



**com hem**

**Interim Report**

**as of December 31, 2014**

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

**FOR IMMEDIATE RELEASE**

Date: February 10, 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 December 31, 2014 (the "**Interim Report**") presenting the NorCell Sweden Holding 2 AB (publ) Group's condensed consolidated financial statements for the period October 1, 2014 to December 31, 2014 and January 1, 2014 to December 31, 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 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 "*Fourth quarter Highlights*" and "*Results of Operations and Financial Condition*", and include, among other things, statements relating to:

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

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

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

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

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## OPERATING PERFORMANCE AND KEY FINANCIAL RESULTS

The following chapter presents the operating performance and key financial results for the three months ended December 31, 2014, and December 31, 2013, unless otherwise stated. You should read this table in conjunction with "Results of Operations and Financial Condition", "Presentation of Financial and Other Information" and "Condensed Consolidated Financial Statements", which are included elsewhere in this Interim Report.

### Operating Performance

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

	As of and for the three months ended December 31,		As of and for the three months ended September 30,	
	2014	2013	2014	2013
<i>(in thousands, except otherwise indicated)</i>				
<b>Landlord Business</b>				
Homes connected <sup>(1)</sup> .....	1,876	1,817	1,846	1,789
Landlord ARPU <sup>(2,3)</sup> (SEK).....	33	36	35	37
<b>Consumer Business</b>				
Unique consumer subscribers <sup>(4)</sup> .....	876	830	861	829
Total consumer RGUs <sup>(5)</sup> .....	1,566	1,482	1,531	1,484
Consumer RGUs per unique subscriber (in units).....	1.79	1.79	1.78	1.79
Consumer ARPU <sup>(2,3,6)</sup> (SEK).....	361	355	361	354
Consumer churn <sup>(7)</sup> (%).....	14.2	16.3	14.8	16.3
<b>Consumer RGUs</b>				
Digital television.....	618	597	607	603
- of which TiVo customers.....	164	38	132	6
High-speed Broadband.....	612	558	594	551
Fixed Telephony.....	337	327	329	330

- (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 dividing 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 December 31, Com Hem had 1,876,000 homes connected, an increase of 30,000 households during the quarter. The increase was attributable to additional households connected via open networks from third-party communication operators.

Landlord ARPU decreased by SEK 2 compared with the third quarter of 2014, to SEK 33. The decrease was mainly due to contract renegotiations and migration of customers to B2B services during previous quarters this year.

## **Consumer Business**

As of December 31, the number of unique consumer subscribers was 876,000, an increase of 16,000 compared with the end of the third quarter of 2014. Customer intake increased for all services with particularly strong growth in broadband and digital television RGUs.

Consumer RGUs totaled 1,566,000, an increase of 36,000. The increase was driven by growth across all services, as a result of our ability to acquire new customers to our leading broadband and digital television services, plus our success in upselling customers to subscribe to additional services.

The number of RGUs per unique subscriber was 1.79 at the end of the quarter, which is a slight increase compared with the preceding quarter.

Consumer ARPU was SEK 361 for the quarter, the same level as the third quarter of 2014 and an increase of SEK 6 compared with last year.

Consumer churn for the fourth quarter was 14.2%, compared with 14.8% for the third quarter of 2014. The decrease was due to a number of factors, but primarily reflects the early impact of the initiatives taken to improve the quality of our customers' experience.

## **Consumer RGUs**

During the fourth quarter digital television RGUs increased by 10,000 to 618,000, the highest number of digital television RGUs since the second quarter of 2012. The increase was attributable to higher sales of Com Hem's digital television services, supported by the TiVo service. Following the commercial launch of TiVo in October 2013, 164,000 digital television customers now subscribe to the TiVo service, which is equivalent to a penetration of 27% of the total number of digital television RGUs.

Broadband RGUs increased by 17,000 during the quarter to 612,000. The growth during the quarter reflects the success of the upgrade of customer speed and continued strong demand for Com Hem's market leading broadband offerings. The number of new customers that chose 100 Mbit/s and above increased from 65% to 71%, which demonstrates the continued demand for higher speeds.

Fixed telephony RGUs continued to grow during the quarter to 337,000 telephony RGUs, an increase of 8,000 RGUs compared with the third quarter. The increase during the quarter was mainly due to strong broadband demand.

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

On October 23, new Senior Secured Notes were issued of SEK 2,500m due in 2019 with a 5.25% interest coupon.

On November 12, the SEK 3,492m Senior Secured Notes with a 9.25% interest coupon were redeemed in full and refinanced with the new Senior Secured Notes together with an incremental term loan of SEK 375m and drawing of the existing revolving facility.

The parent company NorCell 1B AB (publ) was merged with Com Hem Holding AB (publ) in December 2014.

## **Major Events After the Fourth quarter**

On February 10, it was announced that Mikael Larsson has been appointed CFO of Com Hem AB from June 1, 2015 and will be a member of the Executive Management Team. Mikael Larsson has held the position as CFO of Investment AB Kinnevik since 2001. Mikael Larsson replaces Joachim Jaginder who has decided to leave Com Hem after 6 years, and who will hereby resign from any duties as member of the board within the Group companies. For further information see separate press release.

## Key Financial Results

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

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
Revenue.....	1,229	1,114	4,761	4,448
Underlying EBITDA <sup>(1)</sup> .....	579	540	2,267	2,200
Net result for the period.....	(362)	(478)	(1,350)	(1,005)
Capital Expenditures.....	340	398	1,051	1,038
Operating Free Cash Flow <sup>(2)</sup> .....	240	142	1,216	1,162

(1) Previous reported as Underlying Reported EBITDA.

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

### Revenue for the Fourth quarter 2014

Revenue increased by SEK 116m, or 10.4%, to SEK 1,229m (1,114) of which Phonera contributed with SEK 68m or 6.1%. Excluding Phonera revenue, the increase in revenue was SEK 48m, or 4.3%. Revenue from the digital television and high-speed broadband services increased, partly offset by decreased revenue from the fixed-telephony services.

### Underlying EBITDA development for the Fourth quarter 2014

Underlying EBITDA increased by SEK 39m or 7.3%, to SEK 579m (540), and the underlying EBITDA margin was 47.1% (48.5%). The increase in underlying EBITDA was mainly due to revenue growth from consumer services as well as the contribution from the Phonera business. The underlying EBITDA margin was lower as a consequence of the acquisition of Phonera, as services sold by Phonera outside Com Hem's network have a lower gross margin compared with services sold inside Com Hem's network, higher sales costs and a temporary investment in quality increasing customer service activities.

### Net result for the period

The Group recognized a net result of SEK -362m (-478) in the three months ended December 31, 2014.

### Decrease in Investments for the Fourth quarter 2014

Capital expenditure decreased by SEK 58m, or 14.6%, to SEK 340m (398), representing 27.6% (35.7%) of revenue. The decrease was mainly due to lower investment in TiVo boxes due to high purchased volume during the fourth quarter of 2013 as well as lower investments in network-related capex due to lower investments in the TiVo platform. The decrease was partly offset by higher capitalized sales costs as an effect of increased sales volumes and increased upsell activities.

### Operating Free Cash Flow for the Fourth quarter 2014

Operating free cash flow increased by SEK 97m, or 68.4%, to SEK 240m (142). The increase was due to lower capex as well as higher underlying EBITDA contribution.

## RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion and analysis of the results of operations and financial condition of the Group, based on the unaudited condensed consolidated financial statements of the NorCell Group as of and for the three months ended December 31, 2014 and 2013, and as of and for the year ended December 31, 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 December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
Revenue.....	1,229	1,114	4,761	4,448
Cost of sales and services.....	(601)	(550)	(2,315)	(2,190)
<b>Gross profit.....</b>	<b>628</b>	<b>563</b>	<b>2,446</b>	<b>2,258</b>
Selling expenses.....	(388)	(382)	(1,491)	(1,378)
Administrative expenses.....	(66)	(57)	(256)	(220)
Other operating income and expenses.....	(14)	(14)	(26)	(3)
<b>Operating Profit.....</b>	<b>161</b>	<b>110</b>	<b>672</b>	<b>657</b>
Net financial income and expense.....	(844)	(613)	(2,572)	(1,837)
Income taxes.....	322	25	550	175
<b>Net result for the period.....</b>	<b>(362)</b>	<b>(478)</b>	<b>(1,350)</b>	<b>(1,005)</b>

#### Revenue

Revenue during the quarter increased by SEK 116m, or 10.4%, to SEK 1,229m (1,114). Excluding Phonera revenue, the increase was SEK 48m, or 4.3%. Total revenue for the year increased by 7.0% and totaled SEK 4,761m (4,448). Phonera contributed SEK 198m to the Group's aggregated revenue.

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

Service <sup>(1)</sup>	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
Consumer.....	908	856	3,540	3,423
Landlord.....	186	196	774	797
B2B <sup>(2)</sup> .....	78	1	222	2
Other <sup>(3)</sup> .....	59	61	226	227
<b>Total Revenue.....</b>	<b>1,229</b>	<b>1,114</b>	<b>4,761</b>	<b>4,448</b>

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

(2) Historically Com Hem has reported B2B revenue among Other revenue, as of q2 2014 B2B revenue is reported as a separate line item.

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

#### Consumer Services

Revenue from consumer services increased by SEK 52m or 6.1% to SEK 908m (856) in the three months ended December 31, 2014. The increase was due to higher revenue from broadband and digital television. Broadband services revenue increased to SEK 387m (335) due to an increased number of RGUs and improved speed mix as a function of the success from the broadband upgrade campaign and continued strong demand for high-speed broadband services. Digital television revenue increased to SEK 439m (423) as a result of new sales of TiVo as well as migration of existing digital television customers to TiVo packages. The increase in revenue from broadband and digital television services was partly offset by a decrease in fixed telephony revenue to SEK 82m (98), due to lower usage.



Revenue from consumer services increased by SEK 117m or 3.4%, to SEK 3,540m (3,423) in the year ended December 31, 2014. The increase was due to higher revenue from broadband and digital television services. The increase in broadband revenue to SEK 1,461m (1,323) was driven by an increased number of RGUs and higher ARPU due to improved speed mix as a function of strong demand for Com Hem's broadband services. Digital television revenue increased to SEK 1,737m (1,683), as a result of a better tier mix due to new sales of TiVo as well as migration of existing digital television customers to TiVo packages. The increase in revenue from digital television and broadband services was partly offset by a decrease in fixed telephony revenue to SEK 341m (417), mainly due to lower usage.

#### *Landlord Services*

Revenue from landlord services decreased by SEK 10m or 5.2%, to SEK 186m (196) in the three months ended December 31, 2014. The decrease was primarily due to a reduction in ARPU mainly as a result of contract renegotiations and migration of customers to B2B services during previous quarters of 2014.

Revenue from landlord services decreased by SEK 23m or 2.9%, to SEK 774m (797) in the year ended December 31, 2014. The decrease was primarily due to a reduction in ARPU mainly as a result of contract renegotiations.

#### *B2B Services*

Revenue from B2B services was SEK 78m, compared to SEK 1m for the fourth quarter of 2013. Excluding Phonera revenue the increase was SEK 8m.

Revenue from B2B services was SEK 222m compared with SEK 2m for the full year of 2013. Phonera revenue contributed SEK 198m to the Group's aggregated B2B revenue.

#### *Other Revenue*

Other revenue decreased by SEK 2m or 3.8%, to SEK 59m (61) in the three months ended December 31, 2014. The decrease was due to lower barter revenue, partly offset by higher revenue from iTUX, the Group's communication operator.

Other revenue decreased by SEK 1m or 0.3%, to SEK 226m (227) in the year ended December 31, 2014. The decrease was mainly explained by lower barter revenue, partly offset by higher revenue from iTUX, the Group's communication operator.

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

Operating profit (EBIT) was SEK 161m (110) in the three months ended December 31, 2014. The increase, in addition to the explanation in Underlying EBITDA below, was due to no TiVo non-recurring costs partly offset by higher amortization of capitalized sales costs as a function of higher sales during the year and added amortization and depreciation from Phonera.

Operating profit (EBIT) was SEK 672m (657) in the year ended December 31, 2014. The increase, in addition to the explanation in Underlying EBITDA below, was due to no TiVo non-recurring costs partly offset by higher amortization of capitalized sales costs as a function of higher sales during the year and added amortization and depreciation due to the acquisition of Phonera.

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

Net financial income and expenses amounted to a net expense of SEK 844m (613) in the three months ended December 31, 2014. The increase of SEK 231m was due to one-off costs of SEK 377m associated with the refinancing of the redeemed SEK 3,492m Senior Secured Notes. The one-off costs consist of redemption premiums of SEK 242m and unamortized borrowing costs of SEK 129m related to the repaid SEK 3,492m Senior Secured Notes with an original amortization period until 2018 now expensed as one-off costs. The one-off costs were partially offset by a lower interest expense for the period compared with last year, mainly due to the decrease in the amount of outstanding debt as well as lower interest rates for the total outstanding debt.

Net financial income and expenses amounted to a net expense of SEK 2,572m (1,837) in the year ended December 31, 2014. The increase of SEK 735m was mainly explained by one-off costs of SEK 777m associated to the repaid Credit Facilities and the redemption of the Senior Secured Notes and 35% of the outstanding Senior Notes. The one-off costs consist of unamortized borrowing costs of SEK 363m related to the repaid Credit Facilities and the redemption of the notes with an original amortization period until 2018-2019 and redemption premiums of SEK 340m. The costs also include a one-off interest expense from the parent company of SEK 69m related to

unamortized borrowing costs for the Senior PIK Notes in connection with the redemption of the Senior PIK Notes in the parent company.

### Income Taxes

The Group recognized a deferred tax income of SEK 322m (25) for the three months ended December 31, 2014 and a deferred tax income of SEK 550m (175) for the year ended December 31, 2014. The increase in deferred tax income was explained by a higher loss after financial items as well as measurement of deferred tax assets on tax losses carried forward that were not measured previously. During the fourth quarter the Group has accounted for deferred tax assets on all tax losses carried forward, since they are expected to be used within the foreseeable future.

### Net Result for the Period

The Group recognized a net result of SEK -362m (-478) for the three months ended December 31, 2014.

The Group recognized a net result of SEK -1,350m (-1,005) for the year ended December 31, 2014. Excluding one-off costs related to the refinancing of debt of SEK 777m, the net result for the year was SEK -573m.

### 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 December 31, 2014 and 2013, and for the year ended December 31, 2014 and 2013.

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
<b>Net result for the period</b> .....	<b>(362)</b>	<b>(478)</b>	<b>(1,350)</b>	<b>(1,005)</b>
Income taxes.....	(322)	(25)	(550)	(175)
Net financial income and expenses.....	844	613	2,572	1,837
<b>Operating Profit</b> .....	<b>161</b>	<b>110</b>	<b>672</b>	<b>657</b>
Write-downs <sup>(1)</sup> .....	11	14	15	15
Depreciation and amortization.....	377	343	1,438	1,352
Non-recurring costs:				
-of which TiVo and B2B launch.....	-	53	60	102
-of which acquisition costs <sup>(2)</sup> .....	-	9	9	12
-of which redundancy.....	21	5	40	49
-of which other.....	2	5	16	16
<b>Total non-recurring costs</b> .....	<b>23</b>	<b>72</b>	<b>125</b>	<b>178</b>
Operating currency (loss)/gain.....	7	1	16	(2)
<b>Underlying EBITDA</b> .....	<b>579</b>	<b>540</b>	<b>2,267</b>	<b>2,200</b>

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

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

### Underlying EBITDA

Underlying EBITDA increased by SEK 39m or 7.3%, to SEK 579m (540) in the three months ended December 31, 2014, and the underlying EBITDA margin was 47.1% (48.5%). The increase in underlying EBITDA was mainly due to revenue growth from consumer services as well as the contribution from the Phonera business. The underlying EBITDA margin was lower as a consequence of the acquisition of Phonera, as services sold by Phonera outside Com Hem's network have a lower gross margin compared with services sold inside Com Hem's network, higher sales costs and a temporary investment in quality increasing customer service activities.

Underlying EBITDA increased by SEK 67m or 3.0% and was SEK 2,267m (2,200) in the year ended December 31, 2014, and the underlying EBITDA margin was 47.6% (49.5%). The increase in underlying EBITDA was due to the contribution from Phonera as well as growth in the consumer business. The underlying EBITDA margin was lower as a consequence of the acquisition of Phonera, as services sold by Phonera outside Com Hem's network have a lower gross margin compared with services sold inside Com Hem's network. The lower margin is also attributable to increased marketing and sales costs to support growth in RGUs and unique subscribers.

### Investments

Capital expenditure decreased by SEK 58m or 14.6%, to SEK 340m (398) in the three months ended December 31, 2014, representing 27.6% (35.7%) of revenue. The decrease was mainly due to lower investment in TiVo boxes due to high purchased volume during the fourth quarter of 2013 as well as lower investments in network-related

capex due to lower investments in the TiVo platform. The decrease was partly offset by higher capitalized sales costs as an effect of increased sales volumes and increased upsell activities.

Capital expenditure increased by SEK 12m or 1.2%, to SEK 1,051m (1,038) in the year ended December 31, 2014, representing 22.1% (23.3%) of revenue. The increase was mainly due to higher capitalized sales costs as a consequence of increased sales volumes during the year and increased upsell activities as well as higher investments in modems due to the upgrade of customer speed, and continued strong demand for higher broadband speeds. The increase was partly offset by lower investments in network-related capex due to lower investments in the TiVo platform as well as lower investment in TiVo boxes as an effect of high purchased volume during the second half of 2013.

#### **Operating Free Cash Flow**

Operating free cash flow was SEK 240m (142) in the three months ended December 31, 2014, an increase by SEK 97m or 68.4% as described in the sections Underlying EBITDA and Investments.

Operating free cash flow was SEK 1,216m (1,162) in the year ended December 31, 2014, an increase by SEK 54m or 4.7% as described in the sections Underlying EBITDA and Investments.

#### **Liquidity**

As of December 31, 2014 the Group held SEK 586m (1,122) in cash and cash equivalents. Unutilized credit facilities amounted to SEK 595m of which an overdraft facility of SEK 125m.

## 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 ended December 31, 2014 and 2013, and as of and for the year ended December 31, 2014 and 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 December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
Underlying EBITDA <sup>(1)</sup> .....	579	540	2,267	2,200
Underlying EBITDA margin (in %) <sup>(2)</sup> .....	47.1	48.5	47.6	49.5
Operating Free Cash Flow <sup>(3)</sup> .....	240	142	1,216	1,162
Operating Free Cash Flow margin (in %) <sup>(4)</sup> .....	19.5	12.8	25.5	26.1

(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 December 31,		As of and for the three months ended September 30,	
	2014	2013	2014	2013
<i>(in thousands, except otherwise indicated)</i>				
<b>Landlord Business</b>				
Homes connected <sup>(1)</sup> .....	1,876	1,817	1,846	1,789
Landlord ARPU <sup>(2,3)</sup> (SEK).....	33	36	35	37
<b>Consumer Business</b>				
Unique consumer subscribers <sup>(4)</sup> .....	876	830	861	829
Total consumer RGUs <sup>(5)</sup> .....	1,566	1,482	1,531	1,484
Consumer RGUs per unique subscriber (in units).....	1.79	1.79	1.78	1.79
Consumer ARPU <sup>(2,3,6)</sup> (SEK).....	361	355	361	354
Consumer churn <sup>(7)</sup> (%).....	14.2	16.3	14.8	16.3
<b>Consumer RGUs</b>				
Digital television.....	618	597	607	603
- of which TiVo customers.....	164	38	132	6
High-speed Broadband.....	612	558	594	551
Fixed Telephony.....	337	327	329	330

- (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 dividing 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 December 31, 2014 and 2013 and as of and for the year ended December 31, 2014 and 2013.*

### Condensed Consolidated Income Statement

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
Revenue.....	1,229	1,114	4,761	4,448
Cost of sales and services.....	(601)	(550)	(2,315)	(2,190)
<b>Gross profit.....</b>	<b>628</b>	<b>563</b>	<b>2,446</b>	<b>2,258</b>
Selling expenses.....	(388)	(382)	(1,491)	(1,378)
Administrative expenses.....	(66)	(57)	(256)	(220)
Other operating income and expenses.....	(14)	(14)	(26)	(3)
<b>Operating Profit.....</b>	<b>161</b>	<b>110</b>	<b>672</b>	<b>657</b>
Net financial income and expenses.....	(844)	(613)	(2,572)	(1,837)
<b>Result after financial items.....</b>	<b>(683)</b>	<b>(503)</b>	<b>(1,900)</b>	<b>(1,180)</b>
Income taxes.....	322	25	550	175
<b>Net result for the period.....</b>	<b>(362)</b>	<b>(478)</b>	<b>(1,350)</b>	<b>(1,005)</b>
<b>Earnings per share</b>				
Basic (SEK).....	(603)	(796)	(2,250)	(1,676)
Diluted (SEK).....	(603)	(796)	(2,250)	(1,676)

### Other Comprehensive Income

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
<b>Net result for the period.....</b>	<b>(362)</b>	<b>(478)</b>	<b>(1,350)</b>	<b>(1,005)</b>
<b>Other comprehensive income</b>				
<i>Components not to be reclassified to net profit/loss</i>				
Revaluation of pension obligations.....	(42)	1	(110)	59
Tax attributable to revaluation of pension obligations.....	9	0	24	(13)
<b>Total other comprehensive income for the period.....</b>	<b>(33)</b>	<b>1</b>	<b>(86)</b>	<b>46</b>
<b>Total comprehensive income for the period.....</b>	<b>(395)</b>	<b>(477)</b>	<b>(1,436)</b>	<b>(959)</b>

## Condensed Consolidated Balance Sheet

	As of December 31, 2014 <i>(SEK in millions)</i>	As of December 31, 2013 <i>(SEK in millions)</i>
<b>Non-current assets</b>		
Intangible assets.....	16,041	16,154
-of which goodwill.....	10,899	10,742
Property, plant and equipment.....	1,505	1,463
Other non-current assets.....	267	6
<b>Total non-current assets.....</b>	<b>17,813</b>	<b>17,624</b>
Current assets.....	791	563
Cash and cash equivalents.....	586	1,122
<b>Total current assets.....</b>	<b>1,377</b>	<b>1,685</b>
<b>Total assets.....</b>	<b>19,190</b>	<b>19,309</b>
<b>Total equity.....</b>	<b>1,236</b>	<b>(664)</b>
Non-current interest-bearing liabilities.....	15,893	17,022
-of which intercompany loans.....	6,501	5,648
Other non-current liabilities.....	236	235
Deferred tax liabilities.....	212	671
<b>Total non-current liabilities.....</b>	<b>16,341</b>	<b>17,927</b>
Current interest-bearing liabilities.....	30	308
Other current liabilities.....	1,584	1,737
<b>Total current liabilities.....</b>	<b>1,614</b>	<b>2,045</b>
<b>Total equity and liabilities.....</b>	<b>19,190</b>	<b>19,309</b>
	<b>As of December 31, 2014 <i>(SEK in millions)</i></b>	<b>As of December 31, 2013 <i>(SEK in millions)</i></b>
<b>Opening Total equity beginning of period.....</b>	<b>(664)</b>	<b>70</b>
Net result for the period.....	(1,350)	(1,005)
Other comprehensive income for the period, net of tax.....	(86)	46
<b>Total comprehensive income for the period.....</b>	<b>(1,436)</b>	<b>(959)</b>
<b>Transactions with owners of the company</b>		
Shareholder's contribution.....	3,044	-
Group contribution, net of tax.....	291	225
<b>Closing Total equity end of period.....</b>	<b>1,236</b>	<b>(664)</b>

## Condensed Consolidated Cash Flow Statement

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
<i>Operating activities</i>				
Result after financial items.....	(683)	(503)	(1,900)	(1,180)
Adjustments for items not included in cash flow*.....	648	558	2,696	2,230
Change in working capital.....	24	103	(159)	(15)
<b>Cash flow from operating activities.....</b>	<b>(11)</b>	<b>157</b>	<b>637</b>	<b>1,035</b>
<i>Investing activities</i>				
Acquisition of intangible assets.....	(139)	(219)	(429)	(383)
Acquisition of property, plant and equipment.....	(172)	(149)	(594)	(614)
Acquisition of subsidiaries.....	-	-	(302)	(8)
Divestments of financial assets.....	(0)	0	6	0
<b>Cash flow from investing activities.....</b>	<b>(312)</b>	<b>(368)</b>	<b>(1,318)</b>	<b>(1,005)</b>
<i>Financing activities</i>				
Shareholders contribution.....	-	-	3,044	-
Borrowings.....	3,775	200	8,575	800
Amortization of borrowings.....	(3,498)	(34)	(11,366)	(354)
Payment of borrowing costs.....	(45)	(1)	(108)	(16)
<b>Cash flow from financing activities.....</b>	<b>231</b>	<b>165</b>	<b>145</b>	<b>430</b>
<b>Net cash flow for the period.....</b>	<b>(92)</b>	<b>(46)</b>	<b>(536)</b>	<b>461</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>678</b>	<b>1,168</b>	<b>1,122</b>	<b>661</b>
<b>Cash and cash equivalents at period end.....</b>	<b>586</b>	<b>1,122</b>	<b>586</b>	<b>1,122</b>

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

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>	
Depreciation and amortization of assets.....	377	343	1,438	1,352
Unrealized exchange rate differences.....	166	227	339	254
Unrealized change in fair value of derivatives.....	(41)	(61)	(158)	(140)
Change in capitalized borrowing expenses and discounts.....	138	26	432	101
Change in accrued interest expense.....	(188)	(160)	(124)	45
Interest not settled with cash, group companies.....	180	162	743	595
Other.....	15	20	26	23
<b>Total.....</b>	<b>648</b>	<b>558</b>	<b>2,696</b>	<b>2,230</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 2013 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, 2014, have had no material effect on the consolidated financial statements. The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Report has been approved for issuance by the Board of Directors on February 10, 2015.

### Reclassification and presentation of revenue

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

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

### Operating Segments

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

### Note 2 Revenue

Total revenue amounted to SEK 4,761m (4,448) in the year ended December 31, 2014. Consumer revenue amounted to SEK 3,540m (3,423), or 74.3% (77.0%) of total revenue, whereof digital-television revenue amounted to SEK 1,737m (1,683), or 36.5% (37.8%) of total revenue, broadband revenue amounted to SEK 1,461m (1,323), or 30.7% (29.7%) of total revenue, and fixed telephony amounted to SEK 341m (417), or 7.2% (9.4%) of total revenue. Landlord revenue amounted to SEK 774m (797), or 16.3% (17.9%) of total revenue. B2B revenue amounted to SEK 222m (2), or 4.7% (0.0%) of total revenue, where Phonera contributed SEK 198m (0) to aggregated B2B Group revenue. Other revenue amounted to SEK 226m (227), or 4.7% (5.1%) of total revenue.

SEK in millions	For the year ended December 31,		Reclassified <sup>(1)</sup> For the year ended December 31,	
	2014	% Change	2013	For the year ended December 31, <sup>(2)</sup> 2013
Consumer.....	3,540	3.4	3,423	3,364
Landlord.....	774	(2.9)	797	856
B2B <sup>(3)</sup> .....	222	n/m	2	2
Other.....	226	(0.3)	227	227
<b>Total.....</b>	<b>4,761</b>	<b>7.0</b>	<b>4,448</b>	<b>4,448</b>

(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.

(3) As of q2 2014 Com Hem B2B revenue is reported as B2B revenue.

### Note 3 Operating Expenses

The Group's cost of sales and services amounted to SEK 2,315m (2,190), or 48.6% (49.2%) of total revenue in the year ended December 31, 2014. Selling expenses amounted to SEK 1,491m (1,378), or 31.3% (31.0%) of total revenue, administrative expenses amounted to SEK 256m (220), or 5.4% (5.0%) of total revenue and the Group's net other operating income and expenses amounted to an expense of SEK 26m (3).

### Note 4 Financial Income and Expenses

Financial income and expenses summarized to a net financial expense of SEK 2,572m (1,837) in the year ended December 31, 2014.

The increase of SEK 735m was mainly explained by one-off costs of SEK 777m associated to the repaid Credit Facilities and the redemption of the Senior Secured Notes and 35% of the outstanding Senior Notes. The one-off costs consist of unamortized borrowing costs of SEK 363m related to the repaid Credit Facilities and the redemption of the notes with an original amortization period until 2018-2019 and redemption premiums of SEK 340m. The costs also include a one-off interest expense from the parent company of SEK 69m related to unamortized borrowing costs for the Senior PIK Notes in connection with the redemption of the Senior PIK Notes in the parent company.

### Note 5 Income Taxes

The Group recognized a deferred tax income for the year ended December 31, 2014 of SEK 550m (175). The increase was explained by a higher loss after financial items as well as measurement of deferred tax assets on tax losses carried forward that were not measured previously. During the year the Group has accounted for deferred tax assets on all tax losses carried forward, since they are expected to be used within the foreseeable future.

### Note 6 Net Result for the Period

The Group recognized a net result of SEK -1,350m (-1,005) in the year ended December 31, 2014. Excluding one-off costs related to the refinancing of debt of SEK 777m, the net result for the year was SEK -573m.

### Note 7 Capital Expenditure

Capital expenditure in the year ended December 31, 2014 amounted to SEK 1,051m (1,038) or 22.1% (23.3%) of total revenue.

### Note 8 Acquisition of subsidiaries

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

The goodwill recognized for the acquisition pertains to future revenue from new customers and increased revenue from existing customers through continued growth of the number of services sold per customer. No portion of the goodwill is expected to be tax deductible. Phonera contributed with SEK 198m to revenue and approximately SEK 34m to operating profit (EBIT) from the acquisition date. If the acquisition had been conducted as of January 1, 2014 management estimates that the contribution to the Groups consolidated revenue would have been SEK 263m and the contribution to operating profit (EBIT) would have been approximately SEK 46m.

#### Acquisition of Phonera SEK in millions

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

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

#### Note 9 Liquidity and Financial Position

As of December 31, 2014 the Group held SEK 586m (1,122) in cash and cash equivalents. Unutilized credit facilities amounted to SEK 595m of which an overdraft facility of SEK 125m.

#### Note 10 Equity

The Group has received shareholder's contributions from the parent company totaling SEK 3,044m. Of these contributions, SEK 1,490m was used in the second quarter to refinance the Senior Credit Facilities formerly held by the Group, SEK 1,004m and SEK 550m respectively were used in the third quarter to redeem 35% of the amount outstanding under the Senior Notes and to repay part of the outstanding indebtedness under the revolving credit facility. The Group has also received group contributions amounting to SEK 291m net of tax.

#### Note 11 Fair Value of Derivative Instruments

In order to decrease the Group's interest rate risks and currency exposure, certain derivatives have been entered into. The derivatives are measured at fair value and are recognized in net profit or loss. Hedge accounting is not applied. The Group only holds level 2 instruments as described in the Group's Annual Report for 2013. Amounts of SEK 158m (140) regarding changes in fair value of derivatives have been recognized as financial income and SEK 0.5m (-0.5) has been recognized in other operating income. The Group terminated the major part of the derivatives in connection with the refinancing.

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

<b>SEK in millions</b>	<b>As of December 31, 2014</b>	<b>As of December 31, 2013</b>
Derivatives (Collar).....	-	(6)
Derivatives (CIRS).....	39	(97)
Derivatives (FX contracts).....	-	(16)
<b>Financial liabilities / assets.....</b>	<b>39</b>	<b>(119)</b>

#### Note 12 Risks and Uncertainty Factors

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

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

#### Note 13 Events During the Fourth quarter

On October 23, new Senior Secured Notes were issued of SEK 2,500m due in 2019 with a 5.25% interest coupon.

On November 12, the SEK 3,492m Senior Secured Notes with a 9.25% interest coupon were redeemed in full and refinanced with the new Senior Secured Notes together with an incremental term loan of SEK 375m and drawing of the existing revolving facility.

The parent company NorCell 1B AB (publ) was merged with Com Hem Holding AB (publ) in December 2014.

#### Note 14 Subsequent Events

On February 10, it was announced that Mikael Larsson has been appointed CFO of Com Hem AB from June 1, 2015 and will be a member of the Executive Management Team. Mikael Larsson has held the position as CFO of Investment AB Kinnevik since 2001. Mikael Larsson replaces Joachim Jaginder who has decided to leave Com Hem after 6 years, and who will hereby resign from any duties as member of the board within the Group companies. For further information see separate press release.



### **For further information**

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### **About Com Hem**

*Com Hem is one of Sweden's leading suppliers of television, high-speed broadband and fixed-telephony. Approximately 40%, 1.88 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 consumer 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 more than 1,100 employees and its head office in Stockholm. Operations are conducted through three subsidiaries; Com Hem AB, Phonera Företag AB and iTUX Communication AB. The shares of Com Hem Holding AB (publ) are listed on Nasdaq Stockholm, Large Cap list.*