and also on the company's web site at www.nextgentelholding.com.

Transactions with close associates

Related party transactions are disclosed in the notes to the financial statements. In transactions with close associates, NextGenTel's ethical guidelines will apply. Board members and executive management should inform the board if one, directly or indirectly, has a material interest in an agreement entered into by the company. In the event of a material transaction between the company and a shareholder, the board will ensure that the transaction is based on an independent valuation (if the transaction is not handled in a general meeting). There have been no material transactions between the company and shareholders, members of the board, members of the executive management or close associates of any such parties in 2017 except for the allocation of 200,000 share options to the Chairman.

Guidelines for directors and corporate management

Guidelines for directors and corporate management in the event of conflict of interests are covered in the company's ethical guidelines.

5. Freely negotiable shares

All shares in NextGenTel are freely negotiable. All shares are publicly traded and there are no trade barriers. All NextGenTel's shareholders are entitled to the same dividend payments, and have equal rights in the event of share capital increases (unless waived by the general meeting).

6. General meetings

The board of directors and the person chairing the meeting should make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies. The chairman, the nomination committee and the auditor will be present at the general meeting. The board members are encouraged to attend. Arrangements are in place to ensure an independent chairman for the general meeting. For shareholders who cannot attend the meeting in person, information is given in the notice to the general meeting on how to be represented through a proxy. The company will nominate a person who will be available to vote on behalf of shareholders as their proxy. A proxy form allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

Notice of general meetings is distributed to shareholders at least 21 days in advance. At the same time, documents for the general meeting (such as annual report) are published on the company's investor relations website. The extent of the documentation should be sufficient for the shareholder to evaluate the proposals. The deadline for signing up for the general meeting is at 16:00 the day before the meeting takes place. Minutes of general meetings are made available through the stock exchange information system and on the company's IR website.

7. Nomination committee

According to the company's Articles of Association, the company shall have a nomination committee. The nomination committee shall issue an explained proposal to the general meeting regarding the election of shareholder elected board members. The nomination committee shall consist of from two to three members. The members of the committee shall be elected by the company's annual general meeting for two years at a time. The general meeting also appoints the committee's chairman.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel. Currently, no members of the nomination committee are members of the board of directors or executive personnel.

The general meeting determines the remuneration of the committee's members and may also resolve instructions for the nomination committee's work. The nomination committee's costs are covered by the company. The members of the nomination committee are disclosed on the company's IR website.

8. Corporate assembly and board of directors, composition and independence

NextGenTel does not have a corporate assembly. NextGenTel Holding ASA has no employees and the employees of NextGenTel AS are represented on the board of directors of the parent company. The company aims to ensure a balanced composition of the board of directors taking into account the competence, experience and relevant background of the individuals. The composition of the board of directors complies with the requirements stated in the Norwegian Code of Practice for Corporate Governance with respect to the directors' independence towards the company's management and towards the company's material business contacts. The directors' independence is further demonstrated by the fact that there are few cases of disqualification of members in cases considered by the board of directors. There are no representatives from executive personnel on the board of directors. The board consists of six members: Lars B. Thoresen (chairman), Kari Mette Toverud, Ellen Hanetho, Espen Fjogstad, Linn Anette Husøy (employee repr.) and Vidar Skogedal (employee repr.). All board members are considered to be independent of the company's management and material business contacts. The directors are elected for two-year terms. Board members are encouraged to own shares in the company.

Additional information on each of the directors, their experience, qualifications and ownership of options/ shares in NextGenTel is available at www.nextgentelholding.com.

9. The work of the board of directors

Responsibilities of the board

The board of directors' duties are laid down by Norwegian law. The board has the ultimate responsibility for managing the Group and supervising the Group's operations which should be conducted in accordance with the Articles of Association and guidelines and framework given by the shareholders through the general meeting. The work of the board of directors includes the following main areas: strategy, organization, control and other tasks. The board defines the objectives for the financial structure and approves the Group's plans and budgets. Issues of significant financial or strategic importance are handled by the board. The board hires the CEO and determines the CEO's work instructions, authority and benefits.

Discussions of any matter in which the chairman is, or has been, actively involved will be chaired by some other member of the board.

Board instructions

The board of directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation of strategy. The company has established instructions and guidelines for the work of the board. The primary work of the board is to ensure adequate organization of the company's operation, approve plans and budgets and ensure that the operation, accounting and management of the company's assets are subject to adequate and reassuring control. The board instructions cover the following items: the purpose of the work of the board, notification and content of board meetings, the composition of the board – resources, rights and duties, work plan and the relation to the CEO, CEO – his tasks and duties towards the board, framework and main tasks for work of the board, board decisions, the keeping of minutes and notification for general meeting and the secretary function.

Instructions to the CEO

There is a clear division of responsibilities between the board and the executive management. The CEO is responsible for the Group's day-to-day operations. The board has established separate instructions for the CEO.

Financial reporting

The board of directors receives monthly financial reports from the administration and an overview of important key performance indicators of a financial and operational nature.

Board meetings

The board schedules board meetings in an annual plan for the work of the board. Normally, 6-8 board meetings are held during a calendar year. 4 meetings are in connection with the release of quarterly financial results and there is one strategy session mid-year and a follow-up strategy and budget/planning meeting in December. Additional meetings are convened on an ad hoc basis.

All board members receive regular information on the operations of the company and background information related to the scheduled board meetings is sent out well in advance of the meetings. The agenda for the board meetings are agreed upon between the CEO and the Chairman. In addition to the board members, the board meetings are normally attended by an observer to the board, the CEO and the CFO.

In a board meeting in December, the board draws up a plan for the work of the board for the following year.

Board committees

The company has established a nomination committee, an audit committee and a compensation committee. The nomination committee consists of three members elected by the general meeting. The audit committee has two members from the board in addition to the CFO. The compensation committee consists of the Chairman and one board member.

Evaluation of the board's work

The board will perform an annual evaluation of its own work during the last year.

10. Risk management and internal control

The Group has established a risk management process for identifying, evaluating and monitoring/mitigating risks related to NextGenTel's business. Risks are identified and evaluated with respect to probability of occurrence and the impact of the risk. Actions are then defined in order to monitor or mitigate the risk. This process involves all departments and executive management before the outcome is reported to and reviewed by the board annually.

In addition, risk management and internal control is performed through various processes within the Group, both on a board level and in daily management of the company. The board performs risk management and internal control through board meetings. Each month the board receives a board report from management outlining the financial and operational performance of the company. An annual planning and budgeting process which ends with a budget approved by the board sets the framework for the coming year. In this process, the board carries out a review of the company's most important areas of exposure to risk.

Risk management and internal control on a management level is carried out through monthly reviews of financial performance. Financial risk management and internal control procedures are carried out both on a group level and in each subsidiary.

The board presents a review of the Group's financial status in the annual directors' report including a description of the Group's risk management and internal control.

There are currently no internal control routines in place for following up the Group's corporate values and ethical guidelines.

11. Remuneration to the board of directors

Remuneration to the board of directors is proposed by the nomination committee and decided at the annual general meeting. The board's remuneration is not linked to the financial results. The nomination committee does not plan to use options as incentive for board members. For further information about remuneration, see note 21 to the financial statements.

12. Remuneration to the executive management

Remuneration to the company's Chief Executive Officer is decided by the board of directors once a year. The board of directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting. The guidelines for the remuneration of the executive personnel set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

The remuneration guidelines for executive management and details of remuneration to executive management are disclosed in the notes to the financial statements. See note 21.

13. Information and communication
NextGenTel aims to have a financial reporting in which investors have confidence. The company endeavours to give accurate and sufficiently extensive information each quarter and publish this information as quickly as possible. The company does not give concrete guidance on future revenue and results. The company will ensure that all relevant information is accessible for the market. Information will be given shareholders and other parties in the market simultaneously and with the most efficient methods. All financial information, including various company presentations, may be found at NextGenTel's investor relations web site, and the company ensures that all shareholders have equal access to financial information. Responsibility for investor relations and price sensitive information rests with the company's CEO and CFO. In meetings with shareholders, analysts and others, special emphasis is put on not to discuss issues that are considered to be price sensitive. The Group's financial calendar is published through the Oslo Stock Exchange and is also available on the corporate website. The board has established guidelines for contact with shareholders outside the general meeting.

14. Take-over
The board of Director's primary objective is to give the best possible long term return on investment for the shareholders. Unless specific conditions apply, the board will not prevent or make obstacles in the event that a bid is made for the company or its shares. In such situations, the board will evaluate the offer(s), where an independent valuation will be included in the board's evaluation, and prepare a statement which is communicated to the shareholders.

Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares will only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision will also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation will be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the company's shares, the company's board of directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for the company's shares, the company's board of directors will issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer will make it clear whether the views expressed are unanimous, and if this is not the case it will explain the basis on which specific members of the board have excluded themselves from the board's statement. The board will arrange a valuation from an independent expert. The valuation will include an explanation, and will be made public no later than at the time of the public disclosure of the board's statement. Any transaction that is in effect a disposal of the company's activities will be decided by a general meeting.

15. Auditor
NextGenTel uses the same firm of auditors in the parent company and all subsidiaries of significance. The auditors may be used as advisors in circumstances when services are permissible under independence rules and approved by the audit committee. The board has not found it necessary to outline written guidelines for management's use of the auditors for services other than audit. However, such assignments are normally discussed at board level before the assignment is given to the auditors. The auditors are not used as advisors for strategic issues or in connection with operational tasks for the company. The auditor participates in the board meeting that approves the annual financial statements, and in the same meeting will give its opinions as to the company's accounting principles, risk areas, internal control and accounting routines. The company's internal control is reviewed by the auditor at least once a year. The auditor is annually presenting to the audit committee a plan for the audit. The board ensures that the board and the auditor may discuss relevant issues without the presence of management. The audit fees are approved at the annual general meeting and are described in the notes to the financial statements.

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
Leverage: net interest-bearing debt/EBITDA
Equity ratio: total equity/total equity and liabilities
Investments: New additions to fixed or intangible assets

EBITDA

(In thousands of NOK)	2017	2016
Operating profit	-22 332	55 249
Depreciation and amortization	182 747	170 526
Impairments	0	0
EBITDA	160 415	225 775

Net interest-bearing debt (NIBD)

(In thousands of NOK)	31.12.2017	31.12.2016
Long-term interest bearing debt	25 416	219 874
Short-term interest bearing debt	216 401	95 084
Cash and cash equivalents	-17 821	-66 593
Net interest-bearing debt (NIBD)	223 995	248 365

Leverage (NIBD / EBITDA)

(In thousands of NOK)	2017	2016
Net interest-bearing debt	223 995	248 365
EBITDA	160 415	225 775
Leverage	1.396	1.100

Equity ratio

(In thousands of NOK)	31.12.2017	31.12.2016
Total equity	94 280	158 684
Total equity and liabilities	667 407	817 960
Equity ratio	14.13%	19.40%

Investments

(In thousands of NOK)	31.12.2017	31.12.2016
New additions to fixed assets	58 908	94 077
New additions to intangible assets	36 106	33 290

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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

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Financial Calendar

4th quarter 2017:	6 March at 9:00
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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