



Interim Report
as of September 30, 2014
NorCell Sweden Holding 2 AB (publ) Group

FOR IMMEDIATE RELEASE

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IMPORTANT INFORMATION

For investors and prospective investors in NorCell Sweden Holding 2 AB (publ) Senior Notes and NorCell Sweden Holding 3 AB (publ) Senior Secured Notes, please refer to this interim report as of September 30, 2014 (the "**Interim Report**") presenting the NorCell Sweden Holding 2 AB (publ) Group's condensed consolidated financial statements for the period July 1, 2014 to September 30, 2014 and January 1, 2014 to September 30, 2014.

In this Interim Report, the terms "we", "our", "us", the "Company", the "Group" and "Com Hem", refer to NorCell Sweden Holding 2 AB (publ), or NorCell Sweden Holding 2 AB (publ) and its subsidiaries, as the context requires. The term "**NorCell Group**" refers to NorCell Sweden Holding 2 AB (publ) and its subsidiaries.

Certain numerical information and other amounts and percentages presented in this Interim Report may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

As used herein, the symbol "n/m" means "not meaningful", and "n/a" means "not applicable".

For definitions and glossary, please refer to the Group's Annual Report 2013.

This Interim Report has been reviewed by the Company's auditors.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report contains various forward-looking statements that reflect Management's current view with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Interim Report, including, without limitation, in the sections entitled "*Third quarter Highlights*" and "*Results of Operations and Financial Condition*", and include, among other things, statements relating to:

- The Group's strategy, outlook and growth prospects;
- the Group's operational and financial targets;
- the Group's liquidity, capital resources and capital expenditure;
- the Group's planned investments;
- the expectations as to future growth in demand for the Group's products and services;
- general economic trends and trends in the television and telecommunications industries;
- the impact of regulations on the Group and the Group's operations;
- the competitive environment in which the Group operates; and
- the outcome of legal proceedings.

Although Com Hem believes that the expectations reflected in these forward-looking statements are reasonable, Com Hem can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of, among others:

- Television, broadband and fixed-telephony penetration and other market developments;
- competition from local or international cable, telecommunications, media, production or alternative technology companies, including local area networks, satellite, Internet-protocol television, hybrid television, wireless broadband companies and OTT services;
- changes in international, national and local economic, political, business, industry and tax conditions;
- changes in underlying consumer behavior, including changes in consumer television viewing and preferences;
- changes in technology;
- changes in content prices;
- consolidation in the cable or telecommunications industry;
- the Group's ability to generate the funds needed to service the Group's debt;
- factors affecting the Group's leverage and the Group's ability to service debt;
- the effects of operating and financial restrictions in the Group's debt instruments;
- the ability to successfully develop and expand the range of products and services offered;
- the ability to retain or replace key personnel; and
- change in the Group's business strategy, development and investment plans.

These forward-looking statements speak only as of the date of this Interim Report. Com Hem expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, investors and prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

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OPERATING PERFORMANCE AND KEY FINANCIAL RESULTS

The following chapter presents the operating performance and key financial results for the three months ended September 30, 2014, and September 30, 2013, unless otherwise stated. You should read this table in conjunction with "Results of Operations and Financial Condition", "Presentation of Financial and Other Information" and "Condensed Consolidated Financial Statements", which are included elsewhere in this Interim Report.

Operating Performance

The table below sets forth, as of and for each of the periods indicated, homes connected, landlord ARPU, unique subscribers, total RGUs, RGUs per unique subscriber, consumer ARPU, consumer churn and RGUs by service.

	As of and for the three months ended September 30,		As of and for the three months ended June 30,		As of and for the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(in thousands, except otherwise indicated)</i>				
Landlord Business					
Homes connected ⁽¹⁾	1,846	1,789	1,832	1,777	1,817
Landlord ARPU ^(2,3) (SEK).....	35	37	35	38	36
Consumer Business					
Unique consumer subscribers ⁽⁴⁾	861	829	846	822	830
Total consumer RGUs ⁽⁵⁾	1,531	1,484	1,503	1,483	1,482
Consumer RGUs per unique subscriber (in units)...	1.78	1.79	1.78	1.80	1.79
Consumer ARPU ^(2,3,6) (SEK).....	361	354	360	356	355
Consumer churn ⁽⁷⁾ (%).....	14.8	16.3	16.4	16.4	16.3
Consumer RGUs					
Digital TV.....	607	603	599	606	597
- of which TiVo customers.....	132	6	103	-	38
High-speed Broadband.....	594	551	577	543	558
Fixed Telephony.....	329	330	326	334	327

- (1) Homes connected represent the number of residential units to which Com Hem provides an analogue or digital connection, primarily through long-term contracts with landlords of MDUs, but also through service provider agreements with communication operators.
- (2) ARPU is calculated by dividing the revenue for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period divided by two.
- (3) As from January 1, 2014, revenue from Landlord services bound to collective agreements has been reported by its underlying service, based on relative fair values. In previous periods, all revenue from services bound to collective agreements was reported solely as Landlord revenue. For comparison purposes, the historically reported revenue from collective agreements in the comparable period has been reclassified accordingly. For comparison purposes the historically reported ARPUs by Service has been recalculated.
- (4) Unique consumer subscribers represent the number of individual end users who subscribed for one or more of Com Hem's upgraded digital services as of the date indicated.
- (5) Consumer RGUs (revenue generating units) relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe for two different services, thereby accounting for only one subscriber but two RGUs.
- (6) Consumer ARPU is calculated by all digital television, high-speed broadband, fixed-telephony and other revenue that can be allocated to each consumer service, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of total unique subscribers is calculated by aggregating the average number of unique subscribers in each month during the respective period and dividing the result by the number of months in the respective period.
- (7) Consumer churn is defined as the voluntary or involuntary discontinuance of services by a subscriber.

Landlord Business

As of September 30, Com Hem had 1,846,000 homes connected, an increase of 14,000 households during the quarter. The increase was attributable to additional households connected via open networks from third party communication operators.

Landlord ARPU was stable compared with the second quarter of 2014 and was SEK 35. The landlord ARPU decreased compared with the third quarter of 2013, mainly due to contract renegotiations and migration of customers to B2B services.

Consumer Business

As of September 30, the number of unique consumer subscribers was 861,000, an increase of 15,000 compared with the end of the second quarter of 2014. Customer intake increased for all product and services with particularly strong growth in broadband and digital television RGUs.

Consumer RGUs totaled 1,531,000, an increase of 28,000 during the quarter. The increase was driven by growth across all products and services, with particular success within the broadband services, as a result of the new broadband campaign launched on August 27, and the ability to leverage on the demand for high-speed broadband services.

The number of RGUs per unique subscriber was 1.78 at the end of the quarter, which is the same level as the preceding quarter and a slight decrease compared with the third quarter of 2013.

Consumer ARPU was SEK 361 for the quarter, a slight increase compared with the second quarter of 2014 thanks to improved broadband speed mix and the increasing number of TiVo customers.

Consumer churn for the third quarter was 14.8%, compared to 16.4% for the second quarter of 2014. The decrease was due to increased focus on quality of our customers' experience.

Consumer RGUs

During the third quarter digital television RGUs increased by 8,000 RGUs to 607,000 RGU, the highest DTV RGUs since the first quarter of 2013. The increase was attributable to increased sales for Com Hem's digital television services, supported by the TiVo service. Following the commercial launch of TiVo in October 2013, 132,000 digital television customers now subscribe to the TiVo service, which is equivalent to a penetration of 22% of the total number of digital television RGUs.

Broadband RGUs increased by 17,000 during the quarter to 594,000. The growth during the quarter reflects the success of Com Hem's upgrade of customer speed and prospect marketing campaign, launched on August 27, as well as continuing strong demand for Com Hem's market leading broadband offerings.

Com Hem had 329,000 fixed telephony RGUs, an increase of 3,000 RGUs compared with the second quarter and the first increase of telephony RGUs since fourth quarter of 2011. The increase during the quarter was mainly due to increased focus on bundling and the strong broadband demand, resulting in an increased number of telephony RGUs.

Other Major Events During the Third quarter

The Group received shareholders contribution from the parent company of SEK 1,554m during the quarter. The funds were used to redeem 35% of the amount outstanding for the Senior Notes on July 4 and SEK 550m were used to repay part of the outstanding indebtedness under the revolving credit facility. As a result NorCell Group's net debt as of September 30, 2014, decreased to SEK 8,522m, compared to SEK 10,335m as of June 30, 2014, and net debt/Underlying EBITDA ratio was 3.77x compared to 4.56x as of June 30, 2014.

On August 27, Com Hem raised the entry level for broadband speed to 50 Mbit/s for all new customers and kept the previous 10 Mbit/s entry level price point.

Major Events After the Third quarter

On October 13, Com Hem announced that its subsidiary NorCell Sweden Holding 3 AB (publ), the issuer of SEK 3,492m 9.25% Senior Secured Notes due 2018, had issued a notice of conditional redemption for all of the notes. The redemption date is scheduled for November 12, 2014.

On November 12, 2014, the SEK 3,492m outstanding Senior Secured Notes are planned to be redeemed. The redemption will be refinanced with new Senior Secured Notes of SEK 2,500 million, issued on October 23, together with an additional incremental term loan of SEK 375m and drawing of the existing revolving credit facility. The new Senior Secured Notes have a fixed interest rate coupon of 5.25% and mature in November 2019. For further information see the press release dated October 23.

Key Financial Results

The table below sets forth, as of and for each of the periods indicated, revenue, Underlying EBITDA, capital expenditure and operating free cash flow.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,210	1,104	3,532	3,334	4,448
Underlying EBITDA ⁽¹⁾	577	569	1,687	1,660	2,200
Net loss for the period	(152)	(141)	(989)	(528)	(1,005)
Capital Expenditure.....	257	267	711	640	1,038
Operating Free Cash Flow ⁽²⁾	320	302	976	1,020	1,162

(1) Previous reported as Underlying Reported EBITDA.

(2) Operating free cash flow is defined as underlying EBITDA less Capital Expenditure

Revenue for the Third quarter 2014

Revenue increased by SEK 106m, or 9.6%, to SEK 1,210m (1,104) of which Phonera contributed with SEK 66m or 5.9%. Excluding Phonera, the increase was SEK 41m, or 3.7%. Revenue from the digital television and high-speed broadband services increased, partly offset by decreased revenue from the fixed-telephony services.

Underlying EBITDA development for the Third quarter 2014

Underlying EBITDA increased by SEK 8m or 1.5%, to SEK 577m (569) and the underlying EBITDA margin was 47.7% (51.6%). The increase in underlying EBITDA was mainly due to the contribution from the Phonera business as well as revenue growth from consumer services. The underlying EBITDA margin was lower as a consequence of (i) the acquisition of Phonera, as services sold by Phonera outside Com Hem's network has a lower gross margin compared with services sold inside Com Hem's network, and (ii) exceptionally high underlying EBITDA margin in the third quarter of 2013 due to low marketing and sales activities.

Net loss for the period

The Group recognized a net loss of SEK 152m (141) in the three months ended September 30, 2014.

Decrease in Investments for the Third quarter 2014

Capital expenditure decreased by SEK 9m, or 3.6%, to SEK 257m (267), representing 21.3% (24.2%) of revenue. The decrease was mainly due to lower investments in TiVo boxes due to high purchased volume during the third quarter of 2013. The decrease was partly offset by higher capitalized sales costs as an effect of increased sales volumes and higher up-sell activities.

Operating Free Cash Flow for the Third quarter 2014

Operating free cash flow increased by SEK 18m, or 5.9%, and totaled SEK 320m (302). The increase was due to lower capex as well as higher underlying EBITDA contribution.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion and analysis of the results of operations and financial condition of the Group, based on the unaudited condensed consolidated financial statements of the NorCell Group as of and for the three months and as of and for the nine months ended September 30, 2014 and 2013. You should read this discussion in conjunction with the condensed consolidated financial statements included elsewhere in this Interim Report.

Selected Financial Data

Condensed Consolidated Income Statement

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,210	1,104	3,532	3,334	4,448
Cost of sales and services.....	(580)	(525)	(1,714)	(1,640)	(2,190)
Gross profit.....	630	579	1,818	1,694	2,258
Selling expenses.....	(358)	(328)	(1,103)	(996)	(1,378)
Administrative expenses.....	(66)	(50)	(191)	(163)	(220)
Other operating income and expenses.....	0	2	(12)	11	(3)
Operating Profit.....	205	203	511	547	657
Net financial income and expenses.....	(341)	(381)	(1,728)	(1,224)	(1,837)
Income taxes.....	(16)	37	228	149	175
Net loss for the period.....	(152)	(141)	(989)	(528)	(1,005)

Revenue

Revenue during the quarter increased by SEK 106m, or 9.6%, to SEK 1,210m (1,104). Excluding Phonera, the increase was SEK 41m, or 3.7%. Total revenue for the first nine months increased by 5.9% and totaled SEK 3,532m (3,334). Phonera contributed SEK 130m to aggregated Group revenue.

The table below sets forth, for each of the periods indicated, revenue by service:

Service ⁽¹⁾	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Consumer.....	889	847	2,632	2,567	3,423
Landlord.....	192	198	588	601	797
B2B ⁽²⁾	73	1	145	1	2
Other ⁽³⁾	57	58	167	166	227
Total Revenue.....	1,210	1,104	3,532	3,334	4,448

(1) As from January 1, 2014, revenue from Landlord services bound to collective agreements has been reported by its underlying service, based on relative fair values. In previous periods, all revenue from services bound to collective agreements was reported solely as Landlord revenue. For comparison purposes, the historically reported revenue from collective agreements in the comparable period has been reclassified accordingly.

(2) Historically Com Hem has reported B2B revenue among Other revenue, as of Q2 2014 B2B revenue is reported as a separate line item.

(3) Other represents revenue generated primarily from billing and reminder fees, iTUX revenue, as well as barter revenue.

Consumer Services

Revenue from consumer services increased by SEK 41m or 4.9% and totaled SEK 889m (847) in the three months ended September 30, 2014. The increase was due to higher revenue from broadband and digital television. Broadband services revenue increased to SEK 373m (334) due to an increased number of RGUs and improved speed mix as a function of the success from the broadband upgrade campaign and a continued strong demand for high-speed broadband services. Digital television revenue increased to SEK 433m (414) as a result of new sales of TiVo as well as migration of existing digital television customers to TiVo packages. The increase in revenue from broadband and digital television services was partly offset by a decrease in fixed telephony revenue to SEK 82m (99), mainly due to lower usage.

Revenue from consumer services increased by SEK 65m or 2.5% and was SEK 2,632m (2,567) in the nine months ended September 30, 2014. The increase was due to higher revenue from broadband and digital television services. The increase in broadband revenue to SEK 1,074m (988) was driven by an increased number of RGUs and higher ARPU due to improved speed mix as a function of the success from the broadband upgrade campaign and a continued strong demand for the high-speed broadband services. Digital television revenue increased to SEK 1,298m (1,260), as a result of a better tier mix due to new sales of TiVo as well as migration of existing digital television customers to TiVo packages. The increase in revenue from digital television and broadband services was partly offset by a decrease in fixed telephony revenue to SEK 260m (320), mainly due to lower usage.

B2B Services

Revenue from B2B services was SEK 73m in the three months ended September 30, 2014 compared to SEK 1m for the third quarter of 2013, excluding Phonera the increase was SEK 6m.

Revenue from B2B services was SEK 145m in the nine months ended September 30, 2014 compared to SEK 1m for the first nine months of 2013. Phonera contributed SEK 130m to aggregated B2B Group revenue.

Landlord Services

Revenue from landlord services decreased by SEK 6m or 3.1% and totaled SEK 192m (198) in the three months ended September 30, 2014. The decrease was primarily due to a reduction in ARPU mainly as a result of contract renegotiations and migration of customers to B2B services.

Revenue from landlord services decreased by SEK 13m or 2.1% and was SEK 588m (601) in the nine months ended September 30, 2014. The decrease was primarily due to a reduction in ARPU mainly as a result of contract renegotiations and migration of customers to B2B services.

Other Revenue

Other revenue decreased by SEK 1m or 1.2% and was SEK 57m (58) in the three months ended September 30, 2014. The decrease was due to lower barter revenue, partly offset by higher revenue from iTUX, the Group's communication operator.

Other revenue increased by SEK 2m, or 1.0%, and was SEK 167m (166) in the nine months ended September 30, 2014. The increase was mainly explained by higher revenue from iTUX, the Group's communication operator, partly offset by lower barter revenue.

Operating profit (EBIT)

Operating profit (EBIT) was SEK 205m (203) in the three months ended September 30, 2014. The increase, in addition to the explanation in Underlying EBITDA below, was due to no TiVo non-recurring costs for the quarter partly offset by higher amortization of capitalized sales costs as a function of higher sales during the year.

Operating profit (EBIT) was SEK 511m (547) in the nine months ended September 30, 2014. The decrease, in addition to the explanation in Underlying EBITDA below, was mainly due to increased amortization of capitalized sales costs as a function of higher sales, partly offset by lower network related depreciation.

Net Financial Income and Expenses

Net financial income and expenses amounted to a net expense of SEK 341m (381) in the three months ended September 30, 2014. The decrease was mainly explained by lower interest expenses as a result of the refinancing of the Senior Credit Facilities and the redemption of 35% of the Senior Notes.

Net financial income and expenses amounted to a net expense of SEK 1,728m (1,224) in the nine months ended September 30, 2014. The increase, SEK 504m, was mainly explained by one-off costs of SEK 400m associated to refinancing of the Senior Credit Facilities and the redemption of 35% of the outstanding Senior Notes. The one-off costs consist of unamortized borrowing costs of SEK 233m related to the repaid Credit Facilities and Senior Notes with original amortization period until 2018-2019, redemption premiums of SEK 97m and a one-off interest expense from the parent NorCell 1B AB (publ) of SEK 69m related to unamortized borrowing costs for the Senior PIK Notes in connection with the redemption of the Senior PIK Notes in the parent company.

Income Taxes

The Group recognized a deferred tax expense of SEK 16m (deferred tax income of SEK 37m) for the three months ended September 30, 2014. Deferred tax income was SEK 228m (149) for the nine months ended September 30, 2014.

Net Result for the Period

The Group recognized a net loss of SEK 152 (141) for the three months ended September 30, 2014.

The Group recognized a net loss of SEK 989m (528) for the nine months ended September 30, 2014.

Reconciliation of the Net Loss for the Period to Underlying EBITDA

The table below sets forth a reconciliation of net loss for the period to Underlying EBITDA for the three months ended September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Net loss for the period	(152)	(141)	(989)	(528)	(1,005)
Income taxes.....	16	(37)	(228)	(149)	(175)
Net financial income and expenses.....	341	381	1,728	1,224	1,837
Operating Profit	205	203	511	547	657
Write-downs ⁽¹⁾	-	-	4	1	15
Depreciation and amortization.....	364	334	1,061	1,009	1,352
Non-recurring costs.....					
-of which TiVo and B2B launch.....	-	22	60	49	102
-of which acquisition costs ⁽²⁾	0	3	9	3	12
-of which redundancy.....	8	3	19	44	49
-of which other.....	(5)	6	13	11	16
Total non-recurring costs	3	33	102	107	178
Operating currency (loss)/gain	5	(1)	9	(3)	(2)
Underlying EBITDA	577	569	1,687	1,660	2,200

(1) Write-downs are related to capitalized sales costs and production facilities.

(2) Include costs for legal and advisory fees for investment opportunities (including costs for acquiring Phonera Företag AB).

Underlying EBITDA

Underlying EBITDA increased by SEK 8m or 1.5%, to SEK 577m (569) in the three months ended September 30, 2014, and the underlying EBITDA margin was 47.7% (51.6%). Underlying EBITDA increased by SEK 27m or 1.7% and was SEK 1,687m (1,660) in the nine months ended September 30, 2014, and the underlying EBITDA margin was 47.8% (49.8%).

The increase in underlying EBITDA, both for the quarter and the first nine months, was mainly due to the contribution from the Phonera business as well as revenue growth from consumer services. The underlying EBITDA margin was lower as a consequence of (i) the acquisition of Phonera, as services sold by Phonera outside Com Hem's network has a lower gross margin compared with services sold inside Com Hem's network, and (ii) exceptionally high underlying EBITDA margin in the third quarter of 2013 due to low marketing and sales activities.

Investments

Capital expenditure decreased by SEK 9m, or 3.6%, to SEK 257m (267), representing 21.3% (24.2%) of revenue. The decrease was mainly due to lower investments in TiVo boxes due to high purchased volume during the third quarter of 2013. The decrease was partly offset by higher capitalized sales costs as an effect of increased sales volumes and higher up-sell activities.

Capital expenditure increased by SEK 71m, or 11.0%, and was SEK 711m (640), representing 20.1% (19.2%) of revenue. The increase was partly due to higher capitalized sales costs as a consequence of increased sales volumes during the year and increased up-sell activities. The increase was also due to higher investments in modems due to continued strong demand for higher broadband speeds. The increase was partly offset by lower network-related capex due to low investments in the TiVo platform compared with last year.

Operating Free Cash Flow

Operating free cash flow was SEK 320m (302) in the three months ended September 30, 2014, a decrease by SEK 18m or 5.9% as described in the sections Underlying EBITDA and Investments.

Operating free cash flow was SEK 976m (1,020) in the nine months ended September 30, 2014, a decrease by SEK 43m or 4.2% as described in the sections Underlying EBITDA and Investments.

Liquidity

As of September 30, 2014 the Group held SEK 678m (1,168) of cash and cash equivalents. Unutilized credit facilities amounted to SEK 1,495m.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Interim Report presents the following financial information:

The unaudited condensed consolidated financial statements of the NorCell Group as of and for the three months and as of and for the nine months ended September 30, 2014 and 2013, and the audited condensed consolidated financial statements as of and for the year ended December 31, 2013. These accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Non-IFRS Financial Measures

The following financial measures included in this Interim Report are not measures of financial performance or liquidity under IFRS.

The non-IFRS financial measures presented herein are not recognized measures of financial performance under IFRS but measures used by Management to monitor the underlying performance of the business and operations. In particular, the non-IFRS financial measures should not be viewed as substitutes for profit/(loss) for the period, profit/(loss) after financial items, operating income, cash and cash equivalents at period end or other income statement or cash flow items computed in accordance with IFRS. The non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet the Group's cash requirements and may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of future results.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Underlying EBITDA ⁽¹⁾	577	569	1,687	1,660	2,200
Underlying EBITDA margin (in %) ⁽²⁾	47.7	51.6	47.8	49.8	49.5
Operating Free Cash Flow ⁽³⁾	320	302	976	1,020	1,162
Operating Free Cash Flow margin (in%) ⁽⁴⁾	26.5	27.4	27.6	30.6	26.1

(1) Underlying EBITDA is defined as net profit/(loss) for the period before income taxes, net financial items, disposals, depreciation and amortization, non-recurring costs and operating currency gain/(loss) ("**Underlying EBITDA**"). Depreciation and amortization is recorded under costs of sales and services (depreciation and amortization on fixed tangible and intangible assets related to production), selling expenses (depreciation and amortization on fixed tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization on fixed tangible and intangible assets related to administrative functions). For a reconciliation of Net Profit/Loss for the Period to Underlying EBITDA, see "Results of Operations and Financial Condition - Reconciliation of the Net Loss for the Period to Underlying EBITDA".

(2) Underlying EBITDA margin is calculated as Underlying EBITDA as a percentage of revenue.

(3) Operating Free Cash Flow is calculated as Underlying EBITDA, less Capital Expenditure.

(4) Operating Free Cash Flow margin is calculated as Operating Free Cash Flow as a percentage of revenue.

Selected Operational Data

These non-IFRS measures have been presented in this Interim Report because they are considered to be important supplemental measures of Com Hem's performance and believed to be widely used by investors and prospective investors comparing performance between companies. Since not all companies compute these or other non-IFRS financial measures in the same way, the manner in which Management has chosen to compute the non-IFRS financial measures presented herein may not be comparable to similarly defined terms used by other companies.

	As of and for the three months ended September 30,		As of and for the three months ended June 30,		As of and for the year ended December 31,
	2014	2013	2014	2013	2013
	<i>(in thousands, except otherwise indicated)</i>				
Landlord Business					
Homes connected ⁽¹⁾	1,846	1,789	1,832	1,777	1,817
Landlord ARPU ^(2,3) (SEK).....	35	37	35	38	36
Consumer Business					
Unique consumer subscribers ⁽⁴⁾	861	829	846	822	830
Total consumer RGUs ⁽⁵⁾	1,531	1,484	1,503	1,483	1,482
Consumer RGUs per unique subscriber (in units)...	1.78	1.79	1.78	1.80	1.79
Consumer ARPU ^(2,3,6) (SEK).....	361	354	360	356	355
Consumer churn ⁽⁷⁾ (%).....	14.8	16.3	16.4	16.4	16.3
Consumer RGUs					
Digital TV.....	607	603	599	606	597
- of which TiVo customers.....	132	6	103	-	38
High-speed Broadband.....	594	551	577	543	558
Fixed Telephony.....	329	330	326	334	327

- (1) Homes connected represent the number of residential units to which Com Hem provides an analogue or digital connection, primarily through long-term contracts with landlords of MDUs, but also through service provider agreements with communication operators.
- (2) ARPU is calculated by dividing the revenue for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period divided by two.
- (3) As from January 1, 2014, revenue from Landlord services bound to collective agreements has been reported by its underlying service, based on relative fair values. In previous periods, all revenue from services bound to collective agreements was reported solely as Landlord revenue. For comparison purposes, the historically reported revenue from collective agreements in the comparable period has been reclassified accordingly. For comparison purposes the historically reported ARPUs by Service has been recalculated.
- (4) Unique consumer subscribers represent the number of individual end users who subscribed for one or more of Com Hem's upgraded digital services as of the date indicated.
- (5) Consumer RGUs (revenue generating units) relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe for two different services, thereby accounting for only one subscriber but two RGUs.
- (6) Consumer ARPU is calculated by all digital television, high-speed broadband, fixed-telephony and other revenue that can be allocated to each consumer service, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of total unique subscribers is calculated by aggregating the average number of unique subscribers in each month during the respective period and dividing the result by the number of months in the respective period.
- (7) Consumer churn is defined as the voluntary or involuntary discontinuance of services by a subscriber.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements present the NorCell Group as of and for the three months ended September 30, 2014 and 2013, as of and for the nine months ended September 30, 2014 and 2013, and as of and for the year ended December 31, 2013.

Condensed Consolidated Income Statement

	For the three		For the nine		For the year
	months ended September 30,		months ended September 30,		ended
	2014	2013	2014	2013	December 31,
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,210	1,104	3,532	3,334	4,448
Cost of sales and services.....	(580)	(525)	(1,714)	(1,640)	(2,190)
Gross profit.....	630	579	1,818	1,694	2,258
Selling expenses.....	(358)	(328)	(1,103)	(996)	(1,378)
Administrative expenses.....	(66)	(50)	(191)	(163)	(220)
Other operating income and expenses.....	0	2	(12)	11	(3)
Operating Profit.....	205	203	511	547	657
Net financial income and expenses.....	(341)	(381)	(1,728)	(1,224)	(1,837)
Loss after financial items.....	(136)	(178)	(1,217)	(677)	(1,180)
Income taxes.....	(16)	37	228	149	175
Net loss for the period.....	(152)	(141)	(989)	(528)	(1,005)
Profit/loss per share					
Basic (SEK).....	(253)	(234)	(1,648)	(879)	(1,676)
Diluted (SEK).....	(253)	(234)	(1,648)	(879)	(1,676)

Other Comprehensive Income

	For the three		For the nine		For the year
	months ended September 30,		months ended September 30,		ended
	2014	2013	2014	2013	December 31,
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Net loss for the period.....	(152)	(141)	(989)	(528)	(1,005)
Other comprehensive income					
Components not to be reclassified to net profit/loss					
Revaluation of pension obligations.....	(29)	-	(67)	59	59
Tax attributable to revaluation of pension obligations.....	6	-	15	(13)	(13)
Total other comprehensive income for the period.....	(23)	-	(53)	46	46
Total comprehensive income for the period.....	(175)	(141)	(1,041)	(482)	(959)

Condensed Consolidated Balance Sheet

	As of September 30, 2014 <i>(SEK in millions)</i>	As of September 30, 2013 <i>(SEK in millions)</i>	As of December 31, 2013 <i>(SEK in millions)</i>
Non-current assets			
Intangible assets.....	16,126	16,140	16,154
-of which goodwill.....	10,899	10,742	10,742
Property, plant and equipment.....	1,469	1,437	1,463
Other non-current assets.....	-	6	6
Total non-current assets.....	17,595	17,584	17,624
Current assets.....	652	255	563
Cash and cash equivalents.....	678	1,168	1,122
Total current assets.....	1,330	1,423	1,685
Total assets.....	18,924	19,007	19,309
Total equity.....	1,339	(412)	(664)
Non-current interest-bearing liabilities.....	14,770	16,392	17,022
Other non-current liabilities.....	191	293	235
Deferred tax liabilities.....	458	630	671
Total non-current liabilities.....	15,420	17,315	17,927
Current interest-bearing liabilities.....	472	330	308
Other current liabilities.....	1,694	1,773	1,737
Total current liabilities.....	2,165	2,103	2,045
Total equity and liabilities.....	18,924	19,007	19,309
	As of September 30, 2014 <i>(SEK in millions)</i>	As of September 30, 2013 <i>(SEK in millions)</i>	As of December 31, 2013 <i>(SEK in millions)</i>
Opening Total equity beginning of period.....	(664)	70	70
Net loss for the period.....	(989)	(528)	(1,005)
Other comprehensive income for the period, net of tax.....	(53)	46	46
Total comprehensive income for the period.....	(1,041)	(482)	(959)
Transactions with owners of the company.....			
Shareholder's contribution.....	3,044	-	-
Group contribution, net of tax.....	-	-	225
Closing Total equity end of period.....	1,339	(412)	(664)

Condensed Consolidated Cash Flow Statement

	For the three		For the nine		For the year
	months ended September 30,		months ended September 30,		ended
	2014	2013	2014	2013	December 31,
	(SEK in millions)		(SEK in millions)		2013
					(SEK in millions)
<i>Operating activities</i>					
Loss after financial items.....	(136)	(178)	(1,217)	(677)	(1,180)
Adjustments for items not included in cash flow*.....	574	615	2,048	1,673	2,230
Change in working capital.....	(43)	(3)	(183)	(118)	(15)
Cash flow from operating activities.....	396	435	648	878	1,035
<i>Investing activities</i>					
Acquisition of intangible assets.....	(106)	(56)	(289)	(181)	(383)
Acquisition of property, plant and equipment.....	(151)	(208)	(421)	(448)	(614)
Acquisition of subsidiaries.....	-	-	(302)	(8)	(8)
Divestment of financial assets	6	0	6	0	0
Cash flow from investing activities.....	(251)	(265)	(1,006)	(637)	(1,005)
<i>Financing activities</i>					
Shareholders contribution.....	1,554	-	3,044	-	-
Borrowings.....	-	500	4,800	600	800
Amortization of borrowings.....	(1,468)	(146)	(7,868)	(320)	(354)
Payment of borrowing costs.....	(6)	(15)	(62)	(15)	(16)
Cash flow from financing activities.....	80	339	(86)	265	430
Net cash flow for the period.....	225	510	(444)	507	461
Cash and cash equivalents at beginning of period.....	453	658	1,122	661	661
Cash and cash equivalents at period end.....	678	1,168	678	1,168	1,122

*Adjustment for items not included in cash flow

	For the three		For the nine		For the year
	months ended September 30,		months ended September 30,		ended
	2014	2013	2014	2013	December 31,
	(SEK in millions)		(SEK in millions)		2013
					(SEK in millions)
Depreciation and amortization of assets.....	364	334	1,061	1,009	1,352
Unrealized exchange rate differences.....	(23)	(72)	173	28	254
Unrealized change in fair value of financial liabilities.....	(1)	24	(118)	(79)	(140)
Change in capitalized borrowing expenses and discounts.....	14	25	294	75	101
Change in accrued interest expense.....	150	156	64	204	45
Change in redemption premium, notes.....	(99)	-	-	-	-
Interest not settled with cash, group companies.....	167	148	562	433	595
Other.....	4	(0)	11	3	23
Total.....	574	615	2,048	1,673	2,230

Notes to the Condensed Consolidated Financial Statements

Note 1 Basis of Preparation

The consolidated accounts of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU and disclosed in the Group's Annual Report for 2013 and presented in million Swedish kronor (SEKm) which is also the Group's functional currency. The new or amended IFRS, which became effective on January 1, 2014, have had no material effect on the Consolidated Financial Statements. The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Report has been approved for issuance by the Board of Directors on November 4, 2014.

Reclassification and presentation of revenue

As of January 1, 2014, Com Hem adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements. Revenue from digital television, broadband and fixed telephony services generated under such agreements were historically reported in landlord service revenue. As of January 1, 2014, revenue generated from such digital services has been reclassified to its respective underlying digital service. For comparative purposes, historical amounts have been reclassified accordingly.

In line with the Group's strategic focus on offering bundled digital services (digital television, broadband and fixed telephony) and the expansion into the B2B market with the acquisition of Phonera Företag, revenue is from the second quarter of 2014 presented for Consumers, B2B and Landlord services on an aggregated level. For comparative purposes, historical amounts have been aggregated accordingly.

Operating Segments

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

Note 2 Revenue

Total revenue amounted to SEK 3,532m (3,334) in the nine months ended September 30, 2014. Consumer revenue amounted to SEK 2,632m (2,567), or 74.5% (77.0%) of total revenue, whereof digital-television revenue amounted to SEK 1,298m (1,260), or 36.8% (37.8%) of total revenue, broadband revenue amounted to SEK 1,074m (988), or 30.4% (29.6%) of total revenue, and fixed telephony amounted to SEK 260m (320), or 7.4% (9.6%) of total revenue. Landlord revenue amounted to SEK 588m (601), or 16.7% (18.0%) of total revenue. B2B revenue amounted to SEK 145m (1), or 4.1% (0.0%) of total revenue, where Phonera contributed SEK 130m (0) to aggregated B2B Group revenue. Other revenue amounted to SEK 167m (166), or 4.7% (5.0%) of total revenue.

SEK in millions	For the nine months ended September 30,		Reclassified ⁽¹⁾	For the nine months ended September 30, ⁽²⁾
	2014	% Change	2013	2013
Consumer.....	2,632	2.5	2,567	2,525
Landlord.....	588	(2.1)	601	643
B2B.....	145	n/m	1	1
Other.....	167	1.0	166	166
Total.....	3,532	5.9	3,334	3,334

(1) As from January 1, 2014, revenue from Landlord services bound to collective agreements has been reported by its underlying service, based on relative fair values. In previous periods, all revenue from services bound to collective agreements was reported solely as Landlord revenue. For comparison purposes, the historically reported revenue from collective agreements in the comparable period has been reclassified accordingly.

(2) Historically reported Revenue by Service.

Note 3 Operating Expenses

The Group's cost of sales and services amounted to SEK 1,714m (1,640), or 48.5% (49.2%) of total revenue in the nine months ended September 30, 2014. Selling expenses amounted to SEK 1,103m (996), or 31.2% (29.9%) of total revenue, administrative expenses amounted to SEK 191m (163), or 5.4% (4.9%) of total revenue and the Group's net other operating income and expenses amounted to an expense of SEK 12m (income of 11).

Note 4 Financial Income and Expenses

Financial income and expenses summarized to a net financial expense of SEK 1,728m (1,224) in the nine months ended September 30, 2014.

The increase, SEK 504m, was mainly explained by one-off costs of SEK 400m associated to refinancing of the Senior Credit Facilities and the redemption of 35% of the outstanding Senior Notes. The one-off costs consist of unamortized borrowing costs of SEK 233m related to the repaid Credit Facilities and the redemption of the Senior Notes with original amortization period until 2018-2019, redemption premiums of SEK 97m and a one-off interest expense from the parent NorCell 1B AB (publ) of SEK 69m related to unamortized borrowing costs for the Senior PIK Notes, in connection to the redemption of the Senior PIK Notes in the parent company.

Note 5 Income Taxes

The Group recognized a deferred tax income for the nine months ended September 30, 2014 of SEK 228m (149).

Note 6 Net Loss for the Period

The Group recognized a net loss of SEK 989m (528) in the nine months ended September 30, 2014.

Note 7 Capital Expenditure

Capital expenditure in the nine months ended September 30, 2014 amounted to SEK 711m (640) or 20.1% (19.2%) of total revenue, of which SEK (0)m (12) was funded by financial leases.

Note 8 Acquisition of subsidiaries

The Group completed the acquisition of Phonera Företag AB including its subsidiaries on March 31, 2014, which is also the date control exists and from when the entity is consolidated. The purchase price was SEK 311m of which all was paid in cash. The recognized value of intangible assets was SEK 318m of which SEK 161m was customer relationships and SEK 157m was goodwill.

The goodwill recognized for the acquisition pertains to future revenue from new customers and increased revenue from existing customers through continued growth of the number of services sold per customer. No portion of the goodwill is expected to be tax deductible. Phonera contributed with SEK 130m to revenue and approximately SEK 29m to operating income profit excluding depreciation and amortization from the acquisition date. If the acquisition had been conducted as of January 1, 2014 management estimates that the contribution to the Groups consolidated revenue would have been SEK 193m and the contribution to operating profit would have been approximately SEK 43m excluding depreciation and amortization.

Acquisition of Phonera SEK in millions	Recognized value in the Group
Intangible assets.....	161
Other intangible assets.....	10
Other tangible assets.....	3
Other current assets.....	71
Cash and cash equivalents.....	9
Deferred tax liabilities.....	(35)
Non-current liabilities.....	0
Current liabilities.....	(65)
Recognized assets, net.....	154
Goodwill.....	157
Purchase price.....	311

On March 1, 2013, the acquisition of ÖrnSAT, ÖrnSköldsviks Satellit och kabel-TV AB, a local cable operator in ÖrnSköldsvik was completed. The purchase price was SEK 13m, as described in the Group's Annual Report for 2013.

Note 9 Liquidity and Financial Position

As of September 30, 2014 the Group held SEK 678m (1,168) of cash and cash equivalents. Unutilized credit facilities amounted to SEK 1,495m.

Note 10 Equity

The Group has received shareholder's contributions from the parent company totaling SEK 3,044m. Of these contributions, SEK 1,490m was used in the second quarter to refinance the Senior Credit Facilities formerly held by the Group, SEK 1,004m and SEK 550m respectively were used in the third quarter to redeem 35% of the amount outstanding under the Senior Notes and to repay part of the outstanding indebtedness under the revolving credit facility.

Note 11 Fair Value of Derivative Instruments

In order to decrease the Group's interest rate risks and currency exposure, certain derivatives have been entered into. The derivatives are measured at fair value and are recognized in net profit or loss. Hedge accounting is not applied. The Group only holds level 2 instruments as described in the Group's Annual Report for 2013. Amounts of SEK 118m (79) regarding changes in fair value of derivatives have been recognized in the financial net and SEK 0.5m (0) has been recognized in other operating income. The Group terminated the major part of the derivatives in connection with the refinancing.

The following table illustrates the fair value of the derivatives at period end.

SEK in millions	As of September 30, 2014	As of September 30, 2013	As of December 31, 2013
Derivatives (Collar).....	-	(4)	(6)
Derivatives (CIRS).....	(1)	(149)	(97)
Derivatives (FX contracts).....	-	(27)	(16)
Financial liabilities.....	(1)	(180)	(119)

Note 12 Risks and Uncertainty Factors

The Group has identified a number of operational and financial risks. Operational risks constitutes of increasing competition, the ability to attract and keep customers, technical development, regulatory environment and substitution from fixed to mobile telephony. Financial risks are liquidity-, credit- interest-, and currency risks. For a detailed description of the risk factors considered to be most important to the Group's future progress, please see the description in the Group's Annual Report for 2013. The Group believes that the risk environment has not materially changed from the description in the Annual Report for 2013, except for financial risks that have decreased due to increased equity and reduced net debt.

A government committee has reviewed the Swedish corporate and withholding tax regimes and on June 12, 2014, the committee presented its proposal. While the changes are proposed to take effect from January 1, 2016, there is no certainty that the proposal will be adopted as law in its current state, when it would become effective or the exact impact of the proposed changes.

Note 13 Events During the Third quarter

On July 4, 35% of the amount outstanding for the Senior Notes were redeemed.

On August 27, Com Hem raised the entry level for broadband speed to 50 Mbit/s for all new customers and kept the previous 10 Mbit/s entry level price point.

Note 14 Subsequent Events

On October 13, Com Hem announced that its subsidiary NorCell Sweden Holding 3 AB (publ), the issuer of SEK 3,492m 9.25% Senior Secured Notes due 2018, had issued a notice of conditional redemption for all of the notes. The redemption date is scheduled for November 12, 2014.

On November 12, 2014, the SEK 3,492m outstanding Senior Secured Notes are planned to be redeemed. The redemption will be refinanced with new Senior Secured Notes of SEK 2,500 million, issued on October 23, together with an additional incremental term loan of SEK 375m and drawing of the existing revolving credit facility. The new Senior Secured Notes have a fixed interest rate coupon of 5.25% and mature in November 2019. For further information see the press release dated October 23.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Board of Directors
NorCell Sweden Holding 2 AB (publ)

Introduction

We have reviewed the accompanying consolidated balance sheet of NorCell Sweden Holding 2 AB (publ) and subsidiaries ("the Group") as of September 30, 2014 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended which are included in the printed version of this document on pages 10 – 15. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Stockholm, November 4, 2014

KPMG AB

/s/ Thomas Thiel

Thomas Thiel
Authorized public accountant



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About Com Hem

Com Hem is one of Sweden's leading suppliers of television, high-speed broadband and fixed-telephony. Approximately 39%, 1.85 million, of Sweden's households are connected to Com Hem's network, with access to the market's broadest range of television services. Com Hem offers attractively priced, high-quality services for television, high-speed broadband, fixed-telephony and has a competitive B2B-offer of broadband and telephony services. Com Hem was established in 1983, has approximately 1,000 employees and its head office in Stockholm. Operations are conducted through three subsidiaries; Com Hem AB, Phonera Företag AB and iTUX Communication AB. The shares of Com Hem Holding AB (publ) are listed on Nasdaq Stockholm, Large Cap list.