

# Q4 2015

**NorCell Sweden  
Holding 2 AB  
(publ) Group**

**Year-end Report**  
January-December

## Year-end Report January-December 2015

# Continued focus on customer satisfaction leads to record high revenue

### FOURTH QUARTER SUMMARY

- Revenue totalled SEK 1,271m (1,229), up 3.4 per cent.
- Underlying EBITDA increased by 3.3 per cent to SEK 598m.
- Operating free cash flow increased by 41.6 per cent reaching SEK 339m (240) as a result of improved Underlying EBITDA and lower investments compared to last year.
- Net result for the period improved to negative SEK 112m (negative 362) including one off costs of SEK 97m (377) related to refinancing activities.
- Earnings per share improved to negative SEK 186 (negative 603).
- Our consumer growth continues steadily:
  - The number of unique consumer subscribers rose 8,000 to a total of 911,000.
  - The record-low churn rate of 12.9 per cent remained at the same level as in the third quarter.
  - Continued volume growth in broadband, up 11,000 to 658,000 RGUs.
  - Growth in digital TV remained stable, and rose 4,000 to 635,000 RGUs.
  - The number of TiVo customers rose slightly more than 10,000 to 224,000 (a penetration rate of 35 per cent).
- In November the company redeemed its 187 MEUR Notes which is expected to save the company more than SEK 100m in annual interest expenses.

### FULL YEAR SUMMARY

- Revenue increased by 5 per cent to SEK 5,000m (4,761) for the full year, of which 3.6 per cent was organic growth.
- Underlying EBITDA increased by 4.0 per cent totalling SEK 2,357m.
- Operating free cash flow increased by 12.3 per cent to SEK 1,366m (1,216).
- Net result for the year increased to negative SEK 369m (negative 1,350), which equals negative SEK 615 (negative 2,250) per share. The improvement is explained by both higher operating profit and significantly lower net financial expenses.

### FOCUS UPCOMING QUARTERS

- Following a number of product improvements and extensive investments into enhancing the quality of our broadband services, we have begun to execute on our 2016 price rise activity.

## Financial key metrics<sup>1)</sup>

	OCT-DEC / Q4			JAN-DEC		
	2015	2014	Change	2015	2014	Change
Revenue, SEKm	1,271	1,229	3.4%	5,000	4,761	5.0%
Underlying EBITDA, SEKm	598	579	3.3%	2,357	2,267	4.0%
Underlying EBITDA margin, %	47.1	47.1	-0.1 p.p.	47.1	47.6	-0.5 p.p.
EBITDA, SEKm	586	538	9.0%	2,290	2,111	8.5%
Operating profit (EBIT), SEKm	195	161	21.0%	745	672	10.8%
Net result for the period, SEKm	-112	-362	69.1%	-369	-1,350	72.7%
Earnings per share, SEK	-186	-603	69.1%	-615	-2,250	72.7%
Capex, SEKm	259	340	-23.8%	991	1,051	-5.7%
Capex as % of revenue	20.4	27.6	-7.3 p.p.	19.8	22.1	-2.2 p.p.
Operating free cash flow, SEKm	339	240	41.6%	1,366	1,216	12.3%
Net debt at end of period, SEKm	9,060	8,981	0.9%	9,060	8,981	0.9%
Net debt/Underlying EBITDA LTM, multiple	3,8x	4,0x	-0,1x	3,8x	4,0x	-0,1x

<sup>1)</sup> See page 14 for definitions.

The figures in this report refer to the fourth quarter of 2015 unless otherwise stated. Figures in brackets refer to the corresponding period last year.

# Operational development

Operational key metrics <sup>1)</sup>	2014		2015			
	Q3	Q4	Q1	Q2	Q3	Q4
Homes connected, thousands	1,846	1,876	1,920	1,930	1,942	1,968
Unique consumer subscribers, thousands	861	876	888	894	903	911
Unique consumer subscribers as % of homes connected, %	46.6	46.7	46.3	46.3	46.5	46.3
Consumer RGUs per unique consumer subscriber, ratio	1.78	1.79	1.80	1.79	1.78	1.77
Consumer churn as % of unique consumer subscribers, %	14.8	14.2	13.3	13.7	12.9	12.9
<b>Consumer RGUs thousands</b>						
Broadband	594	612	628	637	648	658
Digital TV	607	618	625	627	631	635
- of which TiVo customers	132	164	189	204	213	224
Fixed telephony	329	337	342	337	331	322
Total consumer RGUs	1,531	1,566	1,595	1,600	1,610	1,616
<b>ARPU, SEK</b>						
Consumer	361	361	358	361	363	363
Landlord	35	33	31	30	29	29

<sup>1)</sup> For the quarter, and on the last date of each quarter.

Comparison between fourth quarter 2015 and third quarter 2015, unless otherwise stated.

## HOMES CONNECTED

In the fourth quarter, the number of homes connected was 1,968,000, an increase of 25,000 homes. For the full-year, the number of homes increased by 92,000, or 4.9 per cent. The increase was derived mainly from the addition of open LANs.

## UNIQUE CONSUMER SUBSCRIBERS

The number of unique consumer subscribers continued to increase in the fourth quarter, up 8,000 to 911,000. For the full-year, the number of unique consumer subscribers increased 35,000, or 4.0 per cent. The increase for both the quarter and the full-year is a result of a stable growth in broadband and digital TV services, as well as an increased footprint.

## CHURN RATE

The churn rate, expressed as the percentage of consumer subscriber discontinuance on an annual basis, was 12.9 per cent in the fourth quarter, which is in line with the third quarter. The churn rate for the full-year was 13.2 per cent, a year-on-year improvement of 1.9 p.p. The positive trend in the churn rate is a result of our continued focus on customer satisfaction.

## CONSUMER RGUs

In the fourth quarter, the number of consumer RGUs was 1,616,000, an increase of 6,000. The increase for the full-year was 49,000 RGUs, or 3.2 per cent. The increase is a result of continued stable growth in broadband and digital TV services as well as an increased footprint.

The number of broadband RGUs rose 11,000 in the fourth quarter to 658,000. For the full-year, the number of broadband RGUs rose 47,000. Growth in broadband reflects the continued high demand for the company's market-leading broadband offering, which has led to an increase in the number of broadband RGUs for the eleventh consecutive quarter. The proportion of new customers who purchased broadband speeds of 100 Mbit/s or higher continued to increase to 82 per cent, compared with 77 per cent in the third quarter of 2015 and 71

per cent in the fourth quarter of 2014.

In the fourth quarter, the number of digital TV RGUs rose 4,000 to 635,000 RGUs, and for the full-year, the number of RGUs rose 18,000, or 2.9 per cent. At the end of the quarter, 224,000 digital TV customers had signed a TiVo subscription, corresponding to 35 per cent of the total digital TV base just two years after the TiVo service was launched.

The number of fixed-line telephony RGUs was 322,000, down 9,200 compared with the preceding quarter. During the year, the number of fixed-line telephony RGUs decreased 15,000. The decline is due to both a higher churn rate and lower new sales.

## CONSUMER ARPU

Consumer ARPU amounted to SEK 363 in the fourth quarter, which is in line with the preceding quarter.

Consumer ARPU for the full-year amounted to SEK 361, up SEK 1 year-on-year. The increase is due to the price adjustments implemented during the year, and a higher average speed for broadband RGUs.

## LANDLORD ARPU

Landlord ARPU amounted to SEK 29 for the quarter, which is in line with the preceding quarter.

Landlord ARPU for the full-year amounted to SEK 30, compared with SEK 35 in the preceding year. Approximately half of the ARPU decline for the full-year was due to the growing number of homes connected via open LANs, where the company does not provide any basic TV package and does not, therefore, receive any landlord revenue. The remaining portion of the decline was mainly attributable to lower prices arising from contract renegotiations, and a decision by some landlords to sign bulk service agreements when extending their agreements, whereby all revenue was previously recognised under landlord services, but the portion relating to consumer services is now recognised under consumer services when their agreements are extended.

# Financial overview

Financial summary, SEKm	OCT-DEC / Q4			JAN-DEC		
	2015	2014	Change	2015	2014	Change
<b>Revenue</b>						
Consumer	959	908	5.7%	3,755	3,540	6.1%
Landlord	171	186	-8.0%	695	774	-10.1%
B2B	81	78	4.1%	311	222	40.1%
Other revenue	61	59	3.8%	238	226	5.5%
<b>Revenue</b>	<b>1,271</b>	<b>1,229</b>	<b>3.4%</b>	<b>5,000</b>	<b>4,761</b>	<b>5.0%</b>
Operating expenses	-1,077	-1,068	0.8%	-4,255	-4,089	4.1%
<b>Operating profit (EBIT)</b>	<b>195</b>	<b>161</b>	<b>21.0%</b>	<b>745</b>	<b>672</b>	<b>10.8%</b>
Net financial income and expenses	-338	-844	-59.9%	-1,217	-2,572	-52.7%
Income taxes	32	322	-90.1%	103	550	-81.2%
<b>Net result for the period</b>	<b>-112</b>	<b>-362</b>	<b>69.1%</b>	<b>-369</b>	<b>-1,350</b>	<b>72.7%</b>

Comparisons between the fourth quarter of 2015 and 2014, unless otherwise stated.

## TOTAL REVENUE

Total revenue rose SEK 42m to SEK 1,271m, compared with the fourth quarter of 2014. For the full-year, total revenue rose SEK 239m to SEK 5,000m. Adjusted for the acquisition of Phonera, which has been included in the consolidated accounts from 31 March 2014, the increase was SEK 174m, corresponding to an organic growth of 3.6 per cent for the full-year.

## CONSUMER SERVICES

Revenue from consumer services rose SEK 51m, amounting to SEK 959m. The increase was attributable to higher revenue from broadband and digital TV services.

Revenue from broadband services rose SEK 46m, or 12 per cent, and amounted to SEK 433m in the fourth quarter. For the full-year, revenue from broadband services rose SEK 205m, or 14 per cent, to SEK 1,666m. The increase in broadband revenue is attributable to more RGUs, an improved speed mix due to continued strong demand for our high-speed broadband packages, and the price adjustments implemented during the second and third quarters of 2015.

Revenue from digital TV rose SEK 12m, amounting to SEK 451m in the fourth quarter. For the full-year, the increase was SEK 48m. The increase in digital TV revenue was due to a higher proportion of customers with TiVo packages, and the price adjustments implemented for parts of the digital TV base during the second and third quarters of 2015.

Revenue from fixed-line telephony decreased SEK 7m in the fourth quarter and amounted to SEK 75m, mainly attributable to lower fixed revenue due to a decline in the number of telephony RGUs. For the full-year, revenue from fixed-line telephony decreased SEK 37m and amounted to SEK 304m due to fewer RGUs and lower variable access revenue.

## LANDLORD SERVICES

Revenue from landlord services declined SEK 15m, amounting to SEK 171m for the fourth quarter, the decline was somewhat lower than the decline in the third quarter.

For the full-year, revenue from landlord services declined SEK 78m. The decline compared with preceding periods was mainly attributable to the lower prices arising from contract renegotiations, and a decision by some landlords to sign bulk service agreements when extending their agreements, whereby all revenue was previously recognised under landlord services,

but the portion relating to consumer services is now recognised under consumer services when the agreements are extended.

## B2B SERVICES

Revenue from B2B services rose SEK 3m, amounting to SEK 81m for the fourth quarter. An increase of SEK 13m was attributable to the addition of 8,000 new, unique B2B SoHo customers in the company's network (OnNet), compared with the year-on-year quarter. The OnNet operations therefore accounted for 28 per cent of revenue from B2B services for the fourth quarter compared to 12 per cent last year. The increase in OnNet was offset by lower revenue from other services, mainly due to lower variable telephony revenue.

For the full-year, organic revenue growth from B2B services was SEK 24m.

## OTHER REVENUE

Other revenue increased for both the fourth quarter and the full-year, mainly due to higher revenue from iTUX, the Group's communication operator.

## OPERATING EXPENSES

Operating expenses amounted to SEK 1,077m, up SEK 8m. The increase was attributable to a changed revenue mix as well as higher depreciation and amortisation of CPE and capitalised sales commissions.

## OPERATING PROFIT (EBIT)

Operating profit for the fourth quarter amounted to SEK 195m, up SEK 34m. The increase in operating profit was largely due to increased revenue, resulting in a higher Underlying EBITDA contribution and lower non-recurring costs (non-recurring items, operating currency loss/gains and disposals) of SEK 29m, compared with the year-on-year quarter. The increase in Underlying EBITDA and lower non-recurring costs were partly offset by higher depreciation and amortisation, primarily due to capitalised sales commissions due to higher volume growth in the first quarters of 2014 and 2015 in both consumer and B2B services.

Operating profit for the full-year totalled SEK 745m, up SEK 73m. The increase was mainly attributable to increased revenue in 2015 which led to a higher Underlying EBITDA contribution.

## FINANCIAL OVERVIEW

## NET FINANCIAL INCOME AND EXPENSES

In the fourth quarter, net financial income and expenses amounted to a net expense of SEK 338m, compared with SEK 844m in the year-on-year quarter. The lower net expenses were largely a result of lower refinancing costs during the quarter (SEK 97m in the fourth quarter of 2015, compared with SEK 377m in the year-on-year quarter) and lower interest expenses. Average total interest expenses on bank debt and notes declined to 3.6 per cent in the fourth quarter, compared with 5.3 per cent in the fourth quarter of 2014, attributable to the refinancing activities completed in 2014 and 2015.

For the full-year, net financial income and expenses improved SEK 1,355m, due to lower refinancing costs and decreased interest expenses in 2015 compared to 2014.

## INCOME TAXES

The Group recognised a deferred tax income of SEK 32m for the quarter and SEK 103m for the full-year. The Group's recognised tax losses carryforwards amounted to approximately SEK 2.5bn at the end of the year.

## NET RESULT FOR THE PERIOD

Due to non-recurring costs in connection with refinancing, net result for the fourth quarter was SEK -112m.

Net result for the full-year 2015 totalled SEK -369m, compared with a net result of SEK -1,350m for the full-year 2014.

Reconciliation between Operating profit (EBIT) and Underlying EBITDA, SEKm	OCT-DEC / Q4			JAN-DEC		
	2015	2014	Change	2015	2014	Change
<b>Operating profit (EBIT)</b>	<b>195</b>	<b>161</b>	<b>21.0%</b>	<b>745</b>	<b>672</b>	<b>10.8%</b>
<b>Depreciation &amp; amortisation per function</b>						
- Cost of services sold	201	188	7.3%	778	720	8.1%
- Selling expenses	184	181	1.7%	742	683	8.6%
- Administrative expenses	6	8	-27.2%	25	36	-28.8%
<b>Total depreciation &amp; amortisation</b>	<b>392</b>	<b>377</b>	<b>3.8%</b>	<b>1,545</b>	<b>1,438</b>	<b>7.4%</b>
<b>EBITDA</b>	<b>586</b>	<b>538</b>	<b>9.0%</b>	<b>2,290</b>	<b>2,111</b>	<b>8.5%</b>
EBITDA margin, %	46.1	43.8	2.4 p.p.	45.8	44.3	1.5 p.p.
Disposals	0	11	-99.5%	9	15	-38.5%
Operating currency loss/gains	-1	7	n/m	8	16	-47.2%
Non-recurring items	13	23	-45.8%	49	125	-61.2%
<b>Underlying EBITDA</b>	<b>598</b>	<b>579</b>	<b>3.3%</b>	<b>2,357</b>	<b>2,267</b>	<b>4.0%</b>
Underlying EBITDA margin, %	47.1	47.1	-0.1 p.p.	47.1	47.6	-0.5 p.p.

Comparisons between fourth quarter of 2015 and fourth quarter of 2014, unless otherwise stated.

## UNDERLYING EBITDA

In the fourth quarter, Underlying EBITDA rose SEK 19m to SEK 598m and the Underlying EBITDA margin was 47.1 per cent. For the full-year, Underlying EBITDA rose SEK 90m to SEK 2,357m and the Underlying EBITDA margin was 47.1 per cent. The increase in Underlying EBITDA was mainly attributable to increased revenue from the consumer and B2B services. The Underlying EBITDA margin declined slightly year-on-year due to a changed revenue mix, in which decreased revenue from landlord services and fixed-line telephony with high margins was offset by revenue growth from services with slightly lower margins.

## EBITDA

In the fourth quarter, EBITDA rose SEK 48m to SEK 586m. The increase in EBITDA was mainly attributable to an increased Underlying EBITDA contribution of SEK 19m as well as lower non-recurring costs compared with the fourth quarter of 2014. The EBITDA margin subsequently increased to 46.1 per cent, compared with 43.8 per cent in the year-on-year quarter.

EBITDA for the full-year 2015 rose SEK 180m to SEK 2,290m, and the EBITDA margin was 45.8 per cent.

The increase in EBITDA was mainly attributable to increased revenue from the consumer and B2B services and lower non-recurring costs (non-recurring items, operating currency loss/gains and disposals) of SEK 90m.

## DEPRECIATION AND AMORTISATION

In the fourth quarter, depreciation and amortisation rose SEK 14m to SEK 392m, due to higher depreciation and amortisation on CPEs (cost of services sold) and IT investments (cost of services sold).

For the full-year 2015, depreciation and amortisation rose SEK 107m to SEK 1,545m. Higher depreciation and amortisation was mainly due to increased investment in CPE (cost of services sold) and capitalised sales commissions (selling expenses), as a result of higher sales in the first six months of 2015 and in the preceding year in both consumer and B2B services, and increased amortisation of customer relationships (selling expenses) due to the acquisition of Phonera on 31 March 2014.

## FINANCIAL OVERVIEW

Operating free cash flow, SEKm	OCT-DEC / Q4			JAN-DEC		
	2015	2014	Change	2015	2014	Change
<b>Underlying EBITDA</b>	<b>598</b>	<b>579</b>	<b>3.3%</b>	<b>2,357</b>	<b>2,267</b>	<b>4.0%</b>
<b>Capital expenditure</b>						
Network related	-97	-147	-33.9%	-332	-354	-6.4%
CPEs and capitalised sales commissions	-113	-137	-17.1%	-486	-498	-2.4%
IT investments	-37	-37	0.2%	-128	-147	-12.8%
Other capex	-11	-19	-40.3%	-45	-52	-12.3%
<b>Total capital expenditure</b>	<b>-259</b>	<b>-340</b>	<b>-23.8%</b>	<b>-991</b>	<b>-1,051</b>	<b>-5.7%</b>
Operating free cash flow	339	240	41.6%	1,366	1,216	12.3%

Comparisons between fourth quarter of 2015 and fourth quarter of 2014, unless otherwise stated.

**CAPITAL EXPENDITURE (CAPEX)**

Capital expenditure for the fourth quarter amounted to SEK 259m, comprising 20.4 per cent of total revenue. The decline of SEK 81m, compared with the year-on-year quarter, was largely a result of timing in network investments (approximately SEK 30m was instead invested in early 2016) and lower capitalised sales commissions. The decline in capitalised sales commissions was mainly a result of lower RGU growth in the fourth quarter compared with the year-earlier quarter, due to a focused shift from purely volume-driven growth to a combination of volume plus price-driven growth.

Capital expenditure for the full-year amounted to SEK 991m, comprising 19.8 per cent of total revenue. The decline derived mainly from timing in network related capital expenditure, lower capitalised sales commissions and lower IT investments due to higher efficiency.

**OPERATING FREE CASH FLOW**

Operating free cash flow increased SEK 100m in the fourth quarter, amounting to SEK 339m. The increase was mainly due to a higher Underlying EBITDA contribution, timing regarding network-related capital expenditure, and lower capitalised sales commissions compared with the fourth quarter of 2014.

Operating free cash flow increased SEK 150m for the full-year, amounting to SEK 1,366m. The increase was mainly due to a higher Underlying EBITDA contribution, timing in regard to network related capital expenditure, lower capitalised sales commissions and lower IT investments compared with the preceding year.

# Financial position

## LIQUIDITY

At 31 December 2015, the Group's total available funds amounted to SEK 1,363m (SEK 1,181m at 31 December 2014), of which cash and cash equivalents comprised SEK 713m (SEK 586m at 31 December 2014) and unutilised credit facilities SEK 650m (SEK 595m at 31 December 2014). Refer also to "Outstanding debt" below.

## NET DEBT

At 31 December 2015, the Group's net debt amounted to SEK 9,060m (SEK 8,981m at 31 December 2014), while net debt/Underlying EBITDA LTM was a multiple of 3.8x (4.0x at 31 December 2014).

## OUTSTANDING DEBT

31 December 2015, SEKm	Maturity date	Interest base/coupon	Total credit	Utilised amount	Unutilised amount
<b>Bank debt</b>					
Facility A	26 Jun 2019	Floating	3,500	3,500	-
Revolving Credit Facility	26 Jun 2019	Floating	2,000	1,350	650
Incremental Facility 2	26 Jun 2019	Floating	375	375	-
Incremental Facility 3	4 Mar 2017	Floating	500	500	-
Incremental Facility 4	26 Jun 2019	Floating	1,000	1,000	-
Incremental Facility 5	14 Sep 2016	Floating	500	500	-
<b>Outstanding notes at fixed interest rates</b>					
SEK 2,500m Senior Secured Notes	4 Nov 2019	Fixed   5.25%	2,500	2,500	-
<b>Total credit facilities<sup>1)</sup></b>			<b>10,375</b>	<b>9,725</b>	<b>650</b>

<sup>1)</sup> In addition to the above credit facilities the company holds interest-bearing financial lease liabilities totalling SEK 48m.

## Refinancing

In November, the company made an early redemption of outstanding Senior Notes of EUR 187m originally due in 2019. Upon redemption, the company paid redemption premiums totalling SEK 92m plus accrued interest, and all previously held derivative contracts were closed. The Senior Notes carried a fixed interest rate of 10.75 per cent and were replaced by new credit facilities of SEK 1,500m signed in September (Incremental Facility 4 and 5 in the table above), and existing unutilised credit facilities. The new credit has the same lending terms as other bank financing and has been signed with an interest rate that is expected to reduce the Group's average interest expense from 4.4 per cent before refinancing, to approximately 3 per cent with the prevailing Swedish market interest rate. The refinancing is therefore estimated to reduce the Group's annual interest expenses by more than SEK 100m, compared with the previous level.

At 31 December 2015, the Group's total credit facilities, including the outstanding SEK bond, amounted to SEK 10,375m, with an average remaining term of 3.4 years. The company's intention is to continue striving for long-term, diversified financing in both bond and bank financing forms.

## Loan conditions

The loan facilities with credit institutions are conditional on the Group continually satisfying a predetermined financial key metric, referred to as the covenant. The covenant is consolidated net debt in relation to consolidated Underlying EBITDA LTM. In addition, there are provisions and limitations in loan agreements for the credit facilities with credit institutions and the bond loan regarding further debt gearing, guarantee commitments and pledging, material changes to operating activities, as well as acquisitions and divestments. The conditions were met with a solid margin as per 31 December 2015.



# Condensed Consolidated Income Statement

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
Revenue	1,271	1,229	5,000	4,761
Cost of services sold	-631	-601	-2,464	-2,315
<b>Gross profit</b>	<b>641</b>	<b>628</b>	<b>2,536</b>	<b>2,446</b>
Selling expenses	-379	-388	-1,516	-1,491
Administrative expenses	-70	-66	-269	-256
Other operating income and expenses	3	-14	-6	-26
<b>Operating profit</b>	<b>195</b>	<b>161</b>	<b>745</b>	<b>672</b>
Financial income and expenses	-338	-844	-1,217	-2,572
<b>Result after financial items</b>	<b>-144</b>	<b>-683</b>	<b>-472</b>	<b>-1,900</b>
Income taxes	32	322	103	550
<b>Net result for the period</b>	<b>-112</b>	<b>-362</b>	<b>-369</b>	<b>-1,350</b>
Average number of outstanding shares, thousands	600	600	600	600
Earnings per share, SEK	-186	-603	-615	-2,250
Average number of outstanding shares, diluted, thousands	600	600	600	600
Earnings per share, diluted, SEK	-186	-603	-615	-2,250

# Consolidated Statement of Comprehensive Income

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
<b>Net result for the period</b>	<b>-112</b>	<b>-362</b>	<b>-369</b>	<b>-1,350</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net profit or loss</i>				
Revaluation of defined-benefit pension obligations	40	-42	75	-110
Tax on items that will not be reclassified to profit or loss	-9	9	-16	24
<b>Other comprehensive income for the period, net of tax</b>	<b>31</b>	<b>-33</b>	<b>58</b>	<b>-86</b>
<b>Total comprehensive income for the period</b>	<b>-81</b>	<b>-395</b>	<b>-310</b>	<b>-1,436</b>



# Condensed Consolidated Balance Sheet

SEKm	31 DEC	
	2015	2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	15,451	16,041
Property, plant and equipment	1,531	1,505
Financial assets	942	267
<b>Total non-current assets</b>	<b>17,924</b>	<b>17,813</b>
<b>Current assets</b>		
Other current assets	958	791
Cash and cash equivalents	713	586
<b>Total current assets</b>	<b>1,671</b>	<b>1,377</b>
<b>TOTAL ASSETS</b>	<b>19,595</b>	<b>19,190</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1,041</b>	<b>1,236</b>
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	9,151	9,392
Non-current interest-bearing liabilities to Group companies	6,873	6,501
Other non-current liabilities	176	236
Deferred tax liabilities	259	212
<b>Total non-current liabilities</b>	<b>16,459</b>	<b>16,341</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	528	30
Other current liabilities	1,566	1,584
<b>Total current liabilities</b>	<b>2,094</b>	<b>1,614</b>
<b>Total liabilities</b>	<b>18,554</b>	<b>17,954</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,595</b>	<b>19,190</b>
Number of outstanding shares, at end of period, thousands	600	600
Equity per share, SEK	1,735	2,059

# Condensed Consolidated Statement of Changes in Equity

SEKm	31 DEC	
	2015	2014
<b>Opening equity</b>	<b>1,236</b>	<b>-664</b>
<b>Comprehensive income for the period</b>		
Net result for the period	-369	-1,350
Other comprehensive income for the period	58	-86
<b>Total comprehensive income for the period</b>	<b>-310</b>	<b>-1,436</b>
<b>Transactions with the owners</b>		
Repurchase of warrants	-2	-
Dividend	-357	-
Shareholder's contribution	1	3,044
Group contribution, net of tax	474	291
<b>Total transactions with the owners</b>	<b>116</b>	<b>3,335</b>
<b>Closing equity</b>	<b>1,041</b>	<b>1,236</b>

# Condensed Consolidated Statement of Cash Flows

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
<b>Operating activities</b>				
Result after financial items	-144	-683	-472	-1,900
Adjustments for non-cash items	345	648	2,163	2,696
<b>Cash flow from operating activities before changes in working capital</b>	<b>201</b>	<b>-35</b>	<b>1,691</b>	<b>796</b>
Change in working capital	111	24	121	-159
<b>Cash flow from operating activities</b>	<b>312</b>	<b>-11</b>	<b>1,812</b>	<b>637</b>
<b>Investing activities</b>				
Acquisition of non-current intangible assets	-95	-139	-381	-429
Acquisition of property, plant and equipment	-164	-172	-594	-594
Acquisition of shares in subsidiaries	-	-	-	-302
Investment in financial assets <sup>1)</sup>	-320	-	-580	-
Divestment of financial assets	-	0	0	6
<b>Cash flow from investing activities</b>	<b>-579</b>	<b>-312</b>	<b>-1,556</b>	<b>-1,318</b>
<b>Financing activities</b>				
Shareholder contribution	-	-	-	3,044
Repurchase of warrants	-1	-	-2	-
Dividend	-	-	-357	-
Borrowings	1,900	3,775	2,000	8,575
Amortisation of borrowings	-1,725	-3,498	-1,749	-11,366
Payment of borrowing costs	-7	-45	-21	-108
<b>Cash flow from financing activities</b>	<b>166</b>	<b>231</b>	<b>-129</b>	<b>145</b>
Net change in cash and cash equivalents	-100	-92	127	-536
Cash and cash equivalents at beginning of period	813	678	586	1,122
<b>Cash and cash equivalents at end of period</b>	<b>713</b>	<b>586</b>	<b>713</b>	<b>586</b>

<sup>1)</sup> Intercompany loans to the parent company Com Hem Holding AB.

## Adjustment for non-cash items

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
Depreciation/amortisation	392	377	1,545	1,438
Unrealised exchange-rate differences	-135	166	-188	339
Capital gain/loss on sale/disposal of non-current assets	0	-	9	-
Change in fair value of derivatives	46	-41	39	-158
Change in capitalised borrowing costs and discounts	44	138	71	432
Change in accrued interest expenses	-197	-188	-66	-124
Interest not settled with cash, group companies	190	180	736	743
Other profit/loss items not settled with cash	4	15	16	26
<b>Total</b>	<b>345</b>	<b>648</b>	<b>2,163</b>	<b>2,696</b>

# Parent Company Condensed Financial Reports

## INCOME STATEMENT

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
Revenue	-	-	-	-
Administrative expenses	0	0	0	0
Other operating income and expenses	0	0	0	0
<b>Operating profit/loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
Financial income and expenses <sup>1)</sup>	-57	-56	357	-257
<b>Result after financial items</b>	<b>-57</b>	<b>-56</b>	<b>357</b>	<b>-258</b>
Income taxes	-	-	-	57
<b>Net result for the period</b>	<b>-57</b>	<b>-56</b>	<b>357</b>	<b>-201</b>

<sup>1)</sup>Includes write-down of shares in subsidiaries, following group contribution given.

## STATEMENT OF COMPREHENSIVE INCOME

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
Net result for the period	-57	-56	357	-201
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-57</b>	<b>-56</b>	<b>357</b>	<b>-201</b>

## BALANCE SHEET

SEKm	31 DEC	
	2015	2014
<b>ASSETS</b>		
Financial assets	10,829	11,953
Deferred tax assets	2	2
Current assets	-	252
Cash and bank balances	0	0
<b>TOTAL ASSETS</b>	<b>10,831</b>	<b>12,207</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	1	1
Unrestricted equity	3,914	3,913
Non-current liabilities	-	1,745
Non-current liabilities to Group companies	6,874	6,501
Current liabilities to Group companies	42	-
Current liabilities	0	47
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,831</b>	<b>12,207</b>
<b>Pledged assets and contingent liabilities</b>		
Pledged assets	-	11,953
Contingent liabilities	9,630	7,609

## Other information

NorCell Sweden Holding 2 AB (publ) is a Swedish limited liability company (Corp. ID. No. 556859-4187), with its registered office in Stockholm, Sweden and is a wholly owned subsidiary to Com Hem Holding AB (Corp. ID. No. 556858-6613). The shares in the parent company Com Hem Holding AB have been listed on Nasdaq Stockholm, Large Cap list, since June 2014.

### ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and described in the Group's 2014 Annual Report. The Group's functional currency is the Swedish krona (SEK), which is also the presentation currency of the Group. All amounts have been rounded to the nearest million (SEKm), unless otherwise stated. New or amended IFRSs that became effective on 1 January 2015 had no material effect on the consolidated financial statements. The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. Condensed financial statements for the Parent Company have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

### ADJUSTMENTS

Certain financial information and other amounts and percentages presented in this report have been rounded and therefore the tables may not tally. The abbreviation "n/m" ("not meaningful") is used in this report if the information is not relevant.

### OPERATING SEGMENT

The operations of the Group are integrated and constitute a single operating segment that offers bundled services to consumers (digital TV, broadband and fixed telephony), B2B (broadband and telephony) and landlords (basic TV service), in a single market, Sweden. This is also the base of the Group's management structure and the structure for internal reporting, which is controlled by the Group's Chief Executive Officer, who has been identified as the chief operating decision maker. As such, the Group does not present any operating segment information.

### RISKS AND UNCERTAINTIES

The Group and the Parent Company have identified a number of operational and financial risks. Operational risks include

### NON-RECURRING ITEMS

The Group's non-recurring items are specified as follows:

SEKm	OCT-DEC / Q4		JAN-DEC	
	2015	2014	2015	2014
TiVo and B2B launch	-	-	-	-60
Acquisition costs	-	-	-	-9
Redundancy costs	-8	-21	-41	-40
Other	-5	-2	-7	-16
<b>Total non-recurring items</b>	<b>-13</b>	<b>-23</b>	<b>-49</b>	<b>-125</b>

### AUDITOR'S REVIEW

This year-end report has not been reviewed by the company's auditors.

increased competition, the ability to attract and retain customers, technical development, regulatory environment and substitution from fixed to mobile telephony. Financial risks include liquidity, credit, interest rate, and currency risks.

For a detailed description of the significant risk factors for the Group's future development, see the Group's 2014 Annual Report. The Group believes that the risk environment has not materially changed from the description in the 2014 Annual Report.

### FAIR VALUE OF DERIVATIVES

In order to decrease the Group's interest-rate risk and currency exposure, certain derivatives have been entered into. The derivatives are measured at fair value and recognised in profit or loss. Hedge accounting is not applied. The Group held level 2 instruments only, as described in the Group's 2014 Annual Report. There were no transfers between levels or measurement categories during the period. An amount of SEK -39m (158) pertaining to changes in the fair value of derivatives was recognised in financial income and expenses for the year. When the company's Senior Notes were refinanced in November 2015, all derivatives attributable to outstanding debt were closed.

### Fair value of derivatives at end of period

SEKm	31 DEC	
	2015	2014
Derivatives (CIRS)	-	39
Derivatives (currency forward contracts)	0	-
<b>Financial assets / liabilities</b>	<b>0</b>	<b>39</b>

### EVENTS AFTER THE END OF THE REPORTING PERIOD

No subsequent events to be reported.

### INCENTIVE PROGRAMMES IN THE PARENT COMPANY COM HEM HOLDING AB

In the parent company Com Hem Holding AB there are three incentive programmes, a long-term share savings incentive programme ("LTIP 2015") and two programmes comprising a total of 4,949,944 issued and paid warrants. Employees in the subsidiaries of NorCell Sweden Holding 2 AB (publ) participates in all three programmes.

### DISCLOSURE

NorCell Sweden Holding 2 AB (publ) discloses the information provided in this year-end report pursuant to the terms and conditions for the group's Senior Secured Notes and Rule book for Issuers on Nasdaq Stockholm. The information was published at 7.30 a.m. CET on Tuesday, 9 February 2016.

## OTHER INFORMATION

## BOARD'S ASSURANCE

The Board of Directors and the CEO certify that the year-end report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes the material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 9 February 2016

Nicholas Stathopoulos  
Chairman of the Board

Andrew Barron  
Board member

Joachim Ogland  
Board member

Mikael Larsson  
Board member

Anders Nilsson  
Board member and CEO

# Financial metrics and industry terms

## Financial metrics

### Capital expenditure (Capex)

Capital expenditure in intangible assets and property, plant and equipment, including capital expenditure financed by leasing.

### Consumer ARPU

Consumer ARPU is calculated by dividing all digital TV, broadband, fixed telephony and other revenue that can be allocated to each consumer service for the period in question, by the average number of total unique consumer subscribers for the respective period, and further by the number of months in the period. The average number of subscribers is calculated as the number of unique consumer subscribers on the first day in the respective period plus the number of unique consumer subscribers on the last day of the respective period, divided by two.

### Earnings per share

Net result for the period attributable to owners of the Parent Company divided by the average number of shares.

### EBITDA

EBIT excluding depreciation and amortisation.

### EBITDA margin

EBITDA as a percentage of revenue.

### Equity/assets ratio

Equity as a percentage of total assets.

### Equity per share

Equity divided by the total number of outstanding shares.

### Landlord ARPU

Landlord ARPU is calculated by dividing the revenue for the respective period by the average number of homes connected for that period and divided by the number of months in the period. The average number of homes connected is calculated as the period plus the number of homes connected on the last day of the respective period divided by two.

### Net debt

Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.

### Net debt/Underlying EBITDA

Net debt at the end of the period indicated divided by Underlying EBITDA LTM.

### Operating free cash flow

Underlying EBITDA less capital expenditure.

### Operating profit (EBIT)

Revenue less operating expenses.

### Underlying EBITDA

EBITDA before disposals excluding non-recurring items and operating currency gains/losses.

### Underlying EBITDA margin

Underlying EBITDA as a percentage of revenue.

## Industry terms

### ARPU

Average monthly revenue per user for the referenced period. ARPU is calculated by dividing the monthly revenue for the respective period by the average number of unique consumer subscribers for that period. The average number of unique consumer subscribers is calculated as the number of unique consumer subscribers on the first day in the respective period plus the number of unique consumer subscribers on the last day of the respective period, divided by two.

### Churn

The voluntary or involuntary discontinuance of services by a subscriber.

### Homes connected

Homes connected represents the number of residential units to which Com Hem provides basic TV service, primarily through long-term contracts with the landlords of multiple dwelling units (MDUs) and homes connected through third-party communication operator's open networks through which consumers can purchase digital services from Com Hem.

### RGUs

Revenue generating units, which refer to each subscriber receiving basic or digital TV, broadband or telephony services from Com Hem. A customer who has all three services is counted as three RGUs but one unique subscriber.

### SME

Small and medium enterprises. Refers to offices with 10-99 employees.

### SoHo

Single office/Home office. Refers to offices with 1-9 employees.

### Unique consumer subscribers

Unique consumer subscribers represent the number of individual end-users who have subscribed for one or more of Com Hem's digital services (digital TV, broadband and fixed telephony).

Com Hem refers to the end-users receiving Com Hem's products and services directly through our network as unique subscribers even if the billing relationship for that end-user is with the end-user's landlord or housing association.

# About the Group

About 40 per cent of Swedish homes, or 2.0 million, are connected to Com Hem's network.

A market-leading provider of broadband up to 1 Gbit/s, and the fastest download speed according to the Netflix Speed Index.

The largest range of TV services in Sweden, with more than 80 channels.

Since 2013, Com Hem has offered a competitive range of broadband and telephony services for B2B customers.

The company was founded in 1983, has approximately 1,200 employees and its head office in Stockholm.

The shares in the parent company Com Hem Holding AB are listed on Nasdaq Stockholm, Large Cap list, under the ticker symbol COMH.

For more information, visit [www.comhemgroup.com](http://www.comhemgroup.com)

## OUR VISION

Sweden's most satisfied broadband, TV and telephony customers.

## OUR MISSION

Com Hem offers broadband, TV and telephony services to consumers and B2B customers.

## OUR STRATEGY FOR ORGANIC GROWTH

Increase customer satisfaction – with a fast and stable network, and superior services.

Capitalise on our unique digital TV offering.

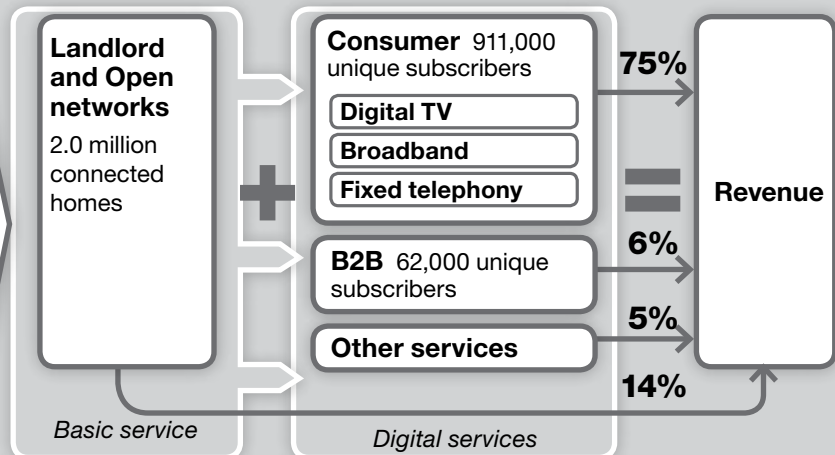
Increase the share of bundled broadband, TV and telephony services.

Focus on B2B customers in properties connected to Com Hem's network.

## VALUE-DRIVING FACTORS

Com Hem has one of the fastest and most technologically advanced cable networks in the world, giving us a competitive advantage over other industry players. With our upgraded network, we can deliver both faster broadband in most parts of our network, and a broader range of digital TV services than any other provider. By continuously converting our basic service customers to digital consumer subscribers, we can deliver more content and more services, which generates value for our customers.

## OUR BUSINESS MODEL



## FOR FURTHER INFORMATION, CONTACT:

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## FINANCIAL CALENDAR

Annual Report 2015	15 April 2016
Interim Report January - June 2016	13 July 2016

## FINANCIAL INFORMATION

All financial information is published on [www.comhemgroup.com](http://www.comhemgroup.com) directly after release.