

Q2 2016

NorCell Sweden  
Holding 2 AB  
(publ) Group

INTERIM REPORT  
JANUARY-JUNE 2016

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# INTERIM REPORT JANUARY-JUNE 2016

## COM HEM ADDS NEXT MAJOR GROWTH DRIVER

### SECOND QUARTER SUMMARY 2016

#### Our consumer growth continues steadily:

- Number of unique consumer subscribers rose by 6,000 to record high 926,000.
- Consumer churn rate of 13.1%, 0.8p.p. decrease from Q1 2016.
- Record high consumer ARPU of 369 SEK.
- Continued strong volume growth in broadband, up 10,000 to 679,000 RGUs.
- Digital-TV RGU's totalled 636,000, with a continued growth of 4,000 TiVo customers (penetration rate of 37%).

**B2B** continued to grow with 1,000 unique OnNet customers to a total of 18,000.

**Expansion into the Swedish SDU market and acquisition of Boxer Sweden** communicated in June as next major growth driver, see further page 3.

- Expected to expand footprint by 40%, or 800,000 households, in coming years (homes passed).
- Boxer adds 500,000 new customers, primarily in SDUs.
- Acquisition expected to add SEK 300m in Underlying EBITDA annually from 2017.
- Com Hem becomes a national operator with more than 1.4 million customers.

**Revenue** totalled SEK 1,300m (1,246 in Q2 2015), up 4.3%.

**Operating profit (EBIT)** increased by 5.5% to SEK 192m (182).

**Underlying EBITDA** increased by 4.1% to SEK 607m (583).

**Operating free cash flow** increased by 23.0% reaching SEK 409m (333) as a result of improved Underlying EBITDA and lower investments compared to Q2 last year.

**Net result** for the period almost doubled and amounted to SEK 82m (42).

**Earnings per share** increased to SEK 0.43 (0.20).

**Issue of SEK 1,750m Senior Unsecured Notes** extending maturity of debt portfolio at attractive interest rate.

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

	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
Revenue, SEKm	1,300	1,246	4.3%	2,576	2,474	4.1%	5,000
Underlying EBITDA, SEKm	610	585	4.4%	1,218	1,165	4.6%	2,357
Underlying EBITDA margin, %	47.0	46.9	0.0 p.p.	47.3	47.1	0.2 p.p.	47.1
EBITDA, SEKm	592	569	4.1%	1,198	1,116	7.3%	2,290
Operating profit (EBIT), SEKm	195	180	8.6%	405	350	15.7%	745
Net result for the period, SEKm	63	-79	179.2%	122	-117	204.6%	-369
Earnings per share, SEK	105	-132	179.2%	203	-194	204.6%	-615
Capex, SEKm	198	250	-21.0%	407	513	-20.7%	991
Capex as % of revenue	15.2	20.1	-4.9 p.p.	15.8	20.8	-4.9 p.p.	19.8
Operating free cash flow, SEKm	413	334	23.3%	811	652	24.4%	1,366
Net debt at end of period, SEKm	9,038	8,884	1.7%	9,038	8,884	1.7%	9,060
Net debt/Underlying EBITDA LTM, multiple	3.8x	3.8x	-0.1x	3.8x	3.8x	-0.1x	3.8x

<sup>1)</sup> See page 15 for definitions.

The figures in this report refer to the second quarter of 2016 unless otherwise stated. Figures in brackets refer to the corresponding period last year.

# EXPANSION INTO THE SDU MARKET AND ACQUISITION OF BOXER SWEDEN

Following successful trials, Com Hem did in the second quarter decide to start its expansion into the single dwelling unit ("SDU") market in Sweden. To boost this expansion Com Hem did on June 8, enter into an agreement to acquire Boxer TV Access AB ("Boxer"), the pay TV operator in the digital terrestrial television ("DTT") network in Sweden, a wholly-owned subsidiary of Teracom Boxer Group AB ("Teracom") for an enterprise value of SEK 1,330m. Com Hem's trials in the SDU market, which began in the autumn 2015, have been successful. A significant rollout to fibre based networks beyond the coax footprint has begun and is estimated to be able to reach 800,000 SDU households via fibre (homes passed) over the coming years. The Com Hem SDU expansion programme is done by a combination of techniques including unbundling fibre, using third party open LAN networks and to a smaller extent building out Com Hem's own fibre coax network. Our ambition is that the SDU market will become the next major growth pillar for Com Hem turning the company into a true national operator in broadband- and TV-services.

Boxer is the pay TV operator in the DTT network in Sweden with approximately 500,000 subscribers predominantly in the SDU market. The fibre expansion in the SDU market has over the last years put pressure on Boxer's customer base. The Com Hem SDU expansion programme will enable Boxer to sell market leading bundled broadband- and TV-services to its customer base. The acquisition of Boxer thereby represents a highly attractive opportunity for Com Hem to accelerate its reach in the SDU market. The Boxer brand will be included in the acquisition and continue to operate as part of the Com Hem Group.

The acquisition is conditional on approval by the Government of Sweden and the Swedish Competition Authority and is expected to close in the second half of 2016.

## Financial effects of the SDU expansion

The total consideration for the Boxer transaction is SEK 1,550m (based on balance sheet as per March 31, 2016), payable in cash at closing. Including Boxer's net cash position of approximately SEK 220m (as per March 31, 2016), the acquisition is expected to impact Com Hem's net debt position by approximately SEK 1,330m. The acquisition will be financed by a new three year SEK 800m credit facility and existing unutilised credit facilities.

Com Hem expects that the acquisition of Boxer will on an annual basis add approximately SEK 300m of additional Underlying EBITDA to the Com Hem Group (adjusted to Com Hem's accounting principles and including synergies of at least SEK 50m), and an annual operating free cash flow of approximately SEK 200m. The Enterprise Value represents a multiple of 4.4x estimated Underlying EBITDA LTM (adjusted for Com Hem's accounting principles). Adjusted for the acquisition, Com Hem's net debt/Underlying EBITDA LTM multiple would have been 3.9x as per March 31, 2016 versus 3.8x reported. Com Hem expects restructuring charges of approximately SEK 75m as part of the transaction.

# OPERATIONAL DEVELOPMENT

Operational key metrics <sup>1)</sup>	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Homes connected, thousands</b>	<b>1,920</b>	<b>1,930</b>	<b>1,942</b>	<b>1,968</b>	<b>1,988</b>	<b>2,045</b>
Unique consumer subscribers, thousands	888	894	903	911	920	926
Unique consumer subscribers as % of homes connected, %	46.3	46.3	46.5	46.3	46.3	45.3
Consumer RGUs per unique consumer subscriber, ratio	1.80	1.79	1.78	1.77	1.76	1.74
Consumer churn as % of unique consumer subscribers, %	13.3	13.7	12.9	12.9	13.9	13.1
<b>Consumer RGUs thousands</b>						
Broadband	628	637	648	658	669	679
Digital-TV	625	627	631	635	635	636
- of which TiVo customers	189	204	213	224	228	233
Fixed telephony	342	337	331	322	314	300
<b>Total consumer RGUs</b>	<b>1,595</b>	<b>1,600</b>	<b>1,610</b>	<b>1,616</b>	<b>1,619</b>	<b>1,615</b>
<b>Unique B2B subscribers, thousands</b>						
OnNet	10	13	14	16	17	18
OffNet	50	48	48	46	45	42
<b>Total unique B2B subscribers</b>	<b>61</b>	<b>61</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>61</b>
<b>ARPU, SEK</b>						
Consumer	358	361	363	363	364	369
Network operator <sup>2)</sup>	35	34	33	33	32	31
B2B	429	424	415	431	430	436

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

<sup>2)</sup> Revenue previously reported as landlord revenue and revenue from communication operator services (iTUX), divided by homes connected.

Comparison between second quarter 2016 and second quarter 2015, unless otherwise stated.

## Homes connected

In the second quarter, the number of homes connected increased by 57,000 homes to 2,045,000 at the end of the period. The increase was derived from the addition of open LANs.

## Unique consumer subscribers

The number of unique consumer subscribers continued to increase in the second quarter, up 6,000 to 926,000. The increase was mainly a result of strong growth in broadband subscribers.

## Consumer churn rate

The churn rate, expressed as the percentage of consumer subscribers, was 13.1% in the second quarter, which is a decrease of 0.8 p.p. compared to the consumer churn of 13.9 % for the first quarter 2016. The decreased churn for the second quarter was expected following the pricing activities in the first quarter. Staying committed to our customer satisfaction focus, we expect the churn rate to continue trending slightly downward over time.

## Consumer RGUs

In the second quarter, the number of consumer RGUs was 1,615,000 a decrease of 3,000 compared to last quarter which is caused by a reduction of fixed telephony RGUs offset by continued growth in broadband RGUs.

The number of broadband RGUs rose by 10,000 in the second quarter to an all time high of 679,000 which was in line with the growth seen in previous quarters, despite the pricing activities carried out in the first quarter. The proportion of new broadband subscribers who purchased broadband speeds of 100 Mbit/s exceeded 80%.

The number of digital-TV RGUs increased by 1,000 during the quarter to a total of 636,000 RGUs, that also an all time high. During the quarter, TiVo customers grew by 4,000 to 233,000, corresponding to 37% of the total digital-TV base.

The number of fixed-line telephony RGUs was 300,000, down

14,000 compared with the preceding quarter which is a consequence of the pricing activities.

## Consumer ARPU

Consumer ARPU increased by SEK 6 in the quarter to SEK 369 following the pricing activities carried out in the first quarter as well as an improved mix for broadband and digital-TV.

## Network operator ARPU

Network operator ARPU amounted to SEK 31 for the quarter, which is SEK 1 down compared to the preceding quarter. The decline in ARPU is partly due to growth of homes connected via open LANs, where Com Hem 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.

## Unique B2B subscribers

The number of unique B2B subscribers was 61,000. Our high margin OnNet subscribers continued to grow by 1,000, but was offset by a decline in the legacy OffNet business of 3,000 subscribers. The decrease is a consequence of focus being more on adding new customers to the OnNet business.

## B2B ARPU

B2B ARPU was SEK 436 in the second quarter, which is an increase of SEK 6 compared to the preceding quarter. The increase was an effect of improved ARPU for both OnNet and OffNet customers.

# FINANCIAL OVERVIEW

Financial summary, SEKm	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
<b>Revenue</b>							
Consumer	1,020	962	6.0%	2,016	1,904	5.9%	3,863
Network operator	191	197	-3.2%	383	396	-3.5%	786
B2B	80	77	3.9%	161	154	4.4%	311
Other revenue	8	9	-7.1%	16	19	-19.2%	40
<b>Revenue</b>	<b>1,300</b>	<b>1,246</b>	<b>4.3%</b>	<b>2,576</b>	<b>2,474</b>	<b>4.1%</b>	<b>5,000</b>
Operating expenses	-1,104	-1,066	3.6%	-2,170	-2,123	2.2%	-4,255
<b>Operating profit (EBIT)</b>	<b>195</b>	<b>180</b>	<b>8.6%</b>	<b>405</b>	<b>350</b>	<b>15.7%</b>	<b>745</b>
Net financial income and expenses	-123	-282	-56.5%	-246	-500	-50.7%	-1,217
Income taxes	-10	23	-142.5%	-37	33	-210.9%	103
<b>Net result for the period</b>	<b>63</b>	<b>-79</b>	<b>179.2%</b>	<b>122</b>	<b>-117</b>	<b>204.6%</b>	<b>-369</b>

Comparisons between second quarter of 2016 and second quarter of 2015, unless otherwise stated.

## Total revenue

Total revenue for the quarter rose SEK 53m, or 4.3% to SEK 1,300m, compared with the second quarter of 2015. For the first six months, revenue rose by SEK 102m to a total of SEK 2,576m, corresponding to a growth of 4.1% compared to last year.

## Consumer services

For the quarter, revenue from consumer services rose by 6.0% or SEK 57m, to a total of SEK 1,020m. For the first six months, revenue from consumer services rose by 5.9% or SEK 113m to SEK 2,016m. The increase for the quarter as well as the first six months was attributable to higher revenue from broadband and digital-TV services, partly offset by a decline in revenue from fixed-telephony services.

For the quarter, revenue from broadband services rose SEK 49m, or 11.7%, and amounted to SEK 462m. For the first six months, revenue from broadband services rose by SEK 97m, or 12.0%, to a total of SEK 905m. The increase in broadband revenue is attributable to RGU growth, an improved speed mix due to continued strong demand for our high-speed broadband packages, and the price adjustments implemented during the first quarter of 2016.

For the quarter, revenue from digital-TV rose by SEK 20m or 4.5%, to a total of SEK 465m. For the first six months, revenue from digital-TV rose by SEK 34m or 3.8%, to a total of SEK 921m. The increase in digital-TV revenue was mainly due to RGU growth versus Q2 last year, a higher proportion of customers with TiVo packages, and the price adjustments implemented during the first quarter of 2016.

For the quarter, revenue from fixed-line telephony decreased by SEK 12m and amounted to SEK 66m. For the first six months, revenue from fixed-line telephony decreased by SEK 19m, to a total of SEK 136m. The decrease is mainly explained by a structural decline in fixed telephony variable usage.

## Network Operator services

Revenue from network operator services declined SEK 6m and amounted to SEK 191m for the second quarter. For the first six months, revenue from network operator services declined SEK 14m and amounted to SEK 383m. The decline was attributable to a decline in landlord revenue, partly offset by higher communication operator revenue from iTUX.

## B2B services

Revenue from B2B services rose by SEK 3m to SEK 80m for the second quarter. For the first six months, revenue from B2B services rose by SEK 7m or 4.4% to a total of SEK 161m.

For the quarter, OnNet revenue increased by SEK 9m corresponding to a growth of 62.9%. The increase in the high margin OnNet revenue was partly offset by lower revenue from the low margin OffNet legacy business, mainly due to lower variable telephony revenue.

## Operating expenses

Operating expenses amounted to SEK 1,104m, up SEK 38m compared to the second quarter 2015. The increase was driven by higher variable costs as a result of volume driven revenue growth, as well as additional marketing costs related to the rebranding that took place in the beginning of April. For the first six months operating expenses amounted to SEK 2,170m, up SEK 47m or 2.2% compared to the same period 2015.

## Operating profit (EBIT)

Operating profit for the second quarter amounted to SEK 195m, an increase of SEK 15m or 8.6% compared to the second quarter 2015, as a result of revenue growth. For the first six months, operating profit amounted to SEK 405m, an increase of SEK 55m or 15.7% compared to the same period in 2015.

## Net financial income and expenses

Net financial income and expenses amounted to a net expense of SEK 123m, compared with a net expense of SEK 282m in the second quarter 2015. For the first six months, net financial income and expenses amounted to a net expense of SEK 246m, compared with a net expense of SEK 500m in 2015. The positive change is a result of a reduced blended interest rate on the Group's debt, following refinancing of the EUR Senior Notes in the fourth quarter last year as well as lower market rates. Average blended interest rates on the Group's external debt portfolio declined to 2.9% compared with 4.4% for the full year 2015.

## Income taxes

The Group recognised a deferred tax expense of SEK 10m for the quarter and SEK 37m for the first six months. The taxable profit for the quarter was offset against previously recognised tax losses carry forwards, which had a remaining balance of approximately SEK 2.0bn at the end of the quarter.

## Net result for the period

Net result for the quarter totalled SEK 63m, compared to SEK -79m for the second quarter of 2015. For the first six months, net result totalled SEK 122m, compared to SEK -117m for the first six months in 2015.

Reconciliation between Operating profit (EBIT) and Underlying EBITDA, SEKm	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
<b>Operating profit (EBIT)</b>	<b>195</b>	<b>180</b>	<b>8.6%</b>	<b>405</b>	<b>350</b>	<b>15.7%</b>	<b>745</b>
Depreciation & amortisation per function							
- Cost of services sold	209	195	7.2%	414	380	8.9%	778
- Selling expenses	183	188	-2.7%	367	372	-1.3%	742
- Administrative expenses	5	6	-14.5%	11	13	-15.3%	25
<b>Total depreciation &amp; amortisation</b>	<b>397</b>	<b>389</b>	<b>2.0%</b>	<b>793</b>	<b>765</b>	<b>3.5%</b>	<b>1,545</b>
<b>EBITDA</b>	<b>592</b>	<b>569</b>	<b>4.1%</b>	<b>1,198</b>	<b>1,116</b>	<b>7.3%</b>	<b>2,290</b>
EBITDA margin, %	45.6	45.7	-0.1 p.p.	46.5	45.1	1.4 p.p.	45.8
Disposals	3	9	-64.1%	3	9	-64.1%	9
Operating currency loss/gains	-1	-2	-59.0%	-2	9	-123.2%	8
Non-recurring items	15	8	87.8%	20	31	-36.8%	49
<b>Underlying EBITDA</b>	<b>610</b>	<b>585</b>	<b>4.4%</b>	<b>1,218</b>	<b>1,165</b>	<b>4.6%</b>	<b>2,357</b>
Underlying EBITDA margin, %	47.0	46.9	0.0 p.p.	47.3	47.1	0.2 p.p.	47.1

Comparisons between second quarter of 2016 and second quarter of 2015, unless otherwise stated.

### Underlying EBITDA

For the quarter, Underlying EBITDA rose by SEK 25m or 4.4% to SEK 610m and the Underlying EBITDA margin was 47.0%. For the first six months, Underlying EBITDA rose by SEK 53m to SEK 1,218m and the Underlying EBITDA margin was 47.3%. The increase in Underlying EBITDA was due to revenue growth, partly offset by additional marketing costs attributable to the rebranding of Com Hem in the beginning of April. In spite of the additional marketing costs during the second quarter, the Underlying EBITDA margin rose with 0.2 p.p. for the first six months.

### EBITDA

EBITDA rose by SEK 23m reaching SEK 592m for the quarter. The increase in EBITDA was attributable to increased Underlying EBITDA

contribution of SEK 25m compared with the second quarter of 2015. The EBITDA margin decreased to 45.6%, from 45.7% for the second quarter 2015. For the first six months, EBITDA rose by SEK 82m reaching SEK 1,198m. The EBITDA margin was equal to 46.5% compared to 45.1% for 2015.

### Depreciation and amortisation

Depreciation and amortisation rose SEK 8m to SEK 397m for the quarter. For the first six months, depreciation and amortisation rose by SEK 27m to a total of SEK 793m. The increase for the quarter as well as the first six months is explained by higher depreciation and amortisation on IT investments (cost of services sold) and CPEs (cost of services sold), partly offset by lower amortisation of capitalised sales commission (selling expenses).

Operating free cash flow, SEKm	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
<b>Underlying EBITDA</b>	<b>610</b>	<b>585</b>	<b>4.4%</b>	<b>1,218</b>	<b>1,165</b>	<b>4.6%</b>	<b>2,357</b>
<b>Capital expenditure</b>							
Network related	-76	-99	-23.0%	-148	-163	-9.7%	-332
CPEs and capitalised sales commissions	-68	-106	-35.9%	-169	-255	-33.7%	-486
IT investments	-33	-31	6.6%	-63	-66	-4.5%	-128
Other capex	-20	-14	42.7%	-27	-29	-5.3%	-45
<b>Total capital expenditure</b>	<b>-198</b>	<b>-250</b>	<b>-21.0%</b>	<b>-407</b>	<b>-513</b>	<b>-20.7%</b>	<b>-991</b>
Operating free cash flow	413	334	23.3%	811	652	24.4%	1,366

Comparisons between second quarter of 2016 and second quarter of 2015, unless otherwise stated.

### Capital expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 198m, comprising 15.2% of total revenue. The decline of SEK 53m, compared to the second quarter 2015, was largely a result of lower investments in the Network, CPE and capitalised sales commission. For the first six months, capital expenditure amounted to SEK 407m, comprising 15.8% of total revenue. The decline in capital expenditure compared to same periods in 2015 is explained by a combination of a frontloaded investment cycle in 2015 and 2016 investment phasing which is more weighted towards the second half of the year where we, among other things, will focus investments on extending our own backbone and over time reduce the portion of

leased fibre capacity in the network. The lower capital expenditure level in CPE investments and capitalised sales commissions is a result of a shift in growth, from purely volume-driven growth to a combination of volume and price-driven growth.

### Operating free cash flow

Operating free cash flow increased by SEK 78m or 23.3% in the second quarter, reaching SEK 413m. The increase in operating free cash flow for the first six months equalled SEK 159m or 24.4%, reaching a total of SEK 811m. The increase was a result of higher Underlying EBITDA contribution as well as lower investments compared with the same period in 2015.

# FINANCIAL POSITION

## Liquidity

At June 30, 2016, the Group's total available funds amounted to SEK 3,422m (SEK 1,363m at December 31, 2015), of which cash and cash equivalents was SEK 622m (SEK 713m at December 31, 2015) and unutilised credit facilities was SEK 2,800m (SEK 650m at December 31, 2015).

## Net debt

At June 30, 2016, the Group's net debt amounted to SEK 9,038m (SEK 9,060m at December 31, 2015), while net debt/Underlying EBITDA LTM was a multiple of 3.8x (3.8x at December 31, 2015), which is in line with the targeted leverage of 3.5-4.0x.

## OUTSTANDING DEBT

June 30, 2016, SEKm	Maturity date	Interest base/coupon	Total credit	Utilised amount	Unutilised amount
<b>Bank debt</b>					
Facility A	Jun 26, 2019	Floating	3,500	3,500	-
Revolving Credit Facility	Jun 26, 2019	Floating	2,000	0	2,000
Incremental Facility 2	Jun 26, 2019	Floating	375	375	-
Incremental Facility 4	Jun 26, 2019	Floating	1,000	1,000	-
Incremental Facility 6	Dec 31, 2017	Floating	500	500	-
Incremental Facility 7	Jun 26, 2019	Floating	800	-	800
<b>Outstanding notes at fixed interest rates</b>					
SEK 2,500m Senior Notes	Nov 4, 2019	Fixed   5.25%	2,500	2,500	-
SEK 1,750m Senior Notes	Jun 23, 2021	Fixed   3.625%	1,750	1,750	-
<b>Total credit facilities<sup>1)</sup></b>			<b>12,425</b>	<b>9,625</b>	<b>2,800</b>

<sup>1)</sup> In addition to the above credit facilities Com Hem holds interest-bearing financial lease liabilities totalling SEK 35m.

## Financing

On June 10, 2016, Com Hem announced the issue of new Senior Notes, in the total amount of SEK 1,750m. The new notes have a fixed rate coupon of 3.625% and matures in June 2021. The proceeds from the issue was used to prepay Incremental Facility 3 (SEK 500m) due in March 2017, and to amortise on the Revolving Credit Facility. Including the new notes, the average interest rate of the Group's debt portfolio is, and is expected to remain, at approximately 3% given current market interest rates.

The announced Boxer acquisition is expected to impact Com Hem's net debt position by approximately SEK 1,330m. The acquisition will be financed with a combination of a new three year SEK 800m credit facility (Incremental Facility 7 in the table above), cash and drawings under the Revolving Credit Facility.

At June 30, 2016, the Group's total credit facilities, including the two outstanding SEK bonds and the newly committed credit facility, amounted to SEK 12,425m, with an average remaining term of 3.3 years.

## 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 loans 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 June 30, 2016.

# CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
Revenue	1,300	1,246	2,576	2,474	5,000
Cost of services sold	-642	-619	-1,282	-1,213	-2,464
<b>Gross profit</b>	<b>658</b>	<b>627</b>	<b>1,294</b>	<b>1,261</b>	<b>2,536</b>
Selling expenses	-381	-380	-744	-770	-1,516
Administrative expenses	-76	-62	-145	-127	-269
Other operating income and expenses	-4	-5	0	-13	-6
<b>Operating profit</b>	<b>195</b>	<b>180</b>	<b>405</b>	<b>350</b>	<b>745</b>
Financial income and expenses	-123	-282	-246	-500	-1,217
<b>Result after financial items</b>	<b>73</b>	<b>-102</b>	<b>159</b>	<b>-150</b>	<b>-472</b>
Income taxes	-10	23	-37	33	103
<b>Net result for the period</b>	<b>63</b>	<b>-79</b>	<b>122</b>	<b>-117</b>	<b>-369</b>
Average number of outstanding shares, thousands	600	600	600	600	600
Basic earnings per share, SEK	105	-132	203	-194	-615
Average number of outstanding shares, diluted, thousands	600	600	600	600	600
Diluted earnings per share, SEK	105	-132	203	-194	-615

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
<b>Net result for the period</b>	<b>63</b>	<b>-79</b>	<b>122</b>	<b>-117</b>	<b>-369</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to net profit or loss					
Revaluation of defined-benefit pension obligations	-38	40	-65	40	75
Tax on items that will not be reclassified to profit or loss	8	-9	14	-9	-16
<b>Other comprehensive income for the period, net of tax</b>	<b>-30</b>	<b>31</b>	<b>-50</b>	<b>31</b>	<b>58</b>
<b>Total comprehensive income for the period</b>	<b>33</b>	<b>-48</b>	<b>71</b>	<b>-85</b>	<b>-310</b>



# CONDENSED CONSOLIDATED BALANCE SHEET

SEKm	JUN 30 2016	JUN 30 2015	DEC 31 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15,128	15,780	15,451
Property, plant and equipment	1,465	1,505	1,531
Financial assets	1,597	241	942
<b>Total non-current assets</b>	<b>18,190</b>	<b>17,525</b>	<b>17,924</b>
<b>Current assets</b>			
Other current assets	958	790	958
Cash and cash equivalents	622	681	713
<b>Total current assets</b>	<b>1,580</b>	<b>1,471</b>	<b>1,671</b>
<b>TOTAL ASSETS</b>	<b>19,770</b>	<b>18,996</b>	<b>19,595</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,114</b>	<b>793</b>	<b>1,041</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	9,541	9,442	9,151
Non-current liabilities to group companies	6,972	6,769	6,873
Other non-current liabilities	246	204	176
Deferred tax liabilities	282	188	259
<b>Total non-current liabilities</b>	<b>17,040</b>	<b>16,603</b>	<b>16,459</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	23	32	528
Other current liabilities	1,593	1,569	1,566
<b>Total current liabilities</b>	<b>1,617</b>	<b>1,601</b>	<b>2,094</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,770</b>	<b>18,996</b>	<b>19,595</b>
Number of outstanding shares, at end of period, thousands	600	600	600
Equity per share, SEK	1,857	1,321	1,735

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	JUN 30 2016	JUN 30 2015	DEC 31 2015
<b>Opening equity</b>	<b>1,041</b>	<b>1,236</b>	<b>1,236</b>
<b>Comprehensive income for the period</b>			
Net result for the period	122	-117	-369
Other comprehensive income for the period	-50	31	58
<b>Total comprehensive income for the period</b>	<b>71</b>	<b>-85</b>	<b>-310</b>
<b>Transactions with the owners</b>			
Repurchase of warrants	-	-1	-2
Dividend	-	-357	-357
Shareholder's contribution	1	-	1
Group contribution, net of tax	-	-	474
<b>Total transactions with the owners</b>	<b>1</b>	<b>-358</b>	<b>116</b>
<b>Closing equity</b>	<b>1,114</b>	<b>793</b>	<b>1,041</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
<b>Operating activities</b>					
Result after financial items	73	-102	159	-150	-472
Adjustments for non-cash items	508	542	987	1,085	2,163
<b>Cash flow from operating activities before changes in working capital</b>	<b>581</b>	<b>439</b>	<b>1,146</b>	<b>935</b>	<b>1,691</b>
Change in working capital	-23	-57	-63	-58	121
<b>Cash flow from operating activities</b>	<b>558</b>	<b>382</b>	<b>1,084</b>	<b>877</b>	<b>1,812</b>
<b>Investing activities</b>					
Acquisition of intangible assets	-91	-103	-177	-214	-381
Acquisition of property, plant and equipment	-107	-132	-231	-284	-594
Investment in financial assets <sup>1)</sup>	-385	-	-637	-	-580
Divestment of property, plant and equipment	1	-	1	-	-
Divestment of financial assets	-	-	-	-	0
<b>Cash flow from investing activities</b>	<b>-582</b>	<b>-235</b>	<b>-1,044</b>	<b>-498</b>	<b>-1,556</b>
<b>Financing activities</b>					
Repurchases of warrants	-	-1	-	-1	-2
Dividend	-	-357	-	-357	-357
Borrowings	2,300	100	2,300	100	2,000
Amortisation of borrowings	-2,306	-8	-2,413	-15	-1,749
Payment of borrowing costs	-18	-	-18	-11	-21
<b>Cash flow from financing activities</b>	<b>-24</b>	<b>-266</b>	<b>-131</b>	<b>-285</b>	<b>-129</b>
Net change in cash and cash equivalents	-48	-119	-91	95	127
Cash and cash equivalents at beginning of period	670	799	713	586	586
<b>Cash and cash equivalents at end of period</b>	<b>622</b>	<b>681</b>	<b>622</b>	<b>681</b>	<b>713</b>

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

## ADJUSTMENT FOR NON-CASH ITEMS

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
Depreciation/amortisation	397	389	793	765	1,545
Unrealised exchange-rate differences	4	-38	3	-153	-188
Capital gain/loss on sale/disposal of non-current assets	3	9	3	9	9
Change in fair value of derivatives	0	11	0	30	39
Change in capitalised borrowing costs and discounts	9	9	16	18	71
Change in accrued interest expenses	51	-21	87	49	-66
Interest not settled with cash, group companies	39	179	80	359	736
Other profit/loss items not settled with cash	4	4	7	7	16
<b>Total</b>	<b>508</b>	<b>542</b>	<b>987</b>	<b>1,085</b>	<b>2,163</b>

# PARENT COMPANY CONDENSED FINANCIAL REPORTS

INCOME STATEMENT	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
SEKm	2016	2015	2016	2015	2015
Revenue	-	-	-	-	-
Administrative expenses	0	0	0	0	0
Other operating income and expenses	0	0	0	0	0
<b>Operating profit/loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial income and expenses	7	386	15	447	357
<b>Result after financial items</b>	<b>7</b>	<b>386</b>	<b>15</b>	<b>447</b>	<b>357</b>
Income taxes	-	-	-	-	-
<b>Net result for the period</b>	<b>7</b>	<b>386</b>	<b>15</b>	<b>447</b>	<b>357</b>

STATEMENT OF COMPREHENSIVE INCOME	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
SEKm	2016	2015	2016	2015	2015
Net result for the period	7	386	15	447	357
Other comprehensive income	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>7</b>	<b>386</b>	<b>15</b>	<b>447</b>	<b>357</b>

BALANCE SHEET	JUN 30	JUN 30	DEC 31
SEKm	2016	2015	2015
<b>ASSETS</b>			
Financial assets	10,940	12,258	10,829
Deferred tax assets	2	2	2
Current assets Group companies	-	251	-
Cash and bank balances	0	0	0
<b>TOTAL ASSETS</b>	<b>10,942</b>	<b>12,511</b>	<b>10,831</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	1	1	1
Unrestricted equity	3,928	4,004	3,914
Non-current liabilities to Group companies	6,972	6,769	6,874
Non-current liabilities	-	1,694	-
Current liabilities to Group companies	42	-	42
Other current liabilities	0	44	0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,942</b>	<b>12,511</b>	<b>10,831</b>

## 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 are listed on Nasdaq Stockholm, Large Cap.

### 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 2015 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 January 1, 2016 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. Disclosures in accordance with IAS 34.16A are incorporated in the financial statements and its accompanying notes or in other parts of this interim report.

### Reclassification of revenue

All revenue derived from securing our connected households, earlier reported separately as "Landlord revenue" for our vertical network as well as income from the Group's communication operator business (iTUX), previously included within "Other revenue", has from Q1 2016 been grouped together and reported on the line "Network operator revenue". In addition, billing fees related to our consumer business, which have earlier also been reported within "Other revenue", have been reported under "Consumer revenue". Consumer revenue together with reported unique consumer subscribers will now reconcile with the reported consumer ARPU as ARPU was also previously calculated on this basis. All earlier reported periods have been recalculated in accordance with the above.

### 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.

### Fair value of financial instruments

The fair value of the Group's financial assets and liabilities are estimated to be equal to the carrying amounts except for outstanding notes. Fair value of derivatives as of June 30, 2016 amounted to SEK 0m (9).

### Related parties

For information on related parties, see the Annual report 2015, page 61. No significant changes or transactions have occurred in the interim period, in excess of loans to the parent company Com Hem Holding AB.

### 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 increased competition, changes to laws and regulations, the ability to retain and attract key employees, substitution from fixed to mobile telephony, technological advances, the ability to retain and attract customers, programme content and risks associated with suppliers. Financial risks include refinancing, 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 2015 Annual Report. The Group believes that the risk environment has not changed from the description in the 2015 Annual Report.

### Incentive programmes in the parent company Com Hem Holding AB

In the parent company Com Hem Holding AB there are four incentive programmes, two long-term share-savings incentive programmes "LTIP 2015" and "LTIP 2016" 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 four programmes.

### Events after the end of the reporting period

No subsequent events to be reported.

### Auditor's review

This interim report has not been reviewed by the company's auditors.

### Disclosure

NorCell Sweden Holding 2 AB (publ) discloses the information provided in this interim report pursuant to the terms and conditions for the group's Senior Notes and Rule book for Issuers on Nasdaq Stockholm. The information was published at 7.30 a.m. CET on Tuesday, July 12, 2016.

**Board's assurance**

The Board of Directors and the CEO certify that the Interim 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 July 12, 2016

Nicholas Stathopoulos  
Chairman of the Board

Mikael Larsson  
Board member

Joachim Ogland  
Board member

Andrew Barron  
Board member

Anders Nilsson  
Board member and CEO

# ABOUT COM HEM

- More than 2 million Swedish homes 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)

## VISION:

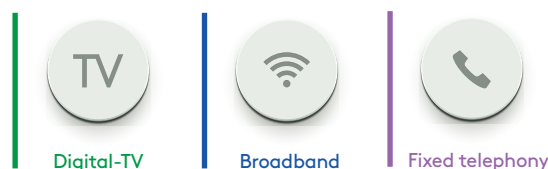
The most satisfied customers in Sweden within digital-TV, broadband and fixed telephony.

### Total revenue H1 2016 - SEK 2.6bn

#### CONSUMER

Share of revenue H1 2016

**78%**



We sell broadband, digital-TV and fixed telephony to households within our footprint. By the end of June 2016, we delivered 1,6 million RGUs to 926,000 customers across our footprint.

#### BUSINESS TO BUSINESS

Share of revenue H1 2016

**6%**



We have more than 60,000 business customers. 18,000 of these customers subscribe to our services via Com Hem’s vertical network.

#### NETWORK OPERATOR (LANDLORD AND iTUX)

Share of revenue H1 2016

**15%**

Our consumer services require that we also have a contract with a landlord or a communication operator. We have contracts with over 20,000 separate landlords and 13 communication operators. Our own communication operator iTUX serves approximately 135,000 households.

Com Hem operates and maintains one of the fastest and most technologically advanced networks in the world. It gives us a competitive advantage over other industry players as we are able to use the same platform for all our services. Com Hem takes total responsibility for the customer experience – from a leading range of services and a reliable network to a fully insourced customer service.

Our goal is to convert as many as possible of our more than 2 million households – whether via the vertical or open infrastructures – into subscribers of our digital services. In H1 2016, we grew our consumer customer base by 2.0% or 15,000 unique consumers.

# INDUSTRY TERMS AND FINANCIAL METRICS

## 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.

**Customer Premises Equipment or "CPE"** Telecommunications hardware, such as set-top boxes, xDSL or other broadband Internet routers, VoIP base stations, phone headsets, etc., which is located at the home or business of a customer.

**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.

## FINANCIAL METRICS AND ALTERNATIVE PERFORMANCE MEASURES

**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.

**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.

**Network operator 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.

**Operating free cash flow (OFCF)** 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.