

## Q2 2016 Highlights

- Sales of SEK 4,328m (4,155) and operating income of SEK 472m (452)
- Net income from continuing operations of SEK 328m (360) and basic earnings per share of SEK 4.33 (4.98)
- Total net income of SEK -674m (-58) and total basic earnings per share of SEK -10.70 (-1.30), including net income from discontinued operations of SEK -1,002m (-418)
- Cash flow from continuing operations of SEK 310m (373)
- Net debt of SEK 1,796m (913) equivalent to 1.2x trailing 12 month EBITDA excl. IAC

## Financial Overview

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
<b>Continuing operations</b>					
Net sales	4,328	4,155	8,154	7,855	16,218
<i>Change in reported net sales</i>	<i>4.2%</i>	<i>1.1%</i>	<i>3.8%</i>	<i>1.9%</i>	<i>3.0%</i>
<i>Organic growth</i>	<i>2.1%</i>	<i>-0.2%</i>	<i>2.7%</i>	<i>0.3%</i>	<i>0.7%</i>
<i>Acquisitions/divestments</i>	<i>3.5%</i>	<i>0.4%</i>	<i>2.7%</i>	<i>0.3%</i>	<i>1.9%</i>
<i>Changes in FX rates</i>	<i>-1.5%</i>	<i>0.9%</i>	<i>-1.6%</i>	<i>1.3%</i>	<i>0.4%</i>
Operating income before items affecting comparability	472	452	632	594	1,268
<i>Margin before items affecting comparability</i>	<i>10.9%</i>	<i>10.9%</i>	<i>7.7%</i>	<i>7.6%</i>	<i>7.8%</i>
Items affecting comparability (IAC)	-	-	-	77	-512
Operating income	472	452	632	672	756
Net income	328	360	448	524	533
Basic earnings per share (SEK)	4.33	4.98	5.92	7.59	7.45
Cash flow from operations	310	373	385	484	1,051
<b>Discontinued operations</b>					
Net income <sup>1</sup>	-1,002	-418	-1,072	-264	-282
<b>Total operations</b>					
Net income	-674	-58	-624	260	251
Basic earnings per share (SEK)	-10.70	-1.30	-10.16	3.63	3.22
Net debt	1,796	913	1,796	913	2,124

<sup>1</sup> Comprises MTG's interest in CTC Media, Inc, which has been divested and gave rise to a non-cash charge due to the reclassification of accumulated currency translation differences.

## Alternative Performance Measures

With effect from the quarter, MTG has introduced the new European reporting guidelines concerning Alternative Performance Measures. The purpose of APMs is to facilitate the analysis of business performance and industry trends that cannot be directly derived from financial statements. MTG is using the following APMs: Operating income & margin before IAC; Change in net sales from Organic growth, Acquisitions/divestments and Changes in FX rates; Net debt and Net debt/EBITDA; Capital employed and Return on Capital Employed (ROCE); and Return on Equity (ROE). The reconciliation of these APMs to lines in the financial statements, with accompanying explanations, is provided in tables on pages 22-25 of this report.



For further information please contact Investor relations at + 46 (0) 73 699 2714 / [investors@mtg.com](mailto:investors@mtg.com) or Public relations at +46 (0) 73 699 2709 / [press@mtg.com](mailto:press@mtg.com)

## President & CEO's comments

### On track

Our products are now more broadly available than ever before and showed further good traction in Q2 with profitable growth for our Nordic and International entertainment businesses, as well as for the whole Group. MTG Studios also delivered a significant profit improvement. Video consumption continues to grow and move more online, on mobile and on demand, and our group-wide digital sales increased by 2.5 times. We are now not only the leading digital entertainment player in most of our markets, but also a global leader in key digital categories such as esports and MCNs.

Both our Nordic and International entertainment operations delivered organic sales growth, with Bulgaria again top performing with over 20% total growth and more than 60% digital growth. Furthermore, the increase in group profits reflected the cost saving initiatives that we have implemented, and was achieved despite the ongoing FX headwinds and content cost inflation. The performance of our traditional businesses enables us to invest into the growth of our digital products and services that are proving so popular with consumers.

We have adjusted prices as we have added even more content to our Viasat and Viaplay offerings, and Viaplay delivered another high growth sales quarter. We are commissioning more and more original productions for Viaplay; we are about to launch the Viasat digital platform across Scandinavia and provide free streamed video content; we will show exclusive coverage of the Rio Olympics in Sweden next month on all our platforms, as well as in VR and Ultra-HD for the first time; we are launching new premium sports channels in Sweden on the back of the new sports rights we have acquired; and we have launched the world's first 24/7 dedicated eSports TV channel that we will make as widely available as possible to the world's 250 million esports fans and more than 2 billion gamers. The multi-year partnerships deals that we have signed with leading distributors like Telenor in the Nordic region demonstrate the relevance and value of our products to consumers, and the importance of the investments that we are making in the long term development of our offerings.

We completed the sale of our shareholding in CTC Media in Q2 and have now withdrawn entirely from traditional broadcasting in the CIS region. As part of our ongoing portfolio optimisation, we have also signed an agreement to sell our free-TV and production businesses in Ghana and Tanzania, subject to local regulatory approvals. We are instead focusing on investing further in the expansion of our digital video businesses, while having also paid our highest ever cash dividend in the quarter.

### Outlook

Our objective remains to accelerate our sales growth and increase our operating profits for the full year. Q3 sales are expected to be up again compared to the same period of last year, but profits will be down as we see the impact of the new and renewed sports rights in the Nordics in particular, as well as the ongoing adverse FX effects.

**Jørgen Madsen Lindemann**  
President & Chief Executive Officer

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**“We are executing on our strategy to deliver profitable growth and shareholder returns by transforming MTG into a leading digital entertainment provider. People are watching more and more video, and our products are more relevant, more available and more innovative than ever before.”**

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## Significant Events during and after the quarter

### 27 April - MTG to launch Viafree across Scandinavia

MTG will launch a new digital window for all of its advertising funded video content in Sweden, Norway and Denmark after the summer. The new video streaming service will feature thousands of hours of entertainment, including what is currently available on MTG's free-TV Play services and original productions exclusive to Viafree. Viafree will complement MTG's subscription streaming service Viaplay, and the two services together will provide more digital entertainment content than from any other Nordic media house.

### 27 April - Launch of first global eSports TV channel

Turtle, the world's largest esports company, launched 'eSportsTV', the world's first 24/7 dedicated eSports channel in May. The channel is available on MTG's Viasat satellite platforms in the Nordic and Baltic countries. Turtle is also in talks with TV distributors and platform operators around the world, in order to make the channel as broadly available as possible on other networks.

### 23 May - MTG receives payment for CTC Media shares

MTG announced that it had completed the sale of its 38% shareholding in CTC Media, Inc. The cash payment received amounted to a total of USD 123 million, which was equivalent to SEK 1,023 million. MTG no longer has any interests in CTC Media or its operations. The transaction also gave rise to a total negative non-cash impact of SEK 1,002 million in the 'net income from discontinued operations' line of the Group's Q2 results income statement.

### 25 May - MTG invests in Engage Sports Media

MTG acquired 22% of Engage Sports Media with the option to increase its shareholding in the future. ESM enables premium sports rights owners to digitalise and monetise their content for global audiences, by making it available online, on demand and on mobile. ESM partners include leading owners and brands in Football, Rugby, Cricket, Motorsport and Horse Racing.

### 29 June - MTG and Telenor sign new TV distribution agreement

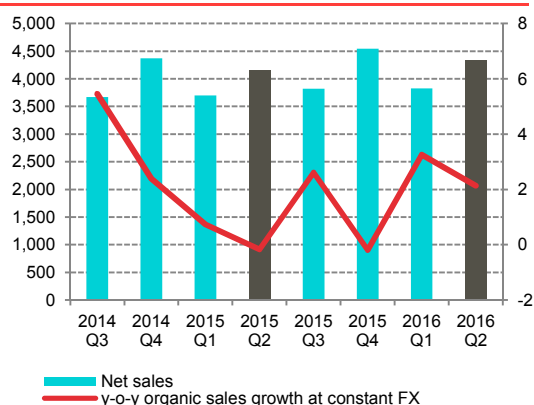
MTG and Telenor signed a new multi-year agreement for the broader distribution of MTG's TV channels on Telenor's networks across the Nordic region. Telenor is the biggest network operator in the region and has 1.9 million TV subscribers, while MTG is the Nordic region's number one video entertainment provider and also operates its own TV platforms.

A full list of MTG announcements can be found at [www.mtg.com](http://www.mtg.com).

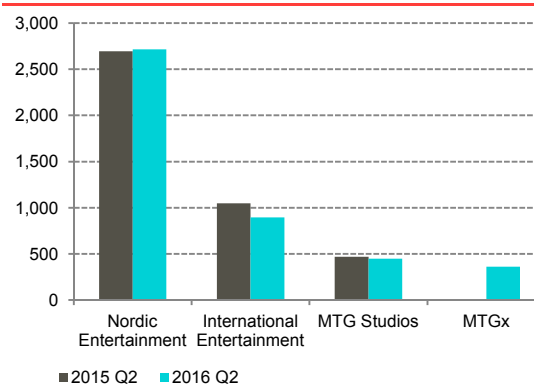
## Operating Review

Sales were up 6% at constant FX, following healthy underlying growth in all business areas, as well as the contribution from the acquired digital businesses. Sales were up 2% on an organic basis.

**Net sales & y-o-y organic growth**  
(SEKm (left side); % (right side))

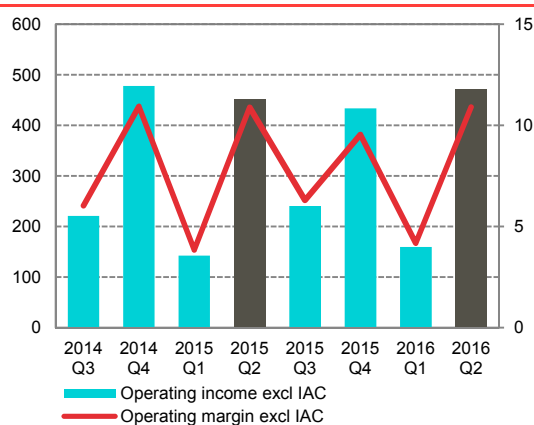


**Net sales by segment**  
(SEKm)

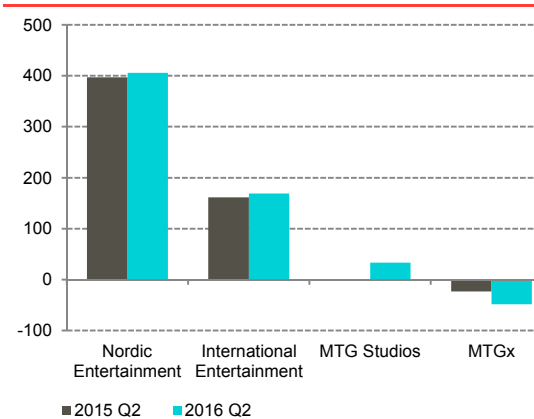


Operating costs were up 6% at constant FX and 0% on an organic basis. This increase primarily reflected the ongoing adverse impact of the appreciation of the US dollar on content costs, the additional sports rights acquired for the Nordics, and the consolidation of the acquired digital businesses. This was partly offset by transformation savings as well as disposals. Operating income increased to SEK 472m (452) with an operating margin of 10.9% (10.9%).

**Operating income & operating margin excl. IAC<sup>1</sup>**  
(SEKm (left side); % (right side))



**Operating income by segment**  
(SEKm)



<sup>1</sup> Quarterly fluctuations reflect seasonality of advertising markets.

Net interest and other financial items totalled SEK -28m (-3). The higher level of interest reflects the non-cash effect of discounting the liabilities at fair value for the first half of the year, all of which was recorded in the second quarter. The interest charge will recur each quarter to the maturity of the liabilities (rights to buy further shares in acquired companies). The Group reported net income from continuing operations of SEK 328m (360), and basic earnings per share from continuing operations of SEK 4.33 (4.98).

## Nordic Entertainment

### Sales up & profits up despite FX & content investments

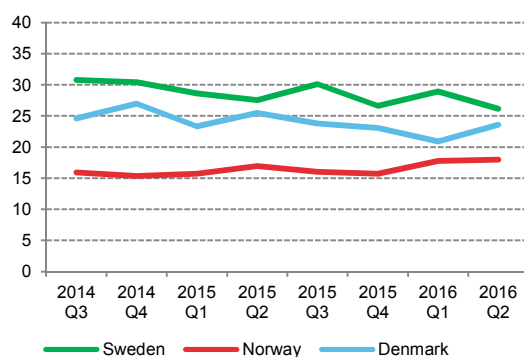
(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Net sales	2,715	2,695	5,292	5,253	10,487
o/w Free-TV & Radio	1,202	1,228	2,311	2,324	4,656
o/w Pay-TV	1,513	1,468	2,981	2,929	5,831
Costs	-2,309	-2,299	-4,641	-4,594	-9,082
Operating income	406	397	651	659	1,405
Operating margin	14.9%	14.7%	12.3%	12.5%	13.4%
<b>Net sales growth y-o-y</b>					
Organic growth	2.4%	3.2%	2.6%	2.3%	2.7%
Acquisitions/divestments	0.0%	-1.1%	0.0%	-1.4%	-0.7%
Changes in FX rates	-1.6%	0.8%	-1.8%	1.5%	0.2%
Reported growth	0.7%	2.9%	0.8%	2.4%	2.2%

Sales were up 2% on an organic basis, which primarily reflected rising Viaplay volumes and prices, as well as higher advertising video-on-demand revenues.

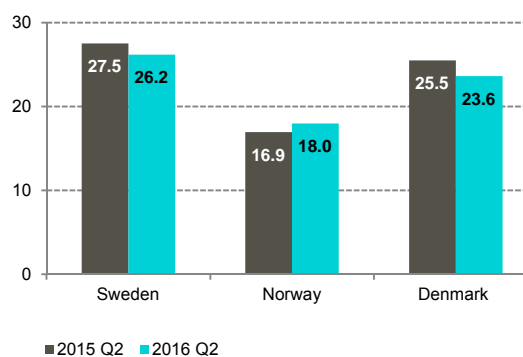
Operating costs were also up following the acquisition of the rights to the Spanish and Italian football leagues; ongoing investments in the expansion of Viaplay; and the appreciation of the US dollar, which were to a large extent offset by the transformation savings. Operating income amounted to SEK 406m (397) with an operating margin of 14.9% (14.7%).

Free-TV and radio sales were stable at constant FX rates, with higher sales in Norway partly offset by lower sales in Sweden and Denmark. The Norwegian TV advertising market is estimated to have grown, while the Swedish and the Danish markets are estimated to have declined. The Norwegian audience share was up, while the Danish and Swedish shares were down.

**Commercial share of viewing (%)**<sup>1</sup>  
(Target audience: 15-49)



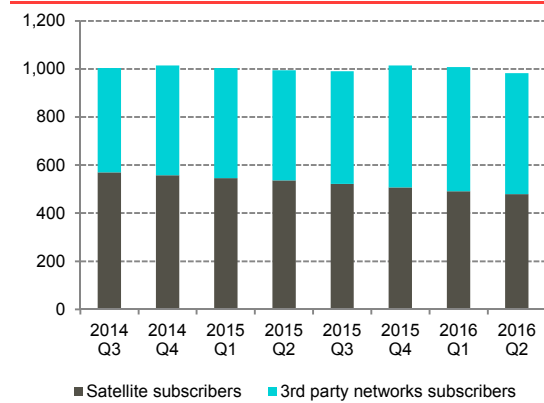
**Commercial share of viewing (%)**<sup>1</sup>  
(Target audience: 15-49)



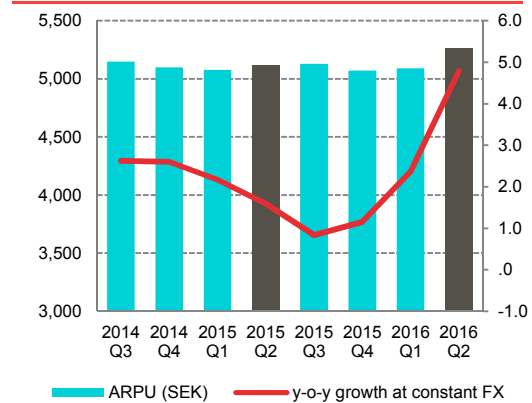
<sup>1</sup> The commercial share of viewing figures for the current and prior periods have been adjusted to include all commercial channels.

Pay-TV sales were up at constant FX following continued healthy Viaplay subscriber intake, as well as the impact of the recent Viaplay and Viasat price adjustments. The Viasat satellite subscriber base continued to decline but satellite ARPU was up year-on-year at constant FX. The decline in the third party subscriber base reflected both the end of the sports season, as well as higher initial churn levels following the price adjustments. Both Viasat and Viaplay churn levels have now returned to more normalised levels as anticipated.

**Satellite and 3<sup>rd</sup> party subscribers (excl. Viaplay)**  
(000's)



**Annualised revenue per satellite subscriber (ARPU) and y-o-y growth at constant FX**  
(SEK (left side); % (right side))



## International Entertainment

### Organic sales up & profits up

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Net sales	895	1,049	1,641	1,929	3,796
o/w Free-TV & Radio	736	750	1,328	1,337	2,703
o/w Pay-TV	158	299	314	592	1,093
Costs	-726	-888	-1,436	-1,772	-3,485
Operating income	169	161	205	157	311
Operating margin	18.9%	15.4%	12.5%	8.2%	8.2%
<b>Net sales growth y-o-y</b>					
Organic growth	6.0%	4.1%	5.9%	3.8%	5.5%
Acquisitions/divestments	-20.7%	4.8%	-20.7%	7.3%	-1.5%
Changes in FX rates	0.0%	0.7%	-0.1%	0.4%	-0.2%
Reported growth	-14.7%	9.6%	-14.9%	11.5%	3.8%

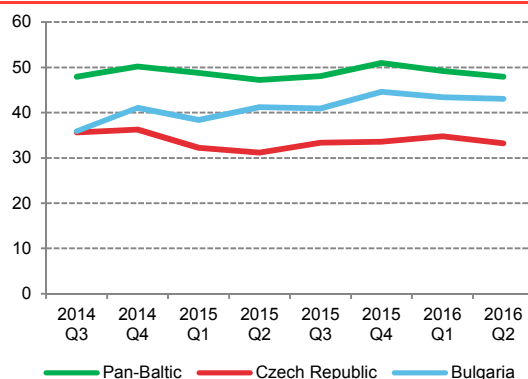
Sales were down on a reported basis due to the deconsolidation of the Hungarian free-TV business and the Russian and international pay-TV channel businesses from November 2015, and the Ukrainian pay-TV business from the end of 2015. Sales were up 6% on an organic basis, and primarily reflected continued double digit growth in Bulgaria.

Operating costs were down significantly on a reported basis, and were stable on a like-for-like basis. Operating income amounted to SEK 169m (161) with an operating margin of 18.9% (15.4%).

Free-TV and radio sales were up on an organic basis, with higher underlying sales in all but one market. The Bulgarian and Czech TV advertising markets are estimated to have grown, while the pan-Baltic market is estimated to have been slightly down. The Bulgarian, Czech and pan-Baltic media house audience shares were all up.

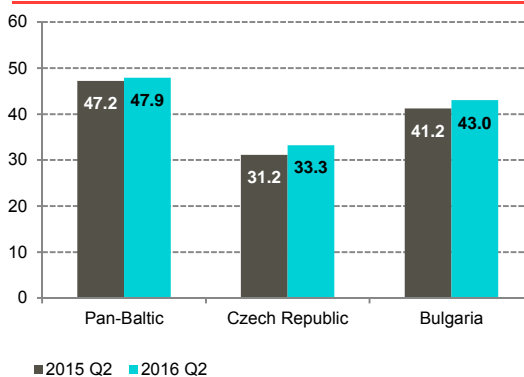
#### Commercial share of viewing (%) <sup>1</sup>

Target audience: Baltics 15-49, Czech Republic 15-54, Bulgaria 18-49



#### Commercial share of viewing (%) <sup>1</sup>

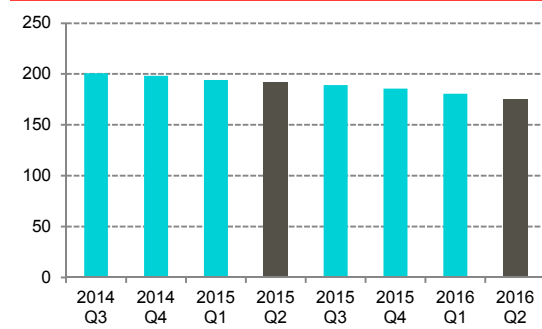
Target audience: Baltics 15-49, Czech Republic 15-54, Bulgaria 18-49



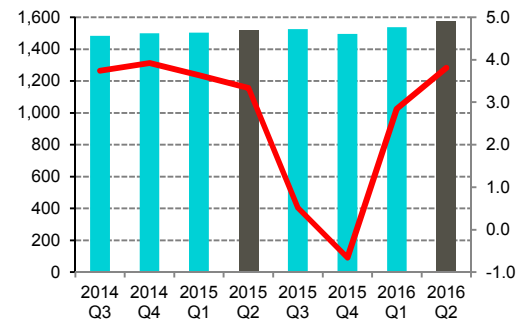
<sup>1</sup> The commercial share of viewing figures for the current and prior periods have been adjusted to include all commercial channels.

Pay-TV sales were up on an organic basis, with higher sales for Trace partly offset by lower sales in the Baltics. The total satellite subscriber base decreased quarter-on-quarter, but satellite ARPU was up year-on-year at constant FX rates following price increases and the introduction of new package structures.

**Satellite subscribers**  
(000's)



**Annualised revenue per satellite subscriber (ARPU) and y-o-y growth at constant FX rates**  
(SEK (left side); % (right side))



■ ARPU (SEK)    — y-o-y growth at constant FX



## MTG Studios

### Stable sales at constant FX & profits up

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Net sales	448	469	786	792	1,780
Costs	-415	-468	-767	-815	-1,777
Operating income	33	1	19	-22	3
<i>Operating margin</i>	<i>7.4%</i>	<i>0.2%</i>	<i>2.4%</i>	<i>-2.8%</i>	<i>0.2%</i>
<b>Net sales growth y-o-y</b>					
<i>Organic growth</i>	<i>-0.1%</i>	<i>-23.5%</i>	<i>3.5%</i>	<i>-17.3%</i>	<i>-14.2%</i>
<i>Acquisitions/divestments</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Changes in FX rates</i>	<i>-4.3%</i>	<i>1.6%</i>	<i>-4.3%</i>	<i>2.4%</i>	<i>1.0%</i>
<i>Reported growth</i>	<i>-4.4%</i>	<i>-21.9%</i>	<i>-0.8%</i>	<i>-14.9%</i>	<i>-13.2%</i>

Sales were stable on an organic basis, as continued high demand for scripted drama, digital first productions and branded entertainment were offset by lower free-TV volumes during UEFA EURO 2016. Operating costs were reduced following the implementation of an efficiency programme. DRG's sale of licenses of Strix formats also contributed to a substantial increase in operating income to SEK 33m (1), with an operating margin of 7.4% (0.2).

## MTGx

### Continued sales growth & expansion

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Net sales	360	0	608	1	451
Costs	-408	-24	-706	-29	-562
Operating income	-48	-23	-98	-29	-111
<i>Operating margin</i>	<i>-13.4%</i>	<i>-</i>	<i>-16.1%</i>	<i>-</i>	<i>-24.7%</i>

The high sales growth continued across all of the MTGx businesses. The geographical and product expansion also continued with the acquisition of leading UK esports agency Kuoda, and the launch of the first global 24/7 esports channel. ESL also invested further in the development of the esports industry with the establishment of the world's first esports association – WESA (the world esports association), together with the world's leading Counter Strike teams, and the foundation of ESIC (the esports integrity coalition) together with other leading esports organisations. DreamHack launched a new international large-scale tournament – DreamHack Masters, and also entered the US market with DreamHack Austin, while both ESL One events in Frankfurt and Manila contributed to ESL's 108 million online views in Q2.

## Financial Review

### Cash flow from continuing operations

#### Operating cash flow

Cash flow from operations before changes in working capital amounted to SEK 310m (373) in the quarter. Depreciation and amortisation charges totalled SEK 57m (50) in the quarter. The cash flow was impacted by restructuring payments. The Group reported a SEK 554m (-37) decrease in working capital in the quarter and net cash flow from operations totalled SEK 864m (336). The decrease in working capital is partially due to the normal seasonality pattern along with the amortisation of upfront payments for newly acquired and extended sports rights and other content investments made in Q1.

#### Investing activities

Group capital expenditure on tangible and intangible assets totalled SEK 96m (121) in the quarter. Total cash flow relating to investing activities amounted to SEK -132m (-134) for the period. Acquisitions of subsidiaries and associates amounted to SEK 35m (12) and comprised primarily Engage Sports Media.

#### Financing activities

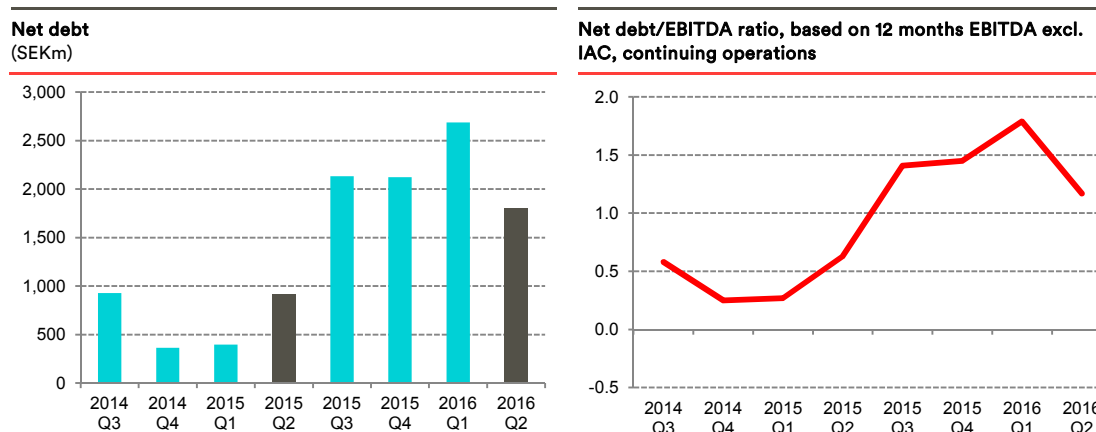
Cash flow from financing activities amounted to SEK -999m (590) in the quarter and primarily reflected the payment of the SEK 767m annual ordinary dividend and the payment of SEK 117m in dividends to minority shareholders. Total short and long term borrowings were reduced by SEK 103m (increased by 141) to SEK 2,825m (1,238), compared to SEK 2,977m at the end of Q1 2016.

The net cash flow from discontinued operations refers to the receipt of SEK 1,023m from the sale of the Group's interest in CTC Media, Inc.

The net change in cash and cash equivalents therefore amounted to SEK 756m (-388) in the quarter. The Group had cash and cash equivalents of SEK 1,051m (304) at the end of the period, compared to SEK 295m at the end of Q1 2016. Cash and short-term borrowings were at a high level in anticipation of content payments due in early Q3.

## Net debt

The Group's net debt position, which is defined as the sum of short- and long-term interest bearing liabilities less total cash and interest bearing assets, amounted to SEK 1,796m (913) at the end of the period. The net debt was reduced from SEK 2,688m at the end of Q1 2016 mainly as a consequence of the disposal of CTC Media.



## Related party transactions

Related party transactions are of the same character and of similar amounts as the transactions described in the 2015 Annual Report.

## Parent Company

Modern Times Group MTG AB is the Group's parent company and is responsible for Group-wide management, administration and financing.

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Net sales	9	12	25	29	51
Net interest and other financial terms	15	173	60	262	401
Income before tax and appropriations	-50	104	-48	144	135

The decrease in net interest and other financial items reflected lower interest rate levels as well as FX differences. Last year included dividends from subsidiaries. The parent company had cash and cash equivalents of SEK 865m (46) at the end of the period, compared to SEK 50m at the end of Q1 2016. SEK 5,853m (5,750) of the SEK 5,853m total available credit facilities was unutilised at the end of the period.

The total number of shares outstanding at the end of the period was 66,664,861 (66,635,969) and excluded the 865,000 Class C shares and 117,263 Class B shares held by MTG in treasury. The total number of issued shares did not change during the period.

## Other Information

### Accounting policies

This Interim report has been prepared according to 'IAS 34 Interim Financial Reporting' and 'The Annual Accounts Act'. The interim report for the parent company has been prepared according to the Annual Accounts Act - Chapter 9 'Interim Report'.

The Group's consolidated accounts and the parent company accounts have been prepared according to the same accounting policies and calculation methods as were applied in the preparation of the 2015 Annual Report. There were no changes to IFRS in 2016 affecting the Group.

### Risks & uncertainties

Significant risks and uncertainties exist for the Group and the parent company. These factors include the prevailing economic and business environments in some of the markets; commercial risks related to expansion into new territories; other political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements, and the US dollar and Euro linked currencies in particular; and the emergence of new technologies and competitors. Risks and uncertainties are also described in more detail in the 2015 Annual Report, which is available at [www.mtg.com](http://www.mtg.com).

### 2016 Annual General Meeting

The Annual General Meeting resolved to re-elect Board members David Chance, Simon Duffy, Joakim Andersson and Bart Swanson and elect Donata Hopfen and John Lagerling as new members of the Board. The Annual General Meeting also re-elected David Chance as Chairman of the Board. The Meeting approved the payment of an annual ordinary dividend of SEK 11.50 per share to shareholders as at the record date of 26 May 2016. The meeting also approved the implementation of a performance-based and share-related incentive plan, and a new mandate to repurchase Class A and/or Class B shares.

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The Board of Directors and the Chief Executive Officer certify that this interim report provides a true and fair overview of the Group and parent company's operations, performance and financial positions for the period, and describes the material risks and uncertainties facing the Group companies and parent company.

Stockholm, 19 July 2016

David Chance  
Chairman of the Board

Bart Swanson  
Non-Executive Director

Simon Duffy  
Non-Executive Director

Joakim Andersson  
Non-Executive Director

Donata Hopfen  
Non-Executive Director

John Lagerling  
Non-Executive Director

Jørgen Madsen Lindemann  
President & CEO

## Financial calendar

MTG's Q3 2016 financial results will be published on 20 October 2016.

## Conference call

The company will host a conference call today at 09.00 Stockholm local time, 08.00 London local time and 03.00 New York local time. To participate in the conference call, please dial:

Sweden: +46 (0) 8 5033 6538  
UK: +44 (0) 20 3427 1905  
US: +1 646 254 3367

The access pin code for the call is 264200. To listen to the conference call online and for further information, please visit [www.mtg.com](http://www.mtg.com).

\* \* \*

*This information is information that MTG (Modern Times Group MTG AB (publ.)) is obliged to make public pursuant to the EU Market Abuse Regulation and/or the Securities Markets Act or the Financial Instruments Trading Act. The information was submitted for publication at 07:30 CET on 19 July 2016. Our shares are listed on Nasdaq OMX Stockholm ('MTGA' and 'MTGB').*

### Any questions?

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Registration number: 556309-9158

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

## Condensed consolidated income statement

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
<b>Continuing operations</b>					
Net sales	4,328	4,155	8,154	7,855	16,218
Cost of goods and services	-2,739	-2,542	-5,265	-4,883	-10,109
<b>Gross income</b>	<b>1,589</b>	<b>1,612</b>	<b>2,889</b>	<b>2,972</b>	<b>6,109</b>
Selling and administrative expenses	-1,111	-1,116	-2,204	-2,261	-4,585
Other operating revenues and expenses, net	-3	-44	-47	-116	-255
Share of earnings in associated companies and joint ventures	-3	0	-6	0	-1
Items affecting comparability	-	-	-	77	-512
<b>Operating income</b>	<b>472</b>	<b>452</b>	<b>632</b>	<b>672</b>	<b>756</b>
Net interest	-3	-3	-8	-6	-11
Other financial items	-25	0	-39	-22	-18
<b>Income before tax</b>	<b>444</b>	<b>449</b>	<b>585</b>	<b>643</b>	<b>727</b>
Tax	-115	-89	-137	-119	-194
<b>Net income for the period, continuing operations</b>	<b>328</b>	<b>360</b>	<b>448</b>	<b>524</b>	<b>533</b>
<b>Discontinued operations</b>					
CTC Media	-1,002	-418	-1,072	-264	-282
<b>Net income for the period, discontinued operations <sup>1</sup></b>	<b>-1,002</b>	<b>-418</b>	<b>-1,072</b>	<b>-264</b>	<b>-282</b>
<b>Total net income for the period</b>	<b>-674</b>	<b>-58</b>	<b>-624</b>	<b>260</b>	<b>251</b>
<i>Attributable to:</i>					
Equity holders of the parent	-713	-86	-677	242	214
Non-controlling interest	40	28	53	18	37
<b>Total net income for the period</b>	<b>-674</b>	<b>-58</b>	<b>-624</b>	<b>260</b>	<b>251</b>
<b>Continuing operations</b>					
Basic earnings per share (SEK)	4.33	4.98	5.92	7.59	7.45
Diluted earnings per share (SEK)	4.32	4.96	5.91	7.57	7.43
<b>Total</b>					
Basic earnings per share (SEK)	-10.70	-1.30	-10.16	3.63	3.22
Diluted earnings per share (SEK)	-10.70	-1.30	-10.16	3.62	3.21

<sup>1</sup> Net income for the period, discontinued operations, is attributable to the equity holders of the parent.

### Condensed consolidated statement of comprehensive income

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
<b>Net income, continuing operations</b>	<b>328</b>	<b>360</b>	<b>448</b>	<b>524</b>	<b>533</b>
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences	85	-3	68	-17	20
Cash flow hedge	95	-88	-15	-53	-59
Change in non-controlling interest	-	8	0	8	-4
<b>Other comprehensive income, continuing operations</b>	<b>180</b>	<b>-83</b>	<b>54</b>	<b>-62</b>	<b>-42</b>
<b>Total comprehensive income, continuing operations</b>	<b>508</b>	<b>277</b>	<b>501</b>	<b>462</b>	<b>491</b>
Net income, discontinued operations <sup>1</sup>	-1,002	-418	-1,072	-264	-282
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Currency translation differences <sup>1</sup>	1,010	-104	1,010	-548	-548
<b>Comprehensive income, discontinued operations</b>	<b>8</b>	<b>-522</b>	<b>-62</b>	<b>-812</b>	<b>-830</b>
<b>Total comprehensive income for the period</b>	<b>516</b>	<b>-246</b>	<b>439</b>	<b>-350</b>	<b>-339</b>
Total comprehensive income attributable to:					
Equity holders of the parent	473	-282	382	-376	-372
Non-controlling interest	43	36	57	26	33
<b>Total comprehensive income for the period</b>	<b>516</b>	<b>-246</b>	<b>439</b>	<b>-350</b>	<b>-339</b>
Shares outstanding at the end of the period	66,664,861	66,635,969	66,664,861	66,635,969	66,635,969
Basic average number of shares outstanding	66,657,876	66,634,508	66,646,983	66,632,360	66,634,180
Diluted average number of shares outstanding	66,752,333	66,867,026	66,734,381	66,820,943	66,769,596

<sup>1</sup> The completion of the sale of CTC Media, Inc. gave rise to a total negative non-cash impact of SEK 1,002m in the 'net income from discontinued operations' line of the Group's Q2 income statement. This was mainly due to the accumulated currency translation differences, which have previously been booked to comprehensive income, and the adjustment to the fair value of the holding when compared to the balance sheet as at 31 March. The translation differences have been reclassified from other comprehensive income to net income from discontinued operations as shown in this statement.

## Condensed consolidated statement of financial position

(SEKm)	30 Jun 2016	30 Jun 2015	31 Dec 2015
<b>Non-current assets</b>			
Goodwill <sup>1</sup>	5,500	3,380	5,187
Other intangible assets	1,800	943	1,746
<b>Total intangible assets</b>	<b>7,299</b>	<b>4,322</b>	<b>6,933</b>
<b>Total tangible assets</b>	<b>484</b>	<b>456</b>	<b>452</b>
Shares and participations	76	68	51
Interest-bearing financial receivables	9	23	27
Other financial receivables	147	110	126
<b>Total long-term financial assets</b>	<b>231</b>	<b>201</b>	<b>204</b>
<b>Total non-current assets</b>	<b>8,015</b>	<b>4,980</b>	<b>7,589</b>
<b>Current assets</b>			
Total inventory	2,220	2,442	1,825
Interest-bearing current receivables	11	2	5
Other current receivables	6,062	4,507	5,587
Cash, cash equivalents and short-term investments	1,051	304	410
<b>Total current assets</b>	<b>9,344</b>	<b>7,254</b>	<b>7,827</b>
Assets held for sale, CTC Media	0	1,096	1,081
<b>Total assets</b>	<b>17,359</b>	<b>13,330</b>	<b>16,497</b>
<b>Equity</b>			
Shareholders' equity	4,182	4,621	4,556
Non-controlling interest	154	133	212
<b>Total equity</b>	<b>4,336</b>	<b>4,754</b>	<b>4,768</b>
<b>Long-term liabilities</b>			
Long-term borrowings	1,000	1,000	1,000
Other non-current interest-bearing liabilities	41	3	18
<b>Total non-current interest-bearing liabilities</b>	<b>1,041</b>	<b>1,003</b>	<b>1,018</b>
Total provisions	1,023	743	1,129
Non-current liabilities at fair value <sup>1</sup>	1,363	211	1,109
Other non-interest-bearing liabilities	91	91	48
<b>Total non-current non-interest-bearing liabilities</b>	<b>2,477</b>	<b>1,044</b>	<b>2,286</b>
<b>Total non-current liabilities</b>	<b>3,518</b>	<b>2,047</b>	<b>3,305</b>
<b>Current liabilities</b>			
Current liabilities at fair value <sup>1</sup>	4	16	5
Short-term loans	1,825	238	1,548
Other current interest-bearing liabilities	1	2	1
Total current non-interest-bearing liabilities	7,675	6,274	6,871
<b>Total current liabilities</b>	<b>9,505</b>	<b>6,530</b>	<b>8,425</b>
<b>Total liabilities</b>	<b>13,023</b>	<b>8,577</b>	<b>11,730</b>
<b>Total shareholders' equity and liabilities</b>	<b>17,359</b>	<b>13,330</b>	<b>16,497</b>

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and financial liabilities.

<sup>1</sup> The increase in goodwill and liabilities at fair value since year end is mainly a consequence of the finalisation of the purchase price allocation for acquisitions during 2015. See table Acquisitions at fair value on page 22.



### Condensed consolidated statement of cash flows

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Cash flow from operations	310	373	385	484	1,051
Changes in working capital	554	-37	40	-280	-555
<b>Net cash flow to/from operations</b>	<b>864</b>	<b>336</b>	<b>425</b>	<b>204</b>	<b>497</b>
Proceeds from sales of shares	0	-	0	87	412
Acquisitions of subsidiaries and associates	-35	-12	-48	-13	-1,594
Investments in other non-current assets	-96	-121	-156	-167	-293
Other cash flow from investing activities	-1	0	7	0	7
<b>Cash flow used in/from investing activities</b>	<b>-132</b>	<b>-134</b>	<b>-197</b>	<b>-94</b>	<b>-1,467</b>
Net change in loans	-103	141	342	184	1,494
Dividends to shareholders	-767	-733	-767	-733	-733
Other cash flow from/to financing activities	-129	2	-184	10	-105
<b>Cash flow from/used in financing activities</b>	<b>-999</b>	<b>-590</b>	<b>-608</b>	<b>-539</b>	<b>656</b>
<b>Net change in cash, continuing operations</b>	<b>-267</b>	<b>-388</b>	<b>-380</b>	<b>-429</b>	<b>-314</b>
<b>Net change in cash, discontinued operations</b>	<b>1,023</b>	<b>-</b>	<b>1,023</b>	<b>90</b>	<b>90</b>
<b>Total net change in cash and cash equivalents</b>	<b>756</b>	<b>-388</b>	<b>643</b>	<b>-339</b>	<b>-224</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>295</b>	<b>682</b>	<b>410</b>	<b>643</b>	<b>643</b>
Translation differences in cash and cash equivalents	0	10	-3	0	-8
<b>Cash and cash equivalents at end of the period</b>	<b>1,051</b>	<b>304</b>	<b>1,051</b>	<b>304</b>	<b>410</b>

### Condensed consolidated statement of changes in equity

(SEKm)	30 Jun 2016	30 Jun 2015	31 Dec 2015
<b>Opening balance</b>	<b>4,768</b>	<b>5,831</b>	<b>5,831</b>
Net loss/income for the period	-624	260	251
Other comprehensive income for the period	1,064	-610	-590
<b>Total comprehensive income for the period</b>	<b>439</b>	<b>-350</b>	<b>-339</b>
Effect of employee share option programmes	11	4	6
Share of option changes in equity of associates	0	5	5
Change in non-controlling interests	2	0	2
Dividends to shareholders	-767	-733	-733
Dividends to non-controlling interests	-117	-5	-5
<b>Closing balance</b>	<b>4,336</b>	<b>4,754</b>	<b>4,768</b>

### Parent company condensed income statement

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
Net sales	9	12	25	29	51
<b>Gross income</b>	<b>9</b>	<b>12</b>	<b>25</b>	<b>29</b>	<b>51</b>
Administrative expenses	-73	-81	-133	-148	-316
<b>Operating income</b>	<b>-64</b>	<b>-69</b>	<b>-108</b>	<b>-119</b>	<b>-265</b>
Net interest and other financial items	15	173	60	262	401
<b>Income before tax and appropriations</b>	<b>-50</b>	<b>104</b>	<b>-48</b>	<b>144</b>	<b>135</b>
Appropriations	-	-	-	-	24
Tax	5	-4	6	-13	-26
<b>Net income for the period</b>	<b>-45</b>	<b>100</b>	<b>-41</b>	<b>131</b>	<b>133</b>

### Parent company condensed statement of comprehensive income

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
<b>Net income for the period</b>	<b>-45</b>	<b>100</b>	<b>-41</b>	<b>131</b>	<b>133</b>
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified to profit or loss net of tax:</i>					
Revaluation of shares at market value	-	-	-	-	-
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>-45</b>	<b>100</b>	<b>-41</b>	<b>131</b>	<b>133</b>

### Parent company condensed balance sheet

(SEKm)	30 Jun 2016	30 Jun 2015	2015 31 Dec
<b>Non-current assets</b>			
Capitalised expenditure	1	1	1
Machinery and equipment	1	1	1
Shares and participations	6,340	6,398	6,343
Other financial receivables	9,641	338	353
<b>Total non-current assets</b>	<b>15,983</b>	<b>6,739</b>	<b>6,698</b>
<b>Current assets</b>			
Current receivables	216	9,907	10,221
Cash, cash equivalents and short-term investments	865	46	115
<b>Total current assets</b>	<b>1,082</b>	<b>9,954</b>	<b>10,336</b>
<b>Total assets</b>	<b>17,065</b>	<b>16,692</b>	<b>17,034</b>
<b>Shareholders' equity</b>			
Restricted equity	338	338	338
Non-restricted equity	5,777	6,522	6,529
<b>Total equity</b>	<b>6,115</b>	<b>6,860</b>	<b>6,868</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	1,000	1,000	1,000
Provisions	4	2	20
Non-interest-bearing liabilities	40	34	64
<b>Total long-term liabilities</b>	<b>1,044</b>	<b>1,036</b>	<b>1,084</b>
<b>Current liabilities</b>			
Other interest-bearing liabilities	9,777	8,516	8,488
Non-interest-bearing liabilities	129	280	595
<b>Total current liabilities</b>	<b>9,906</b>	<b>8,796</b>	<b>9,083</b>
<b>Total shareholders' equity and liabilities</b>	<b>17,065</b>	<b>16,692</b>	<b>17,034</b>

**Net Sales – Business segments**

(SEKm)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015	Q1 2016	Q2 2016
Nordic Entertainment	2,557	2,695	2,454	2,781	10,487	2,577	2,715
<i>o/w Free-TV &amp; Radio</i>	1,096	1,228	1,029	1,304	4,656	1,108	1,202
<i>o/w Pay-TV</i>	1,461	1,468	1,425	1,477	5,831	1,469	1,513
International Entertainment	880	1,049	825	1,042	3,796	747	895
<i>o/w Free-TV &amp; Radio</i>	587	750	533	833	2,703	591	736
<i>o/w Pay-TV</i>	293	299	292	209	1,093	156	158
MTG Studios	323	469	502	486	1,780	338	448
MTGx	0	0	95	355	451	248	360
Central operations	60	55	50	51	217	54	43
Eliminations	-120	-114	-108	-171	-513	-139	-132
<b>Total net sales</b>	<b>3,701</b>	<b>4,155</b>	<b>3,818</b>	<b>4,545</b>	<b>16,218</b>	<b>3,826</b>	<b>4,328</b>

**Operating income – Business segments**

(SEKm)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015	Q1 2016	Q2 2016
Nordic Entertainment	262	397	316	430	1,405	245	406
International Entertainment	-4	161	27	127	311	36	169
MTG Studios	-24	1	22	4	3	-14	33
MTGx	-5	-23	-30	-53	-111	-50	-48
Central operations & eliminations	-87	-84	-95	-74	-340	-58	-88
<b>Total operating income excl IAC</b>	<b>142</b>	<b>452</b>	<b>240</b>	<b>434</b>	<b>1,268</b>	<b>159</b>	<b>472</b>
Items affecting comparability	77	-	-652	63	-512	-	-
<b>Total operating income</b>	<b>219</b>	<b>452</b>	<b>-412</b>	<b>497</b>	<b>756</b>	<b>159</b>	<b>472</b>

**Condensed sales Group segments**

(SEKm)	Q2 2016	Q2 2015	First half year 2016	First half year 2015	Full year 2015
<b>Sales external customers</b>					
Nordic Entertainment	2,678	2,653	5,217	5,168	10,326
International Entertainment	894	1,049	1,641	1,929	3,796
MTG Studios	399	450	691	754	1,642
MTGx	357	1	604	1	449
Central Operations	0	2	0	4	5
<b>Total</b>	<b>4,328</b>	<b>4,155</b>	<b>8,154</b>	<b>7,855</b>	<b>16,218</b>
<b>Sales between segments</b>					
Nordic Entertainment	37	42	75	85	162
International Entertainment	1	-	1	-	-
MTG Studios	49	19	95	38	139
MTGx	2	0	4	0	1
Central Operations	43	53	96	111	212
<b>Total</b>	<b>132</b>	<b>114</b>	<b>271</b>	<b>234</b>	<b>513</b>

## Key performance indicators

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015	Q1 2016	Q2 2016
<b>GROUP</b>							
Sales growth (%)	2.9	1.1	4.1	4.0	3.0	3.4	4.2
Sales growth at constant FX (%)	1.0	0.2	5.0	4.1	2.6	5.1	5.6
Change in operating costs (%) <sup>1</sup>	2.3	1.8	3.7	5.6	3.4	3.0	4.1
Operating margin (%) <sup>1</sup>	3.8	10.9	6.3	9.5	7.8	4.2	10.9
ROCE, continuing operations (%) <sup>2</sup>	31	30	28	26		24	23
ROE (%)	26	17	15	12		9	-4
Equity to assets ratio (%)	41	36	29	29		29	25
Net debt (SEKm)	396	913	2,134	2,124		2,688	1,796
<b>NORDIC ENTERTAINMENT</b>							
Sales growth (%)	1.8	2.9	0.8	3.1	2.2	0.8	0.7
Sales growth at constant FX (%)	-0.3	2.1	1.6	4.4	2.0	2.8	2.4
Change in operating costs (%)	0.5	3.2	0.0	3.5	1.8	1.6	0.5
Operating margin (%)	10.3	14.7	12.9	15.5	13.4	9.5	14.9
<b>Commercial share of viewing (%) <sup>3</sup></b>							
Sweden (15-49)	28.6	27.5	30.1	26.6	28.1	28.9	26.2
Norway (15-49)	15.7	16.9	16.0	15.7	16.1	17.8	18.0
Denmark (15-49)	23.3	25.5	23.8	23.1	23.9	20.9	23.6
<b>Subscriber data ('000s)</b>							
Subscribers	1,004	994	991	1,014		1,007	983
- of which, satellite	545	536	522	508		491	480
- of which, 3rd party networks	459	458	469	506		516	503
Satellite ARPU (SEK)	5,076	5,115	5,130	5,071		5,090	5,265
<b>INTERNATIONAL ENTERTAINMENT</b>							
Sales growth (%)	13.8	9.6	2.9	-7.3	3.8	-15.1	-14.7
Sales growth at constant FX (%)	13.9	8.9	5.4	-7.9	4.0	-14.9	-14.7
Change in operating costs (%)	13.9	8.8	-2.6	-9.0	2.0	-19.6	-18.3
Operating margin (%)	-0.5	15.4	3.3	12.2	8.2	4.9	18.9
<b>Commercial share of viewing (%) <sup>3</sup></b>							
Estonia (15-49)	34.1	34.8	33.7	36.2	34.8	35.3	34.4
Latvia (15-49)	62.2	63.6	60.0	61.0	61.7	58.8	61.5
Lithuania (15-49)	44.2	41.7	44.9	47.5	44.7	46.4	44.8
Czech Republic (15-54)	32.2	31.2	33.4	33.6	32.6	34.7	33.3
Bulgaria (18-49)	38.4	41.2	40.9	44.6	41.3	43.4	43.0
<b>Subscriber data ('000s)</b>							
Satellite subscribers	194	192	189	186		181	175
Satellite ARPU (SEK)	1,504	1,520	1,525	1,496		1,537	1,573
<b>MTG STUDIOS</b>							
Sales growth (%)	-2.1	-21.9	-1.2	-20.8	-13.2	4.5	-4.4
Sales growth at constant FX (%)	-6.1	-23.5	-0.9	-20.5	-14.2	8.8	-0.1
Change in operating costs (%)	-3.8	-19.8	-2.9	-19.4	-12.8	1.6	-11.3
Operating margin (%)	-7.3	0.2	4.3	0.8	0.2	-4.3	7.4

1. Adjusted for items affecting comparability

2. Comprising working capital, intangibles, tangibles, financial assets excluding interest-bearing assets less provisions and non-current liabilities at fair value. The value of ROCE has been restated from Q1 2015.

3. The commercial share of viewing figures for the current and prior periods have been adjusted to include commercial channels.

## Acquisitions at fair value

Recognised values (SEKm)	Preliminary values 31 Dec 2015	Adjustment	Total 30 Jun 2016
Total assets	425		425
Total liabilities	-389		-389
Goodwill	2,388	266	2,654
<b>Total consideration</b>	<b>2,423</b>	<b>266</b>	<b>2,689</b>
Cash and cash equivalents in acquired businesses	-89		-89
Borrowings in acquired businesses	26		26
Fair value previous participation	-18		-18
Options exercised	76		76
Non-paid consideration	-825	-266	-1,091
<b>Cash flow from acquisition</b>	<b>1,594</b>	<b>0</b>	<b>1,594</b>

The work on the purchase price allocations related to the acquisitions in 2015 have now been finalized resulting in an increase in goodwill, and the value of the options to acquire the remaining shares (non-paid considerations above). The total valuation of options therefore increases by SEK 266m affecting the reported value of Liabilities at fair value and Goodwill in the balance sheet. The adjustments are done within the measurement period in accordance with IFRS 3 Business combinations and have thus no impact on the income statement.

## Reconciliation of alternative performance measures

### Reconciliation of sales growth

Since the Group generates the majority of its sales in currencies other than in the reporting currency (i.e. SEK, Swedish Krona) and currency rates have proven to be rather volatile, and due to the fact that the Group has historically made several acquisitions and divestments, the Company's sales trends and performance are analysed as changes in organic sales growth. This presents the increase or decrease in the overall SEK net sales on a comparable basis, allowing separate discussions of the impact of acquisitions/divestments and exchange rates. The following tables present changes in organic sales growth as reconciled to the change in the total reported net sales.

## Sales growth

	Q2 2016 (SEKm)	%	Q2 2015 (SEKm)	%	First half year 2016 (SEKm)	%	First half year 2015 (SEKm)	%	Full year 2015 (SEKm)	%
<b>Nordic Entertainment</b>										
Organic growth	64	2.4%	83	3.2%	135	2.6%	117	2.3%	274	2.7%
Acquisitions/divestments	0	0.0%	-28	-1.1%	0	0.0%	-71	-1.4%	-71	-0.7%
Growth at constant FX	64	2.4%	54	2.1%	135	2.6%	46	0.9%	203	2.0%
Changes in FX rates	-44	-1.6%	22	0.8%	-95	-1.8%	76	1.5%	24	0.2%
<b>Reported growth</b>	<b>20</b>	<b>0.7%</b>	<b>76</b>	<b>2.9%</b>	<b>40</b>	<b>0.8%</b>	<b>122</b>	<b>2.4%</b>	<b>228</b>	<b>2.2%</b>
<b>International Entertainment</b>										
Organic growth	51	6.0%	40	4.1%	92	5.9%	95	5.5%	194	5.5%
Acquisitions/divestments	-205	-20.7%	45	4.8%	-377	-20.7%	97	5.6%	-47	-1.5%
Growth at constant FX	-154	-14.7%	85	8.9%	-285	-14.8%	192	11.1%	147	4.0%
Changes in FX rates	0	0.0%	7	0.7%	-2	-0.1%	6	0.4%	-7	-0.2%
<b>Reported growth</b>	<b>-155</b>	<b>-14.7%</b>	<b>92</b>	<b>9.6%</b>	<b>-288</b>	<b>-14.9%</b>	<b>198</b>	<b>11.5%</b>	<b>140</b>	<b>3.8%</b>
<b>MTG Studios</b>										
Organic growth	0	-0.1%	-141	-23.5%	28	3.5%	-161	-17.3%	-292	-14.2%
Acquisitions/divestments	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Growth at constant FX	0	-0.1%	-141	-23.5%	28	3.5%	-161	-17.3%	-292	-14.2%
Changes in FX rates	-20	-4.3%	10	1.6%	-34	-4.3%	23	2.4%	20	1.0%
<b>Reported growth</b>	<b>-21</b>	<b>-4.4%</b>	<b>-131</b>	<b>-21.9%</b>	<b>-6</b>	<b>-0.8%</b>	<b>-138</b>	<b>-14.9%</b>	<b>-272</b>	<b>-13.2%</b>
<b>Total operations</b>										
Organic growth	84	2.1%	-7	-0.2%	199	2.7%	19	0.3%	106	0.7%
Acquisitions/divestments	150	3.5%	17	0.4%	223	2.7%	27	0.3%	299	1.9%
Growth at constant FX	234	5.6%	10	0.2%	422	5.4%	45	0.6%	406	2.6%
Changes in FX rates	-60	-1.5%	36	0.9%	-123	-1.6%	104	1.3%	67	0.4%
<b>Reported growth</b>	<b>174</b>	<b>4.2%</b>	<b>46</b>	<b>1.1%</b>	<b>299</b>	<b>3.8%</b>	<b>149.42</b>	<b>1.9%</b>	<b>472</b>	<b>3.0%</b>

## Reconciliation of operating income before IAC

Operating income before items affecting comparability refers to operating income after the reversal of material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis. This measure is used by management to follow and analyse the underlying profits and to offer more comparable figures between periods.

## Operating income before and after IAC

Group (SEK million)	2016 Q2	2015 Q2	First half year 2016	First half year 2015	Full year 2015
Operating income	472	452	632	672	756
Items affecting comparability	-	-	-	-77	512
<b>Operating income before items affecting comparability</b>	<b>472</b>	<b>452</b>	<b>632</b>	<b>594</b>	<b>1,268</b>

IAC comprise a net capital gain from the sale of subsidiaries and associates in the first half year 2015; and a net capital gain from the sale of subsidiaries and associates (including revaluations) and restructuring charges for the full year.

## Reconciliation of net debt and net debt/EBITDA ratio

Net debt refers to the net of interest bearing liabilities less total cash and interest bearing assets. Net debt is used by management to track the debt evolution of the Group and to analyse the leverage and refinancing need of the Group. The net debt to EBITDA ratio provides a KPI for net debt in relation to cash profits generated by the business, i.e. an indication of a business' ability to pay off all its debts. This measure is commonly used by financial institutions to rate credit worthiness.

## Net debt

Group (SEK million)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Short-term loans	1,825	238	1,548
Current part of long term borrowings	0	0	0
<b>Short-term borrowings</b>	<b>1,825</b>	<b>238</b>	<b>1,548</b>
Other short-term interest-bearing liabilities	1	2	1
<b>Total short-term borrowings</b>	<b>1,826</b>	<b>240</b>	<b>1,549</b>
Long-term borrowings	1,000	1,000	1,000
Other long-term interest-bearing liabilities	41	3	18
<b>Total long-term borrowings</b>	<b>1,041</b>	<b>1,003</b>	<b>1,018</b>
<b>Total borrowings</b>	<b>2,867</b>	<b>1,242</b>	<b>2,567</b>
Cash and cash equivalents	1,051	304	410
Long- and short-term interest bearing assets	20	26	32
<b>Total cash and interest bearing assets</b>	<b>1,071</b>	<b>330</b>	<b>443</b>
<b>Net debt</b>	<b>1,796</b>	<b>913</b>	<b>2,124</b>



### Net debt/EBITDA ratio 12 months trailing

Group (SEK million)	Q2 2016	Q2 2015	Full year 2015
Operating income before IAC 12 months trailing	1,305	1,293	1,268
Depreciation and amortisation 12 months trailing	220	163	195
<b>EBITDA last 12 months</b>	<b>1,525</b>	<b>1,456</b>	<b>1,463</b>
<b>Net debt/EBITDA ratio 12 months trailing</b>	<b>1.2</b>	<b>0.6</b>	<b>1.5</b>

### Reconciliation of Return On Capital Employed (ROCE)

Return on capital employed is a performance measure whereby operating income before items affecting comparability is put in relation to the capital employed within the operations. Operating income before items affecting comparability is the main profit level that operations are responsible for and comprise results before interest and tax. Capital employed is the sum of current and non-current assets less current and non-current liabilities, provisions and liabilities at fair value. All items are non-interest bearing. Capital employed thus equals the sum of equity and net debt.

Group (SEK million)	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2
<b>Operating income before IAC 12 months trailing</b>	<b>1,314</b>	<b>1,293</b>	<b>1,312</b>	<b>1,268</b>	<b>1,286</b>	<b>1,305</b>
Total inventory	2,414	2,442	2,174	1,825	2,112	2,220
Other current receivables	4,416	4,507	4,708	5,587	4,981	6,062
Intangibles assets	4,317	4,322	6,383	6,933	6,889	7,299
Tangible assets	382	456	476	452	465	484
Shares and participations	65	68	53	51	44	76
Other financial assets	135	110	173	126	119	147
Total non-current non-interest-bearing liabilities	-1,066	-1,044	-2,086	-2,286	-2,105	-2,477
Total current non-interest-bearing liabilities	-6,125	-6,274	-6,397	-6,871	-6,142	-7,675
Current liabilities at fair value	-12	-16	-17	-5	-6	-4
<b>Capital Employed</b>	<b>4,525</b>	<b>4,570</b>	<b>5,468</b>	<b>5,811</b>	<b>6,357</b>	<b>6,132</b>
<b>Average Capital Employed (5 quarters)</b>	<b>4,302</b>	<b>4,366</b>	<b>4,619</b>	<b>4,917</b>	<b>5,346</b>	<b>5,668</b>
<b>ROCE %</b>	<b>31%</b>	<b>30%</b>	<b>28%</b>	<b>26%</b>	<b>24%</b>	<b>23%</b>

## Definitions

### Capital employed

Capital employed is the sum of current and non-current assets less current and non-current liabilities, provisions and liabilities at fair value. All items are non-interest bearing.

### Cash flow from operations

Cash flow from operations comprises operating cash flow before financial items and tax payments, taking into account other financial cash flow.

### EBITDA

EBITDA is read Earnings Before Interest, Tax, Depreciation and Amortisation.

### Earnings per share

Earnings per share is expressed as net income attributable to equity holders of the parent divided by the average number of shares.

### Equity/assets ratio

The equity/assets ratio corresponds to shareholders' equity including non-controlling interest, expressed as a percentage of total assets.

### Items Affecting Comparability

Items Affecting Comparability refers to material items and events related to changes in the Group's structure or lines of business, which are relevant for understanding the Group's development on a like-for-like basis.

### Net debt

Net debt is the sum of short- and long-term interest bearing liabilities less total cash and interest bearing assets.

### Operating income

Operating income comprise results before interest and tax. A synonym for operating income is EBIT (Earnings Before Interest and Tax)

### Operating margin %

Operating profit as a percentage of net sales.

### Return on capital employed (ROCE) %

Return on capital employed is calculated as operating income as a percentage of average capital employed.

### Return on equity %

Return on equity is expressed as net income as a percentage of average shareholders' equity.