Interim Report
as of June 30, 2014

NorCell Sweden Holding 2 AB (publ) Group

FOR IMMEDIATE RELEASE
Date: July 15, 2014
Time: 07:30 CET

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 June 30, 2014 (the "**Interim Report**") presenting the NorCell Sweden Holding 2 AB (publ) Group's condensed consolidated financial statements for the period April 1, 2014 to June 30, 2014 and January 1, 2014 to June 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 not been audited or 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 "*Second 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 expenditures;
- 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 June 30, 2014, and June 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 June 30,		As of March 31,		As of December 31,
	2014	2013	2014	2013	2013
	(in thousands, except otherwise indicated)				
Landlord Business					
Homes connected(1)..	1,832	1,777	1,830	1,777	1,817
Landlord ARPU(2,3) (SEK)..	35	38	37	38	36
Consumer Business					
Unique consumer subscribers(4)……….....................	846	822	838	823	830
Total consumer RGUs(5)…......................................	1,503	1,483	1492	1,495	1,482
Consumer RGUs per unique subscriber (in units)...	1.78	1.80	1.78	1,82	1.79
Consumer ARPU(2,3,6) (SEK)....................................	360	356	359	359	355
Consumer churn(7) (%)……………………….…........	16.4	16.4	15.2	16.3	16.3
Consumer RGUs					
Digital TV………………………..............................	599	606	595	613	597
- of which TiVo customers..…………………….……..	*103*	-	*74*	-	*38*
High-speed Broadband……………………………….	577	543	570	542	558
Fixed Telephony…...	326	334	327	339	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 June 30, Com Hem had 1,832,000 homes connected, an increase of 2,000 households during the quarter. The increase was attributable to connection of additional households via open networks from third party communication operators as well as an increased number of vertical LAN households. Compared with June 30, 2013 homes connected have increased with 55,000 households mainly due to an increased number of households connected via open networks.

Landlord ARPU decreased compared with the first quarter of 2014 and was SEK 35. The decrease was mainly due to contract renegotiation effects, seasonality effects, migration of customers to B2B services and lower connection fees for the quarter. The landlord ARPU decreased compared with the second quarter of 2013, mainly attributable to contract renegotiation effects and migration of customers to B2B services.

Consumer Business

As of June 30, the number of unique consumer subscribers was 846,000, an increase of 8,000 compared with the end of the first quarter of 2014. The increase was mainly due to a growth in broadband RGUs. The increase in unique consumer subscribers compared with the second quarter of 2013 was 24,000, also mainly attributable to a growth in broadband RGUs.

Consumer RGUs totaled 1,503,000, an increase of 11,000 during the quarter. The increase was due to growth in broadband and digital-television RGUs, partly offset by a decrease in fixed telephony RGUs. The increase of 20,000 compared with the second quarter of 2013, was due to an increase in broadband RGUs.

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

Consumer ARPU was SEK 360 for the quarter, an increase of SEK 1, compared with the first quarter of 2014. The increase was mainly due to improved digital-television and broadband revenue compared with the first quarter of 2014, partly offset by a decrease in fixed telephony revenue.

Consumer churn for the second quarter was 16.4%, compared to 15.2% for the first quarter of 2014. The increase reflects the impact of a price rise in May. Underlying non-price-rise-related churn was in line with the previous quarter. The second quarter churn 2014 was consistent with the second quarter of 2013 performance at 16.4%.

Consumer RGUs

During the second quarter the previous negative trend in digital-television RGUs was reverted, with a growth of 4,000 RGUs to 599,000 RGUs as of June 30, 2014. The increase is mainly attributable to an increased sales momentum for Com Hem's digital-television services, supported by the earlier launch of the TiVo service. Since the commercial launch of TiVo 103,000 digital-television customers subscribe on the TiVo service, which is equivalent to a penetration of 17.1% of the total number of digital-television RGUs. Compared to the end of the second quarter of 2013, digital-television RGUs are 6,000 lower.

Broadband RGUs increased with 7,000 during the quarter amounting to 577,000 as of June 30, 2014. The growth during the quarter was attributable to continued high demand for Com Hem's strong market leading broadband offerings. Compared to the second quarter of 2013, broadband RGUs increased with 34,000.

Com Hem had 326,000 fixed telephony RGUs as of June 30, 2014, a slight decrease of 1,000 RGUs compared with as of March 31, 2014. The decrease during the quarter was mainly due to a shrinking overall market as a consequence of changing consumer behavior and lower usage of fixed telephony services due to the fixed to mobile substitution. Compared to the end of the second quarter of 2013, fixed telephony RGUs decreased by 8,000 RGUs.

Other Major Events During the Second quarter

On May 22, 2014 Com Hem entered into a new facilities agreement with a consortium of banks. The facilities available under the 2014 Senior Facilities Agreement comprise of a SEK 3,500m term facility, with a final maturity date five years from the date of its initial drawdown and a SEK 2,000m multi-currency revolving credit facility, with the final maturity date five years following the date of initial drawdown of the term facility. The new facilities comprise one covenant relating to leverage ratios that will be reported quarterly.

On June 17, the parent company Com Hem Holding AB was listed on NASDAQ OMX Stockholm Large Cap, issuing new shares of SEK 5,670m. After the end of the period, on July 4, 2014, the over-allotment option was exercised by issuing of new shares of SEK 567m.

The net proceeds from the issue of new shares, together with drawdowns under the 2014 Senior Facilities Agreement, have refinanced certain of the Group's financial indebtedness. On June 26, Com Hem refinanced the previous Senior Credit Facilities, at more attractive terms and with longer maturity. In connection with the refinancing, Com Hem terminated certain hedging contracts.

As of June 30, 2014 NorCell Group's net debt totaled SEK 10,335m, compared to SEK 11,154m as of March 31, 2014, and net debt/Underlying EBITDA ratio was 4.56x compared to 4.93x as of March 31, 2014.

Major Events After the Second quarter

On July 4, Com Hem redeemed the Senior PIK Notes in full and 35% of the amount outstanding for the Senior Notes. As of June 30, 2014, the outstanding amount of the Senior PIK Notes was EUR 322m, including accrued interest, and the outstanding amount of the Senior Notes was EUR 298m, both amounts including redemption premiums.

Key Financial Results

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

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Revenue..	1,198	1,108	2,322	2,231	4,448
Underlying EBITDA(1)..	565	547	1,110	1,091	2,200
Net Results…………………………………………..	(582)	(328)	(837)	(387)	(1,005)
Capital Expenditures...	239	203	454	374	1,038
Operating Free Cash Flow(2)....................................	326	344	656	717	1,162

(1) Previous reported as Underlying Reported EBITDA.
(2) Operating free cash flow is defined as underlying EBITDA less Capital Expenditures

Revenue for the Second quarter 2014

Revenue increased by SEK 90m, or 8.1%, to SEK 1,198m (1,108) of which Phonera contributed with SEK 65m or 5.8%. Excluding Phonera, the increase was SEK 26m, or 2.3%. In comparison with the first quarter 2014, revenue increased by 6.6% or by 0.9% excluding Phonera revenue contribution. Revenue from the digital-television and high-speed broadband services increased, partly offset by decreased revenue from the fixed-telephony services and the landlord business.

Underlying EBITDA development for the Second quarter 2014

Underlying EBITDA increased by SEK 19m or 3.4%, to SEK 565m (547) and the underlying EBITDA-margin was 47.2% (49.4). The increase in underlying EBITDA was mainly due to revenue growth from the consumer services and the revenue contribution from Phonera B2B services. The underlying EBITDA-margin was slightly lower as a consequence of adding Phonera production and operating costs to the Group's cost base.

Increase in Investments for the Second quarter 2014

Capital expenditures increased by SEK 36m, or 17.7%, and totaled SEK 239m (203), as a percentage of revenue capital expenditure was 20.0% (18.3). The increase was partly due to success-driven higher capitalized sales costs driven by increased sales and migration volumes during the second quarter as well as higher investments in TiVo STB's and higher investment in modems, due to increased demand for higher broadband speeds. The increase in capex was partly offset by lower network related capex due to lower TiVo platform investments.

Operating Free Cash Flow for the Second quarter 2014

Operating free cash flow (Underlying EBITDA less Capex) decreased by SEK 17m, or 5.0%, and totaled SEK 326m (344). The decrease was mainly due to increased success-based capex, partly offset by 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 six months ended June 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 June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Revenue	1,198	1,108	2,322	2,231	4,448
Cost of sales and services	(585)	(542)	(1,134)	(1,115)	(2,190)
Gross profit	**613**	**566**	**1,188**	**1,115**	**2,258**
Selling expenses	(384)	(334)	(745)	(668)	(1,378)
Administrative expenses	(62)	(55)	(125)	(113)	(220)
Other operating income and expenses	(8)	5	(12)	10	(3)
Operating Profit	**158**	**182**	**306**	**344**	**657**
Net financial income and expense	(958)	(614)	(1,387)	(843)	(1,837)
Income taxes	219	104	245	112	175
Net loss for the period	**(582)**	**(328)**	**(837)**	**(387)**	**(1,005)**

Revenue

Revenue during the quarter increased by SEK 90m, or 8.1%, to SEK 1,198m (1,108) of which Phonera contributed with SEK 65m or 5.8%. Excluding Phonera, the increase was SEK 26m, or 2.3%. Total revenue for the first six months increased by 4.1% and was SEK 2,322m (2,231).

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

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
Service(1)	*(SEK in millions)*		*(SEK in millions)*		*(SEK in millions)*
Consumer	877	854	1,743	1,720	3,423
Landlord	196	201	397	403	797
B2B(2)	70	0	72	0	2
Other(3)	55	53	110	108	227
Total Revenue	**1,198**	**1,108**	**2,322**	**2,231**	**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 payments in kind received from content providers for services delivered, which the Group classifies as “barter revenue”.

Consumer Services

Revenue from consumer services increased by SEK 23m or 2.8% and totaled SEK 877m (854) in the three months ended June 30, 2014. The increase was due to higher revenue from broadband driven by an increased number of RGUs and improved tier mix as a function of continued high demand from both new and existing customers for Com Hem’s 100 – 1000 Mbit/s broadband services. The increase in consumer revenue was also attributable to higher digital-television revenue, as a result of better tier mix due to sales of TiVo packages 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, due to both less fixed telephony RGUs and lower usage of the fixed telephony service. Revenue from digital-television services totaled SEK 434m (418). Revenue from broadband services was SEK 356m to (329). Revenue from fixed telephony services was SEK 87m (107).

Revenue from consumer services increased by SEK 24m or 1.4% and was SEK 1,743m (1,720) in the six months ended June 30, 2014. The increase was due to higher revenue from broadband driven by an increased number of RGUs and improved tier mix as a function of continued high demand from both new and existing customers for Com Hem's 100 – 1000 Mbit broadband services. The increase in consumer revenue was also attributable to higher digital-television revenue, as a result of better tier mix due to sales of TiVo packages 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, due to both less fixed telephony RGUs and lower usage of the fixed telephony service. Revenue from digital-television services totaled SEK 865m (845). Revenue from broadband services was SEK 700m to (654). Revenue from fixed telephony services was SEK 178m (220).

B2B Services
Revenue from B2B services was SEK 70m in the three months ended June 30, 2014 compared to SEK 0m for the second quarter of 2013. Phonera contributed with SEK 65m to the aggregated B2B revenue.

Revenue from B2B services was SEK 72m in the six months ended June 30, 2014 compared to SEK 0m for the first six months of 2013. For the six months ended June 30 2014, Phonera contributed with SEK 65m to the aggregated B2B Group revenue.

Landlord Services
Revenue from landlord services decreased by SEK 5m or 2.3% and totaled SEK 196m (201) in the three months ended June 30, 2014. The decrease was primarily due to a reduction in ARPU from landlord customers mainly as a result of contract renegotiations and migration landlord services to B2B services.

Revenue from landlord services decreased by SEK 7m or 1.6% and was SEK 397m (403) in the six months ended June 30, 2014. The decrease was primarily due to a reduction in ARPU from landlord customers mainly as a result of contract renegotiations and migration from landlord services to B2B services.

Other Revenue
Other revenue increased by SEK 1m or 2.8% and was SEK 55m (53) in the three months ended June 30, 2014. Other revenue increased by SEK 2m, or 2.2%, and was SEK 110m (108) in the six months ended June 30, 2014. The increase for both the quarter and the first six months was mainly explained by higher revenue from iTUX, the Group's communication operator.

Operating profit (EBIT)
Operating profit (EBIT) was SEK 158m (182) in the three months ended June 30, 2014. The decrease was due to higher depreciation and amortisation related to TiVo and capitalised sales costs, partly offset by an increase in underlying EBITDA of SEK 19m.

Operating profit (EBIT) was SEK 306m (344) in the six months ended June 30, 2014. The decrease was mainly due to higher non-recurring marketing costs in the first quarter related to the launch of TiVo as well as higher depreciation and amortisation related to TiVo and capitalised sales costs, partly offset by an increase in underlying EBITDA of SEK 19m.

Net Financial Income and Expenses
Net financial income and expenses amounted to a net expense of SEK 958m (614) in the three months ended June 30, 2014. The increase, SEK 344m, was explained by one-off costs of SEK 402m associated to refinancing of the Senior Credit Facilities and the upcoming redemption of the Senior PIK Notes and 35% of the 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 99m and a one-off interest expense from the parent NorCell 1B of SEK 69m related to unamortized borrowing costs for the Senior PIK Notes.

Net financial income and expenses amounted to a net expense of SEK 1,387m (843) in the six months ended June 30, 2014. The increase, SEK 544m, was mainly explained by one-off costs of SEK 402m associated to refinancing of the Senior Credit Facilities and the upcoming redemption of the Senior PIK Notes and 35% of the 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 99m and a one-off interest expense from the parent NorCell 1B of SEK 69m related to unamortized borrowing costs for the Senior PIK Notes.

Income Taxes

The Group recognized a deferred tax income of SEK 219m (104) for the three months ended June 30, 2014. Deferred tax income was SEK 245m (112) for the six months ended June 30, 2014.

Net Result for the Period

The Group recognized a net loss of SEK 582m (328) for the three months ended June 30, 2014.

The Group recognized a net loss of SEK 837m (387) for the six months ended June 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 June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013.

	For the three months ended June 30,		**For the six months ended June 30,**		**For the year ended December 31,**
	2014	**2013**	**2014**	**2013**	**2013**
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Net loss for the period	**(582)**	**(328)**	**(837)**	**(387)**	**(1,005)**
Income taxes	(219)	(104)	(245)	(112)	(175)
Net financial income and expenses	958	614	1,387	843	1,837
Operating Profit	**158**	**182**	**306**	**344**	**657**
Write-downs(1)	4	0	4	1	15
Depreciation and amortization	357	333	697	674	1,352
Non-recurring costs					
-of which TiVo and B2B launch	*24*	*21*	*60*	*27*	*102*
-of which acquisition costs(2)	*1*	*0*	*9*	*0*	*12*
-of which redundancy	*5*	*11*	*11*	*41*	*49*
-of which other	*14*	*1*	*18*	*5*	*16*
Total non-recurring costs	**44**	**32**	**99**	**74**	**178**
Operating currency (loss)/gain	3	(1)	4	(2)	(2)
Underlying EBITDA	**565**	**547**	**1,110**	**1,091**	**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 19m or 3.4%, to SEK 565m (547) in the three months ended June 30, 2014, and the underlying EBITDA-margin was 47.2% (49.4). Underlying EBITDA increased by 1.8% and was SEK 1,110m (1,091) in the six months ended June 30, 2014, and the underlying EBITDA-margin was 47.8% (48.9).

The increase in underlying EBITDA, both for the quarter and the first six months, was mainly due to revenue growth from the consumer services and the revenue contribution from Phonera B2B services. The underlying EBITDA-margin was slightly lower as a consequence of adding Phonera production and operating costs to the Group's cost base.

Increase in Investments

Capital expenditure increased by SEK 36m, or 17.7% in the three months ended June 30, 2014, and totaled SEK 239m (203), as a percentage of revenue capital expenditure was 20.0% (18.3). The increase was partly due to success-driven higher capitalized sales costs driven by increased sales volumes and migration activities during the second quarter as well as higher investments in TiVo STB's and higher investment in modems, due to continued high demand for higher broadband speeds. The increase in capex was partly offset by lower network related capex due to lower TiVo platform investments.

Capital expenditure increased by SEK 80m, or 21.4% in the six months ended June 30, 2014, and was SEK 454m (374), as a percentage of revenue capital expenditure were 19.5% (16.8). The increase was due to success-driven TiVo STB's and higher investment in modems due to continued high demand for higher speeds and increased capitalized sales costs as a consequence of increased sales volumes and migration activities. The increase was partly offset by lower network related capex due to lower TiVo platform investments.

Operating Free Cash Flow

Operating free cash flow (underlying EBITDA less Capex) decreased by SEK 17m, or 5.0% in the three months ended June 30, 2014, and totaled SEK 326m (344). The decrease was mainly due to increased success-based capex, partly offset by higher underlying EBITDA contribution.

Operating free cash flow (underlying EBITDA less Capex) decreased by SEK 61m, or 8.5% in the six months ended June 30, 2014, and was SEK 656m (717). The decrease was mainly due to increased CPE investment and capitalized sales costs, partly offset by higher underlying EBITDA contribution.

Liquidity
As of June 30, 2014 the Group held SEK 453m (658) of cash and cash equivalents.

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 six months ended June 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 June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Underlying EBITDA(1)..	565	547	1,110	1,091	2,200
Underlying EBITDA margin (in %)(2)........................	47.2	49.4	47.8	48.9	49,5
Operating Free Cash Flow(3)……............................	326	344	656	717	1,162
Operating Free Cash Flow margin (in%)(4)..............	27.2	31.0	28.3	32.1	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 Net Profit/(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 Expenditures

(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 June 30,		As of March 31,		As of December 31,
	2014	2013	2014	2013	2013
	(in thousands, except otherwise indicated)				
Landlord Business					
Homes connected[(1)]	1,832	1,777	1,830	1,777	1,817
Landlord ARPU[(2,3)] (SEK)	35	38	37	38	36
Consumer Business					
Unique consumer subscribers[(4)]	846	822	838	823	830
Total consumer RGUs[(5)]	1,503	1,483	1492	1,495	1,482
Consumer RGUs per unique subscriber (in units)	1.78	1.80	1.78	1,82	1.79
Consumer ARPU[(2,3,6)] (SEK)	360	356	359	359	355
Consumer churn[(7)] (%)	16.4	16.4	15.2	16.3	16.3
Consumer RGUs					
Digital TV	599	606	595	613	597
- of which TiVo customers	*103*	-	*74*	-	*38*
High-speed Broadband	577	543	570	542	558
Fixed Telephony	326	334	327	339	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 June 30, 2014 and 2013, as of and for the six months ended June 30, 2014 and 2013, and as of for the year ended December 31, 2013 .

Condensed Consolidated Income Statement

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Revenue	1,198	1,108	2,322	2,231	4,448
Cost of sales and services	(585)	(542)	(1,134)	(1,115)	(2,190)
Gross profit	**613**	**566**	**1,188**	**1,115**	**2,258**
Selling expenses	(384)	(334)	(745)	(668)	(1,378)
Administrative expenses	(62)	(55)	(125)	(113)	(220)
Other operating income and expenses	(8)	5	(12)	10	(3)
Operating Profit	**158**	**182**	**306**	**344**	**657**
Net financial income and expenses	(958)	(614)	(1,387)	(843)	(1,837)
Loss after financial items	**(800)**	**(432)**	**(1,081)**	**(499)**	**(1,180)**
Income taxes	219	104	245	112	175
Net loss for the period	**(582)**	**(328)**	**(837)**	**(387)**	**(1,005)**
Profit/loss per share					
Basic (SEK)	(969)	(546)	(1,394)	(645)	(1,676)
Diluted (SEK)	(969)	(546)	(1,394)	(645)	(1,676)

Other Comprehensive Income

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Net loss for the period	**(582)**	**(328)**	**(837)**	**(387)**	**(1,005)**
Other comprehensive income					
Components not to be reclassified to net profit/loss					
Revaluation of pension obligations	(38)	59	(38)	59	59
Tax attributable to revaluation of pension obligations	8	(13)	8	(13)	(13)
Total other comprehensive income for the period	**(30)**	**46**	**(30)**	**46**	**46**
Total comprehensive income for the period	**(611)**	**(282)**	**(866)**	**(341)**	**(959)**

Condensed Consolidated Balance Sheet

	As of June 30, 2014	As of June 30, 2013	As of December 31, 2013
	(SEK in millions)	*(SEK in millions)*	*(SEK in millions)*
Non-current assets			
Intangible assets	16,244	16,275	16,154
-of which goodwill	*10,899*	*10,742*	*10,742*
Property, plant and equipment	1,458	1,370	1,463
Other non-current assets	6	6	6
Total non-current assets	**17,708**	**17,651**	**17,624**
Current assets	634	260	563
Cash and cash equivalents	453	658	1,122
Total current assets	**1,087**	**918**	**1,685**
Total assets	**18,795**	**18,569**	**19,309**
Total equity	**(40)**	**(271)**	**(664)**
Non-current interest-bearing liabilities	14,606	15,942	17,022
Other non-current liabilities	160	266	235
Deferred tax liabilities	451	670	671
Total non-current liabilities	**15,218**	**16,878**	**17,927**
Current interest-bearing liabilities	2,049	335	308
Other current liabilities	1,569	1,627	1,737
Total current liabilities	**3,618**	**1,962**	**2,045**
Total equity and liabilities	**18,795**	**18,569**	**19,309**

	As of June 30, 2014	As of June 30, 2013	As of December 31, 2012
	(SEK in millions)	*(SEK in millions)*	*(SEK in millions)*
Opening Total equity beginning of period	**(664)**	**70**	**70**
Net loss for the period	(837)	(387)	(1,005)
Other comprehensive income for the period, net of tax	(30)	46	46
Total comprehensive income for the period	**(866)**	**(341)**	**(959)**
Transactions with owners of the company			
Shareholders contribution	1,490	-	-
Group contribution, net of tax	-	-	225
Closing Total equity end of period	**(40)**	**(271)**	**(664)**

Condensed Consolidated Cash Flow Statement

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Operating activities					
Loss after financial items	(800)	(432)	(1,081)	(499)	(1,180)
Adjustments for items not included in cash flow, etc.*	798	539	1,473	1 058	2,230
Change in working capital	(67)	(52)	(140)	(115)	(15)
Cash flow from operating activities	**(69)**	**55**	**252**	**443**	**1,035**
Investing activities					
Acquisition of intangible assets	(107)	(63)	(183)	(124)	(383)
Acquisition of property, plant and equipment	(131)	(141)	(270)	(240)	(614)
Acquisition of subsidiaries	(11)	(1)	(302)	(8)	(8)
Investments in financial assets	-	-	-	-	0
Cash flow from investing activities	**(248)**	**(205)**	**(755)**	**(372)**	**(1,005)**
Financing activities					
Shareholders contribution	1,490	-	1,490	-	-
Borrowings	4,800	100	4,800	100	800
Amortization of borrowings	(6,252)	(34)	(6,399)	(174)	(354)
Payment of borrowing costs	(56)	-	(56)	-	(16)
Cash flow from financing activities	**(18)**	**66**	**(165)**	**(74)**	**430**
Net change in cash and cash equivalents	(335)	(83)	(668)	(3)	461
Cash and cash equivalents at period end	**453**	**658**	**453**	**658**	**1,122**

*Adjustments for items not included in cash flow, etc.

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2014	2013	2014	2013	2013
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Depreciation, amortization and impairment of assets	357	333	697	674	1,352
Unrealized exchange rate differences	191	349	196	99	254
Unrealized change in fair value of financial assets	(97)	(164)	(117)	(104)	(140)
Change in capitalized borrowing expenses and discounts	254	25	280	50	101
Change in accrued interest expense	(247)	(153)	(86)	49	45
Redemption premium	(61)	-	99	-	-
Interest not settled with cash, group companies	396	147	396	286	595
Other	5	1	7	5	23
Total	**798**	**539**	**1,473**	**1,058**	**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 ("IFRSs") 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 and the Annual Accounts Act. Condensed financial statements for the parent company are prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for legal entities.

The Interim Report has been approved for issuance by the Board of Directors on July 14, 2014.

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), on 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 2,322m (2,231) in the six months ended June 30, 2014. Consumer revenue amounted to SEK 1,743m (1,720), or 75.1% (77.1%) of total revenue. Landlord revenue amounted to SEK 397m (403), or 17.1% (18.1%) of total revenue. B2B revenue amounted to SEK 72m (0), or 3.1% (0.0%) of total revenue, whereof Phonera accounted for SEK 65m (0) and other revenue amounted to SEK 110m (108), or 4.7% (4.8%) of total revenue.

Revenue by service	For the six months ended June 30,		Reclassified(1) For the six months ended June 30,	For the six months ended June 30,(2)
SEK in million	**2014**	**% Change**	**2013**	**2013**
Consumer……	1,743	1.4	1,720	1,693
Landlord……	397	(1.6)	403	430
B2B……	72	n/m	0	0
Other……	110	2.2	108	108
Total……	**2,322**	**4.1**	**2,231**	**2,231**

(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 1,134m (1,115), or 48.8% (50.0%) of total revenue in the six months ended June 30, 2014. Selling expenses amounted to SEK 745m (668), or 32.1% (29.9%) of total revenue, administrative expenses amounted to SEK 125m (113), or 5.4% (5.1%) of total revenue and the Group's net other operating income and expenses amounted to an expense of SEK 12m (income of 10).

Note 4 Financial Income and Expense

Financial income and expenses summarized to a net financial expense of SEK 1,387m (843) in the six months ended June 30, 2014.

The increase is mainly explained by one-off costs of SEK 402m associated to refinancing of the Senior Credit Facilities and the upcoming redemption of the Senior PIK Notes and 35% of the Senior Notes. The one-off costs consist of unamortized borrowing costs of SEK 233m related to the repaid Credit Facilities and Notes with original amortization period until 2018-2019, redemption premiums of SEK 99m and a one-off interest expense from the parent NorCell 1B of SEK 69m related to unamortized borrowing costs for the Senior PIK Notes.

Note 5 Income Taxes
The Group recognized a deferred tax income for the six months ended June 30, 2014 of SEK 245m (112).

Note 6 Net Profit for the Period
The Group recognized a net loss of SEK 837m (387) in the six months ended June 30, 2014.

Note 7 Capital Expenditures
Capital expenditures in the six months ended June 30, 2014 amounted to SEK 454m (374) or 19.5% (16.8%) of total revenue, of which SEK (0)m (10) was funded by financial leases.

Note 8 Liquidity and Financial Position
As of June 30, 2014 the Group held SEK 453m (658) of cash and cash equivalents.

Note 9 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 116m (101) regarding changes in fair value of the derivatives have been recognized in the financial net and SEK 0.5m (3) have been recognized in other operating income in the six months ending June 30, 2014.

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

SEK in millions	As of June 30, 2014	As of June 30, 2013	As of December 31, 2013
Derivatives (Collar)	-	(6)	(6)
Derivatives (CIRS)	(2)	(127)	(97)
Derivatives (FX contracts)	-	(22)	(16)
Financial liabilities	**(2)**	**(155)**	**(119)**

In connection with the refinancing, the Group terminated certain hedging contracts related to interest payments. The cost for the terminations amounted to SEK 25m.

Note 10 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 due to the significantly 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 11 Events During the Second Quarter
The acquisition of Phonera Företag AB was finalized during the quarter. The final purchase price was SEK 311m of which all was paid in cash. The recognized value of intangible assets was SEK 318m of which customer relationships was SEK 161m and goodwill was SEK 157m.

On May 22, 2014 Com Hem entered into a new facilities agreement with a consortium of banks. The facilities available under the 2014 Senior Facilities Agreement comprise of a SEK 3,500m term facility, with a final maturity date five years from the date of its initial drawdown and a SEK 2,000m multi-currency revolving credit facility, with the final maturity date five years following the date of initial drawdown of the term facility. The new facilities comprise one covenant relating to leverage ratios that will be reported quarterly.

On June 17, the ultimate parent company Com Hem Holding AB was listed on NASDAQ OMX Stockholm Large Cap, issuing new shares of SEK 5,670m. After the end of the period, on July 4, 2014, the over-allotment option was exercised by issuing of new shares of SEK 567m.

The net proceeds from the issue of new shares, together with drawdowns under the 2014 Senior Facilities Agreement, have refinanced certain of the Group's financial indebtedness. On June 26, Com Hem refinanced the previous Senior Credit Facilities, at more attractive terms and with longer maturity. In connection with the refinancing, Com Hem terminated certain hedging contracts.

As of June 30, 2014 NorCell Group's net debt totaled SEK 10,335m, compared to SEK 11,154m as of March 31, 2014, and net debt/Underlying EBITDA ratio was 4.56x compared to 4.93x as of March 31, 2014.

Note 12 Subsequent Events

On July 4, Com Hem redeemed the Senior PIK Notes in full and 35% of the amount outstanding for the Senior Notes. As of June 30, 2014, the outstanding amount of the Senior PIK Notes was EUR 322m, including accrued interest, and the outstanding amount of the Senior Notes was EUR 298m, both amounts including redemption premiums.

To the knowledge of the Board of Directors, no other events have occurred after closing date that is expected to have a material impact on the business.

For further information

Analyst and investor contact
Daniel Johansson
Head of Financial Control
investor.relations@comhem.com

Press contact
Fredrik Hallstan
Head of PR
press@comhem.com

Visiting address
Fleminggatan 18
SE-104 20 Stockholm, Sweden
www.comhem.com

About Com Hem

Com Hem is one of Sweden's leading suppliers of television, high-speed broadband and fixed-telephony. Approximately 39%, 1.83 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 run through three subsidiaries; Com Hem AB, Phonera Företag AB and iTUX Communication AB. The Com Hem share is listed on NASDAQ OMX Stockholm, Large Cap.