



**Interim Report  
as of June 30, 2015**

**NorCell Sweden Holding 2 AB (publ) Group**

**FOR IMMEDIATE RELEASE**

Date: July 14, 2015

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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 June 30, 2015 (the "**Interim Report**") presenting the NorCell Sweden Holding 2 AB (publ) Group's condensed consolidated financial statements for the period April 1, 2015 to June 30, 2015 and January 1, 2015 to June 30, 2015.

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. Com Hem Holding AB is the parent company of NorCell Sweden Holding 2 AB (publ). The Com Hem Holding AB share is listed on Nasdaq Stockholm.

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 2014.

This Interim Report has not 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 section entitled "*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, 2015, and June 30, 2014, 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 consumer subscribers, total consumer RGUs, consumer RGUs per unique subscriber, consumer ARPU, consumer churn and RGUs by service.

	As of and for the three months ended June 30,		As of and for the three months ended March 31,		As of and for the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(in thousands, except otherwise indicated)</i>				
<b>Landlord Business</b>					
Homes connected <sup>(1)</sup> .....	1,930	1,832	1,920	1,830	1,876
Landlord ARPU <sup>(2)</sup> (SEK).....	30	35	31	37	33
<b>Consumer Business</b>					
Unique consumer subscribers <sup>(3)</sup> .....	894	846	888	838	876
Total consumer RGUs <sup>(4)</sup> .....	1,600	1,503	1,595	1,492	1,566
Consumer RGUs per unique subscriber (in units)...	1.79	1.78	1.80	1.78	1.79
Consumer ARPU <sup>(2,5)</sup> (SEK).....	361	360	358	359	361
Consumer churn <sup>(6)</sup> (%).....	13.7	16.4	13.3	15.2	14.2
<b>Consumer RGUs</b>					
Digital television.....	627	599	625	595	618
- of which TiVo customers.....	204	103	189	74	164
Broadband.....	637	577	628	570	612
Fixed Telephony.....	337	326	342	327	337

- (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) 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.
- (4) 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.
- (5) Consumer ARPU is calculated by dividing all digital television, 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 as the number of unique subscribers on the first day in the respective period plus the number of unique subscribers on the last day of the respective period, divided by two.
- (6) Consumer churn is defined as the voluntary or involuntary discontinuance of services by a subscriber.

### Landlord Business

As of June 30, Com Hem had 1,930,000 homes connected, an increase of 10,000 households during the quarter. The increase was attributable to both adding new open networks and organic growth in existing open networks.

Landlord ARPU decreased by SEK 1 compared with the first quarter of 2015, to SEK 30. The decrease was mainly due to lower prices resulting from contract renegotiations. Also more households are connected via open networks where Com Hem does not provide any basic tv service and consequently do not receive any revenue categorized as landlord revenue.

## **Consumer Business**

As of June 30, the number of unique consumer subscribers was 894,000, an increase of 6,000 compared with the end of the first quarter of 2015. Customer intake increased for all services with continued stable growth in broadband and digital television RGUs.

Consumer churn affected the number of RGUs per unique subscriber which decreased by 0.1 to 1.79 at the end of the quarter.

Consumer ARPU was SEK 361 for the quarter, an increase compared with the preceding quarter and in line with the corresponding quarter last year. The increase compared with the first quarter of 2015 is mainly attributable to the price changes made during the quarter.

Consumer churn for the second quarter was 13.7%, compared with 13.3% for the first quarter of 2015. The increase was due to the price changes made during the second quarter affecting half of the customer base when the binding period has ended for the customer.

## **Consumer RGUs**

Consumer RGUs totaled 1,600,000, an increase of 5,000 within broadband and digital television services.

Broadband RGUs increased by 8,000 during the quarter to 637,000. The growth during the quarter reflects the continued strong demand for Com Hem's market leading broadband offerings. The mix of new customers buying broadband speeds on 100 Mbit/s or higher continues to rise, reaching 76% compared to 74% for the first quarter of 2015.

During the second quarter digital television RGUs increased by 2,000 to 627,000. The slower growth for digital television reflects the temporary reduced TiVo direct sales activities in the quarter. Following the commercial launch of TiVo in October 2013, 204,000 digital television customers now subscribe to the TiVo service, which is equivalent to a penetration of 33% of the total number of digital television RGUs.

Fixed telephony RGUs was 337,000 telephony RGUs, a decrease of 5,000 RGUs compared with the first quarter. The decrease in fixed telephony RGUs is mainly explained by the churn increase following the price changes made during the quarter.

## **Other Major Events During the Second quarter**

At the Annual General Meeting May 21, it was resolved to re-elect Andrew Barron, Nicholas Stathopoulos, Joachim Oglund and Anders Nilsson as board members and elect Mikael Larsson as a new member of the board.

At an Extraordinary General Meeting May 22, it was resolved to distribute a dividend of SEK 357m to the parent company Com Hem Holding AB (publ).

## 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 June 30,		For the six months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,246	1,198	2,474	2,322	4,761
Underlying EBITDA.....	585	565	1,165	1,110	2,267
Net Result.....	(79)	(582)	(117)	(837)	(1,350)
Capital Expenditure.....	250	239	513	454	1,051
Operating Free Cash Flow <sup>(1)</sup> .....	334	326	652	656	1,216

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

### Revenue for the Second quarter 2015

Revenue increased by SEK 48m, or 4.0%, to SEK 1,246m (1,198). Revenue from consumer services increased by SEK 58m or 6.6%, to SEK 936m (877). The increase was due to higher revenue from broadband and digital television.

### Underlying EBITDA development for the Second quarter 2015

Underlying EBITDA increased by SEK 19m or 3.4%, to SEK 585m (565), and the underlying EBITDA margin was 46.9% (47.2%). The increase in underlying EBITDA was mainly due to revenue growth from consumer and B2B services. The underlying EBITDA margin was lower as a consequence of a change in the revenue mix.

### Net result for the period

The Group reported a net loss of SEK 79m (582) for the three months ended June 30, 2015.

### Capital Expenditure for the Second quarter 2015

Capital expenditure increased by SEK 11m or 4.6%, to SEK 250m (239), representing 20.1% (20.0%) of revenue. The increase was due to increased investments in broadband capacity and in the B2B business.

### Operating Free Cash Flow for the Second quarter 2015

Operating free cash flow increased by SEK 8m or 2.5%, to SEK 334m (326). The increase was a result of higher underlying EBITDA contribution partly offset by higher investments.

## 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, 2015 and 2014. 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,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,246	1,198	2,474	2,322	4,761
Cost of sales and services.....	(619)	(585)	(1,213)	(1,134)	(2,315)
<b>Gross profit.....</b>	<b>627</b>	<b>613</b>	<b>1,261</b>	<b>1,188</b>	<b>2,446</b>
Selling expenses.....	(380)	(384)	(770)	(745)	(1,491)
Administrative expenses.....	(62)	(62)	(127)	(125)	(256)
Other operating income and expenses.....	(5)	(8)	(13)	(12)	(26)
<b>Operating Profit.....</b>	<b>180</b>	<b>158</b>	<b>350</b>	<b>306</b>	<b>672</b>
Net financial income and expenses.....	(282)	(958)	(500)	(1,387)	(2,572)
Income taxes.....	23	219	33	245	550
<b>Net loss for the period.....</b>	<b>(79)</b>	<b>(582)</b>	<b>(117)</b>	<b>(837)</b>	<b>(1,350)</b>

#### Revenue

Revenue increased by SEK 48m, or 4.0%, to SEK 1,246m (1,198) for the three months ended June 30, 2015.

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

Service	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Consumer.....	936	877	1,850	1,743	3,540
Landlord.....	175	196	353	397	774
B2B.....	77	70	154	72	222
Other.....	58	55	116	110	226
<b>Total Revenue.....</b>	<b>1,246</b>	<b>1,198</b>	<b>2,474</b>	<b>2,322</b>	<b>4,761</b>

#### Consumer Services

Revenue from consumer services increased by SEK 58m or 6.6%, to SEK 936m (877) in the three months ended June 30, 2015. The increase was due to higher revenue from broadband and digital television. Broadband services revenue increased to SEK 414m (356) due to an increased number of RGUs and improved speed mix as a function of continued strong demand for our broadband services with high speed and the price changes made during the quarter. Digital television revenue increased to SEK 445m (434) as a result of sales increases of TiVo packages, migration of existing digital television customers to TiVo packages and the price changes made during the quarter. The increase in revenue due to TiVo and the price changes is partly offset by lower revenue from Premium packages. The increase in revenue from broadband and digital television services was partly offset by a decrease in fixed telephony revenue to SEK 77m (87), due to lower variable usage.

Revenue from consumer services increased by SEK 107m or 6.1% and was SEK 1,850m (1,743) in the six months ended June 30, 2015. The increase was due to higher revenue from broadband and digital television. Revenue from broadband services was SEK 808m (700). The increase was 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 broadband services and the price changes made during the second quarter. Revenue from digital television services totaled SEK 887m (865). The increase was a result of better tier mix due to sales of TiVo packages, migration of existing digital television customers to TiVo packages and the price changes made during the second quarter. The increase in revenue due to TiVo and the price changes is partly offset by lower revenue from Premium packages.



The increase in revenue from digital television and broadband services was partly offset by a decrease in fixed telephony revenue totaling SEK 155m (178). The decrease was due to lower variable usage.

#### *Landlord Services*

Revenue from landlord services decreased by SEK 21m or 10.9%, to SEK 175m (196) in the three months ended June 30, 2015. The decrease was primarily due to a reduction in ARPU mainly as a result of contract renegotiations, lower index pricing and the one off migration of customers to B2B services during the last six months of 2014.

Revenue from landlord services decreased by SEK 43m or 10.9% and was SEK 353m (397) in the six months ended June 30, 2015. The decrease was primarily due to a reduction in ARPU from landlord customers mainly as a result of contract renegotiations, lower index pricing and the one off migration of customers from landlord services to B2B services during the last six months of 2014.

#### *B2B Services*

Revenue from B2B services was SEK 77m for the three months ended June 30, 2015, compared to SEK 70m for the three months ended June 30, 2014. The increase is attributable to customer growth of 8,000 new RGUs in the OnNet B2B services resulting in a SEK 9m revenue increase compared to the corresponding quarter in 2014.

Revenue from B2B services was SEK 154m in the six months ended June 30, 2015 compared to SEK 72m for the first six months of 2014. The increase was attributable both to a strong customer growth in the B2B OnNet services and that the Phonera business was consolidated as of March 31 2014. Phonera contributed with SEK 65m of the total revenue increase of SEK 82m during the first six months.

#### *Other Revenue*

Other revenue increased to SEK 58m (55) in the three months ended June 30, 2015. Other revenue increased by SEK 6m, or 5.7%, and was SEK 116m (110) in the six months ended June 30, 2015. The increase for both periods was mainly explained by higher revenue from iTUX, the Group's communication operator.

#### **Operating profit (EBIT)**

Operating profit (EBIT) was SEK 180m (158) for the three months ended June 30, 2015. The increase was due to higher underlying EBITDA and lower non-recurring costs since the second quarter last year included non-recurring costs for TiVo. The decrease in non-recurring costs was partly offset by higher amortization of previously capitalized sales costs as a result of higher sales in both the consumer business and the B2B business.

Operating profit (EBIT) was SEK 350m (306) for the six months ended June 30, 2015. The increase was due to higher underlying EBITDA and lower non-recurring costs since the first six months 2015 included non-recurring costs for TiVo. The decrease in non-recurring costs was partly offset by higher amortization of previously capitalized sales costs as a result of higher sales in both the consumer business and the B2B business.

#### **Net Financial Income and Expenses**

Financial income and expenses amounted to a net expense of SEK 282m (958) for the three months ended June 30, 2015. Excluding last year's non-recurring costs of SEK 402m associated to refinancing of the Senior Credit Facilities and the redemption of 35% of the Senior Notes, financial income and expenses amounted to a net expense of SEK 282m (556). The decrease in financial income and expenses excluding non-recurring costs was due to the decrease in the financial debt and lower average interest rate.

Financial income and expenses amounted to a net expense of SEK 500m (1,387) for the six months ended June 30, 2015. Excluding non-recurring costs of SEK 402m associated to last year's refinancing of the Senior Credit Facilities and the redemption of 35% of the Senior Notes financial income and expenses amounted to a net expense of SEK 500m (985). The decrease in financial income and expenses excluding non-recurring costs was due to the decrease in the financial debt and lower average interest rates.

#### **Income Taxes**

The Group recognized a deferred tax income of SEK 23m (219) for the three months ended June 30, 2015. Deferred tax income was SEK 33m (245) for the six months ended June 30, 2015.

#### **Net Result for the Period**

The Group recognized a net loss of SEK 79m (582) for the three months ended June 30, 2015. The Group recognized a net loss of SEK 117m (837) for the six months ended June 30, 2015.

## Reconciliation of the Net Result for the Period to Underlying EBITDA

The table below sets forth a reconciliation of net result for the period to Underlying EBITDA for the three months ended June 30, 2015 and 2014, and for the six months ended June 30, 2015 and 2014.

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
<b>Net result for the period</b> .....	<b>(79)</b>	<b>(582)</b>	<b>(117)</b>	<b>(837)</b>	<b>(1,350)</b>
Income taxes.....	(23)	(219)	(33)	(245)	(550)
Net financial income and expenses.....	282	958	500	1,387	2,572
<b>Operating Profit</b> .....	<b>180</b>	<b>158</b>	<b>350</b>	<b>306</b>	<b>672</b>
Write-downs <sup>(1)</sup> .....	9	4	9	4	15
Depreciation and amortization.....	389	357	765	697	1,438
Non-recurring costs.....					
-of which TiVo and B2B launch.....	-	24	-	60	60
-of which acquisition costs <sup>(2)</sup> .....	-	1	-	9	9
-of which redundancy.....	7	5	29	11	40
-of which other.....	1	14	2	18	16
<b>Total non-recurring costs</b> .....	<b>8</b>	<b>44</b>	<b>31</b>	<b>99</b>	<b>125</b>
Operating currency (loss)/gain.....	(2)	3	9	4	16
<b>Underlying EBITDA</b> .....	<b>585</b>	<b>565</b>	<b>1,165</b>	<b>1,110</b>	<b>2,267</b>

(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 Phonerä Företag AB).

### Underlying EBITDA

Underlying EBITDA increased by SEK 19m or 3.4%, to SEK 585m (565), and the underlying EBITDA margin was 46.9% (47.2%) for the three months ended June 30, 2015. The increase in underlying EBITDA was mainly due to revenue growth from consumer and B2B services. The underlying EBITDA margin was lower as a consequence of a change in the revenue mix.

Underlying EBITDA increased by SEK 55m or 5.0% and was SEK 1,165m (1,110) and the underlying EBITDA-margin was 47.1% (47.8%) for the six months ended June 30, 2015. The increase in underlying EBITDA was mainly due to revenue growth from the consumer services and the revenue contribution from B2B services.

### Capital Expenditure (Capex)

Capital expenditure increased by SEK 11m or 4.6%, to SEK 250m (239), representing 20.1% (20.0%) of revenue for the three months ended June 30, 2015. The increase was due to increased investments in broadband capacity and in the B2B business.

Capital expenditure increased by SEK 59m, or 13.1%, and was SEK 513m (454) for the six months ended June 30, 2015. As a percentage of revenue capital expenditure were 20.7% (19.5%). The increase was due to increased capitalized sales costs for the acquisition of new customers during the first quarter as well as increased investments in broadband capacity and the B2B business.

### Operating Free Cash Flow

Operating free cash flow increased by SEK 8m or 2.5%, to SEK 334m (326) for the three months ended June 30, 2015. The increase was a result of higher underlying EBITDA contribution partly offset by higher investments.

Operating free cash flow decreased by SEK 4m, or 0.6%, and was SEK 652m (656) for the six months ended June 30, 2015. The decrease was mainly due to higher investments partly offset by higher underlying EBITDA contribution.

### Liquidity

As of June 30, 2015 the Group held SEK 681m (453) of cash and cash equivalents. Unutilized credit facilities amounted to SEK 995m.

## 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, 2015 and 2014, and the audited condensed consolidated financial statements as of and for the year ended December 31, 2014. 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,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Underlying EBITDA <sup>(1)</sup> .....	585	565	1,165	1,110	2,267
Underlying EBITDA margin (in %) <sup>(2)</sup> .....	46.9	47.2	47.1	47.8	47.6
Operating Free Cash Flow <sup>(3)</sup> .....	334	326	652	656	1,216
Operating Free Cash Flow margin (in%) <sup>(4)</sup> .....	26.8	27.2	26.4	28.3	25.5

(1) Underlying EBITDA is defined as net result 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 Result for the Period to Underlying EBITDA, see "Results of Operations and Financial Condition - Reconciliation of the Net Result 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 June 30,		As of and for the three months ended March 31,		As of and for the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(in thousands, except otherwise indicated)</i>				
<b>Landlord Business</b>					
Homes connected <sup>(1)</sup> .....	1,930	1,832	1,920	1,830	1,876
Landlord ARPU <sup>(2)</sup> (SEK).....	30	35	31	37	33
<b>Consumer Business</b>					
Unique consumer subscribers <sup>(3)</sup> .....	894	846	888	838	876
Total consumer RGUs <sup>(4)</sup> .....	1,600	1,503	1,595	1,492	1,566
Consumer RGUs per unique subscriber (in units)...	1.79	1.78	1.80	1.78	1.79
Consumer ARPU <sup>(2,5)</sup> (SEK).....	361	360	358	359	361
Consumer churn <sup>(6)</sup> (%).....	13.7	16.4	13.3	15.2	14.2
<b>Consumer RGUs</b>					
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- of which TiVo customers.....	204	103	189	74	164
Broadband.....	637	577	628	570	612
Fixed Telephony.....	337	326	342	327	337

- (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) 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.
- (4) 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.
- (5) Consumer ARPU is calculated by dividing all digital television, 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 as the number of unique subscribers on the first day in the respective period plus the number of unique subscribers on the last day of the respective period, divided by two.
- (6) 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, 2015 and 2014, as of and for the six months ended June 30, 2015 and 2014, and as of for the year ended December 31, 2014 .

### Condensed Consolidated Income Statement

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,246	1,198	2,474	2,322	4,761
Cost of sales and services.....	(619)	(585)	(1,213)	(1,134)	(2,315)
<b>Gross profit.....</b>	<b>627</b>	<b>613</b>	<b>1,261</b>	<b>1,188</b>	<b>2,446</b>
Selling expenses.....	(380)	(384)	(770)	(745)	(1,491)
Administrative expenses.....	(62)	(62)	(127)	(125)	(256)
Other operating income and expenses.....	(5)	(8)	(13)	(12)	(26)
<b>Operating profit.....</b>	<b>180</b>	<b>158</b>	<b>350</b>	<b>306</b>	<b>672</b>
Net financial income and expenses.....	(282)	(958)	(500)	(1,387)	(2,572)
<b>Result after financial items.....</b>	<b>(102)</b>	<b>(800)</b>	<b>(150)</b>	<b>(1,081)</b>	<b>(1,900)</b>
Income taxes.....	23	219	33	245	550
<b>Net result for the period.....</b>	<b>(79)</b>	<b>(582)</b>	<b>(117)</b>	<b>(837)</b>	<b>(1,350)</b>
<b>Earnings per share</b>					
Basic (SEK).....	(132)	(969)	(194)	(1,394)	(2,250)
Diluted (SEK).....	(132)	(969)	(194)	(1,394)	(2,250)

### Other Comprehensive Income

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
<b>Net result for the period.....</b>	<b>(79)</b>	<b>(582)</b>	<b>(117)</b>	<b>(837)</b>	<b>(1,350)</b>
<b>Other comprehensive income</b>					
<b>Components not to be reclassified to net profit/loss</b>					
Revaluation of pension obligations.....	40	(38)	40	(38)	(110)
Tax attributable to revaluation of pension obligations.....	(9)	8	(9)	8	24
<b>Total other comprehensive income for the period, net of tax.....</b>	<b>31</b>	<b>(30)</b>	<b>31</b>	<b>(30)</b>	<b>(86)</b>
<b>Total comprehensive income for the period.....</b>	<b>(48)</b>	<b>(611)</b>	<b>(85)</b>	<b>(866)</b>	<b>(1,436)</b>

## Condensed Consolidated Balance Sheet

	As of June 30, 2015	As of June 30, 2014	As of December 31, 2014
	<i>(SEK in millions)</i>	<i>(SEK in millions)</i>	<i>(SEK in millions)</i>
<b>Non-current assets</b>			
Intangible assets.....	15,780	16,244	16,041
Property, plant and equipment.....	1,505	1,458	1,505
Other non-current assets.....	241	6	267
<b>Total non-current assets.....</b>	<b>17,525</b>	<b>17,708</b>	<b>17,813</b>
Current assets.....	790	634	791
Cash and cash equivalents.....	681	453	586
<b>Total current assets.....</b>	<b>1,471</b>	<b>1,087</b>	<b>1,377</b>
<b>Total assets.....</b>	<b>18,996</b>	<b>18,795</b>	<b>19,190</b>
<b>Total equity.....</b>	<b>793</b>	<b>(40)</b>	<b>1,236</b>
Non-current interest-bearing liabilities.....	16,211	14,606	15,893
-of which intercompany loans.....	6,769	6,117	6,501
Other non-current liabilities.....	204	160	236
Deferred tax liabilities.....	188	451	212
<b>Total non-current liabilities.....</b>	<b>16,603</b>	<b>15,218</b>	<b>16,341</b>
Current interest-bearing liabilities.....	32	2,049	30
Other current liabilities.....	1,569	1,569	1,584
<b>Total current liabilities.....</b>	<b>1,601</b>	<b>3,618</b>	<b>1,614</b>
<b>Total equity and liabilities.....</b>	<b>18,996</b>	<b>18,795</b>	<b>19,190</b>
	As of June 30, 2015	As of June 30, 2014	As of December 31, 2014
	<i>(SEK in millions)</i>	<i>(SEK in millions)</i>	<i>(SEK in millions)</i>
<b>Opening Total equity beginning of period.....</b>	<b>1,236</b>	<b>(664)</b>	<b>(664)</b>
Net result for the period.....	(117)	(837)	(1,350)
Other comprehensive income for the period, net of tax.....	31	(30)	(86)
<b>Total comprehensive income for the period.....</b>	<b>(85)</b>	<b>(866)</b>	<b>(1,436)</b>
<b>Transactions with owners of the company</b>			
Dividend.....	(357)	-	-
Repurchase of warrants.....	(1)	-	-
Shareholder's contribution.....	-	1,490	3,044
Group contribution, net of tax.....	-	-	291
<b>Closing Total equity end of period.....</b>	<b>793</b>	<b>(40)</b>	<b>1,236</b>

## 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,
	2015	2014	2015	2014	2014
	(SEK in millions)		(SEK in millions)		(SEK in millions)
<i>Operating activities</i>					
Result after financial items.....	(102)	(800)	(150)	(1,081)	(1,900)
Adjustments for items not included in cash flow*.....	542	798	1,085	1,473	2,696
Change in working capital.....	(57)	(67)	(58)	(140)	(159)
<b>Cash flow from operating activities.....</b>	<b>382</b>	<b>(69)</b>	<b>877</b>	<b>252</b>	<b>637</b>
<i>Investing activities</i>					
Acquisition of intangible assets.....	(103)	(107)	(214)	(183)	(429)
Acquisition of property, plant and equipment.....	(132)	(131)	(284)	(270)	(594)
Acquisition of subsidiaries.....	-	(11)	-	(302)	(302)
Divestment of financial assets.....	-	-	-	-	6
<b>Cash flow from investing activities.....</b>	<b>(235)</b>	<b>(248)</b>	<b>(498)</b>	<b>(755)</b>	<b>(1,318)</b>
<i>Financing activities</i>					
Shareholder's contribution.....	-	1,490	-	1,490	3,044
Dividend.....	(357)	-	(357)	-	-
Repurchase of warrants.....	(1)	-	(1)	-	-
Borrowings.....	100	4,800	100	4,800	8,575
Amortization of borrowings.....	(8)	(6,252)	(15)	(6,399)	(11,366)
Payment of borrowing costs.....	-	(56)	(11)	(56)	(108)
<b>Cash flow from financing activities.....</b>	<b>(266)</b>	<b>(18)</b>	<b>(285)</b>	<b>(165)</b>	<b>145</b>
<b>Net cash flow for the period.....</b>	<b>(119)</b>	<b>(335)</b>	<b>95</b>	<b>(668)</b>	<b>(536)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>799</b>	<b>789</b>	<b>586</b>	<b>1,122</b>	<b>1,122</b>
<b>Cash and cash equivalents at period end.....</b>	<b>681</b>	<b>453</b>	<b>681</b>	<b>453</b>	<b>586</b>

### \*Adjustments for items not included in cash flow

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Depreciation and amortization of assets.....	389	357	765	697	1,438
Unrealized exchange rate differences.....	(38)	191	(153)	196	339
Capital gain from divestment of non-current assets	9	-	9	-	-
Unrealized change in fair value of derivatives.....	11	(97)	30	(117)	(158)
Change in capitalized borrowing expenses and discounts.....	9	254	18	280	432
Change in accrued interest expenses.....	(21)	(247)	49	(86)	(124)
Redemption premium.....	-	(61)	-	99	-
Interest not settled with cash, group companies.....	179	396	359	396	743
Other profit/loss items not settled with cash.....	4	5	7	7	26
<b>Total.....</b>	<b>542</b>	<b>798</b>	<b>1,085</b>	<b>1,473</b>	<b>2,696</b>

## 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 described in the Group's 2014 Annual Report. The accounts are presented in millions of Swedish kronor (SEKm), which is also the Group's functional currency. New or amended IFRSs which became effective on January 1, 2015, have had no material effect on the consolidated financial statements. The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting.

This Interim Report has been approved for issuance by the Board of Directors on July 14, 2015.

### 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 increased by 6.5% and was SEK 2,474m (2,322) in the six months ended June 30, 2015. Revenue from consumer services increased by SEK 107m or 6.1% and was SEK 1,850m (1,743). Revenue from broadband services was SEK 808m (700). Revenue from digital television services totaled SEK 887m (865). Revenue from fixed telephony revenue totaled SEK 155m (178). Revenue from landlord services was SEK 353m (397). Revenue from B2B services was SEK 154m compared to SEK 72m for the first six months of 2014. Other revenue was SEK 116m (110).

Revenue by service <u>SEK in million</u>	For the six months ended June 30,		For the six months ended June 30,
	2015	% Change	2014
Consumer.....	1,850	6.1	1,743
Landlord.....	353	(10.9)	397
B2B.....	154	113.8	72
Other.....	116	5.7	110
<b>Total.....</b>	<b>2,474</b>	<b>6.5</b>	<b>2,322</b>

### Note 3 Operating Expenses

The Group's cost of sales and services amounted to SEK 1,213m (1,134), or 49.0% (48.8%) of total revenue in the six months ended June 30, 2015. Selling expenses amounted to SEK 770m (745), or 31.1% (32.1%) of total revenue, administrative expenses amounted to SEK 127m (125), or 5.1% (5.4%) of total revenue and the Group's net other operating income and expenses amounted to an expense of SEK 13m (12).

### Note 4 Financial Income and Expenses

Financial income and expenses amounted to a net expense of SEK 500m (1,387) for the six months ended June 30, 2015. Excluding non-recurring costs of SEK 402m associated to last year's refinancing of the Senior Credit Facilities and the redemption of 35% of the Senior Notes financial income and expenses amounted to a net expense of SEK 500m (985). The decrease in financial income and expenses excluding non-recurring costs was due to the decrease in the financial debt and lower average interest rates.

### Note 5 Income Taxes

The Group recognized a deferred tax income for the six months ended June 30, 2015 of SEK 33m (245).

### Note 6 Net Result for the Period

The Group recognized a net loss of SEK 117m (837) in the six months ended June 30, 2015.



### Note 7 Capital Expenditure (Capex)

Capital expenditure increased by SEK 59m, or 13.1%, and was SEK 513m (454). As a percentage of revenue capital expenditure were 20.7% (19.5%).

### 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 goodwill is expected to be tax deductible.

<b>Acquisition of Phonera SEK in millions</b>	<b>Recognized value in the Group</b>
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)
<b>Recognized assets, net.....</b>	<b>154</b>
Goodwill.....	157
<b>Purchase price.....</b>	<b>311</b>

No acquisitions were made during the first six months of 2015.

### Note 9 Liquidity and Financial Position

As of June 30, 2014 the Group held SEK 681m (453) of cash and cash equivalents. Unused credit facilities amounted to SEK 995m.

### Note 10 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 2014. An amount of SEK -30m (116) regarding changes in fair value of derivatives have been recognized in the net financial.

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

<b>SEK in millions</b>	<b>As of June 30, 2015</b>	<b>As of June 30, 2014</b>	<b>As of December 31, 2014</b>
Derivatives (CIRS).....	9	(2)	39
<b>Financial liabilities.....</b>	<b>9</b>	<b>(2)</b>	<b>39</b>

In connection with the refinancing in June 2014, the Group terminated certain hedging contracts.

### Note 11 Risks and Uncertainty Factors

The Group and the parent company have identified a number of operational and financial risks. Operational risks include increased competition, the ability to attract and retain customers, technical development, regulatory environment and substitution from fixed to mobile telephony. Financial risks include liquidity, credit, interest rate, and currency risks. For a detailed description of the significant risk factors for the Group's future development please see the description in the Group's 2014 Annual Report. The Group believes that the risk environment has not materially changed from the description in the 2014 Annual Report.

**Note 12 Events During the Second Quarter**

At the Annual General Meeting May 21, it was resolved to re-elect Andrew Barron, Nicholas Stathopoulos, Joachim Ogland and Anders Nilsson as board members and elect Mikael Larsson as a new member of the board.

At an Extraordinary General Meeting May 22, it was resolved to distribute a dividend of SEK 357m to the parent company Com Hem Holding AB (publ).

**Note 13 Subsequent Events**

No subsequent events to be reported.



### **For further information**

#### **Analyst and investor contact**

Petra von Rohr  
Director IR and Communications  
[investor.relations@comhem.com](mailto:investor.relations@comhem.com)

#### **Press contact**

Fredrik Hallstan  
Head of PR  
[press@comhem.com](mailto:press@comhem.com)

#### **Visiting address**

Fleminggatan 18  
SE-104 20 Stockholm, Sweden  
[www.comhem.com](http://www.comhem.com)

### **About Com Hem**

*Com Hem is one of Sweden's leading suppliers of television, broadband and fixed-telephony. Approximately 40%, 1.93 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, broadband, fixed-telephony and has a competitive B2B-offer of broadband and telephony services. Com Hem was established in 1983, has approximately 1,200 employees and its head office in Stockholm. Operations are run through three subsidiaries; Com Hem AB, Phonerä Företag AB and iTUX Communication AB. The Com Hem share is listed on NASDAQ Stockholm, Large Cap.*