

Q4 2016

NorCell Sweden
Holding 2 AB
(publ) Group

YEAR-END REPORT
JANUARY-DECEMBER 2016

YEAR-END REPORT

JANUARY-DECEMBER 2016

FOURTH QUARTER SUMMARY 2016

Revenue: SEK 1,780m (1,271), up 40.0%. SEK 1,333m organic, up 4.9%.

Operating profit (EBIT): SEK 231m (195), up 18.6%.

Underlying EBITDA: SEK 699m (598), up 16.8%. SEK 622m organic, up 3.9%.

Cash flow from operating activities: SEK 569m (312), up 82.2%.

Operating free cash flow: SEK 393m (339), up 15.9%. SEK 358m organic, up 5.5%.

Net result: SEK 34m (-112).

Earnings per share: SEK 56 (-186).

Com Hem segment consumer growth continues steadily:

- Unique consumer subscribers rose by 11,000 to record high 945,000
- Strong volume growth in broadband, up 13,000 to 702,000 RGUs
- Digital-TV RGUs totalled 644,000, with a continued growth of 6,000 TiVo customers (penetration rate of 38%)
- Consumer ARPU flat at record high SEK 371 (371 in Q3 2016)
- Consumer churn of 13.1%, 0.4p.p. increase from Q3 2016

Expansion into the SDU market proceeding well:

- Expected to expand footprint by 40%, or 800,000 households, in coming years (addressable footprint)
- Added ~250k households in the SDU market since the launch of the expansion programme
- Commencing trials for new build of own fibre

Boxer integration under way and fibre launch set for Q1:

- Boxer integration is proceeding according to plan
- We are launching the Boxer fibre expansion in Q1. We see this as an excellent opportunity to increase profitability of the existing Boxer customer base as well as retaining customers that are being overbuilt by competitor fibre
- Boxer delivered SEK 446m of revenue and SEK 77m of Underlying EBITDA in the fourth quarter
- ARPU remained at SEK 293
- Unique subscribers fell by 13,000 to 495,000
- The churn rate rose by 2.0 p.p. to 17.7%

Integrating the B2B business:

- Integration of Phonera is being executed parallel to the Boxer integration to fully utilise synergies across the Group
- The process will run through 1H17 and result in increased Underlying EBITDA and operating free cash flow due to lower operational costs and investments going forward
- Increased focus on the high-margin OnNet business

Financial key metrics

	OCT-DEC / Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Revenue, SEKm	1,780	1,271	40.0%	5,665	5,000	13.3%
Operating profit (EBIT), SEKm	231	195	18.6%	866	745	16.2%
EBITDA, SEKm	704	586	20.1%	2,533	2,290	10.6%
Underlying EBITDA, SEKm	699	598	16.8%	2,562	2,357	8.7%
Underlying EBITDA margin, %	39.3	47.1	-7.8 p.p.	45.2	47.1	-1.9 p.p.
Net result for the period, SEKm	34	-112	n/m	214	-369	n/m
Earnings per share, SEK	56	-186	n/m	357	-615	n/m
Capex, SEKm	305	259	18.0%	893	991	-9.9%
Capex as % of revenue	17.2	20.4	-3.2 p.p.	15.8	19.8	-4.1 p.p.
Cash flow from operating activities	569	312	82.2%	2,235	1,812	23.3%
Operating free cash flow, SEKm	393	339	15.9%	1,669	1,366	22.2%
Net debt at end of period, SEKm	10,341	9,060	14.1%	10,341	9,060	14.1%
Net debt/Underlying EBITDA LTM, multiple ¹⁾	3.7x	3.8x	-0.2x	3.7x	3.8x	-0.2x

¹⁾ See page 18 for definitions of financial key metrics and Alternative Performance Measures (APM).

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

GROUP FINANCIAL OVERVIEW

Financial summary, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Revenue	1,780	1,271	40.0%	5,665	5,000	13.3%
Operating expenses	-1,549	-1,077	43.9%	-4,799	-4,255	12.8%
Operating profit (EBIT)	231	195	18.6%	866	745	16.2%
Net financial income and expenses	-216	-338	-36.0%	-586	-1,217	-51.8%
Income taxes	19	32	n/m	-65	103	n/m
Net result for the period	34	-112	n/m	214	-369	n/m

Comparisons between fourth quarter of 2016 and fourth quarter of 2015, unless otherwise stated. Boxer is consolidated from September 30, 2016, affecting comparables with previous periods.

Total revenue

Total revenue for the Group rose by 40.0% compared to the fourth quarter in 2015 and amounted to SEK 1,780m. Organic revenue growth, excluding Boxer that is part of the Group from the fourth quarter, was 4.9%. For the full year revenue rose by 13.3% compared to previous year (4.4% excluding Boxer for the fourth quarter) to SEK 5,665m. Organic revenue growth is explained by continued good growth in Com Hem's consumer business which grew by 5.9% for the full year driven by volume as well as price growth.

Operating expenses

Operating expenses amounted to SEK 1,549m, up 43.9% compared to the fourth quarter 2015. For the full year operating expenses increased by 12.8% compared to 2015 and amounted to SEK 4,799m. The increase for the quarter as well as the full year is explained by Boxer being consolidated into the group from the fourth quarter, and by higher variable costs within the Com Hem segment as a result of volume driven revenue growth, partly offset against savings in fixed costs.

Operating profit (EBIT)

Operating profit for the fourth quarter increased by 18.6% and amounted to SEK 231m. For the full year, the increase was 16.2% resulting in an operating profit of SEK 866m.

Net financial income and expenses

Net financial income and expenses were improved by 36.0% for the fourth quarter. For the full year net financial income and expense improved by 51.8%. The positive change is a result of a reduced blended interest rate on the Group's debt portfolio following a number of refinancing activities, as well as lower market interest rates. Average blended interest rates on the Group's external debt portfolio was 2.9% for the full year 2016 compared with 4.4% in 2015. This resulted in lower interest expenses in 2016 despite an increase in net debt of approximately SEK 1.3bn during the year which is mainly explained by the Boxer acquisition.

Income taxes

The Group recognised a tax income of SEK 19m for the quarter and a tax expense of SEK 65m for the full year, of which SEK 22m for the quarter refers to a deferred tax income and SEK 62m for the full year refers to a deferred tax expense. Current taxes amounted to SEK 3m in the quarter and full year referring to Boxer in the fourth quarter.

The taxable profit within the Com Hem segment will be offset against previously recognised tax losses carry forwards, which had a remaining balance of approximately SEK 1.3bn at the end of the year.

Net result for the period

Net result amounted to SEK 34m for the quarter. Net result for the full year reached SEK 214m compared to SEK -369m for the full year 2015.

Reconciliation between Operating profit (EBIT) and Underlying EBITDA, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Operating profit (EBIT)	231	195	18.6%	866	745	16.2%
Depreciation & amortisation per function						
- Cost of services sold	238	201	18.6%	867	778	11.4%
- Selling expenses	229	184	24.4%	779	742	4.9%
- Administrative expenses	5	6	-16.7%	22	25	-13.9%
Total depreciation & amortisation	473	392	20.8%	1,667	1,545	7.9%
EBITDA	704	586	20.1%	2,533	2,290	10.6%
EBITDA margin, %	39.6	46.1	-6.6 p.p.	44.7	45.8	-1.1 p.p.
Disposals	1	0	n/m	4	9	-54.6%
Operating currency loss/gains	4	-1	n/m	7	8	-15.3%
Items affecting comparability	-10	13	n/m	17	49	-64.7%
Underlying EBITDA	699	598	16.8%	2,562	2,357	8.7%
Underlying EBITDA margin, %	39.3	47.1	-7.8 p.p.	45.2	47.1	-1.9 p.p.

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

Underlying EBITDA

Underlying EBITDA rose by 16.8% reaching SEK 699m and the Underlying EBITDA margin was 39.3% in the fourth quarter. The increase in Underlying EBITDA is explained by Boxer being consolidated the fourth quarter combined with revenue growth within the Com Hem segment, which is offset against somewhat higher operating costs compared to the fourth quarter 2015 due to the on-going expansion into the SDU market. For the full year, Underlying EBITDA rose by 8.7% to SEK 2,562m and the Underlying EBITDA margin was 45.2%. Excluding Boxer, the organic increase in Underlying EBITDA was 3.9% for the fourth quarter and 5.4% for the full year.

EBITDA

EBITDA rose by 20.1% reaching SEK 704m for the quarter. For the full year EBITDA rose by 10.6% reaching SEK 2,533m. The increase in

EBITDA is explained by higher Underlying EBITDA in combination with lower items affecting comparability in 2016 (for the fourth quarter items affecting comparability were positive as a result of insurance compensation related to previous years).

Depreciation and amortisation

Depreciation and amortisation rose by SEK 81m to SEK 473m for the quarter and by SEK 122m to a total of SEK 1,667m for the full year. The increase is explained by Boxer being included in the Group from October 1, 2016 as well as higher depreciation and amortisation on IT development projects (cost of services sold) and CPEs (cost of services sold), partly offset by lower amortisation of capitalised sales commissions (selling expenses) within the Com Hem segment.

Operating free cash flow, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Underlying EBITDA	699	598	16.8%	2,562	2,357	8.7%
Capital expenditure						
Network related	-114	-97	17.3%	-323	-332	-2.5%
CPEs and capitalised sales commissions	-140	-113	23.5%	-388	-486	-20.2%
IT investments	-38	-37	4.0%	-134	-128	4.2%
Other capex	-13	-11	14.1%	-48	-45	6.5%
Total capital expenditure	-305	-259	18.0%	-893	-991	-9.9%
Operating free cash flow	393	339	15.9%	1,669	1,366	22.2%
Interest payments	-170	-289	-41.1%	-278	-507	-45.0%
Change in working capital	115	111	3.2%	53	121	-55.9%
Equity free cash flow	338	162	109.0%	1,444	981	47.2%

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

Capital expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 305m, corresponding to 17.2% of revenue. For the full year, capital expenditure amounted to SEK 893m, corresponding 15.8% of revenue. The decline compared to 2015 is mainly a result of lower network related investments and CPEs within the Com Hem segment. Boxer is included with capex of SEK 42m in the fourth quarter 2016.

Operating free cash flow

Operating free cash flow increased by 15.9% in the fourth quarter, reaching SEK 393m. For the full year operating free cash flow

increased by 22.2% reaching a total of SEK 1,669m. The increase was a result of higher Underlying EBITDA contribution as well as lower capex compared with the full year 2015.

Equity free cash flow

Equity free cash flow increased by 109.0% for the fourth quarter reaching SEK 338m. For the full year equity free cash flow increased by 47.2% reaching a total of SEK 1,444m. The increase is explained by higher operating free cash flow combined with lower interest payments following refinancing activities.

Net debt, SEKm	DEC 31		Change
	2016	2015	
Non-current interest-bearing liabilities	10,180	9,151	11.3%
Add back of capitalised borrowing costs	98	95	2.7%
Non-current interest-bearing liabilities, nominal value	10,278	9,246	11.2%
Current interest-bearing liabilities	517	528	-2.1%
Cash and cash equivalents	-454	-713	-36.3%
Net debt	10,341	9,060	14.1%

Liquidity

At December 31, 2016, the Group's total available funds amounted to SEK 1,854m (SEK 1,363m at December 31, 2015), of which cash and cash equivalents was SEK 454m (SEK 713m at December 31, 2015) and unutilised credit facilities was SEK 1,400m (SEK 650m at December 31, 2015).

Net debt

At December 31, 2016, the Group's net debt amounted to SEK 10,341m (SEK 9,060m at December 31, 2015). The increase in net debt is mainly explained by the Boxer acquisition. Net debt/Underlying EBITDA LTM was a multiple of 3.7x (3.8x at December 31, 2015), which is in line with the targeted leverage of 3.5-4.0x.

OUTSTANDING DEBT

December 31, 2016, SEKm	Maturity date	Interest base/coupon	Total credit	Utilised amount	Unutilised amount
Bank debt					
Facility A	Jun 26, 2019	Floating	3,500	3,500	-
Revolving Credit Facility	Jun 26, 2019	Floating	2,000	600	1,400
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	-
Outstanding notes at fixed interest rates					
SEK 1,750m 2016/2021 Notes	Jun 23, 2021	Fixed 3.625%	1,750	1,750	-
SEK 2,250m 2016/2022 Notes	Feb 25, 2022	Fixed 3.50%	2,250	2,250	-
Total credit facilities¹⁾			12,175	10,775	1,400

¹⁾ In addition to the above credit facilities Com Hem holds interest-bearing financial lease liabilities totalling SEK 20m.

Financing

At December 31, 2016, the Group's total credit facilities, including the two outstanding SEK notes, amounted to SEK 12,175m, which had an average remaining term of 3.3 years.

On November 11, 2016, Com Hem announced that its subsidiary NorCell Sweden Holding 3 AB (publ) had issued new notes in the total amount of SEK 2,250m. The new notes have a fixed rate coupon of 3.50% and matures February 25, 2022. Com Hem will prepare a prospectus and intends to apply for listing of the new notes on Nasdaq Stockholm.

The proceeds from the new notes were, together with existing unutilised credit facilities, used to redeem the SEK 2,500m 2014/2019 Notes in full, which was completed on November 25, 2016. In connection with the redemption a premium of SEK 66m was paid. Following the refinancing the average blended interest rate of the Group's debt portfolio decreased from approximately 3% in the first nine months of 2016 to 2.5% in December, where it is expected to remain in coming quarters given current market interest rates.

On November 18, 2016 Com Hem announced that NorCell Sweden Holding 3 AB (publ) had given notice to initiate a written procedure under its SEK 1,750m 2016/2021 Notes requesting that certain terms should be harmonised with those of the SEK 2,250m 2016/2022 Notes. The written procedure was closed on December 12, 2016 after a sufficient majority of the noteholders had ap-

proved the request. Following the amendments of certain terms, which had previously been approved in relation to the loan facilities by the credit institutions, Com Hem was able to terminate an Intercreditor agreement and release certain securities.

Loan conditions

The loan facilities with credit institutions are conditional on the Group continually satisfying a predetermined financial key metric (covenant), which 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 at December 31, 2016.

OVERVIEW PER OPERATING SEGMENT

SEGMENT COM HEM

Operational key metrics ¹⁾	2015				2016	
	Q3	Q4	Q1	Q2	Q3	Q4
Addressable footprint, thousands	1,942	1,968	1,988	2,045	2,196	2,265
Unique consumer subscribers, thousands	903	911	920	926	934	945
Consumer churn as % of unique consumer subscribers, %	12.9	12.9	13.9	13.1	12.7	13.1
Consumer RGUs thousands						
Broadband	648	658	669	679	689	702
Digital-TV	631	635	635	636	640	644
- of which TiVo customers	213	224	228	233	239	246
Fixed telephony	331	322	314	300	294	282
Total consumer RGUs	1,610	1,616	1,619	1,615	1,623	1,627
Unique B2B subscribers, thousands						
OnNet	14	16	17	18	19	20
OffNet	48	46	45	42	40	38
Total unique B2B subscribers	62	62	62	61	59	58
ARPU, SEK						
Consumer	363	363	364	369	371	371
B2B	415	431	430	436	436	454

¹⁾ For the quarter, and on the last date of each quarter.

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

Addressable footprint

In the fourth quarter, our addressable footprint increased by 69,000 homes to 2,265,000 at the end of the period. The increase is mainly a result of our expansion into the SDU market where we at the end of December had added some 250,000 addressable households since the start of the expansion programme through the addition of open LANs as well as unbundling of Skanova networks.

Unique consumer subscribers

The number of unique consumer subscribers continued to increase in the fourth quarter, up 11,000 to 945,000. 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 fourth quarter, an increase of 0.4 p.p. compared to the record low consumer churn of 12.7% for the third quarter 2016. The slight increase is a result of an adjustment of low-ARPU DTV customers who are no longer eligible for the service.

Consumer RGUs

The number of consumer RGUs was 1,627,000 an increase of 4,000 compared to previous quarter, caused by strong growth in broadband RGUs offset by continued decline in fixed-telephony RGUs.

The number of broadband RGUs rose by 13,000 in the fourth quarter to an all time high of 702,000 which was a somewhat higher growth than seen in previous quarters. The proportion of new broadband subscribers who purchased broadband speeds of 100 Mbit/s or more was close to 90%. Following upgrade of the customer base, close to 90% of the entire broadband base subscribes to a 100 Mbit/s or higher service.

The number of digital-TV RGUs increased by 3,000 during the fourth quarter to a total of 644,000 RGUs. During the quarter the number of TiVo customers grew by 6,000 to 246,000, corresponding to 38% of the total digital-TV base.

The number of fixed-line telephony RGUs was 282,000, down 12,000 compared with the preceding quarter, which is in line with the underlying trend in the market.

Consumer ARPU

ARPU remained at the record high level of SEK 371 as a large amount of customers continued buying higher tier services.

Unique B2B subscribers

The number of unique B2B subscribers was 58,000 at the end of the quarter. The 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.

B2B ARPU

B2B ARPU was SEK 454 in the fourth quarter, compared to SEK 436 the preceding quarter.

OVERVIEW PER OPERATING SEGMENT

SEGMENT COM HEM

Financial summary, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Revenue external						
Consumer	1,045	986	6.0%	4,093	3,863	5.9%
- of which Digital-TV	465	451	3.1%	1,855	1,785	3.9%
- of which Broadband	485	433	11.9%	1,862	1,666	11.7%
- of which Telephony	57	75	-23.2%	253	304	-16.9%
Network operator	202	195	3.5%	777	786	-1.1%
B2B	79	81	-1.9%	317	311	1.9%
Other revenue	7	9	-23.1%	31	40	-22.7%
Revenue	1,333	1,271	4.9%	5,218	5,000	4.4%
Underlying EBITDA	622	598	3.9%	2,485	2,357	5.4%
Underlying EBITDA margin, %	46.6	47.1	-0.4 p.p.	47.6	47.1	0.5 p.p.
Total capital expenditure	-264	-259	1.9%	-851	-991	-14.1%
Operating free cash flow	358	339	5.5%	1,633	1,366	19.6%

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

Revenue

Revenue for the fourth quarter rose by 4.9% compared to the same period last year and amounted SEK 1,333m. For the full year, revenue increased by 4.4% to a total of SEK 5,218m. The increase is a result of a continued strong growth in consumer services.

Consumer Services

Revenue from consumer services rose by 6.0% to total of SEK 1,045m for the fourth quarter and by 5.9% to a total of SEK 4,093m for the full year. The increase for the quarter and the full year is driven by increased revenue from broadband and digital TV, partly offset by decreased revenue from fixed telephony.

Revenue from broadband services rose by 11.9% for the quarter and by 11.7% for the full year. 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.

Revenue from digital-TV rose by 3.1% for the quarter and by 3.9% for the full year. The increase in digital-TV revenue was mainly attributable to RGU growth, a higher proportion of customers with TiVo packages, and the price adjustments implemented during the first quarter of 2016.

Revenue from fixed-line telephony decreased by SEK 17m for the quarter and by SEK 52m for the full year. The decrease is mainly explained by a structural decline in fixed telephony variable usage.

Network Operator Services

Revenue from network operator services increased by 3.5% and amounted to SEK 202m for the fourth quarter. The increase was attributable to higher revenue from network expansion including communication operator revenue from iTUX. For the full year, revenue from network operator services declined by 1.1% and amounted to SEK 777m. The decline was attributable to a decline in landlord revenue, partly offset by higher revenue from network expansion including communication operator revenue from iTUX.

Business to Business

Revenue from B2B services declined by SEK 2m to SEK 79m for the fourth quarter. For the full year, revenue from B2B services rose by SEK 6m or 1.9% to a total of SEK 317m.

For the quarter, OnNet revenue grew by 26.7% and amounted to SEK 29m. For the full year the increase was 53.9% to a total of SEK 102m. The increase in the high margin OnNet revenue was offset by lower revenue from the lower margin OffNet legacy business, mainly due to lower variable telephony revenue.

Underlying EBITDA

Underlying EBITDA rose by 3.9% or SEK 24m, reaching SEK 622m and the Underlying EBITDA margin was 46.6% in the fourth quarter. The increase in Underlying EBITDA is explained by revenue growth, partly with somewhat lower margin as revenue with lower gross margin within third party infrastructure increases. The decline in gross margin is partly offset by savings in other operating expenses. For the full year, Underlying EBITDA rose by 5.4% to SEK 2,485m and the Underlying EBITDA margin was 47.6%.

Capital Expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 264m, corresponding to 19.8% of revenue. The increase of SEK 5m compared to the fourth quarter in 2015 is mainly a result of higher network related investments, partly offset by lower investments in CPEs. For the full year, capital expenditure amounted to SEK 851m, corresponding to 16.3% of revenue. The decline compared to 2015 is mainly explained by the core MDU business now being managed at a sustainably lower capex level.

Operating Free Cash Flow

Operating free cash flow increased by 5.5% or SEK 19m in the fourth quarter, reaching SEK 358m. For the full year operating free cash flow increased by 19.6% or SEK 268m, reaching a total of SEK 1,633m. The increase was a result of higher Underlying EBITDA contribution as well as lower investments compared with the full year 2015.

OVERVIEW PER OPERATING SEGMENT

SEGMENT BOXER

Operational overview ¹⁾	2015				2016	
	Q3	Q4	Q1	Q2	Q3	Q4
Unique consumer subscribers, thousands	546	541	529	516	508	495
Consumer churn as % of unique consumer subscribers, %	11.7	15.9	16.1	16.3	15.7	17.7
Consumer RGUs, thousands	548	545	536	525	520	511
Average revenue per user (ARPU), SEK	276	280	283	289	293	293

¹⁾Boxer was acquired on September 30, 2016 when controlling influence of operations was obtained and the entity was consolidated from that date. Figures relating to quarters before the acquisition date are included for comparability purposes.

Unique consumer subscribers

The number of unique consumer subscribers continued to decrease by 13,000 in the fourth quarter, to a total of 495,000 by the end of the period. The decline is mainly explained by the structural decline within the digital terrestrial TV ("DTT") distribution as a consequence of Boxer subscribers getting access to fibre broadband.

Consumer churn rate

The churn rate, expressed as the percentage of consumer subscribers, was 17.7% in the fourth quarter, which is an increase of 2.0 p.p. compared to the preceding quarter. The increase in the fourth quarter is partly explained by Boxer subscribers getting access to fibre Broadband and partly by a channel redistribution in certain areas following the migration from the 700 band. The migration from the 700 Mhz band is based on a Government

decision (February 27, 2014) that some of the frequencies currently used for television broadcasting shall be reserved for telecommunication services, including mobile broadband. This meaning that the 700 Band must be vacated no later than October 31, 2017.

Consumer RGUs

The number of consumer RGUs was 511,000 a decrease of 9,000 compared to previous quarter, hence a smaller decline than in unique consumer subscribers, implying that an increasing number of Boxer subscribers choose to subscribe to more than one service.

Consumer ARPU

ARPU was SEK 293 for the fourth quarter, which is at the same level as the preceding quarter.

Financial summary, SEKm	OCT-DEC/Q4
	2016
Revenue external	
Consumer	446
Revenue	446
Underlying EBITDA	77
Underlying EBITDA margin, %	17.2
Total capital expenditure	-42
Operating free cash flow	35

Revenue

Revenue for the fourth quarter amounted to SEK 446m. The ongoing fibre build-out in Sweden had a negative impact on Boxer revenue, as increasing number of customers choose digital TV through broadband instead of DTT. In January 2017, Boxer launched a new broadband service on the Swedish market.

Underlying EBITDA

The Boxer business has two main cost items; content costs that are variable and depending on the number of subscribers and mix, similar to the Com Hem business, and DTT distribution costs. As part of the negotiation at acquisition, the DTT distribution costs will be reduced over the coming ten years.

In the quarter, Boxer continued to purchase additional administrative services from the seller, services that over the coming quarters will be migrated to Com Hem, which will lead to savings in operating costs.

Boxer's Underlying EBITDA amounted to SEK 77m for the fourth quarter. Boxer is expected to add approximately SEK 300m to the Com Hem Group's Underlying EBITDA in 2017.

Capital Expenditure (Capex)

Boxer reported investments in CPEs and sales commissions of SEK 42m in the fourth quarter. CPE investments were temporarily affected by the ongoing 700 band migration causing new CPE's being purchased for some existing customers.

Operating Free Cash Flow

Operating free cash flow amounted to SEK 35m in the fourth quarter. Boxer is expected to add approximately SEK 200m in operating free cash flow to the Group in 2017.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Revenue	1,780	1,271	5,665	5,000
Cost of services sold	-1,022	-631	-2,964	-2,464
Gross profit	758	641	2,701	2,536
Selling expenses	-471	-379	-1,557	-1,516
Administrative expenses	-77	-70	-291	-269
Other operating income and expenses	21	3	13	-6
Operating profit	231	195	866	745
Financial income and expenses	-216	-338	-586	-1,217
Result after financial items	15	-144	280	-472
Income taxes	19	32	-65	103
Net result for the period	34	-112	214	-369
Average number of outstanding shares, thousands	600	600	600	600
Basic earnings per share, SEK	56	-186	357	-615
Average number of outstanding shares, diluted, thousands	600	600	600	600
Diluted earnings per share, SEK	56	-186	357	-615

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Net result for the period	34	-112	214	-369
Other comprehensive income				
<i>Items that will not be reclassified to net profit or loss</i>				
Revaluation of defined-benefit pension obligations	34	40	-59	75
Tax on items that will not be reclassified to profit or loss	-8	-9	13	-16
Other comprehensive income for the period, net of tax	27	31	-46	58
Total comprehensive income for the period	60	-81	169	-310

CONDENSED CONSOLIDATED BALANCE SHEET

SEKm	DEC 31	DEC 31
	2016	2015
ASSETS		
Non-current assets		
Intangible assets	16,765	15,451
Property, plant and equipment	1,564	1,531
Financial assets to Group companies	2,780	942
Other financial assets	-	0
Total non-current assets	21,109	17,924
Current assets		
Current assets to Group companies	260	607
Other current assets	456	350
Cash and cash equivalents	454	713
Total current assets	1,170	1,671
TOTAL ASSETS	22,279	19,595
EQUITY AND LIABILITIES		
Equity	1,416	1,041
Non-current liabilities		
Non-current interest-bearing liabilities	10,180	9,151
Non-current liability to Group companies	7,064	6,873
Other non-current liabilities	350	176
Deferred tax liabilities	677	259
Total non-current liabilities	18,272	16,459
Current liabilities		
Current interest-bearing liabilities	517	528
Other current liabilities	2,074	1,566
Total current liabilities	2,591	2,094
TOTAL EQUITY AND LIABILITIES	22,279	19,595
Number of outstanding shares, at end of period, thousands	600	600
Equity per share, SEK	2,360	1,735

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	DEC 31	DEC 31
	2016	2015
Opening equity	1,041	1,236
Comprehensive income for the period		
Net result for the period	214	-369
Other comprehensive income for the period	-46	58
Total comprehensive income for the period	169	-310
Transactions with the owners		
Repurchase of warrants	-	-2
Dividend	-	-357
Shareholder's contribution	4	1
Group contribution, net of tax	203	474
Total transactions with the owners	206	116
Closing equity	1,416	1,041

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Operating activities				
Result after financial items	15	-144	280	-472
Adjustments for non-cash items	440	345	1,902	2,163
Cash flow from operating activities before changes in working capital	454	201	2,181	1,691
Change in working capital	115	111	53	121
Cash flow from operating activities	569	312	2,235	1,812
Investing activities				
Acquisition of subsidiary	-2	-	-1,375	-
Acquisition of intangible assets	-128	-95	-396	-381
Acquisition of property, plant and equipment	-178	-164	-497	-594
Investment in financial assets ¹⁾	-250	-320	-1,187	-580
Divestment of property, plant and equipment	1	-	2	-
Divestment of financial assets	-	-	-	0
Cash flow from investing activities	-557	-579	-3,453	-1,556
Financing activities				
Repurchases of shares and warrants	-	-1	-	-2
Dividend	-	-	-	-357
Borrowings	3,300	1,900	6,600	2,000
Amortisation of borrowings	-3,158	-1,725	-5,578	-1,749
Payment of borrowing costs	-39	-7	-63	-21
Cash flow from financing activities	103	166	959	-129
Net change in cash and cash equivalents	115	-100	-259	127
Cash and cash equivalents at beginning of period	339	813	713	586
Cash and cash equivalents at end of period	454	713	454	713

¹⁾Intercompany loans to the parent company Com Hem Holding AB.

ADJUSTMENT FOR NON-CASH ITEMS

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Depreciation/amortisation	473	392	1,667	1,545
Unrealised exchange-rate differences	-1	-135	1	-188
Capital gain/loss on sale/disposal of non-current assets	0	0	3	9
Change in fair value of derivatives	-	46	0	39
Change in capitalised borrowing costs and discounts	36	44	60	71
Change in accrued interest expenses	-95	-197	17	-66
Interest not settled with cash, group companies	32	190	147	736
Other profit/loss items not settled with cash	-7	4	6	16
Total	440	345	1,902	2,163

PARENT COMPANY CONDENSED FINANCIAL REPORTS

INCOME STATEMENT SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Revenue	-	-	-	-
Administrative expenses	0	0	0	0
Other operating income and expenses	0	0	0	0
Operating profit/loss	0	0	0	0
Financial income and expenses	-12	-57	10	357
Result after financial items	-12	-57	10	357
Income taxes	-2	-	-2	-
Net result for the period	-14	-57	8	357

STATEMENT OF COMPREHENSIVE INCOME SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Net result for the period	-14	-57	8	357
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-14	-57	8	357

BALANCE SHEET SEKm	DEC 31	
	2016	2015
ASSETS		
Financial assets	11,005	10,829
Deferred tax assets	-	2
Cash and bank balances	0	0
TOTAL ASSETS	11,005	10,831
EQUITY AND LIABILITIES		
Restricted equity	1	1
Unrestricted equity	3,921	3,914
Non-current liabilities to Group companies	7,064	6,874
Current liabilities to Group companies	19	42
Other current liabilities	0	0
TOTAL EQUITY AND LIABILITIES	11,005	10,831

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.

Alternative Performance Measures (APM)

The Group applies the guidelines issued by ESMA (European Securities and Markets Authority) on APMs, published July 3, 2016. An APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs presented in these interim financial statements should not be considered as a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies. The APMs presented in the interim report have been reconciled to the most directly reconcilable line items in the financial statements and appears in the sections group financial overview and overview per operating segment.

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 out-

standing notes. Fair value of derivatives as of December 31, 2016 amounted to SEK - m (0).

Related parties

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

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 materially changed from the description in the 2015 Annual Report, except for the risks connected to the acquisition of Boxer, the structural DTT decline and the reliance upon Teracom in respect of the distribution of the services in the DTT network.

Operating segment

The Group operates in a single market, Sweden and is divided in two operating segments, Com Hem and Boxer. The division is based on the Group's management structure and infrastructure for delivery of services and structure for internal reporting, which is controlled by the Group's CEO, who has been identified as its chief operating decision-maker.

Com Hem offers services to consumers (digital-TV, broadband and fixed telephony), B2B (broadband and telephony) and landlord (basic TV offering) via fibreCoax, unbundled fibre and LAN. The services to consumers and landlords are mainly delivered to multi-dwelling unit buildings. The B2B services are mainly delivered to Small and Medium Sized Enterprises (SMEs). The infrastructure that is the basis for enabling delivery of services to customers is the same for all services in the operating segment. Expenses for distribution (fibre, ducting, etc.) and for operation and servicing of the services are collective. Customers connect to services through a single point in their home.

Boxer mainly offers services (digital-TV) to consumers in the SDU market through the Swedish digital terrestrial network provided by Teracom.

The operating segment information is based on the same accounting principles as for the Group, IFRS. The pricing of inter company transactions is determined on a commercial basis.

Performances and the business' earnings are evaluated based on a number of established key ratios, of which the principal key ratios in the income statement are total revenue, operating profit/loss (EBIT) and Underlying EBITDA (EBITDA before disposals excluding items affecting comparability and operating currency gains/losses).

Operating segment assets comprise of intangible assets, property, plant and equipment, inventories and current receivables. Operating segment liabilities comprise of non-current liabilities and provisions.

Capital expenditure includes intangible assets and property, plant and equipment but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions which are presented separately.

SEKm	OCT-DEC Q4 2016			Group
	Com Hem	Boxer ¹⁾	Eliminations	
Revenue external	1,333	446	-	1,780
Revenue internal	1	-	-1	-
Total revenue	1,334	446	-1	1,780
Operating profit (EBIT)	228	3	-	231
Depreciation & Amortisation	406	67	-	473
Disposals	1	-	-	1
Operating currency loss/gains	4	1	-	4
Items affecting comparability	-16	6	-	-10
Underlying EBITDA	623	76	-	699
Net financial income and expenses				-216
Income taxes				19
Net result for the period				34
CAPEX	-264	-42	-	-305

1) Boxer was acquired on September 30, 2016.

SEKm	JAN-DEC 2016			Group
	Com Hem	Boxer ¹⁾	Eliminations	
Revenue external	5,218	446	-	5,665
Revenue internal	1	-	-1	-
Total revenue	5,219	446	-1	5,665
Operating profit (EBIT)	863	3	-	866
Depreciation & Amortisation	1,600	67	-	1,667
Disposals	4	-	-	4
Operating currency loss/gains	6	1	-	7
Items affecting comparability	11	6	-	17
Underlying EBITDA	2,486	76	-	2,562
Net financial income and expenses				-586
Income taxes				-65
Net result for the period				214
CAPEX	-851	-42	-	-893
CAPEX in relation to business combinations	-	-1,705	-	-1,705

1) Boxer was acquired on September 30, 2016.

SEKm	DEC 31, 2016			DEC 31, 2015	
	Com Hem	Boxer	Eliminations	Group	Com Hem
Operating segment assets	16,862	2,184	-1	19,045	17,940
-of which goodwill	10,899	421	-	11,321	10,899
-of which customer relationships	2,527	1,392	-	3,919	3,097
Non allocated assets from Group companies				2,780	942
Other unallocated assets				454	713
Total assets				22,279	19,595
Operating segment liabilities	2,045	994	-1	3,038	1,957
Non allocated liabilities to Group companies				7,064	6,874
Other unallocated liabilities				10,760	9,723
Total liabilities				20,862	18,554

Business Combinations 2016

Boxer TV-Access AB ("Boxer")

On June 8, 2016 Com Hem through its wholly owned subsidiary Com Hem Communications AB signed an agreement to acquire all shares in Boxer TV-Access AB ("Boxer") a wholly owned subsidiary of Teracom Boxer Group AB. Boxer is the pay TV operator in the digital terrestrial television ("DTT") network in Sweden. The fibre expansion in the single dwelling unit ("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 is included in the transaction and Boxer will continue to operate as part of the Com Hem Group.

At September 1, 2016 the Swedish State approved the acquisition and at September 21, 2016 the Swedish Competition Authority also resolved to approve the acquisition. Completion took place on September 30, 2016 when controlling influence of operations was obtained and the entity was consolidated from that date. The acquisition closed with an Enterprise Value of SEK 1,330m, representing an estimated LTM Underlying EBITDA multiple of 4.3x. The acquisition has been recognised by applying the purchase method, and the table below states the fair value of the acquired assets and liabilities. The acquisition was funded through external borrowings and own cash. No equity instruments were issued in conjunction with the acquisition.

SEKm	Carrying amounts in the Group
Intangible assets	1,552
Property, plant and equipment	153
Other current assets	167
Cash and cash equivalents	258
Deferred tax liabilities	-305
Non-current liabilities	-141
Other current liabilities	-472
Net identifiable assets	1,212
Goodwill	421
Purchase price (Paid in cash)	1,633
Less cash in acquired business	-258
Net effect on Group's cash	1,375

A preliminary purchase price allocation has been prepared. The recognised fair value of intangible assets was SEK 1,973m of which customer relationships SEK 1,427m, trademark SEK 101m, goodwill SEK 421m and other SEK 24m. The goodwill recognised for the acquisition relates to future revenue from new customers, increased revenue from existing customers through continued growth of the number of services sold per customer, undocumented know-how and technology. No portion of the goodwill amount is expected to be tax deductible.

An existing long-term fixed price transmission network access contract has been measured to a negative fair value of SEK 174m, which will be released over the contract term, ending March 31, 2020. Lower annual price levels will apply as from April 1, 2020 which was negotiated as part of the transaction.

The total consideration for Boxer amounted to SEK 1,633m and the total net cash outflow was SEK 1,375m after deducting acquired cash and cash equivalents of SEK 258m. Acquisition related expenses were SEK 11m and have been recognised as other operating expenses in the income statement.

Boxer is reported as a separate operating segment and contributed with SEK 446m to consolidated revenue and SEK 3m to

operating profit since closing of the acquisition.

If the acquisition had been conducted on January 1, 2016, management estimates that the contribution to consolidated revenue would have been SEK 1,833m and the contribution to operating profit would have been SEK 57m.

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

In January 2017 the Board resolved to merge the parent company, NorCell Sweden Holding 2 AB (publ) and the wholly owned subsidiary Com Hem Communications AB into the subsidiary NorCell Sweden Holding 3 AB (publ), where NorCell Sweden Holding 3 AB (publ) will be the surviving entity.

2016 Annual Report

The 2016 Annual Report will be available at www.comhemgroup.se and can be obtained from the Company's head office at Fleming-gatan 18 in Stockholm at least three weeks prior to the 2017 AGM, no later than April 30, 2017.

Auditor's report

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

Disclosure

NorCell Sweden Holding 2 AB (publ) discloses the information provided in this year-end report pursuant to the terms and conditions for the Goup's outstanding Notes and Rule book for Issuers on Nasdaq Stockholm. The information was submitted for publication, through the agency of the contact person set out below at 7.30 a.m. CET January 31, 2017.

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 January 31, 2017

Nicholas Stathopoulos
Chairman of the Board

Mikael Larsson
Board member

Joachim Ogland
Board member

Andrew Barron
Board member

Anders Nilsson
Board member and CEO

INDUSTRY TERMS

Addressable footprint Number of households connected to our fibrecoax and fibreLAN networks, third party open networks, and connected and/or passed by fibre in networks unbundled by the Group.

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. From Q4 2016 cancellations are excluded.

RGUs Revenue generating units, which refer to each subscriber receiving basic or digital-TV, broadband or telephony services from Com Hem, Boxer or Phonera. 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 the Com Hem Group's digital services (digital-TV, broadband and fixed telephony). Com Hem refers to the end-users receiving services directly through our own, third-party or unbundled networks as unique subscribers, even if the billing relationship for that end-user is with the end-user's landlord or housing association.

FINANCIAL KEY METRICS AND ALTERNATIVE PERFORMANCE MEASURES (APM)

IFRS-MEASURE

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

ALTERNATIVE PERFORMANCE MEASURES

An alternative performance measure is understood as a financial measure other than a financial measure defined or specified in the applicable financial reporting framework. The alternative performance measures presented are a complement to financial measures defined in IFRS and are used by management to evaluate ongoing operations and control activities. Alternative performance measures presented in these interim financial statements should not be considered as a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies. For more information regarding the purpose with presented APMs please visit <http://www.comhemgroup.se/en/investors/definitions/>.

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

Items affecting comparability Items of temporary nature such as staff costs related to restructuring and transaction costs related to acquisitions.

EBITDA EBIT excluding depreciation and amortisation.

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

EBITDA-marginal EBITDA as a percentage of revenue.

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

Equity/assets ratio Equity as a percentage of total assets.

Operating free cash flow (OFCF) Underlying EBITDA less capital expenditure.

Equity free cash flow Underlying EBITDA less Capex, interest on bank debt and notes, taxes and change in net working capital.

Operating profit (EBIT) Revenue less operating expenses.

Equity per share Equity divided by the total number of outstanding shares.

Underlying EBITDA EBITDA before disposals excluding items affecting comparability and operating currency gains/losses.

Underlying EBITDA margin Underlying EBITDA as a percentage of revenue.

OTHER MEASURES

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.

B2B ARPU B2B ARPU is calculated by dividing all broadband, fixed telephony and other revenue that can be allocated to each B2B service for the period in question, by the average number of total unique B2B 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 B2B subscribers on the first day in the respective period plus the number of unique B2B subscribers on the last day of the respective period, divided by two.