COM HEM HOLDING AB (publ)

(incorporated in Sweden as a public company with limited liability)

SEK 5,670 Million Offering of Ordinary Shares

This offering memorandum (the "Offering Memorandum") relates to the initial public offering (the "Offering") of Com Hem Holding AB (publ) (the "Company") of such number of shares, each with a quota value of SEK 1 (the "New Shares"), as will raise gross proceeds of SEK 5,670 million.

The Offering consists of: (i) a public offering to investors in Sweden; and (ii) private placements to institutional investors in various jurisdictions, including a private placement in the United States to qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"). All offers and sales outside the United States will be made in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**").

The Company has granted the Managers (as defined below) an option to purchase up to 12,885,778 additional shares of the Company (the "**Additional Shares**") at the Offer Price (less agreed commissions) to cover potential over-allotments or other short positions, if any, in connection with the Offering (such option, the "**Over-allotment Option**"). The Over-allotment Option is exercisable, in whole or in part, by Morgan Stanley & Co, International plc ("**Morgan Stanley**") as stabilization agent, for a period of 30 days from the first day of listing of Shares on the NASDAQ OMX Stockholm. The New Shares and, if any are sold hereunder, the Additional Shares, shall be referred to as the "**Offer Shares**" and the term "**Shares**" shall refer to all of our 100,000,000 outstanding shares.

Prior to the Offering, there has been no public market for our Shares. Application has been made for the admission of our Shares to trading on NASDAQ OMX Stockholm AB ("**NASDAQ OMX Stockholm**") under the trading symbol "COMH." The first day of trading in, and the official listing of, the Shares is expected to be June 17, 2014.

The Offer Price (the "**Offer Price**") is expected to be set within the range set forth below. The Offer Price will be announced publicly on or about June 17, 2014.

Offer Price Range: SEK 44 to SEK 62 per Offer Share

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 23 for a discussion of certain risks you should consider before investing in the Offer Shares.

This Offering Memorandum does not constitute an offer to sell to, or the solicitation of an offer to purchase any of the Offer Shares in any jurisdiction from any person to whom it would be unlawful to make such an offer in such a jurisdiction.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any securities laws of any state within the United States, and may be sold in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act, and offered and sold outside the United States only in compliance with Regulation S under the U.S. Securities Act. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on offers or sales, and resale or transfer, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*."

The Managers expect to deliver the Offer Shares on or about June 23, 2014 through the book-entry facilities of Euroclear Sweden AB ("**Euroclear Sweden**"), against payment for the Offer Shares in immediately available funds. The Shares will be eligible for clearing through the facilities of Euroclear Sweden.

Joint Global Coordinators and Joint Bookrunners

J.P. Morgan **Morgan Stanley** **Nordea**

Joint Bookrunner

Carnegie

Financial Advisor

Rothschild

The date of this Offering Memorandum is June 3, 2014

In this Offering Memorandum, the terms "**we**," "**our**," "**us**," the "**Company**" and "**Com Hem**" all refer to either Com Hem Holding AB (publ) or Com Hem Holding AB (publ) and its subsidiaries, as the context requires.

No representation or warranty, express or implied, is made by J.P. Morgan Securities plc ("**J.P. Morgan**"), Morgan Stanley and Nordea Bank AB (publ) ("**Nordea**" and, together with J.P. Morgan and Morgan Stanley, the "**Joint Global Coordinators**") and Carnegie Investment Bank AB ("**Carnegie**" and, together with the Joint Global Coordinators, the "**Managers**") or N M Rothschild & Sons Limited ("**Rothschild**" or the "**Financial Advisor**") as to the accuracy or completeness of any information contained in this Offering Memorandum. In making an investment decision, investors must rely on their own assessment of us and the terms of this Offering, including the merits and risks involved. No person is or has been authorized to give any information or make any representation in connection with the offer or sale of the Offer Shares other than those contained in this Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by Com Hem, the Principal Shareholder, the Managers or Rothschild and none of them accept any liability with respect to any such information or representation.

Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. In the event of any changes to the information in this Offering Memorandum that may affect the valuation of the Offer Shares during the period from the date of announcement to the first day of trading, such changes will be announced in accordance with the provisions of Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (1991:980) (Sw. *lagen (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"), which, among other things, governs the publication of prospectus supplements.

A separate prospectus in Swedish has been approved by and registered with the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Trading Act, implementing the Prospectus Directive. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided herein is correct or complete.

The distribution of this Offering Memorandum and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. No action has been taken by the Company, the Principal Shareholder, the Managers or Rothschild to permit a public offering in any jurisdiction other than Sweden. Persons into whose possession this Offering Memorandum may come are required by the Company, the Principal Shareholder, the Managers and Rothschild to inform themselves about and to observe such restrictions. This Offering Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer. For further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Offering Memorandum, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*." Investors agree to the foregoing by accepting delivery of this Offering Memorandum.

The Managers and Rothschild are acting for us and no one else in relation to the Offering. The Managers and Rothschild will not be responsible to anyone other than us for providing the protections afforded to their respective clients nor for providing advice in relation to the Offering.

IN CONNECTION WITH THE OFFERING, MORGAN STANLEY AS THE STABILIZING MANAGER, OR ITS AGENTS, ON BEHALF OF THE MANAGERS, MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES FOR UP TO 30 DAYS FROM THE DATE OF PUBLIC DISCLOSURE OF THE OFFER PRICE. SPECIFICALLY, THE MANAGERS MAY OVER-ALLOT SHARES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. THE STABILIZING MANAGER AND ITS AGENTS ARE NOT REQUIRED TO ENGAGE IN ANY OF THESE ACTIVITIES AND, AS SUCH, THERE IS NO ASSURANCE THAT THESE ACTIVITIES WILL BE UNDERTAKEN; IF UNDERTAKEN, THE STABILIZING MANAGER OR ITS AGENTS MAY END ANY OF THESE ACTIVITIES AT ANY TIME AND THEY MUST BE BROUGHT TO AN END AT THE END OF THE 30-DAY PERIOD MENTIONED

ABOVE. SAVE AS REQUIRED BY LAW OR REGULATION, THE STABILIZING MANAGER DOES NOT INTEND TO DISCLOSE THE EXTENT OF ANY STABILIZATION TRANSACTIONS UNDER THE OFFERING. SEE "*PLAN OF DISTRIBUTION.*"

IMPORTANT INFORMATION CONCERNING THE POSSIBILITY TO SELL ALLOCATED SHARES

Please note that notification of allocation to the general public in Sweden of the allocation of Offer Shares will be made through the distribution of contract notes. Such contract notes are expected to be distributed on or about June 17, 2014. After payment has been received for allotted Offer Shares by Nordea or Avanza Bank AB, who is acting as retail agent, the Offer Shares duly paid for will be transferred to the securities account, service account or securities depository account designated by each respective investor. Due to the time required for distribution of contract notes, transfer of funds and transfer of Offer Shares to investors, the Offer Shares acquired will not be available to investors in their designated securities account, service account or securities depository accounts or custody accounts until on or about June 23, 2014.

Trading in the Shares on NASDAQ OMX Stockholm is expected to commence on or about June 17, 2014. The fact that the Offer Shares will not be available in the investor's securities account, service account or securities depository account before, at the earliest, June 23, 2014 may result in the investor being unable to sell the allotted Shares on NASDAQ OMX Stockholm on the first day of trading. Instead they may only be able to sell Shares once Shares are available on their securities account, service account or securities depository account. Investors may receive notification of allocation from June 17, 2014.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Offer Shares are being: (i) sold in the United States only to "qualified institutional buyers" ("**QIBs**") in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A; and (ii) offered and sold outside the United States in compliance with Regulation S. For certain restrictions on the sale and transfer of the Offer Shares, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*."

In the United States, this Offering Memorandum is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Offering Memorandum has been provided by us and other sources identified herein. Distribution of this Offering Memorandum to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited. Any reproduction or distribution of this Offering Memorandum in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Offer Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS

THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any Member State of the European Economic Area ("**EEA**") other than Sweden that has implemented the Prospectus Directive, this Offering Memorandum is only addressed to, and is only directed at, investors in that EEA Member State who fulfill the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Directive as implemented in each such EEA Member State.

This Offering Memorandum has been prepared on the basis that all offers of Offer Shares, other than the offer contemplated in Sweden, will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of Offer Shares. Accordingly any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the placement contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for us or any of the Managers to produce a prospectus for such offer. Neither we nor the Managers have authorized, nor do we or the Managers authorize, the making of any offer of Offer Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer Shares contemplated in this Offering Memorandum.

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, excluding Sweden (a "**Relevant Member State**"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

ENFORCEABILITY OF LIABILITIES

The Company is a company limited by shares organized under the laws of Sweden and its assets are located outside of the United States. In addition, none of the directors or officers and other executives of the Company are residents or citizens of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or most of such persons, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws or otherwise. The United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages based on civil liability rendered by a U.S. court, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in Sweden. If the party in whose favor the final judgment is rendered brings a new suit in a competent Swedish court, the party may submit to the Swedish court the final judgment that has been rendered in the United States. Such judgment will only be regarded by a Swedish court as evidence of the outcome of the dispute to which the judgment relates, and a Swedish court may choose to rehear the dispute *ab initio*.

ADDITIONAL INFORMATION

We have agreed that we will, during any period in which we are neither subject to the reporting requirements of Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of Offer Shares, or to any prospective purchaser designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains various forward-looking statements that reflect management's current views 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 Offering Memorandum, including, without limitation, in the sections entitled "*Summary*," "*Risk Factors*," "*Dividends and Dividend Policy*," "*Operating and Financial Review*," "*Industry Overview*" and "*Business*" and include, among other things, statements relating to:

- our strategy, outlook and growth prospects;
- our operational and financial targets, including statements relating to our expectations for the financial year 2014 and statements as to our medium term revenue growth, margin and leverage targets, and dividend policy;
- our liquidity, capital resources and capital expenditures;
- our planned investments;
- expectations as to future growth in demand for our services;
- general economic trends and trends in the cable television and telecommunications industries in the consumer, landlord and B2B segments;
- the impact of regulations on us and our operations;
- the competitive environment in which we operate; and
- the outcome of legal proceedings.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we 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 many factors, including, among others:

- television, broadband and fixed-telephony penetration and other consumer, landlord and B2B 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 and/or wireless broadband companies and companies offering internet-based over the top services;
- our ability to renew contracts necessary to operate our network;
- 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;
- our ability to renew contracts with landlords;
- changes in technology;
- changes in content prices;
- changes in regulation;
- consolidation in the cable or telecommunications industry;
- our ability to generate the funds needed to service our debt;
- the effects of operating and financial restrictions in our debt instruments and other factors affecting our leverage;
- our ability to successfully develop and expand the range of services offered;

- our ability to retain or replace key personnel; and
- changes in our business strategy, development and investment plans.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*."

These forward-looking statements speak only as of the date of this Offering Memorandum. The Company 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, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Company was formed on June 28, 2011 (and registered on July 5, 2011) for the purpose of indirectly acquiring our primary operating company at the time, which is currently registered as Com Hem Communications AB ("**Com Hem Communications**"). The acquisition of Com Hem Communications by NorCell Sweden Holding 3 AB (publ), an indirect subsidiary of the Company, closed on September 29, 2011 (the "**Acquisition**").

This Offering Memorandum contains the following financial information:

- our unaudited interim consolidated financial statements as of and for the three months ended March 31, 2014 and 2013, which have been prepared in accordance with IFRS, as adopted by the European Union, and reviewed by our independent auditors, KPMG AB, as set forth in their review report included elsewhere herein;
- our audited consolidated financial statements as of and for the years ended December 31, 2013 and 2012 and as of December 31, 2011 and for the period from July 5, 2011 to December 31, 2011, which have been prepared in accordance with IFRS, as adopted by the European Union, and audited by our independent auditors, KPMG AB, as set forth in their audit report included elsewhere herein; and
- the unaudited interim consolidated financial statements as of and for the nine months ended September 30, 2011 and 2010 of Com Hem Communications, which have been prepared in accordance with IFRS, as adopted by the European Union, and reviewed by our independent auditors, KPMG AB, as set forth in their review report included elsewhere herein.

Prior to the date of the Acquisition, the Company did not have any material assets or material liabilities or conduct any operating activities other than those related to its formation, the Acquisition and the financing of the Acquisition. The results of Com Hem Communications are consolidated in the Company's consolidated financial information from the date of the Acquisition.

In order to provide comparisons with the financial information of the Company for the year ended December 31, 2012, the discussion and analysis in this Offering Memorandum of our results of operations for the year ended December 31, 2011 is based on our unaudited aggregated income statement information, which has been derived by the mathematical addition of the unaudited interim financial information of Com Hem Communications for the nine months ended September 30, 2011 and the audited consolidated financial information of the Company for the period from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The unaudited financial information of Com Hem Communications for the nine months ended September 30, 2011 and the audited consolidated information of the Company for the period from July 5, 2011 to December 31, 2011 have been prepared in accordance with IFRS, as adopted by the European Union; the unaudited aggregated financial information for the year ended December 31, 2011 has not been prepared in accordance with IFRS or any other generally accepted accounting standard. See "*Selected Consolidated Financial, Operating and Other Data—Unaudited Aggregated Financial Information for the Year Ended December 31, 2011*."

Change in Revenue Reporting

As of January 1, 2014, the Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements. Revenue from digital television, high-speed broadband and fixed-telephony services generated under such agreements was historically reported in landlord service revenue; as of January 1, 2014, revenue generated from such digital services has been reported as digital television, high-speed broadband and fixed-telephony services, as appropriate. The revenue was reclassified in proportion to the relative fair value of each digital service for the year ended December 31, 2013. For comparative purposes, our historical reported revenue has been reclassified and our historical reported average monthly revenue per user ("**ARPU**") by service have been recalculated accordingly in this Offering Memorandum. See "*Selected Consolidated Financial, Operating and Other Data—Selected Revenue by Service*."

In line with our strategic focus on selling our digital services to consumers in bundles, we intend to focus our reporting on aggregate revenue from the sale of digital services to consumers, blended residential ARPU, blended residential churn and revenue generating units ("**RGUs**") for each individual consumer service in our reports going forward. As part of this transition, we plan to phase out publication of ARPU from the sale of individual digital services to consumers (*i.e.*, digital-television ARPU, high-speed broadband ARPU, and fixed telephony ARPU) beginning with our report as of and for the three months ended June 30, 2014. In the year ended December 31, 2013 and the three months ended March 31, 2014, our consumer services revenue, including revenues and fees (invoice, reminders and collection fees) from our digital television services, high-speed broadband and fixed telephony services, was SEK 3,529 million and SEK 893 million, respectively, our blended residential ARPU was SEK 356 and SEK 359, respectively, and our blended residential subscriber churn rate was 16.3% and 15.2%, respectively.

We present our financial statements in Swedish kronor. For certain information regarding rates of exchange between Swedish kronor and euros, see "*Exchange Rate Information and Regulation*."

Non-IFRS Financial Measures

The following financial measures included in this Offering Memorandum are not measures of financial performance or liquidity under IFRS:

- We define EBITDA as net profit/(loss) for the period before income taxes, net financial items and depreciation and amortization ("**EBITDA**"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of fixed tangible and intangible assets related to production), selling expenses (depreciation and amortization of fixed tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of fixed tangible and intangible assets related to administrative functions). For a reconciliation of EBITDA to net profit/(loss) for the period, see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information*."
- We define Underlying EBITDA as EBITDA before write downs, non-recurring costs and operating currency (losses)/gains ("**Underlying EBITDA**"). For a reconciliation of Underlying EBITDA to net profit/(loss) for the period, see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information*."
- Underlying EBITDA margin represents Underlying EBITDA as a percentage of revenue.
- EBITDA margin represents EBITDA as a percentage of revenue.
- Operating free cash flow is calculated as Underlying EBITDA less operating currency (losses)/gains, less non-recurring costs, less write downs plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in tangible and intangible assets not funded by leasing. For a reconciliation of Underlying EBITDA to operating free cash flow, see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information*."
- Operating free cash flow margin is calculated as operating free cash flow as a percentage of revenue.
- Net working capital consists of inventories, trade receivables, prepaid expenses and accrued income, plus other receivables, less trade payables, other current liabilities, as well as accrued expenses and deferred income. Financial items included in these line items in the balance sheet are excluded from the net working capital calculation.
- Net debt/equity ratio is calculated as net debt divided by shareholders' equity. Net debt is calculated as interest-bearing liabilities, excluding unamortized borrowing costs, less cash and cash equivalents.
- Net debt/Underlying EBITDA ratio is calculated as net debt at the end of the period indicated divided by Underlying EBITDA for the last twelve months.

The non-IFRS financial measures presented herein are not recognized measures of financial performance under IFRS, but measures used by management to monitor and analyze the underlying performance of our 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 our cash requirements and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results.

We have presented these non-IFRS measures in this Offering Memorandum because we consider them to be important supplemental measures of our performance and believe that they are widely used by 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 our management has chosen to compute the non-IFRS financial measures presented herein may not be comparable with similarly defined terms used by other companies.

Adjustments

Certain numerical information and other amounts and percentages presented in this Offering Memorandum 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."

Currency

In this Offering Memorandum, all references to: (i) "**EUR**" are to euro, the single currency of the member states (the "**Member States**") of the European Union participating in the European Monetary Union having adopted the euro as its lawful currency; (ii) "**SEK**" are to the lawful currency of the Kingdom of Sweden; and (iii) "**U.S. dollar**" are to the lawful currency of the United States. For certain information regarding rates of exchange between SEK and EUR, see "*Exchange Rate Information and Regulation*." No representation is made that the EUR or SEK amounts referred to herein could have been or could be covered into EUR or SEK, as the case may be, at the rates referred to in "*Exchange Rate Information and Regulation*," at any particular rate, or at all.

Trademarks

We own or have rights to certain trademarks, trade names or service marks that we use in connection with the operation of our business. We assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and service marks.

Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the ™, ® and © symbols.

Certain Terms Used

Except as the context otherwise indicates, references to "subscribers" are generally used to refer to residential subscribers. For definitions of certain terms used in the Offering Memorandum as well as a glossary of other terms used in this Offering Memorandum, *see* "*Definitions and Glossary*."

MARKET DATA

Information provided in this Offering Memorandum on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and regions in which we operate is based on data, statistical information and reports by third parties and/or prepared by us based on our own information and information in such third-party reports. In particular, we have sourced information on the Swedish cable and telecommunications markets from the Swedish Post and Telecom Authority (the "**PTS**"), IHS Technology, Mediavision, IDC European Telecom Services Database, Statistics Sweden (SCB) and TNS Sifo. We have sourced economic and demographic data from the International Monetary Fund. In addition, we have sourced information from publicly available reports of telecommunications operators.

While we have accurately reproduced such third-party information, neither we nor the Managers have verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as we are aware and are able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

This Offering Memorandum also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by us based on third-party sources and our own internal estimates, including studies of the market that we have commissioned. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that our estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within the industry. Although we believe that our internal market observations are reliable, our own estimates are not reviewed or verified by any external sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Memorandum.

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Summary

The following summary information does not purport to be complete and is merely an introduction to the more detailed information appearing elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum carefully before investing, including "Risk Factors," "Business," "Operating and Financial Review" and the historical financial statements included herein. For the definitions of certain terms used herein, see "Definitions and Glossary."

Overview

We are the largest cable operator in Sweden, based on the number of homes connected and the number of unique residential subscribers served, and are a leading provider of television, high-speed broadband and fixed-telephony services. We provide our basic and digital television, high-speed broadband and fixed-telephony services mainly to residential subscribers via our advanced hybrid fiber coaxial ("**HFC**") cable network and local area networks ("**LANs**"). We also provide broadband and fixed and mobile telephony services to the B2B segment via our HFC cable network, LANs, digital subscriber line ("**xDSL**") networks and mobile networks. As of March 31, 2014, we offered our digital services to approximately 1.731 million homes connected to our HFC cable network, approximately 2,000 homes connected to closed LANs (collectively, "**our network**") and 97,000 homes connected to open LANs (together with the homes connected to our network, "**our footprint**"). Our footprint covered 39% of all homes in Sweden as of March 31, 2014, including homes in all major metropolitan areas, such as Stockholm, Gothenburg, Malmö and Uppsala.

Our HFC cable network is fiber-rich with approximately 580 homes connected to each node. Approximately 1.6 million homes, or approximately 92% of all homes connected to our HFC cable network, are served by our bi-directional and EuroDOCSIS 3.0-enabled network with a spectrum bandwidth capacity of 862 MHz (our "**upgraded network**"), and can receive our digital services as well as access to broadband speeds of up to 500 Mbit/s. Consequently, we believe our HFC cable network is one of the most technologically-advanced networks in Europe. In addition, we currently offer 1 Gbit/s high-speed broadband service to homes connected through LANs which are 1 Gbit/s FTTx/LAN enabled and we believe that we have the ability to offer 1 Gbit/s broadband service across our entire HFC cable network without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term.

HFC cable has inherent capacity and quality advantages compared to copper-based xDSL networks and we are currently able to offer higher speeds, and hence more capacity for simultaneous distribution of digital television, high-speed broadband and fixed-telephony services, than the large majority of fiber LAN-based service providers in Sweden. As a result, we are able to more efficiently deliver high-capacity-dependent content to connected homes across our entire upgraded network, which allows our subscribers to simultaneously view basic or digital television programming on multiple televisions, order video on demand ("**VoD**") services, place telephone calls and use the high-speed broadband at speeds of up to 500 Mbit/s, which is higher than most other European cable operators are able to provide. We have an infrastructure advantage that allows us to offer the fastest broadband service to at least 80% of households connected to our upgraded network. See "*Industry Overview—Network Dynamics in Sweden—HFC cable*."

We operate the only next generation network of scale in Sweden, which is capable of high-speed broadband and next generation television (*i.e.*, a one-stop shop including TVE, VOD, internet-based over the top ("**OTT**"), Catch-Up and Start-Over functionality). Our competitors' networks are either national and predominantly xDSL-based, or fiber-based but regional, and in most cases, highly fragmented. See "*Industry Overview—Network Dynamics in Sweden—HFC cable*." Additionally, the quality of our upgraded network gives us a competitive advantage by allowing us to introduce innovative, high-bandwidth services without incurring significant capital expenditures. Instead, based on our current competitive position and the upgraded status of our network, we can focus our capital expenditures on subscriber growth, meeting subscriber demand and new product development as well as network and platform development.

We focus on providing our services to subscribers who live in MDUs. We typically enter into contracts with landlords of MDUs to provide all of their tenants with basic television service, consisting of up to 17 basic television channels, with the cost of the service generally included in the tenant's rent or occasionally listed as a separate item on monthly rent statements. Once we have established a distribution and service relationship with a landlord through the delivery of our basic television service to its tenants, individual subscribers (*i.e.*, typically tenants within the MDUs) have the ability to subscribe to our full range of digital services, including digital television, high-speed broadband and fixed-telephony services. A key focus area of our strategy is to increase our blended residential ARPU and consumer revenue by converting existing basic television households into subscribers of our digital services, either for our bundled services or on a stand-alone basis. As of March 31, 2014, we had contracts with approximately 23,000 landlords, with the top ten landlords based on the number of homes connected accounting for 2.6% of landlord revenue as of March 31, 2014, and approximately 40,000 SDU households. Pursuant to these contracts we provide our basic television service (7 or 17 channels) and must carry digital service (7 channels) to homes connected to our HFC cable network. As we are currently able to market digital services to households with our basic television service, we believe that we will continue to have a substantial opportunity to drive digital penetration, which we believe will allow us to generate attractive operating margins and financial growth.

A core element of our strategy is providing our services as a bundle, which offers our subscribers the convenience of receiving digital television, high-speed broadband and/or fixed-telephony services from a single provider at an attractive price. As of March 31, 2014, we had approximately 838,000 unique residential subscribers subscribing for approximately 1.492 million digital services, corresponding to a ratio of RGUs per unique residential subscriber of 1.78 to 1, which is lower than many of our European peers offering similar services. We therefore believe that we have a substantial opportunity to increase the number of bundled services to which our customers subscribe. See "*Business—Our Strengths—Competitive advantage in bundled services*" and "*Business—Our Strategy—Migrate existing subscribers and attract new subscribers into bundled services*."

In June 2013, we launched our offering to the B2B segment, initially offering our broadband and fixed-telephony services to prospective single office/home office ("**SoHo**") customers in our footprint. We estimate that there were approximately 178,000 SoHos and small and medium enterprises ("**SMEs**") in our footprint as of March 31, 2014 to whom we did not historically market our services. On March 31, 2014, we completed the acquisition of Phonera Företag AB ("**Phonera Företag**"), a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers. By combining Phonera Företag's existing 53,000 unique subscribers, its portfolio of complementary services aimed at SoHo and SME customers and its experienced and dedicated B2B sales force with our superior network, network operating experience and economies of scale, we believe that we can accelerate and expand the growth of our B2B offering. For more information on our B2B offering, see "*Business—Services—B2B Services*."

Our Strengths

We believe the following strengths will allow us to execute our growth strategy described below:

Sweden is a highly attractive market to operate pay television and broadband business.

Sweden is characterized by strong macroeconomic fundamentals including, according to the IMF, GDP per capita of SEK 371,000 in 2013, one of the highest in Europe, and a solid public finances position, with a ratio of public debt to GDP in 2013 of 42%, one of the lowest in Europe. This favorable macro backdrop has positively impacted the Swedish telecommunications market, which grew at a CAGR of 0.7% between 2010 and 2013, while most other telecommunications markets in Europe declined during the same period. In particular, the Swedish digital television market, which is one of our key markets, is expected to grow strongly as the number of subscribers and ARPU are expected to increase at a CAGR of 4.0% and 3.8%, respectively, between 2013 and 2017, according to IHS Technology. This trend is expected to be supported by, *inter alia,* the proliferation of revenue enhancing next generation pay television services such as VoD, TV Everywhere ("**TVE**") and Catch-Up services, which were introduced in many European markets several years earlier and have been highly successful. These pay television services were introduced more recently in Sweden on a larger scale, including by Com Hem. At the same time, there is limited pressure for our digital television content costs to increase going forward. This is due to the favorable and unique Swedish digital television market structure whereby premium programming rights owners typically wholesale their premium content to other distributors, including us, on a revenue sharing basis. To a large extent, the revenue sharing model insulates us from content cost inflation, unlike the cost per subscriber models in place in most other markets.

We are the fastest broadband service provider on at least 80% of our network.

Our HFC cable network is one of the most technologically-advanced in Europe and the only high-speed network of scale in our footprint. It is fully bi-directional, 92% EuroDOCSIS 3.0-enabled with spectrum bandwidth capacity of 862 MHz across the entire HFC cable network and has approximately

580 households connected per node. As a result of significant historical investment and the primary location of our network in high population density metropolitan areas, operating our network is highly efficient. We expect future network-related capital expenditures to be stable in the medium term. Since completing our network upgrade and the launch of our new high-speed broadband product portfolio in August 2013, we offer up to 500 Mbit/s broadband speeds to 92% of the 1.731 million homes (as of March 31, 2014) connected to our HFC cable network, a level of performance that we believe compares favorably to our European publicly listed cable peers. Consequently, we have a network advantage on at least 80% of our network where we offer broadband speeds that are generally five times faster than our peers. As of March 31, 2014, approximately 12%-17% of homes connected to our HFC cable network had access to 1 Gbit/s enabled FTTx/LAN based broadband providers who can provide broadband speeds of 1 Gbit/s, while approximately one third of homes connected to our HFC cable network only had access to xDSL-based broadband providers who on average deliver effective broadband download speeds of approximately 11 Mbit/s, according to the PTS, and 50%-55% of homes connected to our HFC cable network had access to 100 Mbit/s enabled FTTx/LAN based broadband providers who can offer broadband speeds of up to 100 Mbit/s. In addition, we are offering 1 Gbit/s service to our vertical and open LAN households and we believe that we have the ability to offer 1 Gbit/s broadband service across our entire HFC cable network without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term. We do not expect this competitive landscape to change materially going forward, as we believe that the fiber LAN overbuild process in Sweden is largely complete. In addition, upgrades of 100 Mbit/s enabled FTTx/LAN from 100 Mbit/s to higher speeds would require significant additional investments in the access network.

Leading digital television service in the market.

After signing a 5-year exclusive contract with TiVo Inc. in June 2012, which includes a unilateral option for us to extend the contract for an additional exclusive term of up to six years, we introduced our new interactive digital television TiVo platform (including TiVo-to-Go on multiple devices such as personal computers, tablets and smart phones) to the Swedish market in October 2013. TiVo offers an extensive set of next generation television functionality, including Start Over and Catch-Up TV, keyword search, personalized recommendations, series-link, remote record, the ability to record three programs at once while watching a fourth program and 1TB or 500 hours of storage space, that we were previously unable to offer and which none of our competitors are currently able to provide. TiVo provides a one-stop shop for our digital television subscribers to search and choose television programming by integrating content from multiple sources such as linear and non-linear television (*e.g.*, video-on-demand and PVR recordings) and OTT (*e.g.*, Netflix and Viaplay) and offers a consistent viewing experience across multiple viewing platforms including television, tablets, smartphones and internet browsers. The introduction of TiVo has been highly successful in the six months after launch, and our TiVo penetration rate as of March 31, 2014 among our digital television subscribers was 12.4%, which we believe is above the TiVo penetration rates achieved by many of our European peers during corresponding periods after launching their respective TiVo services. Furthermore, by October 2013, in time for the TiVo launch, we completed renegotiations for a large majority of our content agreements to include additional content in our digital television packages. As a result, our digital television content offering is one of the richest in Sweden, offering the largest number of standard definition, high definition, Start Over, Catch-Up TV and TVE channels and, as of March 31, 2014, we are the only provider in Sweden with each of the following key OTT platforms integrated into our platform: Netflix (on an exclusive operator basis until December 31, 2014) and Viaplay.

Market leader in digital television and broadband services within our footprint.

Com Hem is the largest cable operator in Sweden, with approximately 1.83 million homes connected in our footprint, representing approximately 39% of the total homes connected in Sweden as of March 31, 2014 according to IHS Technology. We are the number one digital television operator in Sweden and had an in-footprint digital television market share of approximately 61% as of March 31, 2014 according to PTS. Additionally, we are the number two broadband operator nationwide and the number one broadband operator in-footprint with a market share of approximately 44% as of March 31, 2014 according to Mediavision. Our market-leading presence within our footprint provides us with a significant competitive advantage, for example, in the implementation of our upsell and cross-sell strategies. Moreover, the combination of our leading market positions with our recently launched TiVo digital television service and ability to provide 500 Mbit/s broadband speed to 92% of the homes connected to our HFC cable network, positions us to exploit growth opportunities in these markets such as increasing demand for next generation digital television services and continuous migration of subscribers to higher broadband speeds, both of which would increase revenue.

Competitive advantage in bundled services.

As the only provider in our footprint able to offer both next generation digital television services and high-speed broadband services, we believe we are ideally positioned to offer highly competitive bundled services that offer more digital television content, advanced functionality and higher speeds than our competitors and are competitively priced. We are the fastest broadband service provider on at least 80% of our network, which fully supports our bundling strategy, and are currently able to offer more capacity for simultaneous distribution of digital services than fiber LANs (up to 500 Mbit/s across 92% of our HFC cable network compared to 1 Gbit/s on 1 Gbit/s enabled FTTx/LANs and up to 100 Mbit/s on 100 Mbit/s enabled FTTx/LANs). This allows our subscribers to simultaneously view analog or digital television programming on multiple televisions, order VoD services, place telephone calls and use high-speed broadband services.

Enhanced capabilities to exploit the largely untapped, significant growth opportunity in B2B.

The Swedish B2B market represents an untapped opportunity for us, given that the SoHo and SME segments have been a significant growth driver for cable companies in the U.S. and Europe. In addition to the revenue potential it represents, the unit economics are also attractive given the limited cost and capital expenditure required to connect and serve B2B subscribers. Moreover, B2B subscribers primarily use capacity during daytime hours when residential subscriber capacity is lower, making the combination of B2B and residential services highly complementary in terms of optimizing network capacity usage. Recognizing the significant opportunity, we organically launched our SoHo offering in December 2012 and further accelerated our expansion into the B2B market with the acquisition of Phonera Företag, a Swedish full service provider of communications services to the SoHo and SME segments, on March 31, 2014. With an experienced and dedicated B2B sales force that is four times larger than our sales force, a subscriber base of 53,000 unique B2B subscribers and a complementary portfolio, we believe we are uniquely positioned to successfully capture a meaningful share of the B2B market, as we can serve 178,000 businesses in Sweden through our HFC cable network and open LANs.

Our Strategy

The key components of our growth strategy are as follows:

Leverage our superior high-speed broadband offering.

As of March 31, 2014, our high-speed broadband penetration rate was 31.2% of homes connected, considerably below the penetration rates achieved by many of our European cable peers. We intend to capitalize upon our superior high-speed broadband capabilities to increase our penetration rate and revenue by targeting, in particular, broadband customers of xDSL providers, who on average deliver broadband download speeds of approximately 11 Mbit/s to their customers according to PTS. In addition, we intend to migrate our existing high-speed broadband subscribers to higher speeds, which will continue to support our broadband ARPU growth and/or reduce residential churn. As of March 31, 2014, approximately 43% of our high-speed broadband subscribers subscribed to broadband packages with speeds of 10 Mbit/s or lower, which we believe represents a substantial opportunity to migrate our existing high-speed broadband subscribers to higher speeds. Furthermore, we expect demand for our high-speed broadband services to increase as consumption of services requiring high bandwidth, such as OTT and video streaming, increase.

Migrate our basic television subscribers into digital television.

As of March 31, 2014, our digital television penetration rate was 32.5% of homes connected to our HFC cable network, which was considerably below the penetration rates achieved by many of our European cable peers. We intend to migrate our basic television subscribers to digital television, which will increase our digital television penetration rates and revenue, by leveraging our recently launched TiVo service and our enriched content offering, which is one of the richest in Sweden both in terms of linear channels and across non-linear and premium content. Tenants within connected households have generally high awareness of Com Hem as a basic television service operator which provides us with a strong base to directly upsell digital television, high-speed broadband and fixed-telephony services (while retaining the revenue generated from the delivery of the underlying basic television service to the landlords). As a result of this upselling strategy, we expect many of our existing digital subscribers to migrate to TiVo, delivering higher digital television ARPUs and lower residential churn.

Migrate existing subscribers and attract new subscribers into bundled services.

With only 27.8% of our subscribers subscribed to triple-play bundles as of March 31, 2014, one of the lowest levels among European cable peers which have on average 52% of their subscribers purchasing triple-play bundles, we believe that there is significant opportunity to increase the penetration of triple-play bundles. See "*Industry Overview—Bundling Dynamics in Sweden.*" We aim to achieve an increase in triple-play penetration by shifting focus in marketing and subscriber interactions from single services to bundled services and leveraging our next generation digital television and high-speed broadband services to promote bundled services. By driving more of our subscribers to bundled services, we believe that we will be able to increase blended residential ARPU, drive residential subscriber and RGU intake, increase consumer revenue and reduce residential churn.

Realize untapped fixed- telephony upside through bundling and competitively priced offerings.

As of March 31, 2014, over 800,000 homes in our footprint subscribed to our competitors' fixed-telephony services, while at the same time only 327,000 homes subscribed to our fixed-telephony service. A significant share of Swedish homes (approximately 52% as of June 2013 according to the PTS) is still connected to legacy PSTN/WLR contracts. With our attractively priced IP fixed-telephony offering, we believe that we will be able to attract new fixed-telephony subscribers, especially those that subscribe to both our competitors' telephony services and our high-speed broadband and/or digital television services by offering superior value fixed-telephony service as part of our competitive bundled offerings. Our current fixed-telephony offering is well positioned with attractive pricing in comparison to our peers, whose legacy pricing levels are particularly high in comparison to ours, limiting their ability to compete with us. In addition, we launched our TiVo Com Bo Max offer, which is aimed at increasing triple-play subscriptions, and has already begun to mitigate the decline in telephony RGUs.

Monetize the largely untapped significant growth opportunity in B2B.

The B2B market has been a considerable growth driver for other cable operators in Europe and contributes on average approximately 10% of European cable peers' revenue. We believe that the SoHo and SME segments of the Swedish B2B market represent an attractive target market as they are underserved. According to the PTS, a substantial portion (approximately 48% in 2012) of B2B revenue from fixed internet access services in the market continues to be generated by legacy xDSL technologies, creating a clear market opportunity for our high-speed broadband services. In 2013, the market for fixed telecommunications services for the SoHo and SME segments in Sweden was approximately SEK 6.2 billion according to IDC. Combining the strength of our network and the added capabilities from the Phonera Företag acquisition, which include a complementary product portfolio, an experienced and dedicated B2B sales force that is four times larger than our sales force and a subscriber base of 53,000 unique B2B subscribers, we believe we are ideally positioned to capitalize on the substantial market and revenue growth opportunity. There is also a cross-sell opportunity as 13% of Phonera Företag's subscribers located within our footprint currently only have PSTN or VoIP solutions and we can offer them HFC cable broadband bundles with VoIP, thereby increasing our RGUs, revenue and margins. In addition, we can realize cost synergies by moving Phonera Företag's subscribers onto our network.

Translate revenue growth into equity free cash flow growth.

We believe that we will be able to achieve mid-single digit revenue growth year-on-year in the medium term, which we believe will translate into attractive equity free cash flow growth. First, we expect Underlying EBITDA growth to follow revenue growth over time and any business mix driven reductions in our Underlying EBITDA margin to be offset by the anticipated return of our revenue to capital expenditures ratio to industry averages. In particular, we expect our TiVo related investments, which represented approximately one-third of our capital expenditures in 2013, to decrease over time as our major TiVo platform investments are now completed. Second, we operate with negative net working capital as a large part of our net working capital is prepaid revenue for services to be provided. We expect our negative net working capital to remain negative going forward. Third, we do not expect to pay Swedish corporate income tax in the near term given our net operating losses balance of SEK 2.1 billion as of December 31, 2013. Fourth, after the application of the net proceeds of the Offering and associated refinancing transactions, assuming the Over-allotment Option is not exercised, and including drawdowns under our Capex Facility of SEK 300 million as of the date hereof, we expect our interest expenses to decline as net debt and average cost of debt, which were SEK 13,865 million and 8.4%, respectively, as of and for the three months ended March 31, 2014, decline to SEK 9,095 million and 6.7%, respectively. Furthermore, we intend to continue to reduce our interest expenses by optimizing our capital structure and cost of debt, mainly through refinancing transactions at times when economically most convenient and subject to credit market conditions.

Capture strategic option value in mobile services.

Mobile services represent a potential significant future upside for us that can be realized either organically through establishing an MVNO/MVNE agreement with a mobile network operator and launching mobile services as many other European cable peers have successfully done or through a potential fixed-to-mobile convergence combination transaction.

Summary of the Offering

Company	Com Hem Holding AB (publ), a public company with limited liability incorporated under the laws of Sweden.
Principal Shareholder	NorCell S.à r.l., a holding company through which our principal beneficial shareholders, funds advised by BC Partners Limited, hold their interests.
Managers	• *Joint Global Coordinator and Joint Bookrunners:* J.P. Morgan Securities plc and Morgan Stanley & Co. Incorporated and Nordea Bank AB (publ) • *Joint Bookrunner*: Carnegie Investment Bank AB
The Offering	We are offering such number of New Shares as will raise gross proceeds of SEK 5,670 million. The Offering consists of: (i) a public offering of shares in Sweden pursuant to a separate Swedish-language prospectus; and (ii) private placements to international investors in various jurisdictions, including a private placement in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act. All offers and sales outside the United States will be made in compliance with Regulation S.
Offer Price	The Offer Price is expected to be between SEK 44 and SEK 62 per Share. In no event will the Offer Price to retail investors in Sweden exceed SEK 62 per Share. The Offer Price will be determined by a book-building process and will be announced on or about June 17, 2014. See "*Plan of Distribution*."
Shares Outstanding After the Offering	Up to 228,857,781 Shares will be outstanding after the Offering. If the Over-allotment Option is exercised in full, up to 241,743,559 Shares will be outstanding after the Offering. In connection with the listing of our Shares on NASDAQ OMX Stockholm, all existing class B ordinary shares and preference shares will be converted into class A ordinary shares (the "**Share Conversion**") such that we will have only one class of Shares following the Offering (class A ordinary shares). Each class B ordinary share and each preference share will be converted into one newly issued class A ordinary share. Certain members of the Board of Directors and management and key executives have been granted a right to set off a portion of the value of their preference shares against warrants issued in a new incentive program and, in exchange for a part of the preference shares, to receive cash for the payment of taxes accrued in connection with the conversion of preference shares to class A ordinary shares. In order for the Company to have 100,000,000 Shares prior to the Offering, a bonus issue (the "**Bonus Issue**") will be carried out subsequent to the Share Conversion. The Shares issued in the Bonus Issue will be allocated to the shareholders *pro rata* to their shareholding in the Company following the Share Conversion. For further information, see "*The Share and Share Capital*."
Over-allotment Option	We have granted the Managers an option to purchase up to 12,885,778 Additional Shares at the Offer Price (less agreed commissions) to cover over-allotments or other short positions, if any, in connection with the Offering. See "*Plan of Distribution*." The Over-allotment Option is exercisable by Morgan Stanley, as

	stabilization agent, for a period of 30 days from the first day of listing of Shares on the NASDAQ OMX Stockholm.
Use of Proceeds	We expect to receive net proceeds from our issuance and sale of the New Shares of approximately SEK 5,471 million, after deducting underwriting commissions and estimated offering expenses payable by us of approximately SEK 198 million, in the aggregate. We expect to use the net proceeds of the Offering, together with drawdowns under the 2014 Senior Facilities Agreement, to refinance certain of our indebtedness outstanding as of the date hereof and thereby reduce our leverage. We intend to: • use a portion of the net proceeds of the Offering to redeem the Senior PIK Notes in full shortly following the completion of the Offering. As of March 31, 2014 the outstanding amount under the Senior PIK Notes was SEK 2,636 million (SEK 2,763 million (including accrued interest) expected as of June 30, 2014); • use a portion of the net proceeds of the Offering to redeem up to 35% of the amount outstanding under our Senior Notes within 180 days of the completion of the Offering as permitted by the indenture governing such notes. As of March 31, 2014 the outstanding amount under the Senior Notes was SEK 2,569 million (SEK 2,613 million (excluding interest) expected as of June 30, 2014); and • use the remainder of the net proceeds of the Offering, together with drawdowns under the 2014 Senior Facilities Agreement, to repay the Senior Credit Facilities on or shortly following the completion of the Offering and to pay any fees associated with the 2014 Senior Facilities or costs that may arise from unwinding certain hedging contracts. As of March 31, 2014 the outstanding amount under the Senior Credit Facilities was SEK 5,882 million (SEK 6,229 million expected as of June 30, 2014). In addition, we may from time to time consider making an offer to purchase or refinance the Senior Secured Notes and the Senior Notes once such notes are callable in November 2014 and November 2015, respectively. For information on the call provisions applicable to the Senior Secured Notes and the Senior Notes, see "*Description of Certain Financing Arrangements*." See also "*Background and Reasons for the Offering and Use of Proceeds*" and "*Capitalization and Indebtedness*." If the Over-allotment Option is exercised in full, we will receive additional net proceeds of SEK 553 million, after deducting underwriting commissions and estimated offering expenses payable by us. We expect to use net proceeds from the exercise of the Over-allotment Option for general corporate purposes.
Lock-up	The Company will agree with the Managers, subject to certain customary exceptions, that it will not allot, issue, offer, lend, mortgage, assign, pledge, sell or contract to sell any Shares or any securities convertible into, or substantially similar to Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing for a period of 180 days after the closing date in the Underwriting Agreement (the "**Closing Date**"), without the prior written consent of the Joint Global Coordinators. The foregoing shall not apply to the sale of Offer Shares in the Offering or the issuance of Shares upon the exercise of an option or warrant or the conversion of a security outstanding through the date hereof of which the Managers

	have been advised. See "*Plan of Distribution*" for more details regarding these restrictions.
	The Principal Shareholder and certain members of management will each agree with the Managers not to offer, sell, contract to sell, grant or sale of options over, purchase of any option or contract to sell, transfer, charge, pledge, grant of any right or warrant to purchase or otherwise transfer, lend, or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into of any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise or enter into any other disposal or agreement to dispose of any Shares or any announcement or other publication of the intention to do any of the foregoing, for a period of 180 days from the date on which the Offer Price is announced, with respect to the Principal Shareholder, and 365 days from the date on which the Offer Price is announced, with respect to certain members of management. The foregoing shall not apply to: (i) the sale of Offer Shares in the Offering; (ii) the lending of Shares under the Underwriting Agreement; (iii) the sale of Shares to which the Joint Global Coordinators consent; (iv) the sale or transfer of Shares in connection with a take-over offer or an offer by the Company to all shareholders to purchase its own Shares or a scheme of arrangement or reconstruction; (v) gifts of Shares to certain family members or trustees; (vi) Shares acquired following the listing on the NASDAQ OMX Stockholm; and (vii) certain other enumerated circumstances, subject in each case to certain exceptions. These obligations are conditional upon the occurrence of the Closing Date. In the event the Joint Global Coordinators grant a waiver of the above restrictions in respect of certain members of management, the Principal Shareholder shall be released from any lock-up undertaking in respect of a *pro rata* number of Shares. See "*Plan of Distribution*" for more details regarding these restrictions.
Voting Rights	Each Share carries the right to cast one vote on all matters submitted to a vote of our shareholders. See "*The Share and Share Capital*."
Dividends	Holders of our Shares will be entitled to receive future dividends, including any dividends declared in respect of the year ended December 31, 2014 and in respect of any subsequent period, provided dividends are declared. Any dividends declared in respect of the year ended December 31, 2014 will be determined by the annual general meeting of our shareholders in 2015 and will be paid through Euroclear Sweden AB. Our Board of Directors has adopted a dividend policy pursuant to which we retain the flexibility to distribute excess cash to shareholders in the form of dividends or other forms of capital distribution while operating, in the medium term, within our target leverage of 3.5x to 4.0x LTM Underlying EBITDA. We expect to declare dividends or other forms of capital distribution in 2015 with respect to financial year 2014, and currently target distributing at least 50% of equity free cash flow.
	The payment of dividends, if any, and the amounts and timing thereof, will depend on a number of factors, including future revenue, profits, financial conditions, general economic and business conditions, and future prospects and such other factors as our Board of Directors may deem relevant as well as applicable restrictions in certain of our debt instruments and other legal and regulatory requirements. There can be no assurances that our performance will facilitate adherence to the dividend policy or any increase in the return and, in particular, our

	ability to pay dividends may be impaired if any of the risks described in this Offering Memorandum were to materialize. Furthermore, our dividend policy is subject to change as our Board of Directors will revisit our dividend policy from time to time. There can be no assurances that any dividend will be proposed or declared in any given year or any other distributions made. See "*Dividends and Dividend Policy,*" "*Risk Factors—Risks Relating to the Offering—Our ability to pay dividends in the future may be constrained and depends on several factors,*" "*Description of Certain Financing Arrangements—Senior Notes*" and "*Description of Certain Financing Arrangements—Senior Secured Notes*."
Expenses Relating to the Offering	Our expenses in relation to the Offering, including commissions paid to the Managers, are estimated to be approximately SEK 198 million.
Withdrawal of the Offering	The Offering is conditional and may be withdrawn by the Company and the Joint Global Coordinators at any time before pricing and allocation of the Offer Shares. Any withdrawal of the Offering will be announced as soon as practically possible by a press release.
Listing and Start of Trading	Prior to the Offering there has been no public market for our Shares. Our Shares have been approved for listing on NASDAQ OMX Stockholm, subject to satisfaction and notice of a sufficient number of shareholders. Trading of our Shares is expected to commence on or about June 17, 2014.
Settlement and Clearing	The Managers expect to cause delivery of the Offer Shares to purchasers on or about June 23, 2014 through the facilities of Euroclear Sweden against payment thereof in SEK. The Offer Shares will be eligible for clearing through Euroclear Sweden.
ISIN	SE0005999778
Trading Symbol	COMH
Transfer Restrictions	Our Shares will be subject to certain restrictions on transfer as described in "*Transfer Restrictions*."

Indicative Timetable	*Institutional application period*	*June 4 - June 16, 2014*
	Retail application period	*June 4 - June 13, 2014*
	Listing on NASDAQ OMX Stockholm	*June 17, 2014*
	Settlement date	*June 23, 2014*
Financial Calendar	Interim Report for the period January 1, 2014 - June 30, 2014	July 15, 2014
	Interim Report for the period January 1, 2014 - September 30, 2014	November 4, 2014
	Year-end Report for the period January 1, 2014 - December 31, 2014	February 2015
	Annual Report 2014	March 2015

Summary of Risk Factors

Before deciding whether to invest in our Shares, investors should carefully consider certain risks, including:

Risks Relating to the Company

Risks Relating to Our Industry

- We operate in competitive industries and competitive pressures could have a material adverse effect on our business.
- The cable and telecommunications markets in Sweden are exposed to price and margin pressure.
- Our growth prospects depend on a continued increase in demand for digital cable services, in particular, digital television and high-speed broadband services and business-to-business ("**B2B**") sector demand for cable services.
- We operate exclusively in Sweden.

Risks Relating to Our Business

- We may not be able to successfully introduce new or modified services or respond to technological developments or to meet our penetration and market share objectives.
- We depend upon contracts with landlords of multi-dwelling units ("**MDU**s") and our inability to renew existing contracts or to enter into contracts with landlords of new MDUs could have a material adverse effect on our business.
- We may not be able to successfully implement our business strategy.
- Subscriber churn, or the threat of subscriber churn, may adversely affect our business.
- We rely on lease agreements to secure access to operate a significant part of our network.
- We do not have guaranteed access to television content and are dependent on our relationships and cooperation with content providers and broadcasters.
- We operate in a capital-intensive business with changing technologies and we may not have adequate capital to finance future upgrades, which could limit our growth and harm our competitive position.
- The operation of our conditional access systems is dependent on licensed technology and subject to illegal piracy risks.
- We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us.
- We may not be able to renew or extend existing contracts with our suppliers of various products or services, including as a result of events beyond our control, which could result in increased customer churn or have other effects that could materially adversely affect our business, financial condition and results of operations.
- The continuity of our services is highly dependent on the proper functioning of our network and IT infrastructure, and any damage to or failure in the network or such infrastructure could materially adversely affect our business.
- We rely on our information technology systems for the operation of our business, which may be disrupted by hacking, systems failure or computer viruses.
- We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and adversely affect our business.
- The loss of any of our key executives or the inability to attract and retain highly skilled and qualified personnel could adversely affect our ability to manage our business.
- Strikes and other industrial actions, as well as the negotiation of a new collective bargaining agreement, could disrupt our operations or make it more costly to operate our facilities.

- Any negative impact on the reputation of and value associated with our name, including as a result of customer service and satisfaction issues, could adversely affect our business.
- We may make acquisitions or enter into transactions that could result in operating difficulties, dilution and other adverse consequences.
- We are subject to increasing operating expenses and inflation risks that may adversely affect our earnings.
- We are exposed to the risk of declining use of fixed-telephony due to subscriber migration from fixed to mobile telephony and from fixed to mobile broadband services.
- The financial targets included in this Offering Memorandum may differ materially from our actual results and investors should not place undue reliance on them.
- We depend upon service provider agreements with communications operators.

Risks Relating to Regulatory and Legislative Matters

- We are subject to government regulation, which may increase our costs and otherwise adversely affect our business, and further changes could also adversely affect our business.
- The contractual conditions and fees in our agreements may be subject to review by regulatory authorities.
- We are required to carry certain channels on our network and our costs for copyright fees for the transmission of content on these channels may increase.
- We may be subject to claims for breach of consumer protection regulations.
- End-users' reception of services transmitted over certain of the frequencies used for our cable services may be subject to interference caused by other technologies or the allocation and use of different frequency bands.
- We may be subject to extended responsibility for intermediaries in relation to the infringement of intellectual property rights.
- We may be required to grant third-party access to wiring inside buildings connected to our network.
- We may be considered to have significant market power and therefore be subject to access regulation.
- We are subject to risks from legal and arbitration proceedings that could cause us to incur substantial costs, pay substantial damages or prohibit us from selling our services.

Risks Relating to Our Financial Profile

- Our high leverage and debt service obligations could have a material adverse effect on our business, financial condition and results of operations.
- We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.
- Certain of our indebtedness is denominated in euro and failure to hedge our euro currency exposure could adversely affect our financial results.
- We will require a significant amount of cash to service our debt and to sustain our operations, and our ability to generate sufficient cash or otherwise fund our liquidity needs depends on many factors beyond our control.
- We are subject to significant restrictive debt covenants, which limit our financial and operating flexibility.
- We may be unable to fully deduct interest for the period January to September 2009 on certain intra group loans.
- A government committee is currently reviewing the Swedish corporate and withholding tax regimes, which may result in a restriction or cancellation of tax loss carry forwards and current losses or otherwise increase our tax burden.
- Our tax liabilities may change due to tax audits.

- We have previously not applied reverse charges on maintenance and repair services regarding our network systems.
- We may not be able to refinance our debt obligations on favorable terms, or at all, and may incur additional costs.

Risks Relating to the Offering

- The Principal Shareholder may continue to exercise considerable influence over us and our operations, and the interests of the Principal Shareholder may conflict with those of our other shareholders.
- There is a risk that an active and liquid market for our Shares will not develop and the price of the Shares may be volatile.
- Future offerings of debt or equity securities by us may adversely affect the market price of the Shares and lead to substantial dilution of existing shareholders.
- Future sales of Shares after the Offering may affect the market price of the Shares.
- Our ability to pay dividends in the future may be constrained and depends on several factors.
- Investors with a reference currency other than SEK will become subject to certain foreign exchange risks when investing in the Shares.
- U.S. and other non-Swedish holders of Shares may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers.

Summary Consolidated Financial, Operating and Other Data

The summary consolidated financial data as of December 31, 2011 and for the period from July 5, 2011 to December 31, 2011 and as of and for the years ended December 31, 2012 and 2013 set forth below have been derived from our audited consolidated financial statements, which were audited by KPMG AB, as set forth in their audit report; such historical statements and audit report(s) are included elsewhere herein. The summary consolidated financial data set forth below as of and for the three month periods ended March 31, 2013 and 2014 have been derived from our unaudited interim consolidated financial statements, which were reviewed by KPMG AB as set forth in their review report included elsewhere herein. Our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013 and our unaudited interim consolidated financial statements as of and for the three month periods ended March 31, 2013 and 2014 have each been prepared in accordance with IFRS as adopted by the European Union. The unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements, subject only to normal and recurring adjustments that are necessary for a fair statement of the results for the interim periods presented. The summary operating data set forth below has been derived from our regularly maintained records and accounting and operating systems. See "Definitions and Glossary" for definitions and concepts of certain terms set out in the tables below.

*The unaudited aggregated income statement data for the year ended December 31, 2011 has been derived by the mathematical addition of the separate unaudited interim consolidated results of operations of Com Hem Communications AB ("**Com Hem Communications**") for the nine month period ended September 30, 2011 and the audited consolidated financial statements of the Company for the period from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The summary unaudited aggregated financial data as of December 31, 2011 has been extracted from the audited financial statements of the Company. The unaudited financial information of Com Hem Communications for the nine months ended September 30, 2011 and the audited consolidated information of the Company for the period from July 5, 2011 to December 31, 2011 have been prepared in accordance with IFRS, as adopted by the European Union; the unaudited aggregated income statement data and cash flow data for the year ended December 31, 2011 have not been prepared in accordance with IFRS or any other generally accepted accounting standards.*

The following information should be read in conjunction with "Operating and Financial Review" and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Summary Income Statement Data

	Period from July 5 - December 31,	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2013	2013	2014
		(SEK in millions)			
Revenue	1,152	4,562	4,448	1,123	1,124
Cost of sales and services	(583)	(2,244)	(2,190)	(574)	(548)
Gross profit	**570**	**2,318**	**2,258**	**549**	**576**
Selling expenses	(373)	(1,310)	(1,378)	(334)	(361)
Administrative expenses	(69)	(249)	(220)	(58)	(64)
Other operating income and expenses	(262)	(11)	(3)	5	(4)
Operating profit	**(134)**	**748**	**657**	**162**	**147**
Net financial income and expenses	(590)	(1,759)	(1,537)	(158)	(349)
Profit/(loss) after financial items	**(724)**	**(1,010)**	**(880)**	**3**	**(202)**
Income taxes	62	413	109	8	26
Net profit/(loss) for the period	**(661)**	**(597)**	**(771)**	**11**	**(176)**

Summary Balance Sheet Data

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
	(SEK in millions)				
Non-current assets:					
Intangible assets	16,993	16,513	16,154	16,401	16,353
of which goodwill	*10,742*	*10,742*	*10,742*	*10,742*	*10,895*
of which customer relations	*5,160*	*4,614*	*4,068*	*4,477*	*4,093*
of which trademarks	*691*	*691*	*691*	*691*	*691*
Property, plant and equipment	1,460	1,421	1,463	1,374	1,465
Other non-current assets	—	6	6	6	6
Total non-current assets	**18,453**	**17,940**	**17,624**	**17,781**	**17,824**
Current assets	291	299	275	258	323
Cash and cash equivalents	1,045	662	1,122	742	789
Total current assets	**1,336**	**961**	**1,397**	**1,000**	**1,112**
Total assets	**19,788**	**18,901**	**19,021**	**18,781**	**18,936**
Total equity	**677**	**2,937**	**2,212**	**2,948**	**2,035**
Non-current interest-bearing liabilities	15,370	12,689	13,857	12,394	13,813
of which credit facilities	*5,102*	*4,837*	*5,503*	*4,632*	*5,368*
of which notes	*5,783*	*7,812*	*8,317*	*7,730*	*8,413*
of which intercompany loans	*4,338*	—	—	—	—
Other non-current liabilities	237	426	235	488	217
Deferred tax liabilities	1,183	764	671	759	680
Total non-current liabilities	**16,789**	**13,879**	**14,763**	**13,641**	**14,710**
Current interest-bearing liabilities	551	354	308	360	331
Other current liabilities	1,772	1,731	1,738	1,831	1,860
Total current liabilities	**2,323**	**2,085**	**2,046**	**2,191**	**2,191**
Total equity and liabilities	**19,788**	**18,901**	**19,021**	**18,781**	**18,936**

Summary Cash Flow Statement Data

	Period from July 5 - December 31,	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2013	2013	2014
	(SEK in millions)				
Cash flow from operating activities	204	568	1,035	388	321
Cash flow from investing activities	(8,826)	(880)	(1,005)	(168)	(507)
Cash flow from financing activities	9,668	(71)	430	(141)	(148)
Net change in cash and cash equivalents	1,045	(383)	460	80	(333)
Cash and cash equivalents at beginning of period	**0**	**1,045**	**662**	**662**	**1,122**
Cash and cash equivalents at period end	**1,045**	**662**	**1,122**	**742**	**789**

Summary Revenue by Service[1]

	Period from July 5 - December 31, 2011	For the year ended December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2013	For the three months ended March 31, 2014
		(SEK in millions)			
Digital Television	433	1,741	1,683	428	431
High-Speed Broadband	322	1,296	1,323	325	344
Fixed-Telephony	139	507	417	113	90
Landlord	213	815	797	203	201
Other	45	202	228	54	57
Total	**1,152**	**4,562**	**4,448**	**1,123**	**1,124**

(1) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. The reclassification resulted in an increase in digital television revenue of SEK 4 million, SEK 21 million and SEK 30 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively. The reclassification resulted in an increase in high-speed broadband revenue of SEK 4 million, SEK 19 million and SEK 27 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively. The reclassification resulted in an increase in fixed-telephony revenue of SEK 0 million, SEK 2 million and SEK 2 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively. The reclassification resulted in a reduction in landlord revenue of SEK 8 million, SEK 41 million and SEK 59 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively.

Summary Other Financial Information

	As of and for the year ended December 31, Aggregated Company* 2011	As of and for the year ended December 31, Company 2012	As of and for the year ended December 31, Company 2013	As of and for the three months ended March 31, Company 2013	As of and for the three months ended March 31, Company 2014
	(SEK in millions, except percentages and ratios)				
Underlying EBITDA[1]	2,098	2,232	2,200	544	545
Underlying EBITDA margin (in %)[2]	46.4	48.9	49.5	48.5	48.5
EBITDA[1]	1,758	2,161	2,009	503	488
EBITDA margin (in %)[2]	38.9	47.4	45.2	44.8	43.3
Capital expenditures[3]	734	913	1,038	170	215
Capital expenditures ratio (in %)[4]	16.2	20.0	23.3	15.2	19.1
Underlying EBITDA less capital expenditures	1,363	1,319	1,162	374	330
Underlying EBITDA less capital expenditures ratio (in %)[4]	30.2	28.9	26.1	33.3	29.4
Operating free cash flow[5]	1,419	1,197	1,015	282	202
Operating free cash flow margin (in %)[6]	31.4	26.2	22.8	25.1	18.0
Net working capital[7]	(1,357)	(1,242)	(1,229)	(1,182)	(1,141)
Net debt[8]	11,150	13,011	13,582	12,609	13,865
Net debt/equity ratio[9]	n/m	4.4	6.1	4.3	6.8
Net debt/Underlying EBITDA[10]	5.3	5.8	6.2	5.6	6.3

* The selected unaudited aggregated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011 and the audited financial statements of the Company from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The selected unaudited aggregated financial data as of December 31, 2011 has been extracted from the audited financial statements of the Company.

(1) We define EBITDA as net profit/(loss) for the period before income taxes, net financial items and depreciation and amortization ("**EBITDA**"). We define Underlying EBITDA as EBITDA before write downs, non-recurring costs and operating currency (losses)/gains ("**Underlying EBITDA**"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of tangible and intangible assets related to production), selling expenses (depreciation and amortization of tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of tangible and intangible assets related to administrative functions). Neither EBITDA nor Underlying EBITDA is a measure of liquidity or performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a

substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information*." The reconciliation of net profit/(loss) for the periods to EBITDA and Underlying EBITDA is set forth below. For further information on the calculation of Underlying EBITDA for the year ended December 31, 2011, see "*—Unaudited Aggregated Summary Other Financial Data for the Year Ended December 31, 2011*."

	For the year ended December 31,		For the three months ended March 31,	
	Company		Company	
	2012	2013	2013	2014
	(SEK in millions)			
Net profit/(loss) for the period	**(597)**	**(771)**	**11**	**(176)**
Income taxes	(413)	(109)	(8)	(26)
Financial expenses	1,965	1,687	237	352
Financial income	(206)	(149)	(79)	(3)
Depreciation and amortization	1,413	1,352	341	341
EBITDA	**2,161**	**2,009**	**503**	**488**
Write downs[(a)]	19	15	1	—
Non-recurring costs:				
TiVo launch[(b)]	—	97	6	35
B2B launch[(c)]	—	5	—	4
Redundancy	9	49	30	3
Lawyers and consultants[(d)]	24	19	1	8
Scrapping/write-down of inventories	6	—	—	—
Other non-operating costs[(e)]	13	8	4	5
Total non-recurring costs	**52**	**178**	**41**	**56**
Operating currency (losses)/gains	0	(2)	(1)	1
Underlying EBITDA	**2,232**	**2,200**	**544**	**545**

(a) Write downs in 2012 and 2013 related to production facilities and capitalized sales costs.

(b) Marketing and consultancy costs related to the launch of the TiVo service.

(c) Marketing and consultancy costs related to the launch of B2B product portfolio.

(d) Includes costs for legal and advisory fees for structuring and investment opportunities (including costs for acquiring Phonera Företag in 2013 and 2014).

(e) Includes rating costs for notes, monitoring fees and other operational non-recurring items.

(2) Underlying EBITDA margin represents Underlying EBITDA as a percentage of revenue. EBITDA margin represents EBITDA as a percentage of revenue. See "*Presentation of Financial and Other Information*."

(3) Capital expenditures in tangible and intangible assets.

(4) Capital expenditures ratio and Underlying EBITDA less capital expenditures ratio are calculated as a percentage of revenue.

(5) Operating free cash flow is calculated as Underlying EBITDA less operating currency (losses)/gains, less non-recurring costs, less write downs plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in tangible and intangible assets not funded by leasing. Operating free cash flow is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. The reconciliation of EBITDA to

operating free cash flow is set forth below. For further information on the calculation of Operating Free Cash Flow for the year ended December 31, 2011, see "*—Unaudited Aggregated Summary Other Financial Data for the Year Ended December 31, 2011*."

	For the year ended December 31,		For the three months ended March 31,	
	Company		Company	
	2012	2013	2013	2014
	(SEK in millions)			
Underlying EBITDA	**2,232**	**2,200**	**544**	**545**
Operating currency (losses)/gains	0	2	1	(1)
Non-recurring costs	(52)	(178)	(41)	(56)
Write downs	(19)	(15)	(1)	(0)
EBITDA	**2,161**	**2,009**	**503**	**488**
Adjustments for items not included in cash flow	26	18	4	2
Change in net working capital	(117)	(15)	(64)	(73)
Gross capital expenditures	(913)	(1,038)	(170)	(215)
Capital expenditures funded by leasing[(a)]	38	42	10	—
Operating free cash flow	**1,197**	**1,015**	**282**	**202**

(a) In connection with the lease of certain equipment, the Company has entered into finance lease agreements that provide for additional cash flow flexibility.

(6) Operating free cash flow margin is calculated as operating free cash flow as a percentage of revenue.

(7) Net working capital consists of inventories, trade receivables, prepaid expenses and accrued income, plus other receivables, less trade payables, other current liabilities, as well as accrued expenses and deferred income. Financial items included in these line items in the balance sheet are excluded from the net working capital calculation.

(8) Net debt is calculated as interest-bearing liabilities, excluding unamortized borrowing costs, less cash and cash equivalents.

(9) Net debt/equity ratio is calculated as net debt divided by shareholders' equity.

(10) Net debt/Underlying EBITDA ratio is calculated as net debt at the end of the period indicated divided by Underlying EBITDA for the last twelve months.

Summary Operational Data

The following table sets forth, for the periods indicated, certain data for our business-to-consumer ("**B2C**") and landlord operations.

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands, except percentages and as otherwise indicated)				
Total					
Homes connected[1]	1,739	1,749	1,817	1,777	1,830
Unique residential subscribers[2]	861	828	830	823	838
of which triple-play subscribers	*292*	*264*	*236*	*254*	*233*
Unique residential subscribers as a percentage of homes connected (in %)	49.5	47.3	45.7	46.3	45.8
Total RGUs[3]	1,585	1,502	1,482	1,495	1,492
RGUs per unique residential subscriber (in units)	1.84	1.82	1.79	1.82	1.78
Blended residential ARPU[4][6] (in SEK)	357	363	356	359	359
RGUs[3]					
Digital Television	658	612	597	613	595
High-Speed Broadband	551	543	558	542	570
Fixed-Telephony	376	348	327	339	327
	(in SEK)				
ARPU[5][6]					
Digital Television	225	234	233	235	243
High-Speed Broadband	193	199	203	201	204
Fixed-Telephony	127	118	104	111	93
Landlord[7]	40	39	37	38	37

(1) Homes connected represent the number of residential units in our footprint to which we provide (i) basic television service, primarily through long-term contracts with landlords of MDUs and (ii) our services pursuant to service provider agreements with communications operators.

(2) Except as the context otherwise indicates, references to "subscribers" are generally used to refer to residential subscribers. Unique residential subscribers represent the number of individual end users who have subscribed for one or more of our upgraded digital services during the period indicated.

(3) RGUs 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.

(4) Blended residential ARPU is calculated by dividing all digital television, high-speed broadband, fixed-telephony revenue and other revenue that can be allocated to each service for the relevant period by the average number of total unique residential subscribers for that period and further by the number of months in the period. The average number of total unique residential subscribers is calculated by aggregating the average number of unique residential subscribers in each month during the respective period and dividing the result by the number of months in the respective period.

(5) ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the Com Bo discount) 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.

(6) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified and our historical reported ARPUs by digital service have been recalculated accordingly in the presentation above. See "—*Summary Revenue by Service*."

(7) Landlord ARPU is calculated by dividing all landlord revenue by the average number of homes connected for the relevant period and further by the number of months in that period. The average number of homes connected is calculated by aggregating the number of homes connected at the end of each month during the respective period and dividing the result by the number of months in the respective period.

Unaudited Aggregated Financial Information for the Year Ended December 31, 2011

The following unaudited aggregated financial information for the period from January 1, 2011 to December 31, 2011 presented below has been derived from: (i) the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011; and (ii) the audited consolidated financial statements of the Company for the period from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. As such, the Company believes that the aggregated financial information is representative of its financial performance during 2011.

As a consequence of the acquisition of Com Hem by funds advised by BC Partners Limited in September 2011, and the subsequent refinancing, it is not meaningful to present selected aggregated financial information for the line items below gross profit since that data is not comparable between the years. The unaudited aggregated financial information has not been prepared in accordance with any generally accepted accounting standard and has not been audited or reviewed in accordance with any generally accepted auditing standard.

Unaudited Aggregated Income Statement Information for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company*
		(SEK in millions)	
Revenue	3,368	1,152	4,520
Cost of sales and services(1)	(1,727)	(583)	(2,310)
Gross profit	**1,641**	**570**	**2,211**

* The selected unaudited aggregated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011 and the audited financial statements of the Company from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The selected unaudited aggregated financial data as of December 31, 2011 has been extracted from the audited financial statements of the Company.

(1) Cost of sales and services of SEK 30 million for the period ended September 30, 2011 has been reclassified from cost of sales and services to selling expenses.

Unaudited Aggregated Summary Revenue by Service for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Digital Television(1)	1,257	433	1,690
High-Speed Broadband(1)	921	322	1,243
Fixed-Telephony(1)	427	139	565
Landlord(1)	645	213	858
Other(1)	118	45	163
Total	**3,368**	**1,152**	**4,520**

(1) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. The reclassification resulted in an increase in digital television revenue of SEK 9 million and SEK 4 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in an increase in aggregated digital television revenue for the year ended December 31, 2011 of SEK 13 million. The reclassification resulted in an increase in high-speed broadband revenue of SEK 8 million and SEK 4 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in an increase in aggregated high-speed broadband revenue for the year ended December 31, 2011 of SEK 12 million. The reclassification resulted in an increase in fixed-telephony revenue of SEK 1 million and SEK 0 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in an increase in aggregated fixed telephony revenue for the year ended December 31, 2011 of SEK 1 million. The reclassification resulted in a reduction in landlord revenue of SEK 18 million and SEK 8 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in a reduction in landlord revenue for the year ended December 31, 2011 of SEK 26 million.

Unaudited Aggregated Summary Other Financial Data for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Underlying EBITDA[(1)]	1,590	508	2,098
EBITDA[(1)]	1,532	226	1,758
Capital Expenditures[(2)]	407	328	734
Underlying EBITDA less capital expenditures	1,183	180	1,363
Operating free cash flow[(3)]	1,191	228	1,419

(1) We define EBITDA as net profit/(loss) for the period before income taxes, net financial items and depreciation and amortization ("**EBITDA**"). We define Underlying EBITDA as EBITDA before write downs, non-recurring cost and operating currency (losses)/gains ("**Underlying EBITDA**"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of tangible and intangible assets related to production), selling expenses (depreciation and amortization of tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of tangible and intangible assets related to administrative functions). Neither EBITDA nor Underlying EBITDA is a measure of liquidity or performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information*." The reconciliation of EBITDA to Underlying EBITDA is set forth below.

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
EBITDA	**1,532**	**226**	**1,758**
Write downs[(a)]	—	12	12
Non-recurring costs:			
Spacenet de-installation	5	—	5
Redundancy payments	5	—	5
Lawyers and consultants	42	15	57
Transaction costs[(b)]	—	246	246
CDK upfront fee[(c)]	—	10	10
Other	3	0	2
Total non-recurring costs	**56**	**270**	**326**
Operating currency (losses)/gains	2	0	2
Underlying EBITDA	**1,590**	**508**	**2,098**

(a) Write downs related to production facilities and capitalized sales costs.

(b) Expenses related to the Acquisition.

(c) Payment related to the withdrawn CDK acquisition.

(2) Capital expenditures in fixed tangible and intangible assets, including capital expenditures funded by leasing.

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Network and quality enhancement	111	116	227
CPE and capitalized sales costs	192	103	295
IS Development	85	45	130
Other	20	62	82
Capital expenditures in fixed tangible and intangible assets	**407**	**328**	**734**
of which capital expenditure funded by leasing	*(68)*	*(54)*	*(122)*
Capital expenditures in fixed tangible and intangible assets after leasing	**339**	**274**	**612**

(3) Operating free cash flow is calculated as Underlying EBITDA less operating currency (losses)/gains, less non-recurring costs, less write downs, plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in tangible and intangible assets not funded by leasing. Operating free cash flow is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. The reconciliation of Underlying EBITDA to operating free cash flow is as follows:

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Underlying EBITDA	**1,590**	**508**	**2,098**
Operating currency (losses)/gains	(2)	(0)	(2)
Non-recurring costs	(56)	(270)	(326)
Write-downs	—	(12)	(12)
EBITDA	**1,532**	**226**	**1,758**
Adjustments for items not included in cash flow			
Pension provisions	3	0	3
Other provisions	(3)	3	0
Other items not included in cash flow	(9)	21	12
Total Adjustments for items not included in cash flow	**(9)**	**24**	**15**
Change in net working capital	7	252	259
Cash flow from capital expenditures	(339)	(273)	(612)
Operating free cash flow	**1,191**	**228**	**1,419**

RISK FACTORS

An investment in the Shares involves a high degree of risk. You should carefully consider each of the risks described below and all of the other information in this Offering Memorandum before deciding to invest in our Shares. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. As a result the price of the Shares may decline and you could lose all or part of your investment. The risks described below are not the only ones we believe we are exposed to. Additional risks that are not currently known to us, or that we currently, based on our regular risk assessment, consider to be immaterial, could significantly impair our business activities and have a material adverse effect on our business, financial condition and results of operations. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their severity or significance.

This Offering Memorandum also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described below and elsewhere in this Offering Memorandum.

Risks Relating to the Company

Risks Relating to Our Industry

We operate in competitive industries and competitive pressures could have a material adverse effect on our business.

We face significant competition in each of the industries in which we operate. Market participants include local, national and international competitors, and both established companies and new market entrants. We also face competition from companies offering new services within each of the market segments in which we operate and/or from companies offering services via new technological or service platforms. In some instances, we compete against companies that may develop more comprehensive service offerings, and have greater size, easier access to financing, greater financial, technical, marketing and personnel resources, larger subscriber bases, enhanced brand recognition or longer-established relationships with regulatory authorities, content providers and subscribers. These competitors may also undertake more extensive marketing campaigns, adopt more aggressive pricing policies and devote substantially more resources to developing competing services than we do. Public subsidies for the build-out of broadband networks also constitutes a threat to our business, since competition in these cases may not take place on equal terms.

Our services are primarily delivered through our upgraded HFC cable and fiber network, and increasingly also over open and closed LAN. Some of our competitors use different platforms to deliver services that compete with our services. The technical development of existing platforms and the introduction of platforms based on new and emerging technologies, in particular wireless technologies such as universal mobile telecommunications system ("**UMTS**"), long-term evolution ("**LTE**") and worldwide interoperability for microwave access ("**WiMax**"), might, depending on the success of these technologies and our ability to further develop our services within our cable platform, pose a threat to our competitive standing in the future.

We face competition from LAN and xDSL providers who offer their services in parallel to our existing HFC cable network through fiber LANs or the existing telephony infrastructure, which allows these service providers to offer their services to subscribers who are already connected to our HFC cable network. Competitors that offer their services through fiber LANs and landlords of MDUs might enter into exclusive long-term contracts that preclude the end users within those MDUs from purchasing any of our services during the term of the contract. We depend on our ability to maintain customer relationships with our existing landlord customers, renew landlord cable contracts at attractive terms and strive to obtain new landlords as customers.

The specific nature and level of the competition we face varies for each of the services we offer and new services are constantly being developed by our competitors. We may not be successful in delivering competitive services. Our position in the market may be weakened if we are unable to successfully improve our existing services and/or develop attractive new service offerings. In addition, competition may intensify if certain of our competitors are willing to accept lower profit margins than we are willing to accept or spend more capital to obtain or retain subscribers than we are willing to spend.

We are increasingly selling our television, high-speed broadband and fixed-telephony services as part of bundles. Many of our competitors also offer bundled services, including triple-play bundles. Some of our competitors also offer mobile telephony services, which we currently only offer to our B2B customers, in addition to their bundled services. Our competitors are continuing to improve their ability to offer attractive bundled services. If our bundled services are not able to compete effectively, we may be required to lower our prices or increase investment in our services to improve quality to take advantage of increasing demand for bundled services and avoid losing existing subscribers.

If we are unsuccessful in responding to competitive pressures, we may lose landlord contracts, suffer a significant decline in the number of unique residential subscribers and/or a sustained reduction in revenue or margins, which could have a material adverse effect on our business, results of operations or financial condition.

The cable and telecommunications markets in Sweden are exposed to price and margin pressure.

Cable and telecommunications providers in Sweden have been required to continuously upgrade their services in recent years to remain competitive. Competitive price pressure in the television, high-speed broadband and fixed-line telephony markets may increase in the future, in particular as access to alternative distribution platforms and technological progress may empower subscribers to demand sharply reduced prices for cable and telecommunications services. Further, short term contracts and low barriers to changing providers require that we adapt our prices, services and discount policies in order to preserve the attractiveness of our services, and we may be unable to compensate for any resulting decrease in ARPU by selling additional higher-priced services, which may lead to a decline in revenue and profitability. We may also be required to incur additional marketing, capital investment and other expenses in order to attract new subscribers and retain existing subscribers, which may adversely affect our margins. In addition, an increasing level of penetration for our services may make it more difficult for us to attract new subscribers, which may result in increased subscriber acquisition costs. If we are unable to attract new subscribers and retain existing subscribers, while maintaining our pricing and margins, this could have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects depend on a continued increase in demand for digital cable services, in particular, digital television and high-speed broadband services and B2B sector demand for cable services.

Our growth and profitability depend on a continued increase in demand for digital cable services, in particular digital television and high-speed broadband services and B2B sector demand for cable services in the coming years. If demand for digital cable services, in particular digital television and high-speed broadband services and bundled services does not increase as expected, and there is limited demand in the B2B sector for cable services, this could have a material adverse effect on our business, financial condition and results of operations.

We operate exclusively in Sweden.

We operate exclusively in the Swedish market and our success is therefore closely tied to general economic developments in Sweden and cannot be offset by developments in other markets. Swedish real gross domestic product ("**GDP**") grew at a rate of 1.5% in 2013. Negative developments in, or the general weakness of, the Swedish economy and in particular, increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the services they subscribe for and their usage levels of our services. In addition, we can provide no assurances that an economic slowdown will not lead to a higher number of non-paying subscribers or generally result in subscribers terminating our services. Therefore, a weak economy or negative economic development, decrease in consumer confidence in Sweden or other adverse macroeconomic changes affecting households or SoHo or SME businesses could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Business

We may not be able to successfully introduce new or modified services or respond to technological developments or to meet our penetration and market share objectives.

To remain competitive, we must continue to launch new services and increase and improve the functionality, availability and features of our existing service offerings and network, in particular, by ensuring that our bandwidth capacity keeps up with increasing demand for bandwidth-intensive services. In general, the cable television and bandwidth-intensive services industries face challenges including the following:

- rapid and significant technological change;
- changes in usage patterns and subscriber needs and priorities;
- frequent introduction of new services or upgrading of existing services in connection with new technologies; and
- introduction of new industry standards and practices that render current company technologies and systems obsolete.

Our industry is also experiencing continuous structural changes, including the further development of services such as mobile voice over internet protocol ("**Mobile VoIP**"), video on demand ("**VoD**"), expanding alternative distribution platforms such as fiber LANs, alternative service platforms such as OTT video and linear TV services, expanding business models such as the open network model, geographical expansion and new revenue models introduced by our competitors. It is difficult to predict the impact of technological innovations and changes in business models on our business. In June 2012, we signed an exclusive operator agreement with TiVo Inc. to develop our next generation television offering. On October 7, 2013, we launched TiVo together with the service "TiVo-To-Go," a new cloud based service that is part of the next generation digital television experience, offering TiVo customers a one-stop-content shop, including television, pay-per-view, VoD, OTT integration and other applications. We may not achieve the desired results from, and customer demand for, this new offering. In addition, we may be unable to successfully implement new technologies or adapt our service offering or business model to benefit from new or existing technologies within an appropriate timeframe. Any such inability or failure could have a material adverse effect on our business, financial condition and results of operations.

Costs associated with future service offerings, new technological developments and the operation of our existing and future networks and technologies may also increase, due to many factors. Some of these are outside of our control, including additional requirements for bandwidth, complexity of new solutions, potential incompatibility with our current systems and the cost of content. The level and timing of future operating expenses and capital requirements may differ materially from current estimates due to various factors, many of which are beyond our control. Any inability to fund these costs, or decisions not to fund these costs, could have a material adverse effect on our business, financial condition and results of operations.

In addition, our success will depend upon, among other things, our ability to increase the penetration of our digital television offering and the market share of our digital service offerings, including our bundled services, and to maintain our position in the area considered by our management to contain homes in our footprint. Our success also will depend on our ability to compete with content producers, who are increasingly offering their content directly to end users. Any inability to achieve these objectives, could have a material adverse effect on our business, financial condition and results of operations.

We depend upon contracts with landlords of MDUs and our inability to renew existing contracts or to enter into contracts with landlords of new MDUs could have a material adverse effect on our business.

Our ability to renew existing contracts with landlords of MDUs, and to enter into contracts with new landlord partners, is critical to our business, as landlord contracts form the basis of our consumer relationships with the 1.731 million homes connected to our HFC cable network as of March 31, 2014. Contracts with landlords are necessary to provide us with network access to individual tenants and households within MDUs because in-house wiring is owned by landlords. We will lose our direct subscriber relationships with end-users if landlords terminate or fail to renew their contracts with us. We have periodically lost contracts with landlords in the past and could lose landlord contracts in the future. The pace of contract renegotiation and/or loss of contracts could also accelerate in the future.

Some of our competitors have targeted large landlords who currently receive our services, and we could experience a significant increase in our subscriber churn rate if such landlords terminate or fail to renew their relationship with us. Subscriber churn is a measure of the number of unique residential subscribers who stop subscribing for one or more of our services. While our existing HFC cable network, which we use for providing our services to our end-users, is in place, landlords do on occasion seek to identify alternative providers of telecommunications services, including LAN operators who provide their services via fiber LANs built either by operators or landlords in parallel to our existing HFC cable network. Such operators may enter into exclusive long-term contracts with landlords and may have greater flexibility than we do in terms of pricing, which may limit our ability to secure new contracts with landlords or renew existing contracts.

In addition, landlords may terminate their contracts with us prematurely if, for example, our contracts are deemed to violate antitrust laws or laws governing general terms and conditions. Further, landlords have the right to terminate their contracts with us due to, for example, repeated and material technical interruptions, which, unless remedied by us within a reasonable period, could be deemed a material breach of contract. There can be no assurances that we will be able to retain any of our subscribers or renew any of our existing contracts on commercially favorable terms, if at all. If landlords cancel or fail to renew existing contracts, all end-user agreements within those MDUs will be automatically terminated. Our inability to maintain or renew our existing agreements with landlords or enter into new contracts on commercially favorable terms would lead to reduced sales, lower margins and a decrease in our subscriber base, any of which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully implement our business strategy.

On October 7, 2013, we launched TiVo together with the service "TiVo-To-Go," a new cloud based service that is part of the next generation digital television experience, offering TiVo customers a one-stop-content shop, including television, pay-per-view, VoD, OTT integration and other applications. This digital television offering, combined with our expanded content offering, represents a strategic shift in our digital television services strategy. We intend to leverage our TiVo service to migrate basic television subscribers to digital television to significantly increase the rate of penetration of digital television services within our footprint and to promote bundling and grow digital television ARPU. In connection with the release of any new service, there are risks generally associated with the new service, including lack of market acceptance, delay in implementation and failure of new services to perform as expected. We may be unable to achieve increased penetration rates, bundling rates or ARPU growth that we expect TiVo to generate, which could have a material adverse effect on our business, financial condition and results of operations. Our prospects should be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies during the launch and roll-out of a new service. In addition, our reliance on the TiVo trademark in connection with the implementation of our business strategy and marketing may make it difficult to alter our business strategy in the future.

In June 2013, we launched our offering to the B2B segment, initially offering our high-speed broadband and fixed-telephony services to prospective SoHo customers in our footprint. On March 31, 2014, we completed the acquisition of Phonera Företag, a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers. We intend to combine the benefits of our network, network operating experience and economies of scale with Phonera Företag's existing subscriber base, portfolio of complementary services aimed at SoHo and SME customers and experienced and dedicated B2B sales force to expand our entry into the B2B market and benefit from the significant expected opportunities in the B2B market. Any failure to integrate Phonera Företag with our existing business or failure to expand our share of the B2B market could have a material adverse effect on our business, financial condition and results of operations.

Even if we successfully implement our business strategy, our operating results may not improve or may decline. We may decide to alter or discontinue aspects of our business strategy and may adopt different strategies due to business or competitive factors not currently foreseen, such as new technology that would make our services obsolete. Failure to implement and execute our business strategy successfully and to respond to competitive developments could have a material adverse effect on our business, results of operations and financial condition.

Subscriber churn, or the threat of subscriber churn, may adversely affect our business.

Churn arises mainly as a result of competitive influences, relocation of unique residential subscribers and price increases. Additionally, our direct end-user relationships with our residential subscribers are based largely on contracts with landlords of the MDUs in which our end-users reside. If landlords terminate or do not renew existing contracts, all services provided to individual end-users will be automatically terminated, increasing our subscriber churn. Further, our subscriber churn may also increase if we are unable to deliver satisfactory services over our network or as a result of subscribers' reduced willingness to pay for digital services offered by us. For example, any interruption of our services, the removal or unavailability of programming, which may not be under our control, or other subscriber service problems could contribute to increased subscriber churn. Any increase in subscriber churn may lead to increased costs and reduced revenue.

When existing contracts expire, landlords may attempt to negotiate contracts with certain discounts. The importance of our landlord subscribers to our business model, and the effect on churn that the loss of landlord subscribers may have, may reduce our ability to continue to secure commercially favorable contract terms.

One of our key strategies has been to actively promote the migration of our subscribers from basic cable to our digital television offering and to sell additional digital services, such as TiVo and other VoD services, high-speed broadband services and fixed-telephony services, to subscribers as part of a plan to increase revenue and reduce churn. In addition to the risk of churn stemming from price increases, the complexity of the services offered and additional service or billing complexity could lead to increased churn and have a material adverse effect on our business, financial condition and results of operations.

We rely on lease agreements to secure access to operate a significant part of our network.

We have entered into various agreements relating to the lease of cable duct space, dark fiber and in some instances coaxial cables as well as facilities for headends and hubs. These agreements with TeliaSonera Skanova Access AB, a Swedish network wholesaler ("**Skanova**"), AB Stokab, a network provider in Stockholm ("**Stokab**"), and Trafikverket ICT (previously Banverket ICT and Banverket Telenät), the Swedish Transport Administration ("**Trafikverket**"), are significant to our business. The electrical power and cooling required for the operation of headends and hubs are provided under the lease agreements. Our ability to offer our services to our subscribers depends on the performance of contract counterparties and their affiliates in carrying out their respective obligations under certain agreements and such contract counterparties' rights of use. While our existing material lease agreements generally do not permit early termination in ordinary circumstances, our contract counterparties may terminate such agreements in certain circumstances and under certain conditions.

In the event that we fail to fulfill our payment obligations or are otherwise in breach of our material lease agreements, our contract counterparties would be entitled to terminate their agreements. The termination of any material portion, or all, of these agreements could materially affect the value of our network or business. Upon such termination, continuing our business, if possible, would require a sizeable payment to purchase or lease the relevant facility or facilities or a sizeable investment to replicate the lost facilities or services. In many cases we would not be able to find suitable alternative service providers at a comparable cost or within a reasonable period of time. Any disruption or termination of our lease arrangements with Skanova, Stokab and Trafikverket could have a material adverse effect on our business, financial condition or results of operations.

We do not have guaranteed access to television content and are dependent on our relationships and cooperation with content providers and broadcasters.

The success of our business depends on, among other things, the quality and variety of the programming delivered to our subscribers. We do not produce our own content and are therefore dependent upon broadcasters and content providers for programming.

We currently license certain digital programs for our digital television offering. We intend to negotiate additional access to programming to expand our cable television offering beyond our current cable television packages and to enhance existing programming. Rights with respect to a significant amount of premium and/or HD content are, however, already held by competing distributors and, to the extent such competitors stop wholesaling such content or wholesale such content to distributors other than Com Hem, our ability to obtain certain content could be limited. Further, as we continue to develop our VoD and other interactive services, including our TiVo service, which includes traditional television content, VoD libraries, OTT content and applications, our ability to source content for the TiVo service will be increasingly important and will depend on our ability to maintain relationships and cooperation with content providers and broadcasters for both standard and HD content. As we continue to develop our TiVo service, we may incur additional licensing and/or other fees for content distributed over those platforms. In addition, content providers may elect to distribute their content exclusively through distribution platforms other than our TiVo service, including satellite, digital terrestrial broadcasting or internet-based platforms, or through other distributors.

We may be unable to obtain or retain attractive content in the future on favorable terms, or at all. Our inability to obtain or retain attractively priced competitive programs on our networks could reduce demand for our existing and future television services, thereby limiting our ability to maintain or increase revenue from these services. The inability to obtain or retain programs could have a material adverse effect on our subscriber numbers, business, financial condition and results of operations.

We operate in a capital-intensive business with changing technologies and we may not have adequate capital to finance future upgrades, which could limit our growth and harm our competitive position.

The television, high-speed broadband and fixed-telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add subscribers to our network, including expenditures for equipment and labor costs. In addition, accelerated growth in broadband usage by our subscribers may require us to invest in the capacity of our network at a faster pace than we currently anticipate. We can provide no assurances that our future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. In addition, rapidly changing technology requires careful review of the life cycles of our assets and may result in additional depreciation or impairment costs. If we are unable to, or elect not to, pay for costs associated with adding new subscribers, expanding or upgrading our network or making our other planned or unplanned capital expenditures, or if we experience unexpected material depreciation or impairment costs, our growth could be limited and our competitive position could be harmed, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The operation of our conditional access systems is dependent on licensed technology and subject to illegal piracy risks.

We operate conditional access systems to transmit encrypted digital programs, including our digital television packages. We have entered into an agreement with Conax AS ("**Conax**"), pursuant to which Conax has agreed to sell and install parts of our conditional access system for our cable distribution, including hardware equipment, to grant licenses for the respective intellectual property rights for the conditional access system and to provide maintenance, support and security services. Billing and revenue generation for our services rely on the proper functioning of our conditional access systems.

TiVo delivers content over multiple platforms including traditional HFC, IPTV and multiscreen (such as smartphones and tablets). In order to use only one conditional access system, this new TV platform powered by TiVo needs to be based on digital rights management ("**DRM**") without smartcards. Therefore, we have chosen to use a two way conditional access system from Verimatrix, Inc. ("**Verimatrix**") to handle any risks in the same manner as our Conax system. For broadcast television services, we use a method that allows the simultaneous broadcast of a transmission signal via both the Conax and Verimatrix conditional access system.

The security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our legacy (non-TiVo) STBs and CI Modules require smart cards before subscribers can receive programming, and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our broadcasted television signals. There is a risk that we will not be able to successfully eliminate the piracy that we currently face or may face in the future. In addition, there can be no assurances that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased television subscriber churn or otherwise have a material adverse effect on our business, financial condition and results of operations.

We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us.

We have important relationships with several suppliers of hardware, software and related services that we use to operate our cable and LANs and fixed-telephony systems. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. In the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. We also outsource some of our support services, such as IT support, field services and maintenance operations. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to our operations and could result in us incurring additional costs, including if the outsourcing counterparty increases pricing or if we are required to locate alternative service providers or in-source previously outsourced services. The occurrence of any of these risks could create technical problems, damage our reputation, result in the loss of unique residential subscribers and have a material adverse effect on our business, financial condition and results of operations.

We may not be able to renew or extend existing contracts with our suppliers of various products or services, including as a result of events beyond our control, which could result in increased customer churn or have other effects that could materially adversely affect our business, financial condition and results of operations.

The successful implementation of our business strategy depends, in part, on our success at renewing our existing contracts with suppliers of services on favorable terms or in entering into new contracts. Our ability to renew our existing contracts with suppliers of products or services, or enter into new contractual relationships, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond our control. Our inability to renew, extend or enter into new contracts with suppliers of services could result in increased customer churn. For example, should a content provider or a supplier of products or services decide to terminate its relationship with us, landlords and individual subscribers of our digital services may choose to disconnect from our network and obtain their signal from alternative sources or providers. Our inability to maintain our existing contracts and agreements with suppliers of the various services which we rely upon or enter into new contracts on commercially favorable terms could lead to reduced sales, lower margins and increased customer churn and could have a material adverse effect on our business, financial condition and results of operations.

The continuity of our services is highly dependent on the proper functioning of our network and IT infrastructure, and any damage to or failure in the network or such infrastructure could materially adversely affect our business.

If any equipment or part of our network that we use for providing our services to our subscribers is damaged or disrupted by events such as a lightning strike, flood, fire or other natural disaster, a power outage or equipment and system failures, including those caused by terrorism, sabotage and other criminal acts, our operations and subscriber relations could be materially adversely affected. Disaster recovery, security and service continuity protection measures that we or other parties have or may in the future undertake, and our or other parties' monitoring of network performance, may be insufficient to prevent losses. While we have property damage insurance coverage for our network operation center ("**NOC**"), our playout center, our office locations, hubs and headends as well as our technical and office equipment and stock, this insurance only covers property damage within an insured location and therefore, the high-speed broadband cable network in the ducts is not insured. Any catastrophe or other damage that affects the network could result in substantial uninsured losses. If uninsured network elements were disrupted as described above, we may not have sufficient resources to make necessary repairs or replacements, and such repair or replacement work may cause us to incur significant costs. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time.

In addition, our business is dependent on certain sophisticated business-critical systems, including our NOC, playout center and billing and subscriber service systems. The hardware supporting these business-critical systems is housed at relatively few locations, and if any of those locations were to be damaged or if those systems were to develop other problems, our business, financial condition and results of operations could be adversely affected.

Despite the presence of back-up systems, including regional mobile units that can be used to restore regional portions of the network, we can provide no assurances that our servers and network may not be damaged by physical or electronic break-downs, computer viruses or similar disruptions. In addition, unforeseen problems could create disruptions in our IT systems. There can be no assurances that our existing security system, IT security policy, back-up systems, physical access security and access protection, administration and IT emergency plans will be sufficient to prevent data loss or minimize network downtime. Sustained or repeated disruptions or damage to the network and technical systems which prevent, interrupt, delay or make it more difficult for us to provide services to our subscribers in accordance with the agreements with our subscribers may trigger claims for the payment of damages or contractual remedies and would cause considerable damage to our reputation, lead to the loss of unique residential subscribers, a decrease in revenue and require repairs, which would have a material adverse effect on our business, financial condition and results of operations.

Also, if repairs or replacements of our network (or substantial parts of it) were required, we may not be able to complete such repairs or replacements, or may not be able to do so in a timely manner. This could have an adverse effect on our ability to provide services to our subscribers and/or the quality of our services, which could result in subscriber dissatisfaction and regulatory penalties and have a material adverse effect on our business, financial condition and results of operations.

We rely on our information technology systems for the operation of our business, which may be disrupted by hacking, systems failure or computer viruses.

Our information technology system consists of numerous intra-linked systems that are periodically updated, upgraded, enhanced and integrated with new systems. If these systems are not able to be maintained adequately, or if the systems are not able to provide a basis to support new or expanded services, this could have an adverse effect on our ability to service our subscribers.

As the cable and telecommunications sector has become increasingly digitalized, automated and online-based, we have become exposed to increased risks of hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, hacker attacks or unauthorized access to our server could affect the quality of our services, compromise the confidentiality of our subscriber data or cause service interruptions, which could harm our reputation and could have a material adverse effect on our market share, business, financial condition or results of operations.

We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and adversely affect our business.

We accumulate, store and use data in the ordinary course of our operations that is protected by data protection laws. We may fail to protect subscriber data in accordance with the applicable Swedish privacy requirements and certain subscriber data may be leaked to or otherwise used inappropriately. We work with independent and third-party sales agents, service providers and call center agents, and although our contracts with these third parties restrict the use of subscriber data, we can provide no assurances that they will abide by the contractual terms. Violation of data protection laws may result in fines, loss of reputation and subscriber churn and could have an adverse effect on our business, financial condition and results of operations.

The loss of any of our key executives or the inability to attract and retain highly skilled and qualified personnel could adversely affect our ability to manage our business.

Our continued success is substantially dependent upon the retention and the continued performance of our key executives. We hired new key executives in 2013 and 2014. While our key executives have extensive experience in the telecommunications industry, there may be risks associated with their recent appointment. In addition, our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel. The inability to attract and retain skilled and qualified personnel, or the loss of the services of any of our key executives, could have a material adverse effect on our business, financial condition and results of operations.

Strikes and other industrial actions, as well as the negotiation of a new collective bargaining agreement, could disrupt our operations or make it more costly to operate our facilities.

We are exposed to the risk of strikes and other industrial actions in accordance with applicable regulations under Swedish law. We estimate that approximately 62% of our employees are members of trade unions, including the trade unions SEKO, Unionen, Ledarna and Akademikerförbundet. We have entered into a written agreement with the trade unions, known as the "Polling Agreement" (Sw. *Samverkansavtal*), which essentially governs our duty to consult and inform the trade unions about significant changes in our business, our operations, development and future plans, etc. We are a member of Almega, the employer and trade organization for the Swedish service sector, and are thereby bound by the collective bargaining agreement with IT & Telekomföretagen, Ledarna, Jusek, Unionen, Civilekonomerna, SEKO and Sveriges Ingenjörer, which is in force from April 1, 2013 to March 31, 2016, as well as local collective bargaining agreements with the same trade unions. The collective bargaining agreements provide for annual salary increases and include general terms and conditions on, among other things, vacation entitlements, notice periods, working hours and insurance benefits. We may in the future experience lengthy consultations with trade unions, strikes, work stoppages or other industrial actions called by the trade unions according to law, which could result in delays in our ability to serve customers in a timely manner. Strikes and other industrial actions, and the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt our operations and make it more costly to operate our facilities, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Any negative impact on the reputation of and value associated with our name, including as a result of customer service and satisfaction issues, could adversely affect our business.

The "Com Hem" name is one of our most important business assets. Maintaining the reputation of and value associated with this name is central to the success of our business. Our reputation may be harmed if we encounter difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to our traditional service offerings or otherwise. A negative customer perception of Com Hem arising from customer service difficulties could also harm our reputation. In customer surveys conducted by the Swedish Quality Index (Sw. *Svenskt Kvalitetsindex*) from 2011 to 2013, Com Hem, like many of its competitors, was associated with providing low customer satisfaction. While our management team is focused on improving our customer satisfaction rates and has been implementing a series of measures to address customer satisfaction, there are no assurances that our customer satisfaction ratings will improve. Additionally, the use of the name "Com Hem" for our offering and any merchandising articles might infringe on the trademarks or similar rights of prior right holders. Prior right holders could assert certain claims regarding the use of "Com Hem" as a trademark. A substantial erosion in the reputation of, or value associated with the name "Com Hem" could have a material adverse effect on our business, financial condition and results of operations.

We may make acquisitions or enter into transactions that could result in operating difficulties, dilution and other adverse consequences.

We have evaluated, and may continue to evaluate, potential strategic or other acquisitions and transactions. Any of these transactions could be material to our financial condition or results of operations. The process of integrating an acquired company, network, business or technology or information technology system could create unforeseen operating difficulties and expenditures, and we may not realize any or all of the benefits we anticipated at the time of the acquisition. Further, our management could be required to invest significant time into such acquisitions and the resulting integration activities, and our management may change as a result of future corporate transactions. Future acquisitions or divestitures could result in potentially dilutive issuances of equity securities, debt incurrence, contingent liabilities or amortization expenses, write-offs of goodwill or integration expenses, any of which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to increasing operating expenses and inflation risks that may adversely affect our earnings.

While we aim to increase our subscription rates to offset increases in operating expenses, there can be no assurances that we will be successful in doing so. We are also impacted by inflation-linked increases in salaries, wages, benefits and other administrative costs. As a result, our operating expenses may increase faster than associated revenue, which could have a material adverse effect on our cash flows, financial condition and results of operations.

We are exposed to the risk of declining use of fixed-telephony due to subscriber migration from fixed to mobile telephony and from fixed to mobile broadband services.

The subscriber base for fixed-line telephony throughout Sweden has generally been decreasing due to the migration of residential subscribers to mobile technology as mobile prices have decreased. We risk losing fixed-line telephony subscribers, and the rate at which subscribers cease to use fixed-telephony may increase, which could have a material adverse effect on our subscriber base, business, financial condition and results of operations.

The introduction of mobile handsets with VoIP functionality may adversely affect the prices we can charge and our fixed-telephony market share. Distribution of VoIP via mobile telephony networks is an emerging technology influenced by large, global companies, some of which have greater resources than we do, such as Apple, Google, Microsoft and Skype, and there can be no assurances that we will be able to develop service offerings and price plans that will prevent an erosion of revenue or profitability in our fixed-telephony business. If we are unable to develop our service offerings and price plans accordingly, this could have a material adverse effect on our business, financial condition and results of operations.

As prices have decreased while bandwidth and coverage have increased, mobile broadband has for some subscribers become an alternative to, instead of merely complementing, fixed-line broadband. In addition the Swedish mobile networks are in the process of being upgraded to a 4G technology, which can offer subscribers substantially increased speeds compared to the 3G technology. As a result of such developments, we risk losing fixed-line broadband subscribers in the future to mobile broadband, and the rate of subscriber migration may increase. In addition, our market share in mobile broadband is significantly smaller than in fixed-line broadband, and therefore such migration may have an adverse effect on our business, financial condition and results of operations.

The financial targets included in this Offering Memorandum may differ materially from our actual results and investors should not place undue reliance on them.

The financial targets set forth in this Offering Memorandum under "*Operating and Financial Review*," "*Business—2014 Revenue Expectations and Medium Term Financial Targets*" and elsewhere are our expectations for the financial year 2014, including medium term revenue growth, margin and leverage targets. These financial targets are based upon a number of assumptions (including the success of our business strategies), which are inherently subject to significant business, operational, economic and other risks, many of which are outside of our control. Accordingly, such assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect the actual results that we achieve in future periods whether or not our assumptions relating to the financial year 2014 or future periods otherwise prove to be correct. As a result, our actual results may vary materially from these targets and investors should not place undue reliance on them.

We depend upon service provider agreements with communications operators.

We enter into service provider agreements with third-party communications operators which allow us to offer our digital services to end consumers via third-party networks. Pursuant to the service provider agreements, we pay the communications operators connection fees and transmission costs for use of their network. By offering our services via third-party communications operators, we have been able to expand our market share and acquire subscribers who could not previously subscribe for our services. Any disruption or termination of these service provider agreements, or increase in the transmission costs or connection fees pursuant to these service provide agreements, could have a material adverse effect on our business, financial condition or results of operations.

Risks Relating to Regulatory and Legislative Matters

We are subject to government regulation, which may increase our costs and otherwise adversely affect our business, and further changes could also adversely affect our business.

Our existing and planned activities in the cable television, high-speed broadband and fixed-telephony industries in Sweden are subject to regulation (laws, regulations, directives and/or decisions) and supervision by various regulatory bodies. Both existing laws and regulations and future changes in such legal framework or in their interpretation or enforcement that affect us, our competitors or our industry, strongly influence how we operate our business. Complying with existing and future laws and regulations may increase our operational and administrative expenses, restrict our ability or make it more difficult to implement price increases and/or otherwise limit our revenue. We may also be affected by retroactive effects of previous laws and regulations, where such laws and regulations have been appealed. Also, any acquisition, merger or corporate restructuring may increase the level of regulation and supervision by regulatory bodies, and may be subject to close scrutiny by any competition authority or other authority giving its consent. In particular, we are or may be subject to:

- statutory obligations to carry certain channels on our network (must-carry obligations) as well as restrictions on our ability to charge fees for providing such channels;

- regulations on licensing and notification;
- regulations relating to data protection and sales activities;
- regulation of contractual terms and fees for certain services that we provide, in particular with respect to broadcaster, subscriber and signal delivery fees;
- regulations blocking certain types of content in our capacity as an internet access provider;
- regulations regarding significant market power and access regulation;
- regulations regarding management of internet data traffic, *e.g.*, regarding network neutrality, with possible effects on specialized services, such as IPTV, and on the quality of best effort internet access services;
- regulations imposing restrictions in the operation of digital platforms or obligations regarding certain platform standards and rules regarding the interconnection of our telecommunications network with those of other telecommunications network operators;
- requirements that may allow landlords and/or tenants to determine which specific channels should be included in our basic offering;
- regulations imposing requirements covering a variety of operational areas, such as environmental protection, technical standards (such as standards relating to the cable and the subscriber equipment), conditional access obligations, rights of way, digital platforms, subscriber service, billing requirements, marketing activities, compliance with statutory requirements, youth protection issues and the obligation to retain communication data for purposes of criminal prosecution; and
- claims relating to fixed and mobile termination rates appealed by Telia, Tele2 and possibly other telecommunications operators.

Changes in regulations, legislation and decisions from authorities governing telecommunications services could have a considerable effect on our operations and the markets in which we operate. Large scale deregulation has historically been advantageous for our development, while limited or slow deregulation has historically restricted our development opportunities. Limited or slow deregulation influences pricing under our interconnection agreements with local operators in the various markets in which we operate. A shift in political climate in Sweden could increase the risk of the implementation of changes in law and regulation that could have an adverse effect on our business.

Changes in laws and regulations may also require changes to our network or conditional access technology, including stricter compliance standards, which may also cause us to incur significant costs.

The impact of any new laws or regulations affecting our services, as well as any amendments to, or new interpretations of, the existing laws and regulations covering related activities is difficult to predict. Such changes could increase our costs of regulatory compliance, affect our ability to introduce new services and/or force us to change our marketing and other business practices, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The contractual conditions and fees in our agreements may be subject to review by regulatory authorities.

Contractual conditions and fees in agreements that are used in our operations are subject to general European Union and Swedish competition law. The Swedish Competition Authority (the "**SCA**"), the European Commission and/or other national competition authorities, have the power to initiate ex-post regulation procedures and instruct us to cease applying contractual terms and fees that are found to be anti-competitive. The District Court of Stockholm (Sw. *Stockholms tingsrätt*) also has the power to, upon a claim initiated by SCA, impose a competition distortion fine (Sw. *konkurrensskadeavgift*) on us. The European Commission has the power to impose fines.

Merger notifications in the electronic communications sector have been subject to close scrutiny over the last few years at both the European Union and Swedish level. In this context it should be noted that the SCA's investigation into Com Hem's proposed acquisition of Canal Digital Kabel TV AB ("**CDK**") notified on July 22, 2011 resulted in the SCA taking the view that the acquisition would create or strengthen a dominant position for Com Hem in the Swedish market for the distribution of television services to MDUs via collective agreements with landlords. On November 24, 2011, the SCA brought an action before the District Court of Stockholm to prohibit the acquisition. Com Hem revoked its notification of the proposed acquisition on December 16, 2011, and the SCA withdrew its demand on the same day.

The sector is also a priority sector for various regulatory authorities. It may therefore be assumed that authorities are following any developments closely.

Fees that we charge for the termination of calls on individual public telephone networks provided at a fixed location are subject to regulation by the PTS. The PTS exercises ex-ante regulation and requires us to apply a fair and reasonable price for call termination. The PTS has stated that the price will be deemed fair and reasonable where it is not higher than the cost-oriented price that TeliaSonera AB ("**TeliaSonera**") may charge for call termination/origination. The cost for call termination is calculated according to the long-run incremental cost, or LRIC, model, which is produced and updated each year by the PTS. Government Bill 2013/14:72 (Sw. *Bättre prisreglering enligt lagen om elektronisk kommunikation*) proposes changes to the price regulation system for purposes of increased transparency and predictability. The changes mean that how the price should be calculated for call termination should be set out in each decision imposing such obligation. In certain cases, the PTS could also decide that operators should apply a certain maximum or minimum price for interconnection and other forms of access. The changes are expected to enter into force on July 1, 2014.

To the extent that our fees are subject to regulatory adjustment by the SCA or the PTS, we may be restricted from imposing or enforcing certain pricing mechanisms, including volume-based discounts and exclusivity provisions. In the event that the contractual conditions and associated fees for some television channels were reduced to a level that cannot be justified as being non-discriminatory, we may be exposed to claims from other television channels or the SCA for equal treatment. If these contractual conditions and fee structures were successfully challenged, we could, under certain circumstances, be found liable for fines or damages.

Accordingly, we may not be able to enforce current or future changes to our fees, and may be subject to fines if our fees are found to be inconsistent with the requirements of applicable laws and regulations, which could have a material adverse impact on our revenue, the profitability of new digital services and our ability to respond to market changes.

We are required to carry certain channels on our network and our costs for copyright fees for the transmission of content on these channels may increase.

We must broadcast five "must-carry" channels (public service channels) free of charge. In addition, we are prohibited from charging fees for broadcasting space in our networks to certain local cable broadcasters designated by the Swedish Broadcasting Authority (the "**SBA**"). We may be required to carry additional programs as well as provide additional functionality within those programs in the future. Increasing the number of programs that we must-carry on our network and/or increasing the functionality that we must provide with respect to the must-carry channels would use valuable network capacity that we would otherwise devote to alternative programs or services that may be more attractive or profitable. In addition, we may be at a competitive disadvantage compared to certain of our competitors that are not subject to must-carry obligations, as they may be able to provide programs that are more appealing to subscribers. To the extent that we are required to distribute additional must-carry channels, this will limit our ability to make more efficient use of our network capacity.

In general, content providers acquire the relevant licenses and pay all copyright fees to the copyright holders in relation to the transmission of the content providers' channels on our network. However, in relation to the five must-carry channels that we are statutorily required to broadcast, the content providers do not pay the copyright fees required for the distribution of these must-carry channels. Instead, we are obliged to acquire the relevant licenses and pay the copyright fees to rights holders for the distribution of such must-carry channels. Because we are required to carry certain channels, we have limited bargaining power with respect to copyright fees associated with must-carry channel content and such fees may increase in the future, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims for breach of consumer protection regulations.

The Swedish Consumer Agency (the "**Consumer Agency**") is a state agency whose task is to safeguard consumer interests. The Consumer Agency may, through the Consumer Ombudsman (the Director General of the Consumer Agency), represent consumer interests in relation to businesses and pursue legal actions in courts against misleading advertising and other types of marketing, unfair contractual terms, incorrect price information and dangerous services. There can be no assurances that the Consumer Agency and/or Consumer Ombudsman will not order us to, among other things, stop using certain advertising or contract terms in our operations, or that it will not represent subscribers in courts in relation to claims for damages against us, all of which could have an adverse effect on our business, financial condition and results of operations.

End-users' reception of services transmitted over certain of the frequencies used for our cable services may be subject to interference caused by other technologies or the allocation and use of different frequency bands.

The PTS has allocated licenses in the 790-862 MHz-band that are used for LTE data services (as defined in "*Definitions and Glossary*"), which depend on the high wireless upload and download speeds facilitated by the LTE radio platform. Most cable-television networks are operated in this frequency range. The use of LTE in the same frequency range may cause interference with customer premises equipment ("**CPE**") connected to cable networks. While the risk of interference depends on a number of factors, such as the shielding of the CPE, the signal of the LTE terminal, the distance between the CPE and the LTE terminal and other factors affecting the electromagnetic environment, such as walls, buildings and interior design, there can be no assurances that the use of LTE technology will not negatively affect CPE, which may negatively impact our ability to attract and retain subscribers.

In addition, Swedish, European and international authorities are over time considering the use of different frequency bands in connection with various telecommunication technologies. As a result, additional frequencies may be allocated to mobile broadband, television, telephony and other telecommunications platforms, which may cause interference with CPE connected to cable networks and within the allocated frequency bands. Such interference could adversely affect our services, which in turn could also negatively impact our ability to attract and retain subscribers.

Additions, changes or re-allocations to the frequencies made available for mobile or other services could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to extended responsibility for intermediaries in relation to the infringement of intellectual property rights.

In its review of the implementation by the member states of Directive 2004/48/EC of the European Parliament and the Council of April 29, 2004 on the enforcement of intellectual property rights ("**IPRED**"), the European Commission has noted a potential need to increase the responsibility of intermediaries in relation to the prevention of the infringement of intellectual property rights. This could potentially lead to new legislation or other legal initiatives causing intermediaries, such as Com Hem, to be subject to extended exposure for successful claims for injunctions, damages and/or criminal responsibility for such infringement. If such legislation or other legal initiatives were to take effect, then this could have a material adverse effect on our business, financial condition and results of operations.

We may be required to grant third-party access to wiring inside buildings connected to our network.

For the purpose of implementing certain amendments to the European Regulatory Framework for Electronic Communications Networks and Services (the "**EU Framework**") into Swedish law, certain amendments to the Swedish Electronic Communications Act took effect on July 1, 2011. Under the amendments to the Swedish Electronic Communications Act, the PTS is empowered to require an operator to provide access to wiring inside buildings where it is justified on the grounds that duplication of the infrastructure would be economically inefficient or physically impracticable. Pursuant to the amended provisions of the Swedish Electronic Communications Act, network holders/holders of rights are entitled to market price compensation from the party accessing the wiring.

While the preparatory works to the amended provisions of the Swedish Electronic Communications Act state that the new provisions should only be exercised after careful consideration in each case, only when certain criteria are met, and in situations where voluntary agreements may not be reached, if the PTS requires us to provide access to wiring inside of a building to another operator, the number of our subscribers could be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.

On April 15, 2014 the European Parliament adopted a directive aimed at reducing the costs of deploying high-speed broadband networks. The directive provides that Member States shall ensure that, upon written request of an undertaking providing or authorized to provide, public communications networks, any network operator has the obligation to meet all reasonable requests for access to its physical infrastructure under fair and reasonable terms and conditions, including price, with a view towards deploying elements of high-speed electronic communications networks. Com Hem may in the future be affected by such requests for access. The directive is to be implemented into national law by January 1, 2016, and to enter into force on July 1, 2016.

We may be considered to have significant market power and therefore be subject to access regulation.

The PTS may impose on operators of public electronic communications networks with significant market power ("**SMP**"), the obligation (i) to grant access to certain network components and certain facilities, and (ii) to offer the re-sale of their electronic communications services on a wholesale basis. Where there are exceptional reasons, the PTS may also impose on vertically integrated operators the obligation (i) to grant access and (ii) to organizationally separate the business units to which the obligation relates (functional separation) in such a manner that the businesses are run as independent business units and, in particular, to ensure the goals of non-discrimination and transparency. The PTS may also prohibit an operator with significant market power from charging excessive access prices for its services.

In 2013, the PTS decided on SMP status and new access obligations as regards Market 1 through 3 (access to the public telephone network at a fixed location for residential and non-residential customers, call origination on the public telephone network provided at a fixed location, and call termination on individual public telephone networks provided at a fixed location), Market 6 (wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity) and Market 7 (voice call termination on individual mobile networks) and Former Market 18 (as defined below).

In the PTS's ongoing market analyses of the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location ("**Market 4**") and the market for wholesale broadband access ("**Market 5**"), the PTS has in its first draft in 2013 for new regulation, in line with their SMP-decision from 2010, suggested that cable networks should not be considered as part of the relevant product markets due to the lack of technical and economic prerequisites for, in relation to the copper and fiber networks, a competitive provision of wholesale access to cable networks. In addition, the PTS has suggested the geographic markets are to be nationwide.

As regards Market 4, the PTS has not proposed any changes regarding the relevant product market in its second draft for new regulation, which was set out for public consultation until March 7, 2014. The PTS has proposed that TeliaSonera will remain an operator with SMP. However, based on the European Commission Recommendation regarding "consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment" dated September 11, 2013, the PTS has suggested that Equivalence of Input ("**EOI**") obligations should be implemented regarding fiber access and after ensuring compliance of those obligations by TeliaSonera, to remove price regulation on fiber access. Com Hem has submitted comments to the PTS within the framework of its consultation on Market 4, criticizing the suggested imposition of the EOI and the removal of price deregulations which, in our view, will lead to increased wholesale prices.

As regards Market 5, the PTS, in its first draft in September 2013, suggested the removal of the regulation in total based on a new market analysis where the PTS proposed a revised market definition. Based on this market definition, TeliaSonera, according to the PTS, only has a 7% market share and therefore should not be determined to have significant market power. Based on TeliaSonera's purchase of the communication operator Zitius Service Deliver AB, network operators Quadracom Networks AB and Quadracom Services AB, QMarket AB and service provider Riksnet AB, which was cleared by the SCA on May 15, 2014 after an in-depth review, the PTS has decided to perform a revised market analysis and has not yet presented a second draft for public consultation.

Final decisions are expected in 2014. Until new decisions have been made by the PTS, the former decisions as regards Market 4 and Market 5 from 2010 are still valid and subsisting.

In connection with the PTS's decision in 2010 regarding the market for broadcasting transmission services to deliver broadcast content to subscribers on the wholesale level ("**Former Market 18**"), the PTS also conducted a separate analysis of the market for television distribution over cable, SMATV, fiber LAN and xDSL. The purpose of this analysis was to follow up on the conclusions made as part of the market decision adopted by the PTS in 2005, when the PTS concluded that there was no need to regulate access in the wholesale market for broadcasting transmission services over cable television networks. The 2010 analysis concluded that the growth of IP television and the competitive situation in the market generally had developed as predicted by the PTS in 2005, and there was consequently no need to regulate access in the wholesale market for broadcasting transmission services on cable television networks.

In 2013, the PTS renewed its analysis of Former Market 18 and found again that Teracom AB has SMP. It cannot be ruled out that the PTS will renew its analysis of the market for television distribution over cable, SMATV, fiber LAN and xDSL. A renewed analysis of cable television distribution will be based on the same methodology as the one used in 2010, taking changes in market conditions into account.

The European Commission is also currently working on a second review of the Recommendation that forms the basis for the PTS's market analyses. According to the draft Recommendation, changes may be made to Markets 1, 2 and 5. There does not appear to be any suggested changes in relation to Market 3, which is the only market where Com Hem is currently subject to access regulation. The final Recommendation is expected to be adopted by the European Commission by autumn 2014.

There is a risk that we will be determined to have SMP and consequently will be required to grant third-party access and apply regulated prices, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks from legal and arbitration proceedings that could cause us to incur substantial costs, pay substantial damages or prohibit us from selling our services.

We may in the future become involved in commercial disputes as well as legal and arbitration disputes, with public authorities or private parties, which involve substantial claims for damages or other sanctions, for instance arising out of acquisitions or disposals of subsidiaries or out of other material contracts entered into by us. In the event of a negative outcome of any material proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments or accept other sanctions, which could have an adverse effect on our business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant.

Risks Relating to Our Financial Profile

Our high leverage and debt service obligations could have a material adverse effect on our business, financial condition and results of operations.

We are highly leveraged and have significant debt service obligations. As of March 31, 2014, we had SEK 14,654 million nominal value of interest-bearing indebtedness outstanding, including SEK 76 million related to financial lease liabilities and other short-term indebtedness, of which SEK 5,882 million equivalent is indebtedness under the Senior Credit Facilities, SEK 3,492 million is indebtedness under the Senior Secured Notes, SEK 2,569 million equivalent is indebtedness under the Senior Notes and SEK 2,636 million equivalent is indebtedness under the Senior PIK Notes. We intend to redeem the Senior PIK Notes in full on or shortly following the completion of the Offering, and to redeem up to 35% of the amount outstanding under our Senior Notes within 180 days of the Offering as permitted by the indenture governing the notes. On or shortly following the completion of this Offering, we intend to refinance our Senior Credit Facilities with a portion of the net proceeds of the Offering, together with drawdowns under the 2014 Senior Credit Facilities. To the extent we are unable to successfully refinance our Senior Credit Facilities as currently anticipated, to refinance the 2014 Senior Facilities Agreement should we wish to do so, to refinance or repay the Senior Notes or the Senior Secured Notes as currently anticipated, and/or to access capital or other financing markets on acceptable terms, we may be forced to modify our financing strategy.

Our leverage could have significant consequences on our business, financial condition and results of operations, such as:

- limiting our ability to obtain additional financing to fund future operations, capital expenditure, acquisitions and other business opportunities or other corporate requirements;
- requiring the dedication of a substantial portion of our cash flows from operations to the payment of principal of, and interest on, our indebtedness, which means that these cash flows will not be available to fund our operations, capital expenditure or for other corporate purposes;
- increasing our vulnerability to a downturn in our business or in economic and industry conditions;

- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industries in which we operate;
- restricting us from making strategic acquisitions or exploiting business opportunities; and
- placing us at a competitive disadvantage compared to our competitors that have less debt.

The occurrence of consequences or events resulting from our high leverage could have a material adverse effect on our ability to satisfy our debt obligations.

Although the terms of our 2014 Senior Facilities Agreement, and the respective indentures for the Senior Secured Notes and the Senior Notes, contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to significant qualifications and exceptions and, under certain circumstances, we could incur substantial additional indebtedness in the future, which would increase the leverage-related risks described herein.

We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

We are exposed to the risk of fluctuations in interest rates under certain of our existing debt instruments. Although we manage our exposure to movements in interest rates in line with the terms of our financing arrangements, there can be no assurances that we will be able to fully manage our exposure or to continue to do so at a reasonable cost. As a result, an increase in market interest rates could increase our interest expense and our debt service obligations, which would exacerbate the risks associated with our capital structure and would have an adverse effect on our business, financial condition and results of operation.

Certain of our indebtedness is denominated in euro and failure to hedge our euro currency exposure could adversely affect our financial results.

Certain of our indebtedness is denominated in euro. In accordance with our finance policy we presently hedge our exposure to euro denominated indebtedness into SEK so that interest payments may effectively be made in SEK and to limit our exposure to foreign currency exchange risk. In the future, if we incur additional debt denominated in other currencies, we may continue to hedge foreign denominated indebtedness in accordance with our policy to mitigate currency risk. As of March 31, 2014, 100% of our interest payments on our euro denominated Term Loan B2 under the Senior Credit Facilities and Senior Notes was hedged through October 2014 and 2015, respectively, while only €225.5 million of the nominal loan amounts was hedged through January 2018, which left us with a currency translation exposure of €660.0 million. In connection with our entry into the 2014 Senior Facilities Agreement, we intend to unwind certain hedging transactions. In the event the SEK declines in value versus the euro, the conversion of unhedged euro denominated indebtedness into SEK will adversely affect our financial results. There can be no assurances that currency hedging will continue to be available on commercially reasonable terms and, as such, we could incur additional hedging costs which could adversely affect our financial results.

We will require a significant amount of cash to service our debt and to sustain our operations, and our ability to generate sufficient cash or otherwise fund our liquidity needs depends on many factors beyond our control.

Our ability to make payments on, and to refinance, our debt, and to fund future operations and capital expenditures will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed herein, many of which are beyond our control.

We can provide no assurances that our business will generate sufficient cash flows from operations or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts as they become due or to fund our other liquidity needs. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets to the extent contractually permitted;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt on or before maturity.

We can provide no assurances that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, including the 2014 Senior Facilities Agreement, the Senior Secured Notes and the Senior Notes limit, and the terms of any future debt may limit, our ability to pursue any of these alternatives, which could have a material adverse effect on our business, financial condition or results of operations.

We are subject to significant restrictive debt covenants, which limit our financial and operating flexibility.

The respective indentures governing the Senior Secured Notes and the Senior Notes contain covenants that significantly restrict our ability to, among other things:

- make certain payments, including dividends or other distributions;
- incur or guarantee debt and issue preferred stock;
- make certain investments or acquisitions, including participating in joint ventures;
- prepay or redeem subordinated debt or equity;
- engage in certain transactions with affiliates and other related parties;
- sell assets, consolidate, merge with or into other companies;
- issue or sell share capital of certain subsidiaries; and
- create certain liens.

These covenants could limit our ability to finance our future operations and capital needs and pursue acquisitions and other business activities that may be in our interest.

In addition, we are subject to the affirmative and negative covenants contained in the 2014 Facilities. In particular, the 2014 Facilities require us to maintain a specified leverage ratio. Our ability to meet the leverage ratio can be affected by events beyond our control, and we cannot assure you that we will meet such leverage ratio. A breach of that covenant, or other provisions and restrictions, would result in an event of default under our 2014 Facilities unless otherwise waived or remedied. Upon the occurrence of any event of default under the 2014 Facilities, the Senior Secured Notes, the Senior Notes or certain other agreements, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel any commitments thereunder and elect to declare all amounts owed to them, including accrued interest, immediately due and payable. In addition, any default under the 2014 Facilities, the Senior Secured Notes, the Senior Notes or certain other agreements could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions allowing the creditors under such other debt instruments to cancel any commitments and declare all amounts owed to them, including accrued interest, immediately due and payable. If our creditors, including the creditors under our 2014 Facilities, accelerate the payment of those amounts, we can provide no assurances that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable, including principal, interest and additional amounts, if any, in connection with the Senior Secured Notes or the Senior Notes. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

We may be unable to fully deduct interest for the period January to September 2009 on certain intra group loans.

Sweden implemented rules limiting the deductibility of certain intra group interest expense on January 1, 2009. Due to the rules, some of the deductions made on the interest expense on some of our intra group loans (approximately SEK 225 million) may be challenged by the Swedish Tax Agency (Sw. *Skatteverket*) (the "**Swedish Tax Agency**"). In light of the aforementioned, the Swedish Tax Agency sent questions to us regarding the intra group loans, which we have answered. The Swedish Tax Agency did not conduct a reassessment (Sw. *omprövningsbeslut*) denying the deductions within the reassessment period, which ended December 31, 2011. However, the Swedish Tax Agency may conduct an assessment for arrears (Sw. *eftertaxeringsbeslut*) denying the deductions and impose tax penalties until the end of 2015 if the disclosure made in the tax return is deemed, *inter alia*, to be incorrect or misleading. In such case, our overdue tax burden may increase as a consequence thereof, which could have a material adverse effect on our business, financial condition and results of operations.

A government committee is currently reviewing the Swedish corporate and withholding tax regimes, which may result in a restriction or cancellation of tax loss carry forwards and current losses or otherwise increase our tax burden.

We had tax loss carry forwards amounting to SEK 2,101 million as of December 31, 2013. A government committee is currently carrying out a general review of the Swedish corporate tax regime and, *inter alia*, the tax loss carry forward regime is included in that review. Consequently, changes in Swedish tax law may restrict the use of historical tax loss carry forwards or result in partial or full cancellation of such tax loss carry forwards. Tax losses may also be restricted or cancelled under the current rules as a result of a change of control (through which one or several shareholders together hold shares representing 50% of the votes calculated in a certain manner). Such a change of control would cancel historical tax loss carry forwards to the extent they exceed 200% of the purchase price for the decisive influence (under a special calculation where contributions and other transfers of value may reduce the purchase price in a certain manner). The cancellation or restriction on the use of our tax loss carry forwards may have a significant impact on our tax burden.

The government committee has specific instructions to propose rules making it more neutral to invest in equity compared to debt and to contemplate and propose legislation to further restrict deductions on interest payments. At this stage it is uncertain what the outcome of any such changes will be. The government committee is also assessing whether withholding tax should be introduced on interest payments from Sweden to foreign entities, including with respect to intra group loans. We are uncertain whether such withholding tax will in fact be introduced or to what types of indebtedness withholding tax will apply. If any such withholding tax is introduced, our borrowing costs may increase and this could have a material adverse effect on our financial condition and results of operations. The government committee has been instructed to submit its final report by June 16, 2014.

Our tax liabilities may change due to tax audits.

Com Hem and its subsidiaries are subject to tax reviews from time to time, however to date we have not been subject to a full tax review. There is a risk that tax audits or reviews may result in a reduction of our tax loss carry forwards or in additional taxes to be paid by any company of the Group, in particular due to the history of several reorganizations and financings, employees' co-investments, intra group transfers of tax loss carry forwards, as well as the multi-tier holding structure of the Group. This could have a material adverse effect on our financial condition and results of operations.

We have previously not applied reverse charges on maintenance and repair services regarding our network systems.

Historically, we have not applied reverse charges on output value added tax ("**VAT**") on maintenance and repair services performed on our network systems. The Swedish Tax Agency has stated that such services should be included in a reverse charge regime. As a result, we have applied reverse charges on these services as of September 1, 2013, although we do not intend to correct VAT returns for previous periods.

The total value of purchased maintenance and repair services performed on our network systems for the period for which the Swedish Tax Agency may conduct an assessment for arrears (January 2008 through August 2013) amounts to approximately SEK 163 million. There is a risk that the Swedish Tax Agency will seek to collect from us the output VAT from us directly on such services if the service suppliers have not paid the correct output VAT to the Swedish Tax Agency. This could have a material adverse effect on our financial condition and results of operations.

We may not be able to refinance our debt obligations on favorable terms, or at all, and may incur additional costs.

We may be required to refinance certain or all of our outstanding debt or may choose to do so from time to time. Our ability to successfully refinance is dependent on the conditions of the capital markets and our financial condition at such time. Even if the debt markets improve, our access to financing sources may not be available on favorable terms, or at all. Any refinancing of our debt could be at higher interest rates and may require us to comply with more restrictive covenants, which could further limit our business operations or our ability to maximize returns. In addition, refinancing our debt could increase our cost of borrowing and the total amount of our outstanding debt, as well as require us to pay, in addition to transaction fees, certain "make-whole amounts" required under our debt agreements and breakage fees relating to our hedging arrangements. Our inability to refinance our debt obligations on favorable terms, or at all, could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Offering

The Principal Shareholder may continue to exercise considerable influence over us and our operations, and the interests of the Principal Shareholder may conflict with those of our other shareholders.

Upon consummation of the Offering, the Principal Shareholder will hold approximately 47.8% of our Shares (45.4%, assuming that the Over-allotment Option is exercised in full), in each case assuming that the final Offer Price is set at the midpoint of the Offer Price Range. Accordingly, the Principal Shareholder will be in a position to exercise considerable influence over all matters requiring shareholder approval following completion of the Offering. These matters include the authorization of any proposed capital increase and profit distribution, corporate mergers and sales involving all or nearly all of our assets. The Principal Shareholder may also be able to exercise control over our Board of Directors through its representation on the Board of Directors, thus influencing its direction of our operations and our other affairs. It cannot be ruled out that the interests of the Principal Shareholder may conflict with the interests of other shareholders. This concentration of share ownership could delay, postpone or prevent a change of control in the Company, and impact mergers, consolidations, acquisitions or other forms of combinations, as well as distributions of profit, which may or may not be desired by other investors.

There is a risk that an active and liquid market for our Shares will not develop and the price of the Shares may be volatile.

Prior to the Offering, there was no public market for our Shares. The Offer Price is being determined by way of the bookbuilding process. There can be no assurances that the Offer Price will correspond to the price at which the Shares will be traded on the stock exchange after the Offering and that, following the listing, liquid trading in our Shares will develop and become established. Investors may not be in a position to sell their shares quickly or at the market price if there is no active trading in our Shares.

After the Offering, the price of the Shares may be subject to considerable fluctuation. In particular, the price of our Shares may be affected by supply and demand for our Shares, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, changes in general economic conditions, changes in regulatory conditions and other factors. Moreover, the general volatility of share prices may create pressure on the share price even if there might be no reason for this in our operations or earnings potential.

Future offerings of debt or equity securities by us may adversely affect the market price of the Shares and lead to substantial dilution of existing shareholders.

In the future, we may seek to raise capital through further offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the Shares and would dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering will depend on market conditions at the time of such an offering, we cannot predict or estimate the amount, timing or nature of any future offerings. Thus, holders of Shares bear the risk of any future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company.

Future sales of Shares after the Offering may affect the market price of the Shares.

In connection with the Offering, the Principal Shareholder has agreed to a lock-up arrangement with the Managers. In addition, certain members of the Company's management have agreed to a lock-up arrangement with the Managers. A lock-up arrangement is an undertaking, with certain exceptions, not to sell Shares for a certain period. Although the lock-up arrangements restrict the ability of the Principal Shareholder and Company management to sell the Shares during a specified time period, the Managers may, in their sole discretion and at any time, waive the restrictions on sales of the Shares during this time period. When these lock-up arrangements expire, or if they are waived or terminated by the Managers, the Shares that are subject to the lock-up arrangements will be available for sale in the public market or otherwise. Sales of substantial amounts of Shares in the public market following the Offering, or the perception that such sales could occur, could adversely affect the market price of the Shares and may make it more difficult for holders to sell their Shares at a time and price that they deem appropriate.

Our ability to pay dividends in the future may be constrained and depends on several factors.

Holders of the Shares will be entitled to receive future dividends resolved upon after listing of the Shares, including any dividends declared in respect of the financial year 2014 and in respect of any subsequent period. However, pursuant to the terms of the respective indentures governing the Senior Secured Notes and the Senior Notes, we have, among other things, agreed not to redeem our shares or to declare or pay dividends unless we meet certain leverage tests or other criteria relating to restricted payments. In addition, Swedish law limits our ability to propose and declare dividends to certain funds legally available for that purpose. As the amount of future dividend payments we may make, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, the terms of our outstanding indebtedness and other factors, there can be no assurances that in any given year a dividend will be proposed or declared.

Investors with a reference currency other than SEK will become subject to certain foreign exchange risks when investing in the Shares.

The Company's equity capital is denominated in SEK, and all dividends on the Shares will be paid by us in SEK. Investors whose reference currency is a currency other than the SEK may be adversely affected by any reduction in the value of SEK relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting SEK into another currency.

U.S. and other non-Swedish holders of Shares may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers.

Under Swedish law, holders of Shares will have certain pre-emptive rights in respect of certain issues of Shares, unless those rights are disapplied by a resolution of the shareholders at a general meeting or the Shares are issued on the basis of an authorization to the Board of Directors under which it may disapply the pre-emption rights. Securities laws of certain jurisdictions may restrict our ability to allow participation by shareholders in such jurisdictions in any future issue of the Shares carried out on a pre-emptive basis in a rights offer.

Shareholders in the United States as well as certain other countries may not be able to exercise their pre-emptive rights to participate in a rights offer or a buy-back offer, as the case may be, including in connection with an offering below market value, unless we decide to comply with local requirements, and in the case of the United States, unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. In such cases, shareholders resident in such non-Swedish jurisdictions may experience a dilution of their holding of our Shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. No assurances can be given that local requirements will be complied with or that any registration statement would be filed in the United States so as to enable the exercise of such holders' pre-emptive rights or participation in any rights offer or buy-back offer.

BACKGROUND AND REASONS FOR THE OFFERING AND USE OF PROCEEDS

On September 29, 2011, funds advised by BC Partners Limited acquired Com Hem from The Carlyle Group and Providence Equity Partners, who had owned the Company since 2006. After many years under private ownership, our shareholders and Board of Directors believe that it is now an appropriate time to broaden our shareholder base and to apply for the listing of our Shares on NASDAQ OMX Stockholm. The Offering is expected to support our future growth and operational strategy, provide financial flexibility by reducing our leverage through the repayment of certain outstanding indebtedness and provide us with improved access to public capital markets and a diversified base of new Swedish and international shareholders.

We also expect that the listing of our Shares on NASDAQ OMX Stockholm will increase the public profile of our company and business. We believe that these factors will further enhance our position in the Swedish market and provide the appropriate platform for our future development.

We expect to receive net proceeds from our issuance and sale of the New Shares of approximately SEK 5,471 million, after deducting underwriting commissions and estimated offering expenses payable by us of approximately SEK 198 million, in the aggregate.

We expect to use the net proceeds from the sale of the New Shares in the Offering, together with drawdowns under the 2014 Facilities, to refinance certain of our indebtedness outstanding as of the date hereof and thereby reduce our leverage. We intend to:

- use a portion of the net proceeds of the Offering to redeem the Senior PIK Notes in full shortly following the completion of the Offering. As of March 31, 2014 the outstanding amount under the Senior PIK Notes was SEK 2,636 million (SEK 2,763 million (including accrued interest) expected as of June 30, 2014);
- use a portion of the net proceeds of the Offering to redeem up to 35% of the amount outstanding under our Senior Notes within 180 days of the completion of the Offering as permitted by the indenture governing such notes. As of March 31, 2014 the outstanding amount under the Senior Notes was SEK 2,569 million (SEK 2,613 million (excluding interest) expected as of June 30, 2014); and
- use the remainder of the net proceeds of the Offering, together with drawdowns under the 2014 Facilities, to repay the Senior Credit Facilities on or shortly following the completion of the Offering and to pay any fees associated with the 2014 Facilities or costs that may arise from unwinding certain hedging contracts. As of March 31, 2014 the outstanding amount under the Senior Credit Facilities was SEK 5,882 million (SEK 6,229 million expected as of June 30, 2014).

In addition, we may from time to time consider making an offer to purchase or refinance the Senior Secured Notes and the Senior Notes once such notes are callable in November 2014 and November 2015, respectively. For information on the call provisions applicable to the Senior Secured Notes and the Senior Notes, see "*Description of Certain Financing Arrangements*."

If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately SEK 553 million, after deducting underwriting commissions and estimated offering expenses payable by us. We expect to use any net proceeds from the exercise of the Over-allotment Option for general corporate purposes.

EXCHANGE RATE INFORMATION AND REGULATION

Exchange Rate Information

The following tables sets forth, for the periods indicated, certain information concerning the European Central Bank (the "**ECB**") daily reference rate published by the ECB (the "**ECB Daily Reference Rate**") for SEK, expressed in SEK per EUR, rounded to the nearest four decimal places. The average rate is the average of the daily mid-rates from January 1 of each year up to and including the last trading day of each month. The period end rate represents the mid-rate on the last business day of each applicable period. These exchange rates are provided only for the convenience of the reader. No representation is made that amounts in EUR have been, could have been, or could be converted into SEK, or vice versa, at the mid-rate or at any other rate. As of June 2, 2014, the ECB Daily Reference Rates were SEK 9.1027 per €1.00.

	SEK per EUR 1.00			
Year	**Period End**	**Average**	**High**	**Low**
2009	10.2520	10.6191	11.7135	10.0778
2010	8.9655	9.5373	10.2723	8.9630
2011	8.9120	9.0298	9.3127	8.7090
2012	8.5820	8.7041	9.1356	8.2077
2013	8.8591	8.6515	9.0604	8.2931
2014 (through June 2)	9.1027	8.9274	9.1091	8.7661
Month in 2014				
January	8.8509	8.8339	8.9260	8.7661
February	8.8525	8.8721	8.9953	8.7718
March	8.9483	8.8666	8.9483	8.8226
April	9.0723	9.0329	9.0927	8.9002
May	9.0823	9.0300	9.0844	8.9740
June 2	9.1027	—	—	—

Exchange Control Regulations in Sweden

There are currently no foreign exchange control restrictions in Sweden, other than in certain national crisis situations, that would restrict the payment of dividends to a shareholder outside Sweden, and there are currently no restrictions that would affect the right of shareholders who are not residents of Sweden to dispose of their shares and receive the proceeds from a disposal outside Sweden. There is no maximum transferable amount either to or from Sweden, although transferring banks are required to report to the Swedish tax authorities any payments to or from Sweden exceeding SEK 150,000, or the foreign currency equivalent thereof. Such information may also be forwarded to authorities in the countries where the holders of the shares are resident.

DIVIDENDS AND DIVIDEND POLICY

General

Holders of our Shares will be entitled to receive future dividends, including any dividends declared in respect of the year ended December 31, 2014 and in respect of any subsequent period, provided dividends are declared.

Dividend Policy

Our Board of Directors has adopted a dividend policy pursuant to which we retain the flexibility to distribute excess cash to shareholders in the form of dividends or other forms of capital distribution while operating, in the medium term, within our target leverage of 3.5x to 4.0x LTM Underlying EBITDA. We expect to declare dividends or other forms of capital distributions in 2015 with respect to financial year 2014, and currently target distributing at least 50% of equity free cash flow. We define equity free cash flow as Underlying EBITDA less capital expenditures, less interest paid, less taxes paid, less change in net working capital.

The payment of dividends, if any, and the amounts and timing thereof, will depend on a number of factors, including future revenue, profits, financial conditions, general economic and business conditions, and future prospects and such other factors as our Board of Directors may deem relevant as well as applicable restrictions in certain of our debt instruments and other legal and regulatory requirements. There can be no assurances that our performance will facilitate adherence to the dividend policy and, in particular, our ability to pay dividends may be impaired if any of the risks described in this Offering Memorandum were to materialize. See "*Risk Factors—Risks Relating to the Offering—Our ability to pay dividends in the future may be constrained and depends on several factors*." Furthermore, our dividend policy is subject to change as our Board of Directors will revisit our dividend policy from time to time. There can be no assurances that in any given year a dividend will be proposed or declared or any other distribution made.

Our Senior Notes and Senior Secured Notes also contain restrictions on dividend payments. See "*Description of Certain Financing Arrangements—Senior Notes—Covenants and Events of Default*," "*Description of Certain Financing Arrangements—Senior Secured Notes—Covenants and Events of Default*" and "*Risk Factors—Risks Relating to the Offering—Our ability to pay dividends in the future may be constrained and depends on several factors*." The 2014 Senior Facilities Agreement does not contain any restrictions on dividends.

As an alternative, or in addition, to paying dividends, our Board of Directors may distribute capital to shareholders in other forms, including via share buybacks. The decision by the Board of Directors to engage in alternative forms of capital distribution, if any, will be made in accordance with the factors applicable to dividend payments set forth above.

The information on our policies relating to dividends and other forms of capital distribution constitutes forward-looking statements. Forward-looking statements are not guarantees of future financial performance and our actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under "*Forward-Looking Statements*" and "*Risk Factors*."

Legal and Regulatory Requirements

The declaration of dividends or other capital contributions by Swedish companies is decided upon by the general meeting of shareholders. The amount that is available for distribution to the shareholders is determined based on the Company's last adopted balance sheet on an unconsolidated basis. Dividends or other capital contributions may only be declared to the extent that there is unrestricted equity (Sw. *fritt eget kapital*) available, meaning that there must be full coverage for the Company's restricted equity (Sw. *bundet eget kapital*) after the distribution (*i.e.,* the book value of the company's assets must amount to at least the restricted equity together with any provisions and liabilities following the distribution). Restricted equity, includes *inter alia* a Company's share capital and its statutory reserve. As of December 31, 2013, there was SEK 4,175 million in unrestricted equity.

Furthermore, in addition to the requirement regarding full coverage for the Company's restricted equity, dividends or other capital distributions may only be declared to the extent that such declaration is prudent, taking into consideration:

i) the demands with respect to the size of the equity which are imposed by the nature, scope and risks associated with the operations of the Company and, if applicable, the Group, and

ii) the need to strengthen the balance sheet, liquidity and financial position of the Company and, if applicable, the Group.

Dividends

The shareholders may, as a general rule, not declare dividends in an amount higher than the Board of Directors proposed or approved.

Under the Swedish Companies Act, minority shareholders that together represent at least 10% of all outstanding shares of the Company have the right to request a payment of dividend (to all shareholders) from the Company's profits. Following such a request, the annual general meeting is required to resolve to distribute 50% of the remaining profit for the relevant year as reported on the balance sheet adopted at the annual general meeting, after deductions made for: (i) losses carried forward that exceed unrestricted reserves (Sw. *fria fonder*); (ii) amounts which, by law or the articles of association ("**Articles of Association**"), must be transferred to restricted equity; and (iii) amounts which, pursuant to the Articles of Association, are to be used for any purpose other than distribution to the shareholders. However, the general meeting is not obliged to declare dividends in excess of 5% of the Company's shareholders' equity. Moreover, the general meeting may not declare dividends to the extent that there will not be full coverage of the Company's restricted equity or in violation of the prudence rule described above.

Dividends will normally be paid to shareholders in cash on a per share basis through Euroclear Sweden, but may also be paid in kind. On the record date established by the general meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends.

If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. For a discussion of withholding taxes on the payment of dividends, see "*Taxation*."

Share Buybacks or Other Capital Distributions

In accordance with the Swedish Companies Act, share buybacks, may only be carried out following a resolution, or an authorization granted to the Board of Directors, by the general meeting of shareholders. Any such authorization will only be valid until the next annual general meeting. A company may only repurchase up to ten percent of the outstanding number of shares, or such lower number of shares as resolved by the general meeting.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our capitalization and net indebtedness as of March 31, 2014. The information presented below should be read in conjunction with "*Operating and Financial Review*" and our consolidated financial statements and the notes related thereto included elsewhere in this Offering Memorandum.

	As of March 31, 2014 (SEK in millions)
Total Current debt	331
Guaranteed[(1)]	287
Secured[(2)]	44
Unguaranteed/Unsecured	—
Total Non-Current debt (excluding current portion of long-term debt)[(4)]	13,813
Guaranteed[(1)]	11,214
Secured[(2)]	2,599
Unguaranteed/Unsecured	—
Total Shareholders' equity	2,035
Share capital	42
Legal Reserves	—
Other Reserves[(3)]	1,993
Total Capitalization	**16,179**
[A] Cash	789
[B] Cash equivalents	—
[C] Trading securities	—
[D] Liquidity[A]+[B]+[C]	**789**
[E] Current Financial Receivable	**—**
[F] Current Bank debt	—
[G] Current portion of non-current debt	287
[H] Other current financial debt	44
[I] Current Financial Debt [F]+[G]+[H]	**331**
[J] Net Current Financial Indebtedness [I]-[E]-[D]	**(458)**
[K] Non-current Bank loans	5,368
[L] Bonds Issued	8,413
[M] Other non-current loans	32
[N] Non-current Financial Indebtedness[(4)] [K]+[L]+[M]	**13,813**
[O] Net Financial Indebtedness [J]+[N]	**13,354**

(1) The Senior Facilities Agreement, the Senior Secured Notes, the Senior Notes and the Senior PIK Notes are secured by certain pledged shares, security interests and assignments of rights of the Group. See "*Description of Certain Financing Arrangements*" for more information.

(2) The Senior Facilities Agreement, the Senior Secured Notes and the Senior Notes are guaranteed by certain entities in the Group. See "*Description of Certain Financing Arrangements*" for more information.

(3) Includes net income of SEK (176) million for the three months ended March 31, 2014.

(4) Includes unamortized transaction costs of SEK 511 million as of March 31, 2014. Unamortized transaction costs related to financial indebtedness that will be repaid as a result of the Offering will be expensed upon repayment.

As of March 31, 2014, our direct and indirect contingent liabilities, on a consolidated basis, were SEK 3 million. For additional information on our debts and liabilities see "*Note 25*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 provided elsewhere in this Offering Memorandum.

In connection with the Offering, the Company's net indebtedness will be reduced as a result of the application of the net proceeds to the Company from the issue of New Shares in the Offering. Assuming that the Over-allotment Option is not exercised, the net proceeds from the Offering were available to the Company as of March 31, 2014 and the entry into the 2014 Facilities on such date, which are subject to the closing of the Offering (see "*Description of Certain Financing Arrangements*"), and including drawdowns under the Capex Facility of SEK 300 million as of the date hereof, the Company's net indebtedness would have decreased by SEK 5,070 million to SEK 9,095 million. In the three months ended June 30, 2014, the Company expects to incur an additional SEK 127 million of indebtedness under the Senior PIK Notes by pay-in-kind interest. Assuming that the Over-allotment Option is not exercised, the net proceeds from the Offering were available to the Company as of March 31, 2014 and such proceeds were used to refinance the existing indebtedness as described in "*Background and Reasons for Offering and Use of Proceeds,*" the full consolidation of Phonera Företag occurred on such date and including the interest payments to be made and ordinary cash flow generation in the three months ended June 30, 2014, the Company estimates that its net debt/Underlying EBITDA ratio will be 4.15x as of June 30, 2014 or 3.9x as of June 30, 2014 if the Over-allotment Option is exercised in full.

The capitalization and indebtedness table does not reflect events that occurred after March 31, 2014. For further information, see "*The Share and Share Capital—Share Capital History*."

Except as set forth above, we have no reason to believe that there has been any material change to our actual capitalization since March 31, 2014, other than changes resulting from the ordinary course of our business.

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

The selected consolidated financial data as of December 31, 2011 and for the period from July 5, 2011 to December 31, 2011 and as of and for the years ended December 31, 2012 and 2013 set forth below have been derived from our audited consolidated financial statements, which were audited by KPMG AB, as set forth in their audit report; such historical statements and audit report(s) are included elsewhere herein. The selected consolidated financial data set forth below as of and for the three month periods ended March 31, 2013 and 2014 have been derived from our unaudited interim consolidated financial statements, which were reviewed by KPMG AB as set forth in their review report included elsewhere herein. Our audited and unaudited interim consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements, subject only to normal and recurring adjustments that are necessary for a fair statement of the results for the interim periods presented. The selected operating data set forth below has been derived from our regularly maintained records and accounting and support systems. See "*Definitions and Glossary*" for definitions and concepts of certain terms set out in the tables below.

The unaudited aggregated income statement data for the year ended December 31, 2011 has been derived by the mathematical addition of the separate unaudited interim consolidated results of operations of Com Hem Communications AB ("**Com Hem Communications**") for the nine month period ended September 30, 2011 and the audited consolidated financial statements of the Company for the period from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The selected unaudited aggregated financial data as of December 31, 2011 has been extracted from the audited financial statements of the Company. The unaudited financial information of Com Hem Communications for the nine months ended September 30, 2011 and the audited consolidated information of the Company for the period from July 5, 2011 to December 31, 2011 have been prepared in accordance with IFRS, as adopted by the European Union; the unaudited aggregated income statement data and cash flow data for the year ended December 31, 2011 have not been prepared in accordance with IFRS or any other generally accepted accounting standards.

The following information should be read in conjunction with "*Operating and Financial Review*" and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Selected Income Statement Data

	Period from July 5 - December 31,	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2013	2013	2014
	(SEK in millions)				
Revenue	1,152	4,562	4,448	1,123	1,124
Cost of sales and services	(583)	(2,244)	(2,190)	(574)	(548)
Gross profit	**570**	**2,318**	**2,258**	**549**	**576**
Selling expenses	(373)	(1,310)	(1,378)	(334)	(361)
Administrative expenses	(69)	(249)	(220)	(58)	(64)
Other operating income and expenses	(262)	(11)	(3)	5	(4)
Operating profit	**(134)**	**748**	**657**	**162**	**147**
Net financial income and expenses	(590)	(1,759)	(1,537)	(158)	(349)
Profit/(loss) after financial items	**(724)**	**(1,010)**	**(880)**	**3**	**(202)**
Income taxes	62	413	109	8	26
Net profit/(loss) for the period	**(661)**	**(597)**	**(771)**	**11**	**(176)**

Selected Balance Sheet Data

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
	(SEK in millions)				
Non-current assets:					
Intangible assets	16,993	16,513	16,154	16,401	16,353
of which goodwill	*10,742*	*10,742*	*10,742*	*10,742*	*10,895*
of which customer relations	*5,160*	*4,614*	*4,068*	*4,477*	*4,093*
of which trademarks	*691*	*691*	*691*	*691*	*691*
Property, plant and equipment	1,460	1,421	1,463	1,374	1,465
Other non-current assets	—	6	6	6	6
Total non-current assets	**18,453**	**17,940**	**17,624**	**17,781**	**17,824**
Current assets	291	299	275	258	323
Cash and cash equivalents	1,045	662	1,122	742	789
Total current assets	**1,336**	**961**	**1,397**	**1,000**	**1,112**
Total assets	**19,788**	**18,901**	**19,021**	**18,781**	**18,936**
Total equity	**677**	**2,937**	**2,212**	**2,948**	**2,035**
Non-current interest-bearing liabilities	15,370	12,689	13,857	12,394	13,813
of which credit facilities	5,102	4,837	5,503	4,632	5,368
of which notes	5,783	7,812	8,317	7,730	8,413
of which intercompany loans	4,338	—	—	—	—
Other non-current liabilities	237	426	235	488	217
Deferred tax liabilities	1,183	764	671	759	680
Total non-current liabilities	**16,789**	**13,879**	**14,763**	**13,641**	**14,710**
Current interest-bearing liabilities	551	354	308	360	331
Other current liabilities	1,772	1,731	1,738	1,831	1,860
Total current liabilities	**2,323**	**2,085**	**2,046**	**2,191**	**2,191**
Total equity and liabilities	**19,788**	**18,901**	**19,021**	**18,781**	**18,936**

Selected Cash Flow Statement Data

	Period from July 5 - December 31,	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2013	2013	2014
	(SEK in millions)				
Cash flow from operating activities	204	568	1,035	388	321
Cash flow from investing activities	(8,826)	(880)	(1,005)	(168)	(507)
Cash flow from financing activities	9,668	(71)	430	(141)	(148)
Net change in cash and cash equivalents	1,045	(383)	460	80	(333)
Cash and cash equivalents at beginning of period	**0**	**1,045**	**662**	**662**	**1,122**
Cash and cash equivalents at period end	**1,045**	**662**	**1,122**	**742**	**789**

Selected Revenue by Service[1]

	Period from July 5 - December 31,	For the year ended December 31,		For the three months ended March 31,	
	2011	2012	2013	2013	2014
	(SEK in millions)				
Digital Television	433	1,741	1,683	428	431
High-Speed Broadband	322	1,296	1,323	325	344
Fixed-Telephony	139	507	417	113	90
Landlord	213	815	797	203	201
Other	45	202	228	54	57
Total	**1,152**	**4,562**	**4,448**	**1,123**	**1,124**

(1) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. The reclassification resulted in an increase in digital television revenue of SEK 4 million, SEK 21 million and SEK 30 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively. The reclassification resulted in an increase in high-speed broadband revenue of SEK 4 million, SEK 19 million and SEK 27 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively. The reclassification resulted in an increase in fixed-telephony revenue of SEK 0 million, SEK 2 million and SEK 2 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively. The reclassification resulted in a reduction in landlord revenue of SEK 8 million, SEK 41 million and SEK 59 million for the period from July 5, 2011 to December 31, 2011 and the periods ended December 31, 2012 and December 31, 2013, respectively.

Selected Other Financial Information

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	Aggregated Company*	Company		Company	
	2011	2012	2013	2013	2014
	(SEK in millions, except percentages and ratios)				
Underlying EBITDA[1]	2,098	2,232	2,200	544	545
Underlying EBITDA margin (in %)[2]	46.4	48.9	49.5	48.5	48.5
EBITDA[1]	1,758	2,161	2,009	503	488
EBITDA margin (in %)[2]	38.9	47.4	45.2	44.8	43.3
Capital expenditures[3]	734	913	1,038	170	215
Capital expenditures ratio (in %)[4]	16.2	20.0	23.3	15.2	19.1
Underlying EBITDA less capital expenditures	1,363	1,319	1,162	374	330
Underlying EBITDA less capital expenditures ratio (in %)[4]	30.2	28.9	26.1	33.3	29.4
Operating free cash flow[5]	1,419	1,197	1,015	282	202
Operating free cash flow margin (in %)[6]	31.4	26.2	22.8	25.1	18.0
Net working capital[7]	(1,357)	(1,242)	(1,229)	(1,182)	(1,141)
Net debt[8]	11,150	13,011	13,582	12,609	13,865
Net debt/equity ratio[9]	n/m	4.4	6.1	4.3	6.8
Net debt/Underlying EBITDA[10]	5.3	5.8	6.2	5.6	6.3

* The selected unaudited aggregated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011 and the audited financial statements of the Company from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The selected unaudited aggregated financial data as of December 31, 2011 has been extracted from the audited financial statements of the Company.

(1) We define EBITDA as net profit/(loss) for the period before income taxes, net financial items and depreciation and amortization ("**EBITDA**"). We define Underlying EBITDA as EBITDA before write downs, non-recurring costs and operating currency (losses)/gains ("**Underlying EBITDA**"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of tangible and intangible assets related to production), selling expenses (depreciation and amortization of tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of tangible and intangible assets related to administrative functions). Neither EBITDA nor Underlying EBITDA is a measure of liquidity or performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information*." The reconciliation of net profit/(loss) for the periods to EBITDA and Underlying EBITDA is set forth below. For

further information on the calculation of Underlying EBITDA for the year ended December 31, 2011, see "*—Unaudited Aggregated Selected Other Financial Data for the Year Ended December 31, 2011*."

	For the year ended December 31,		For the three months ended March 31,	
	Company		Company	
	2012	2013	2013	2014
	(SEK in millions)			
Net profit/(loss) for the period	**(597)**	**(771)**	**11**	**(176)**
Income taxes	(413)	(109)	(8)	(26)
Financial expenses	1,965	1,687	237	352
Financial income	(206)	(149)	(79)	(3)
Depreciation and amortization	1,413	1,352	341	341
EBITDA	**2,161**	**2,009**	**503**	**488**
Write downs[(a)]	19	15	1	—
Non-recurring costs:				
TiVo launch[(b)]	—	97	6	35
B2B launch[(c)]	—	5	—	4
Redundancy	9	49	30	3
Lawyers and consultants[(d)]	24	19	1	8
Scrapping/write-down of inventories	6	—	—	—
Other non-operating costs[(e)]	13	8	4	5
Total non-recurring costs	**52**	**178**	**41**	**56**
Operating currency (losses)/gains	0	(2)	(1)	1
Underlying EBITDA	**2,232**	**2,200**	**544**	**545**

(a) Write downs in 2012 and 2013 related to production facilities and capitalized sales costs.

(b) Marketing and consultancy costs related to the launch of the TiVo service.

(c) Marketing and consultancy costs related to the launch of B2B product portfolio.

(d) Includes costs for legal and advisory fees for structuring and investment opportunities (including costs for acquiring Phonera Företag in 2013 and 2014).

(e) Includes rating costs for notes, monitoring fees and other operational non-recurring items.

(2) Underlying EBITDA margin represents Underlying EBITDA as a percentage of revenue. EBITDA margin represents EBITDA as a percentage of revenue. See "*Presentation of Financial and Other Information*."

(3) Capital expenditures in tangible and intangible assets.

(4) Each of the capital expenditures ratio and the Underlying EBITDA less capital expenditures ratio is calculated as a percentage of revenue.

(5) Operating free cash flow is calculated as Underlying EBITDA less operating currency (losses)/gains, less non-recurring costs, less write downs plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in tangible and intangible assets not funded by leasing. Operating free cash flow is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. The reconciliation of EBITDA to operating free cash flow is set forth below. For further information on the calculation of Operating Free Cash Flow for the year ended December 31, 2011, see "*—Unaudited Aggregated Selected Other Financial Data for the Year Ended December 31, 2011*."

	For the year ended December 31,		For the three months ended March 31,	
	Company		Company	
	2012	2013	2013	2014
	(SEK in millions)			
Underlying EBITDA	**2,232**	**2,200**	**544**	**545**
Operating currency (losses)/gains	0	2	1	(1)
Non-recurring costs	(52)	(178)	(41)	(56)
Write downs	(19)	(15)	(1)	(0)
EBITDA	**2,161**	**2,009**	**503**	**488**
Adjustments for items not included in cash flow	26	18	4	2
Change in net working capital	(117)	(15)	(64)	(73)
Gross capital expenditures	(913)	(1,038)	(170)	(215)
Capital expenditures funded by leasing[(a)]	38	42	10	—
Operating free cash flow	**1,197**	**1,015**	**282**	**202**

(a) In connection with the lease of certain equipment, the Company has entered into finance lease agreements that provide for additional cash flow flexibility.

(6) Operating free cash flow margin is calculated as operating free cash flow as a percentage of revenue.

(7) Net working capital consists of inventories, trade receivables, prepaid expenses and accrued income, plus other receivables, less trade payables, other current liabilities, as well as accrued expenses and deferred income. Financial items included in these line items in the balance sheet are excluded from the net working capital calculation.

(8) Net debt is calculated as interest-bearing liabilities, excluding unamortized borrowing costs, less cash and cash equivalents.

(9) Net debt/equity ratio is calculated as net debt divided by shareholders' equity.

(10) Net debt/Underlying EBITDA ratio is calculated as net debt at the end of the period indicated divided by Underlying EBITDA for the last twelve months.

Selected Operational Data

The following table sets forth, for the periods indicated, certain data for our B2C and landlord operations.

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands, except percentages and as otherwise indicated)				
Total					
Homes connected[1]	1,739	1,749	1,817	1,777	1,830
Unique residential subscribers[2]	861	828	830	823	838
of which triple-play subscribers	292	264	236	254	233
Unique residential subscribers as a percentage of homes connected (in %)	49.5	47.3	45.7	46.3	45.8
Total RGUs[3]	1,585	1,502	1,482	1,495	1,492
RGUs per unique residential subscriber (in units)	1.84	1.82	1.79	1.82	1.78
Blended residential ARPU[4][6] (in SEK)	357	363	356	359	359
RGUs[3]					
Digital Television	658	612	597	613	595
High-Speed Broadband	551	543	558	542	570
Fixed-Telephony	376	348	327	339	327
	(in SEK)				
ARPU[5][6]					
Digital Television	225	234	233	235	243
High-Speed Broadband	193	199	203	201	204
Fixed-Telephony	127	118	104	111	93
Landlord[7]	40	39	37	38	37

(1) Homes connected represents the number of residential units to which we provide (i) basic television service, primarily through long-term contracts with landlords of MDUs and (ii) our services pursuant to service provider agreements with communications operators.

(2) Except as the context otherwise indicates, references to "subscribers" are generally used to refer to residential subscribers. Unique residential subscribers represent the number of individual end users who have subscribed for one or more of our upgraded digital services during the period indicated.

(3) 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.

(4) Blended residential ARPU is calculated by dividing all digital television, high-speed broadband, fixed-telephony revenue and other revenue that can be allocated to each service for the relevant period by the average number of total unique residential subscribers for that period and further by the number of months in the period. The average number of total unique residential subscribers is calculated by aggregating the average number of unique residential subscribers in each month during the respective period and dividing the result by the number of months in the respective period.

(5) ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the Com Bo discount) 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.

(6) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified and our historical reported ARPUs by digital service have been recalculated accordingly in the presentation above. See "*—Selected Revenue by Service*."

(7) Landlord ARPU is calculated by dividing all landlord revenue by the average number of homes connected for the relevant period and further by the number of months in that period. The average number of homes connected is calculated by aggregating the number of homes connected at the end of each month during the respective period and dividing the result by the number of months in the respective period.

Unaudited Aggregated Financial Information for the Year Ended December 31, 2011

The following unaudited aggregated financial information for the period from January 1, 2011 to December 31, 2011 presented below has been derived from: (i) the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011; and (ii) the audited consolidated financial statements of the Company for the period from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. As such, the Company believes that the aggregated financial information is representative of its financial performance during 2011.

As a consequence of the acquisition of Com Hem by funds advised by BC Partners Limited in September 2011, and the subsequent refinancing, it is not meaningful to present selected aggregated financial information for the line items below gross profit since that data is not comparable between the years. The unaudited aggregated financial information has not been prepared in accordance with any generally accepted accounting standard and has not been audited or reviewed in accordance with any generally accepted auditing standard.

Unaudited Aggregated Income Statement Information for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company*
		(SEK in millions)	
Revenue	3,368	1,152	4,520
Cost of sales and services[(1)]	(1,727)	(583)	(2,310)
Gross profit	**1,641**	**570**	**2,211**

* The selected unaudited aggregated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011 and the audited financial statements of the Company from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain financing-related activities in connection with the Acquisition. The selected unaudited aggregated financial data as of December 31, 2011 has been extracted from the audited financial statements of the Company.

(1) Cost of sales and services of SEK 30 million for the period ended September 30, 2011 has been reclassified from cost of sales and services to selling expenses.

Unaudited Aggregated Selected Revenue by Service for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Digital Television[(1)]	1,257	433	1,690
High-Speed Broadband[(1)]	921	322	1,243
Fixed-Telephony[(1)]	427	139	565
Landlord[(1)]	645	213	858
Other[(1)]	118	45	163
Total	**3,368**	**1,152**	**4,520**

(1) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. The reclassification resulted in an increase in digital television revenue of SEK 9 million and SEK 4 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in an increase in aggregated digital television revenue for the year ended December 31, 2011 of SEK 13 million. The reclassification resulted in an increase in high-speed broadband revenue of SEK 8 million and SEK 4 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in an increase in aggregated high-speed broadband revenue for the year ended December 31, 2011 of SEK 12 million. The reclassification resulted in an increase in fixed-telephony revenue of SEK 1 million and SEK 0 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in an increase in aggregated fixed telephony revenue for the year ended December 31, 2011 of SEK 1 million. The reclassification resulted in a reduction in landlord revenue of SEK 18 million and SEK 8 million for the period ended September 30, 2011 and the period from July 5, 2011 to December 31, 2011, respectively, resulting in a reduction in landlord revenue for the year ended December 31, 2011 of SEK 26 million.

Unaudited Aggregated Selected Other Financial Data for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Underlying EBITDA[1]	1,590	508	2,098
EBITDA[1]	1,532	226	1,758
Capital Expenditures[2]	407	328	734
Underlying EBITDA less capital expenditures	1,183	180	1,363
Operating free cash flow[3]	1,191	228	1,419

(1) We define EBITDA as net profit/(loss) for the period before income taxes, net financial items and depreciation and amortization ("**EBITDA**"). We define Underlying EBITDA as EBITDA before write downs, non-recurring costs and operating currency (losses)/gains ("**Underlying EBITDA**"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of tangible and intangible assets related to production), selling expenses (depreciation and amortization of tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of tangible and intangible assets related to administrative functions). Neither EBITDA nor Underlying EBITDA is a measure of liquidity or performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information*." The reconciliation of EBITDA to Underlying EBITDA is set forth below.

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
EBITDA	**1,532**	**226**	**1,758**
Write downs[a]	—	12	12
Non-recurring costs:			
Spacenet de-installation	5	—	5
Redundancy payments	5	—	5
Lawyers and consultants	42	15	57
Transaction costs[b]	—	246	246
CDK upfront fee[c]	—	10	10
Other	3	0	2
Total non-recurring costs	**56**	**270**	**326**
Operating currency (losses)/gains	2	0	2
Underlying EBITDA	**1,590**	**508**	**2,098**

(a) Write downs related to production facilities and capitalized sales costs.

(b) Expenses related to the Acquisition.

(c) Payment related to the withdrawn CDK acquisition.

(2) Capital expenditures in fixed tangible and intangible assets, including capital expenditures funded by leasing.

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Network and quality enhancement	111	116	227
CPE and capitalized sales costs	192	103	295
IS Development	85	45	130
Other	20	62	82
Capital expenditures in fixed tangible and intangible assets	**407**	**328**	**734**
of which capital expenditure funded by leasing	*(68)*	*(54)*	*(122)*
Capital expenditures in fixed tangible and intangible assets after leasing	**339**	**274**	**612**

(3) Operating free cash flow is calculated as Underlying EBITDA less operating currency (losses)/gains, less non-recurring costs, less write downs plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in tangible and intangible assets not funded by leasing. Operating free cash flow is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. The reconciliation of Underlying EBITDA to operating free cash flow is as follows:

	For the period ended September 30, 2011	Period from July 5 - December 31, 2011	Year ended December 31, 2011
	Com Hem Communications	Company	Aggregated Company
		(SEK in millions)	
Underlying EBITDA	**1,590**	**508**	**2,098**
Operating currency (losses)/gains	(2)	(0)	(2)
Non-recurring costs	(56)	(270)	(326)
Write-downs	—	(12)	(12)
EBITDA	**1,532**	**226**	**1,758**
Adjustments for items not included in cash flow			
Pension provisions	3	0	3
Other provisions	(3)	3	0
Other items not included in cash flow	(9)	21	12
Total Adjustments for items not included in cash flow	**(9)**	**24**	**15**
Change in net working capital	7	252	259
Cash flow from capital expenditures	(339)	(273)	(612)
Operating free cash flow	**1,191**	**228**	**1,419**

OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of our results of operations and financial condition, based on the audited consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2013 and 2012 and the unaudited interim consolidated financial statements of the Company and its subsidiaries as of and for the three months ended March 31, 2014 and 2013, in each case prepared in accordance with IFRS as adopted by the European Union.

The unaudited aggregated financial information for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated results of operations of Com Hem Communications for the period ended September 30, 2011 and the audited consolidated results of operations of the Company for the period from July 5, 2011 to December 31, 2011. See "Selected Consolidated Financial, Operating and Other Data—Unaudited Aggregated Financial Information for the Year Ended December 31, 2011." The unaudited financial information of Com Hem Communications for the nine months ended September 30, 2011 and the audited consolidated information of the Company for the period from July 5, 2011 to December 31, 2011 have been prepared in accordance with IFRS, as adopted by the European Union; the unaudited aggregated financial information for the year ended December 31, 2011 has not been prepared in accordance with IFRS or any other generally accepted accounting standards.

Except as the context otherwise indicates, when discussing historical results of operations in this "Operating and Financial Review," "Com Hem," "we," "our" and other similar terms are generally used to refer to the business of the Company and its subsidiaries. Except as the context otherwise indicates, references to "subscribers" are generally used to refer to residential subscribers.

You should read this discussion in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to our consolidated financial statements is set forth below in "—Critical Accounting Policies." You should also review the information in the section "Presentation of Financial and Other Information." This discussion includes forward-looking statements that, although based on assumptions that we consider reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors."

Overview

We are the largest cable operator in Sweden, based on the number of homes connected and the number of unique residential subscribers served, and are a leading provider of television, high-speed broadband and fixed-telephony services. We provide our basic and digital television, high-speed broadband and fixed-telephony services mainly to residential subscribers via our advanced HFC cable network and LANs. We also provide broadband and fixed and mobile telephony services to the B2B segment via our HFC cable network, LANs, xDSL networks and mobile networks. As of March 31, 2014, we offered our digital services to approximately 1.731 million homes connected to our HFC cable network, approximately 2,000 homes connected to closed LANs and 97,000 homes connected to open LANs. Our footprint covered 39% of all homes in Sweden as of March 31, 2014, including homes in all major metropolitan areas, such as Stockholm, Gothenburg, Malmö and Uppsala.

Our HFC cable network is fiber-rich with approximately 580 homes connected to each node. Approximately 1.6 million, or approximately 92% of all homes connected to our HFC cable network, are served by our bi-directional and EuroDOCSIS 3.0-enabled network with a spectrum bandwidth capacity of 862 MHz and can receive our digital services as well as access to broadband speeds of up to 500 Mbit/s. Consequently, we believe our HFC cable network is one of the most technologically-advanced networks in Europe. In addition, we currently offer 1 Gbit/s high-speed broadband service to homes connected through LANs which are 1 Gbit/s FTTx/LAN enabled and we believe that we have the ability to offer 1 Gbit/s broadband service across our entire HFC cable network without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term.

HFC cable has inherent capacity and quality advantages compared to copper-based xDSL networks and we are currently able to offer higher speeds, and hence more capacity for simultaneous distribution of digital television, high-speed broadband and fixed-telephony services, than the large majority of fiber LAN-based service providers in Sweden. As a result, we are able to more efficiently deliver high-capacity-dependent content to connected homes across our entire upgraded network, which allows our subscribers to simultaneously view basic or digital television programming on multiple televisions, order video on demand ("**VoD**") services, place telephone calls and use the high-speed broadband at speeds of up to 500 Mbit/s, which is higher than most other European cable operators are able to provide. We have an infrastructure advantage that allows us to offer the fastest broadband service to at least 80% of households connected to our upgraded network. See "*Industry Overview—Network Dynamics in Sweden—HFC cable*."

We operate the only next generation network of scale in Sweden, which is capable of high-speed broadband and next generation television. Our competitors' networks are either national and predominantly xDSL-based, or fiber-based but regional, and in most cases, highly fragmented. See "*Industry Overview—Network Dynamics in Sweden—HFC cable*." Additionally, the quality of our upgraded network gives us a competitive advantage by allowing us to introduce innovative, high-bandwidth services without incurring significant capital expenditures. Instead, based on our current competitive position and the upgraded status of our network, we can focus our capital expenditures on subscriber growth, meeting subscriber demand and new product development as well as network and platform development.

In addition to providing our basic television services to subscribers and landlords across our HFC cable network, we also deliver digital services across our IP platform to MDUs that are connected to Com Hem via fiber LANs. In this context, we deliver services either via (i) vertical or "closed" LANs, which we typically build and control and through which we offer services on an exclusive basis to connected households, or (ii) open LANs, which are built and owned by third parties. Open LANs are operated by communications operators (including our own communications operator, iTUX) on behalf of the network owners. Communications operators in turn enter into agreements with various service providers (including Com Hem) that can offer their services on a non-exclusive basis to end customers via that third-party network. For further information on open and closed LANs and the development of LAN infrastructure in Sweden, generally, see "*Industry Overview—Network Dynamics in Sweden—Fiber LANs*."

We focus on providing our services to subscribers who live in MDUs. We typically enter into contracts with landlords of MDUs to provide all of their tenants with basic television service, consisting of up to 17 basic television channels, with the cost of the service generally included in the tenant's rent or occasionally listed as a separate item on monthly rent statements. Once we have established a distribution and service relationship with a landlord through the delivery of our basic television service to its tenants, individual subscribers (*i.e.,* typically tenants within the MDUs) have the ability to subscribe to our full range of digital services, including digital television, high-speed broadband and fixed-telephony services. A key focus area of our strategy is to increase our blended residential ARPU and consumer revenue by converting existing basic television households into subscribers of our digital services, either for our bundled services or on a stand-alone basis. As of March 31, 2014, we had contracts with approximately 23,000 landlords, with the top ten landlords based on the number of homes connected accounting for 2.6% of landlord revenue as of March 31, 2014, and approximately 40,000 SDU households. Pursuant to these contracts we provide our basic television service (7 or 17 channels) and must carry digital service (7 channels) to homes connected to our HFC cable network. As we are currently able to market digital services to households with our basic television service, we believe that we will continue to have a substantial opportunity to drive digital penetration, which we believe will allow us to generate attractive operating margins and financial growth.

A core element of our strategy is providing our digital services as a bundle, which offers our subscribers the convenience of receiving digital television, high-speed broadband and/or fixed-telephony services from a single provider at an attractive price. As of March 31, 2014, we had approximately 838,000 unique residential subscribers subscribing for approximately 1.492 million digital services, corresponding to a ratio of RGUs per unique residential subscriber of 1.78 to 1, which is lower than many of our European peers offering similar services. We therefore believe that we have a substantial opportunity to increase the number of bundled services to which our customers subscribe. See "*Business—Our Strengths—Competitive advantage in bundled services*" and "*Business—Our Strategy—Migrate existing subscribers and attract new subscribers into bundled services*."

In June 2013, we launched our offering to the B2B segment, initially offering our broadband and fixed-telephony services to prospective SoHo customers in our footprint. We estimate that there were approximately 178,000 SoHos and SMEs in our footprint as of March 31, 2014 to whom we did not historically market our services. On March 31, 2014, we completed the acquisition of Phonera Företag, a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers. By combining Phonera Företag's existing 53,000 unique subscribers, its portfolio of complementary services aimed at SoHo and SME customers and its experienced and dedicated B2B sales force with our superior network, network operating experience and economies of scale, we believe that we can accelerate and expand the growth of our B2B offering. For more information on our B2B offering, see "*Business—Services—B2B Services*."

Key Factors Affecting Our Results of Operations

Our operations, the key operating measures discussed below and our results of operations have been, and may continue to be, affected by certain key factors including, in particular, our investments in network upgrade, platforms and CPEs, the introduction of new services, changes in our pricing, churn, our cost structure and seasonality. Each of these factors is discussed in more detail below.

Investments in Network Upgrade, Platforms, CPEs and Support Systems

Over the past few years, we have conducted an extensive network upgrade to improve the delivery of digital services, including digital television, high-speed broadband and fixed-telephony services. We substantially completed the upgrade of our HFC cable network to EuroDOCSIS 3.0 standard in 2009, which has allowed us to continuously and efficiently increase broadband speeds. We can currently deliver our digital services, including high-speed broadband services at download speeds of up to 500 Mbit/s and upload speeds of up to 50 Mbit/s, to approximately 1.6 million connected homes as of March 31, 2014. During the periods under review, we have focused on improving and enhancing our network, investing SEK 254 million in 2011, SEK 462 million in 2012 and SEK 441 million in 2013. The majority of the increase in our network and quality enhancement capital expenditure in 2012 and 2013 related to: (i) investments in the next generation backbone to triple capacity, reduce annual costs and improve redundancy in the network; (ii) investments in our next generation digital television TiVo platform, which allows us to deliver TiVo services across both our HFC cable network and over LANs; and (iii) investments to enhance our telephony platform. In the three months ended March 31, 2014, our network-related capital expenditures were SEK 58 million, primarily related to investments in the network to increase broadband capacity and minimal investments in the TiVo platform.

Our capital expenditure related to CPE and capitalized sales costs increased from SEK 295 million in the year ended December 31, 2011 to SEK 403 million in the year ended December 31, 2013 due to an increase in STB investments in 2013 in connection with acquiring a large number of TiVo STBs, which is planned to be distributed to customers during 2014 as we roll-out our TiVo service. In the three months ended March 31, 2014, our CPE-related capital expenditures were SEK 107 million, a significant increase as compared to the three months ended March 31, 2013, as a result of maintaining relatively large numbers of TiVo STBs to enable us to quickly meet demand for our TiVo service. Our IS development capital expenditure increased during this period from SEK 130 million in the year ended December 31, 2011 to SEK 150 million in the year ended December 31, 2013. In the three months ended March 31, 2014, our IS development capital expenditure was SEK 41 million, which is consistent with our IS development capital expenditure in previous years.

Our total TiVo-related capital expenditures increased from SEK 108 million in the year ended December 31, 2012, of which nil million related to CPE, to SEK 334 million in the year ended December 31, 2013, of which SEK 211 million related to CPE. During the three months ended March 31, 2014, our TiVo-related capital expenditure was SEK 54 million, of which SEK 51 million related to CPE. We expect our TiVo-related capital expenditure to increase in the remaining quarters of 2014. As we continue to migrate customers from both our basic television service and our legacy digital television service to our TiVo digital television service, we expect a continued need to purchase and maintain a large number of TiVo STBs to quickly meet demand for our TiVo service.

As a result of the substantial completion of the development of our TiVo platform, next generation backbone and new telephony platform, we believe that our total network-related capital expenditure requirements will decrease slightly in 2014. We believe our total success-based capital expenditures will increase as a percentage of revenue in 2014 as the majority of our capital expenditure requirements going forward will be linked to incremental RGU and usage growth, including with respect to TiVo STBs and increased levels of capitalized sales costs primarily related to upselling and migrating customers to new digital services and more value added packages. We believe our IS development capital expenditures will remain flat in 2014. The high historical investments made in the network will enable us to provide customers with speeds up to 1 Gbit/s in a significant portion of our footprint without having to upgrade our network to EuroDOCSIS 3.1 standard thus reducing the need to make substantial investments in the network and CPE capital expenditures in the medium term. We believe that our success-based capital expenditures related to our B2B business including Phonera Företag will increase as we grow our B2B business and capitalize sales costs and CPE needed for our B2B services. Accordingly, we expect our total capital expenditures to marginally increase in 2014.

We lease a part of our network through long-term lease agreements, including national backbone capacity, fiber, ducting and our co-location of head-end facilities. As a result, our capital expenditure requirements for network maintenance, upgrade and general service are significantly lower than those of cable operators who directly own these network components. We own all of our street cabinets and all active equipment in the network as well as a portion of the fiber and ducting of the network.

During the periods under review, our capital expenditures have fluctuated on a quarterly basis. This fluctuation is due largely to the timing of our investment in technology, including network upgrades, CPE and capitalized sales costs, which can vary significantly on a quarter-to-quarter basis. For a discussion of our capital expenditures during the periods under review, see "*—Liquidity and Capital Resources—Capital Expenditures*."

The Introduction of New Services

We have significantly expanded our presence and service offerings in the past and have been a leader in bringing digital services to the Swedish market. We have provided our subscribers with a regularly updated and enhanced portfolio of services, including broadband services with higher download speeds, enhanced digital television services with additional functionality, including the suite of functions delivered by TiVo, and other add-on services and will increasingly focus on offering highly competitive bundled services, including double-play and triple-play bundles.

With respect to broadband services, we launched a 100 Mbit/s broadband service in 2009, a 200 Mbit/s broadband service in 2011, a 500 Mbit/s broadband service in 2013 for households connected to our HFC cable network and we have during 2014 started to selectively offer data services with speeds of up to 1 Gbit/s for households connected to LANs and we believe we have the ability to offer 1 Gbit/s service across our entire HFC cable network without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term.

With respect to digital television, we commercially launched our next generation digital television TiVo service in October 2013, which allows subscribers to access content from multiple content sources, including linear, non-linear (VoD) and OTT, view content on multiple devices and search and record content with a single search across multiple content sources. We also regularly review our channel offerings to provide our subscribers with a flexible and diverse range of programming options. As of June 1, 2014, we offered up to 87 television channels, including up to 22 HD television channels.

In 2009, we started offering our digital services in open LANs via our own communications operator, iTUX. In December 2012, we also started offering our digital services through open LANs via third-party communications operators.

In June 2013, we launched our offering of broadband and fixed-telephony services to B2B SoHo customers within our footprint, which has been accelerated and expanded by the recent acquisition of the B2B operator Phonera Företag.

As of March 31, 2014, 51% of our unique residential subscribers subscribed for a single service, with 29% subscribing for digital television, 21% subscribing for broadband and 1% subscribing for fixed-telephony. The number of triple-play subscribers as a percentage of our unique residential subscriber base decreased from 31.9% as of December 31, 2012 to 28.4% as of December 31, 2013 to 27.8% as of March 31, 2014. As a result, the number of RGUs per subscriber decreased from 1.82 as of December 31, 2012 to 1.79 as of December 31, 2013 to 1.78 as of March 31, 2014. Both the low penetration of triple-play subscribers and high percentage of single service subscribers reflect the prior strategy of promoting single service offerings. Given the substantial opportunity for us to grow our revenue and RGUs in a highly cost-efficient manner through bundling, going forward we intend to focus our strategy on selling double-play and triple-play bundles using clear incentives for key segments.

Changes in Our Pricing

We proactively track landlord contracts that are nearing renewal and, in line with our strategy of growing our footprint and building long-term relationships with our landlord customers, offer our landlord customers a range of contract terms at contract renewal, including contract duration, price and service offerings, to secure the renewal of the contract. This strategy has allowed us to grow our footprint and has supported our ability to sell higher ARPU digital services to our residential subscriber base. This strategy has resulted in declining prices at contract renewal, offset by price increases during the contract term as a result of the contractual price indexation provisions. In general, approximately 90% of our landlord contracts are directly linked to either the Entreprenadindex (construction index) ("**E84**") or the CPI (consumer price index). Over the long term, the E84 and the CPI have increased at average annual rates of 4.2% and 1.4%, respectively. Over the periods under review, these two indexes have increased at a relatively lower rate of 2.4% and 1.1%, respectively. Driven by this low inflation environment, on a blended basis for the whole installed base of landlord contracts, the price reductions at renewal have more than offset the indexation linked price increases on the installed base, and as a result, landlord ARPU has declined over the period. We expect a positive impact on landlord ARPU development should inflation indexes return to higher long-term averages.

In order to increase the ARPU we generate from our digital services we seek to continually develop our services to better meet the expectations of our subscribers and provide our subscribers with a regularly updated and enhanced portfolio of services. We regularly review our pricing policy to account for new developments in our services and changes in market pricing. During the second half of 2013, we prompted service upgrades by phasing out lower speed broadband service offerings to support continuously growing data consumption, thereby migrating customers to higher tier packages that generate higher ARPU. We expect to further increase the broadband speeds of our broadband offerings and provide a more attractive service at increased price levels. In line with our strategy to increase our penetration of customers subscribing for bundled services, we offer competitively priced triple-play bundles that provide subscribers with digital television, high-speed broadband and fixed-telephony services for a lower price than if they subscribed to each service individually.

Churn

We closely monitor churn and actively manage the churn behavior of our subscribers across all segments. As a result of our strong relationships with our landlord customers, the number of homes connected to our HFC cable network has remained above 1.728 million homes in each of the periods under review, with churn of homes connected not exceeding 2.6% in any of the periods under review. We seek to preempt and manage churn on a landlord-by-landlord basis and have a dedicated landlord division, with key account managers assigned to our largest landlord customers, which is responsible for the commercial relationship with our landlord customers.

We are able to respond to and influence approximately half of our total residential subscriber churn, as the remaining residential subscriber churn is attributable to subscribers moving outside Com Hem's footprint. We are generally able to establish contractual relationships with the tenants who subsequently move into vacated properties, and thus mitigate the effect, as the subscriber moving out of a connected home is incentivized to transfer the contract to the new tenant and we have established processes to approach tenants who move into our footprint. For churn unrelated to residential subscribers moving outside our footprint, our churn-mitigation processes are focused in three key areas: (i) "retention"—we take steps to proactively minimize residential churn; (ii) "save desk"—we have dedicated agents in customer service who focus on addressing the concerns of residential subscribers who are considering to churn; and (iii) "win-back"—we attempt to preempt and manage churn by engaging in active win-back efforts on a subscriber-by-subscriber basis in the case of subscriber termination.

Our residential subscriber churn for the years ended December 31, 2013 was 16.3% and for the three months ended March 31, 2014 was 15.2%. There are three main drivers for residential subscriber churn unrelated to residential subscribers moving outside our footprint: (i) digital television customers deciding to take only basic television service; (ii) high-speed broadband customers moving to competitors; and (iii) fixed-telephony customers substituting fixed for mobile telephony. We believe these sources of churn offer significant opportunities for improvement. We believe our double-play and triple-play bundles, including our TiVo service and high-speed broadband services, should reduce churn by providing more attractive services at competitive prices. Additionally, our plans to improve the customer experience are central to further reductions in churn, including the customer service initiatives that we have begun implementing.

Cost Structure

We allocate and monitor costs according to whether they are directly attributable to the production of our services or costs associated with managing our day-to-day business such as marketing costs, staff related costs and costs related to depreciation and amortization from our investment activities.

Production Costs

Content Costs

Our cost of content, which consists primarily of license payments for programming, is largely variable and linked to digital television RGU numbers, as we generally purchase content according to volume-based rate cards (according to which the content cost per subscriber generally decreases as the number of subscribers increases) or, in the case of our premium services and other "à la carte" offerings, on a revenue-sharing basis, limiting Com Hem's exposure to content cost inflation. Our content agreements generally do not provide for consumer price index based (or other) price adjustments.

Fiber and Ducting

Our fiber and ducting costs are relatively fixed and include payments under our operating lease agreements with Skanova, Stokab and Trafikverket for access to ducts and co-location facilities as well as for use of fiber-optic capacity and other services. Our costs for assets and services provided by our operating lease counterparties have generally been predictable, as we have entered into long-term lease arrangements that include indefeasible rights of use and index- and capacity-based cost mechanisms to secure our access to our network. For a discussion of the key contractual terms of our long-term lease arrangements, see "*Legal Considerations and Supplementary Information—Material Contracts*."

Other Production Costs

Other production costs consist of internet capacity costs, telephony call fees and transmissions costs to third-party communications operators, which are largely success-based. Other production costs also include costs that are relatively fixed in nature, such as costs for service and support agreements, network fees to landlords and costs for maintenance and truck rolls.

Service Mix

We calculate our gross margins based on the portion of production costs that are directly attributable to each service. We generate higher gross margins from the sale of high-speed broadband, fixed-telephony and landlord services than we do from the sale of digital television and B2B services. The cost of sales and services for digital television and B2B services is higher primarily due to television content costs and higher delivery costs and consequently lower embedded gross margins compared to our high-speed broadband and fixed-telephony consumer services and landlord business. Primarily all of the costs related to our high-speed broadband, fixed telephony and landlord services are related to investments in our network.

We believe that our current level of production costs is likely to increase and our gross margins to decrease in the future, as we believe that our offering of services will change over time to include a higher proportion of digital television services and B2B services. Additionally, we believe our production costs will likely increase and our gross margins decrease in the future as a result of our decision to offer high-speed broadband on open LANs where production costs are higher than production costs on our HFC cable network due to transmission costs and connection fees to third-party communications operators.

Operating Costs

Marketing and Sales Costs

Our marketing costs are largely success based and may fluctuate between quarters. Our marketing costs may also fluctuate as a result of our targeted subscriber growth in a quarter. We frequently offer introductory promotions to attract new residential subscribers. In addition, we increased marketing activities in 2013 in connection with the launch of our TiVo service and B2B services, which resulted in increased marketing costs treated as non-recurring marketing expenses during each of the three-month periods ended December 31, 2013 and March 31, 2014. However, the recurring marketing and sales costs decreased during the periods under review due to the reduction of investments in legacy digital television platform and legacy digital television service as well as marketing activities during 2012 and 2013 in anticipation of the launch of our new TiVo platform and TiVo service.

We capitalize sales commissions if such sales commissions can be linked with an individual subscriber agreement with a binding period of twelve months or longer, are payable to an internal or third-party agent and could be reliably determined, the inflow of the related benefit is deemed to be more probable than not and they correspond to the definition of an asset and thus meet the recognition criteria under IFRS, which in the periods under review had the effect of reducing costs recorded on our income statement. See "—*Consumer Acquisition Costs*." We believe that our marketing activities and sales costs may increase in the future to sustain and increase our customer growth and improve the package mix for our customers. As the extent of our promotional activities varies from period to period, our marketing and sales costs can in turn fluctuate.

Our sales costs are relatively fixed costs. Our sales costs depend largely on the mix of sales channels employed during a period and increase when we use more expensive "push" channels, such as retail, door-to-door and telemarketing, compared to "pull" channels, such as our website and our customer service operation. Our inbound calls centers represent the largest distribution channel for all services and accounted for 72% of all sales for the year ended December 31, 2013. Retail partner shops (with 393 retail locations operated by seven major retail partners) and telemarketing (with fully outsourced call centers operated by five telemarketing partners), each accounted for 8% of all sales for the year ended December 31, 2013. In addition, online (with 560,000 unique visits per month) accounted for 6% of all sales for the year ended December 31, 2013 and direct sales (with four door-to-door partners) accounted for 5% of all sales for the year ended December 31, 2013. We are investing in improving the capabilities and ease of use of our website with the goal of increasing online sales through several initiatives, including the introduction of web exclusive offers, the purchase of bundles online and a redesign of our online TiVo demonstration.

In connection with the launch of new services, we may commence or discontinue marketing activities, which may result in fluctuations in marketing and sales costs during such transition periods. For further information, see *"—The Introduction of New Services*."

Staff Related Costs

Our staff related costs consist of costs for employees and hired personnel (consultants). Our customer service staff related costs are closely linked to our customer service call volumes and therefore, more variable than our staff related costs from non-customer service agents, which are relatively fixed in nature.

Customer Service Costs

The cost of our customer service operation is closely linked to customer service call volumes and the length of the calls. The level of customer service call volumes may fluctuate during any given period as a result of, among other things, the introduction of new services, including services that may require installation of end-user equipment, the quality and reliability of our services and the quality of alternative customer service options, including the customer service portal on our website. The cost of our customer service function decreased from SEK 245 million during the year ended December 31, 2012 to SEK 232 million during the year ended December 31, 2013 due to the impact of investments in our network and our improved Customer and Field Service operation. These customer service initiatives have resulted in improved first-time call resolution and in lower call volumes, with the total number of incoming calls decreasing by an annual rate of 15% from 2011 to 2013, with a slight increase in total call volume during the second half of 2013 as customers sought support for the setup of TiVo STBs and network access over open LANs.

Other Operating Costs

Our other operating costs consist of costs such as cost for premises, traveling expenses, billing expenses and bad debt. The majority of these costs are relatively fixed costs.

Depreciation and Amortization Expenses

Our depreciation and amortization expenses, which are categorized under cost of sales and services, selling expenses or administrative expenses depending on whether the depreciation and amortization relates to production, the sales function or the administrative function, respectively, have generally decreased due to certain in-house and access networks being fully written-off during 2012 and 2013 and lower CPE depreciation during 2013. The decreased depreciation was partly offset by increased amortization in 2013 due to the start of amortization of our TiVo platform investment in 2013 and increased amortization of licenses and support system development projects.

Seasonality

Our working capital is subject to fluctuation as we invoice landlord customers on a quarterly basis in advance and typically receive payment at the end of each quarter. Accordingly, we have a disproportionate amount of prepaid revenue and VAT liability in March, June, September and December, which results in higher cash flows from operating activities and a higher level of negative working capital at the end of each quarter. Additionally, we typically have higher quarter-on-quarter landlord revenue increases in the first quarter of the year than in subsequent quarters as a result of annual index price increases in our landlord contracts that typically are implemented in the first quarter. Furthermore, during the third quarter, we have lower operating costs due to a reduction in holiday accrual costs linked to the annual summer holiday and lower general usage of fixed-telephony services.

Recent Developments

Our results through April 2014 are in line with our expectations and strategy. Revenue has shown continued growth in April supported by the acquisition of Phonera Företag from March 31, 2014, and continued organic revenue growth. As expected, sequential organic growth is slightly below the levels of the first quarter in 2014 due primarily to strong recurring seasonal first quarter growth in landlord revenue as a result of index increases typically implemented during the first quarter (leading to stronger quarter on quarter revenue growth in the first quarter than in subsequent quarters). In addition, sign-up discounts to new subscribers in connection with the TiVo promotional campaign we launched in April 2014, has initially delayed digital television ARPU growth. While our costs remained stable, our Underlying EBITDA margin decreased slightly in April 2014 following the acquisition of Phonera Företag, as our B2B business has a lower margin than our landlord and consumer business. Our capital expenditures increased slightly in April 2014 due to the addition of Phonera Företag, the continued purchase of TiVo STBs and the development capital expenditures in our TiVo platform.

Key Operating Measures

We use several key operating measures, including number of homes connected, unique residential subscribers, RGUs, RGUs per residential subscriber, ARPU and consumer acquisition costs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal support and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies. As ARPU varies considerably for our different services, RGU growth is not necessarily indicative of the overall development of our business and results of operations.

The following table sets forth select data regarding the number of homes connected to our network, our subscriber base and RGU and ARPU numbers as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands, except percentages and as otherwise indicated)				
Total					
Homes connected[1]	1,739	1,749	1,817	1,777	1,830
Unique residential subscribers[2]	861	828	830	823	838
of which triple-play subscribers	*292*	*264*	*236*	*254*	*233*
Unique residential subscribers as a percentage of homes connected (in %)	49.5	47.3	45.7	46.3	45.8
Total RGUs[3]	1,585	1,502	1,482	1,495	1,492
RGUs per unique residential subscriber (in units)	1.84	1.82	1.79	1.82	1.78
Blended residential ARPU[4][6] (in SEK)	357	363	356	359	359
RGUs[3]					
Digital Television	658	612	597	613	595
High-Speed Broadband	551	543	558	542	570
Fixed-Telephony	376	348	327	339	327
	(in SEK)				
ARPU[5][6]					
Digital Television	225	234	233	235	243
High-Speed Broadband	193	199	203	201	204
Fixed-Telephony	127	118	104	111	93
Landlord[7]	40	39	37	38	37

(1) Homes connected represents the number of residential units in our footprint to which we provide (i) basic television service, primarily through long-term contracts with landlords of MDUs and (ii) our services pursuant to service provider agreements with communications operators.

(2) Unique residential subscribers represent the number of individual end users who have subscribed for one or more of our digital services during the period indicated.

(3) 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.

(4) Blended residential ARPU is calculated by dividing all digital television, high-speed broadband and fixed-telephony revenue for the relevant period by the average number of total unique residential subscribers for that period and further by the number of months in the period. The average number of total unique residential subscribers is calculated as the number of unique residential subscribers on the first day in the respective period plus the number of unique residential subscribers on the last day of the respective period, divided by two.

(5) ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the Com Bo discount) 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.

(6) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified and our historical reported ARPUs have been recalculated accordingly. For further information regarding the reclassification of revenue by digital service, see "*Selected Consolidated Financial, Operating and Other Data—Selected Revenue by Service.*"

(7) Landlord ARPU is calculated by dividing all landlord revenue by the average number of homes connected for the relevant period and further by the number of months in that period. The average number of homes connected is calculated by aggregating the number of homes connected at the end of each month during the respective period and dividing the result by the number of months in the respective period.

Homes Connected, Unique Residential Subscribers and RGUs

We monitor three key metrics: (i) homes connected; (ii) unique residential subscribers; and (iii) RGUs.

Homes Connected

Homes connected represent the number of residential units in our footprint to which we primarily provide our basic television service, mainly through long-term contracts with landlords of MDUs. Homes connected also include the number of residential units to which we provide our services pursuant to service provider agreements with communications operators. The number of homes connected in our footprint has increased from approximately 1.739 million as of December 31, 2011 to approximately 1.817 million as of December 31, 2013 to approximately 1.830 million as of March 31, 2014. Between the year ended December 31, 2011 and the year ended December 31, 2013, we expanded our footprint by adding (i) 84,000 new open LAN households, which we serve both through our communications operator iTUX and through third-party communications operators, and (ii) 2,000 vertical LAN households, offset by (iii) the loss of 8,000 HFC cable households. In the three months ended March 31, 2014, we have expanded our footprint by adding 13,000 new open LAN households, which are served both through our communications operator iTUX and through third-party communications operators.

Unique Residential Subscribers

Unique residential subscribers represent the number of individual end users who have subscribed for one or more of our upgraded digital services as of the end of a specific period. As of December 31, 2013, we had approximately 830,000 unique residential subscribers, which represented a decrease of approximately 31,000 unique residential subscribers compared to December 31, 2011 but an increase of approximately 2,000 unique residential subscribers compared to December 31, 2012. The decrease in the number of unique residential subscribers during 2012 was largely due to the following factors: (i) the disconnection on December 31, 2011 of a large landlord customer, who represented approximately 25,000 households; (ii) the launch of our CI module marketing campaign in the end of 2011, pursuant to which we offered subscribers a free three-month trial, which resulted in increased customer intake at the end of 2011, followed by increased cancellation rates in the first four months of 2012; (iii) our decision to increase prices and fees for our digital television services during the first six months of 2012; (iv) the reduction of our investments in legacy digital television platform and offering and marketing activities during 2012 and 2013 in anticipation of the launch of our new TiVo platform and TiVo service combined with the delay in the commercial launch of the TiVo service; and (v) minor net churn in broadband subscribers as a result of phasing out our lowest speed offerings and migrating subscribers to higher speed offerings. The increase of 2,000 unique residential subscribers in 2013 was largely due to an increase in the number of high-speed broadband subscribers as a result of increased demand for our high-speed broadband services and the increase in the number of homes connected to our network including additional subscribers on third-party open LANs.

As of March 31, 2014, we had approximately 838,000 unique residential subscribers, representing a quarter-on-quarter increase of 0.9% compared to December 31, 2013. The increase in unique residential subscribers during the three months ended March 31, 2014 was due to the same reasons listed above for the increase in unique residential subscribers in 2013. The number of unique residential subscribers as a percentage of homes connected decreased from approximately 49.5% as of December 31, 2011, to 47.3% as of December 31, 2013, and decreased to approximately 45.7% as of March 31, 2014 due to strong footprint growth. Once the footprint has been expanded, there is a lag before new unique residential customers have been added.

The decrease in the average number of services subscribed for during the periods under review was partly attributable to the general market trend of subscribers moving from fixed-telephony to mobile telephony and, as a result, a decrease in the number of customers subscribing for both fixed-telephony and one or more additional services. Consequently, the average number of RGUs per subscriber decreased from 1.84 in the year ended December 31, 2011 to 1.79 in the year ended December 31, 2013 to 1.78 in the three months ended March 31, 2014. The number of unique residential subscribers subscribing for our triple-play service decreased from approximately 292,000 subscribers as of December 31, 2011 to approximately 236,000 as of December 31, 2013 and to approximately 233,000 as of March 31, 2014. This decrease was also linked to the general market trend of subscribers shifting from fixed to mobile telephony and the resulting decreased demand for fixed-telephony services as well as not actively marketing bundled services, especially triple-play bundles, which will be a key focus of our commercial strategy going forward. We believe through more strategic bundling of fixed-telephony services with our digital television and high-speed broadband services, we can mitigate the decline in fixed-telephony RGUs and revenue.

RGUs

RGUs 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. As of December 31, 2013, we had approximately 597,000 digital television RGUs, compared to approximately 658,000 digital television RGUs as of December 31, 2011. The decrease in digital television RGUs was due to the reasons set forth above. While the number of digital television RGUs as of March 31, 2014 has decreased by approximately 1,000 or 0.2%, compared to December 31, 2013, the rate of digital television RGU losses has recently declined as TiVo subscriptions are increasingly offsetting the churn of our legacy digital RGUs.

As of December 31, 2013, we had approximately 558,000 high-speed broadband RGUs, compared to approximately 551,000 high-speed broadband RGUs as of December 31, 2011. The increase in high-speed broadband RGUs over the periods under review was a result of our ability to meet subscriber demand for higher broadband speeds and increased bandwidth capacity compared to what alternative technologies such as xDSL and mobile broadband networks can offer. The increase was also due to our strategic decision to offer our digital services via communications operators (iTUX and third-party) over open LANs, which has allowed us to expand our market share in our footprint and our universe of potential subscribers who could not previously subscribe to our services. As of March 31, 2014, the number of high-speed broadband RGUs was approximately 570,000. The increase in high-speed broadband RGUs during the three months ended March 31, 2014 was attributable to the reasons noted above as well as the launch in the second half of 2013 of our current high-speed broadband portfolio to meet customer demand for higher speeds and increased capacity and the competitive pricing of our services. The increasing demand for high and consistent broadband speeds during the periods under review is supported by our HFC cable and vertical LANs, and illustrated by the percentage of our high-speed broadband RGUs who subscribed for broadband services in excess of 100 Mbit/s, which increased from 16% as of December 31, 2011 to 35% as of December 31, 2013 to 37% as of March 31, 2014.

As of December 31, 2013, we had approximately 327,000 fixed-telephony RGUs, compared to approximately 376,000 fixed-telephony RGUs as of December 31, 2011. The decrease in fixed-telephony RGUs was primarily due to the general market trend of subscribers shifting from fixed to mobile telephony, which has resulted in reduced demand for our fixed-telephony services. As of March 31, 2014, fixed-telephony RGUs remained stable compared to December 31, 2013 at approximately 327,000 fixed-telephony RGUs due to the improved attractiveness of our Com Bo offering whereby we bundle our fixed-telephony services together with our strong digital television and high-speed broadband offerings. Through the continued bundling of fixed-telephony services with our television and broadband services as well as attractive fixed-telephony offers, we believe we will be able to continue to mitigate the decline in fixed-telephony RGUs.

ARPU

ARPU is an average monthly metric that we use to measure how effectively we are realizing revenue from a customer. ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the Com Bo discount) 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. Blended residential ARPU is calculated by dividing all digital television, high-speed broadband, fixed-telephony and other revenue that can be allocated to each service for the relevant period by the average number of total unique residential subscribers for that period and further by the number of months in the period. The average number of total unique residential subscribers is calculated by aggregating the average number of unique residential subscribers in each month during the respective period and dividing the result by the number of months in the respective period.

Blended residential ARPU per unique residential subscriber increased by SEK 6, or 1.6%, from SEK 357 in the year ended December 31, 2011 to SEK 363 in the year ended December 31, 2012, but decreased by SEK 6, or 1.8%, to SEK 356 in the year ended December 31, 2013. The increase in blended residential ARPU per unique residential subscriber from 2011 to 2012 was mainly driven by (i) a SEK 8 increase in digital television ARPU as a result of increased prices and fees for digital television packages and (ii) a SEK 6 increase in broadband ARPU as a result of phasing out our lowest speed offerings and migrating subscribers to higher speed offerings. The decrease in blended residential ARPU per unique residential from 2012 to 2013 was mainly driven by (i) a decline in fixed-telephony ARPU by SEK 13 driven by lower usage per subscriber offset by (ii) a SEK 4 increase in broadband ARPU as a result of migrating customers to higher speed offerings. Blended residential ARPU increased during the three months ended March 31, 2014 to SEK 359 as a result of migration of digital television legacy subscribers to TiVo packages with a higher ARPU as well as the improved tier mix for our high-speed broadband services. These increases in ARPU were offset by a reduction in fixed-telephony ARPU as a consequence of lower fixed call volumes.

Landlord ARPU has declined over the periods under review, with ARPU decreasing by SEK 2, or 4.2%, from SEK 39 in the year ended December 31, 2012 to SEK 37 in the year ended December 31, 2013. This decrease was primarily due to (i) offering our landlord customers a range of contract terms at contract renewal in order to secure the renewal of the contract, thereby maintaining and building long-term relationships with our landlord customers and supporting our ability to sell higher ARPU digital services to our residential subscriber base, offset by (ii) annual price increases linked to index clauses in our landlord contracts and (iii) an unexpected contract extension from a delayed transition of a landlord customer. In general, approximately 90% of our landlord contracts are directly linked to either the Entreprenadindex (construction index) or the CPI (consumer price index). Driven by the low inflation environment over the periods under review, on a blended basis for the whole installed base of landlord contracts, the price reductions at renewal have more than offset the indexation linked price increases on the installed base, and as a result, landlord ARPU has declined over the period. ARPU remained flat for the three months ended March 31, 2014 at SEK 37 due primarily to an unexpected contract extension from a delayed transition of a landlord customer and indexation linked price increases offset by price reductions at renewal.

Digital television ARPU increased by SEK 9, or 4.0%, from SEK 225 in the year ended December 31, 2011 to SEK 234 in the year ended December 31, 2012 as a result of increased prices and fees for our digital television services. Digital television ARPU decreased by SEK 1, or 0.3%, to SEK 233 in the year ended December 31, 2013 as a result of increased discounts for our digital television services to retain our legacy digital television subscriber base against competition from other digital television providers before the delayed launch of TiVo. Digital television ARPU increased by SEK 8, or 3.6%, to SEK 243 in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 as a result of an improved digital television tier mix through the launch and expansion of our TiVo service and limited downgrade activities for legacy digital television consumers. We also experienced an increase in take-up of digital television packages with channels and additional features, as we have continued to enhance the attractiveness of our service offerings by (i) expanding the range of content available, including high-definition content, and (ii) enhancing the ability of our subscribers to watch television wherever they choose, through the launch and expansion of our TiVo service, which includes TVE functionality and fully integrated OTT content, including content from two of the largest OTT providers in Sweden, Netflix and Viaplay. We regularly review our digital television packages and implement changes to both increase the attractiveness of our offering and reduce subscriber churn.

High-speed broadband ARPU increased by SEK 6, or 3.3%, from SEK 193 in the year ended December 31, 2011 to SEK 199 in the year ended December 31, 2012 and by SEK 4, or 1.9%, to SEK 203 in the year ended December 31, 2013. High-speed broadband ARPU increased by SEK 4, or 1.8%, to SEK 204 in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase in high-speed broadband ARPU was primarily the result of our introduction of higher upload and download speeds (including download speeds of 200 Mbit/s in 2011, 500 Mbit/s in 2013 for HFC cable households and 1 Gbit/s in 2014 for LAN households) as well as the management of our portfolio of high-speed broadband services, including by prompting service upgrades by phasing out lower speed broadband service offerings to support continuously growing data consumption demand.

Fixed-telephony ARPU decreased by SEK 9, or 7.4%, from SEK 127 in the year ended December 31, 2011 to SEK 118 in the year ended December 31, 2012 and by SEK 14, or 11.3%, to SEK 104 in the year ended December 31, 2013 due to further decline in usage as a result of increased fixed-to-mobile substitution in the Swedish market. Fixed-telephony ARPU decreased by SEK 18, or 16.1% to SEK 93 in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The decrease was the result of decreased call volumes, as subscribers reduced the number of calls placed over landlines, which we believe is consistent with general industry-wide trends. The decrease in fixed-telephony ARPU was offset by increases in the base subscription fees we charge and the introduction of new pricing models.

We intend to continue focusing on increasing blended residential ARPU by increasing RGUs per unique residential subscriber, promoting the migration of customers in households with only our basic television service to our digital services, migrating broadband customers to higher speeds, offering attractive bundles that include fixed-telephony services and developing other revenue streams and service enhancing measures. The TiVo packages that we currently offer are designed to create long-term customer relationships and an increase in ARPU during the term of the subscriber contract. For further information, see "*Business—Our Strategy*."

Consumer Acquisition Costs

We are focused on growing our business profitability as we increasingly penetrate our existing subscriber base and potential new subscriber base to increase RGUs and gain new subscribers for our established services. Our ability to profitably market our offerings at competitive prices is predicated on our upgraded HFC cable network and LANs, our large subscriber base into which we can sell additional services and the cost structure of our business.

Our costs directly associated with individual subscriber and RGU growth are comprised of, to the extent applicable, consumer acquisition costs, consisting primarily of sales costs, costs associated with our sales campaign discounts, marketing expenses, handling costs, connection fees to third-party communications operators and costs for CPEs. Our sales costs include retail sales commissions for third-party retailers selling our services. Given that web-based subscriber acquisition costs are approximately 80% lower than average subscriber acquisition costs, we are focusing on increasing online sales through several initiatives, including the introduction of web exclusive offers, the purchase of bundles online and a redesign of our online TiVo demonstration. Our campaign discounts include new subscriber discounts and discounts for subscribers upgrading to additional services. Our campaign discounts fluctuate to ensure competitive pricing. Marketing costs include advertising campaigns, which fluctuate depending on the volume of marketing campaigns we launch at any given time. Our connections fees include connections fees to third party communications operators in connection with providing digital services over third-party open LANs. Our CPE costs have decreased with respect to our high-speed broadband and fixed-telephony services because of lower purchase prices for modems. However, our television CPE costs have increased as a result of the introduction of our next generation TiVo STBs beginning October 2013.

As of December 31, 2013, our digital television, high-speed broadband and fixed-telephony services had average payback periods of approximately 12, 7 and 7 months, respectively. As of March 31, 2014, our TiVo customers had average payback periods of 12 and 15 months, respectively, for new customers signing up to 12-month and 24-month contracts and average payback periods of 23 and 30 months, respectively, for existing digital television subscribers migrating to TiVo to 12-month and 24-month contracts.

We report the portion of sales commissions that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS. See "*Note 1—Accounting Principles—Intangible Assets—Acquisition Costs for Subscribers*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum. Sales commissions are recognized as an intangible asset if such commissions can be linked with an individual subscriber agreement with a binding period of twelve months or longer, are payable to an internal or third-party agent and can be reliably determined, if the inflow of the related benefit is deemed to be more probable than not, if they correspond to the definition of an asset and meet the recognition criteria under IFRS. Sales commissions are amortized over the contract term, which is typically one to two years. Sales commissions that do not meet the criteria under IAS 38 are expensed as incurred.

Presentation of Financial Information

The following is a discussion of our key income statement line items. For additional information, see "*Note 1*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum.

Revenue

Revenue consists of income generated from the delivery of services to our landlord customers, residential customers, B2B customers and third-party service providers on iTUX open LAN. Revenue is recognized when it is likely that future economic benefits will flow to the Company and these benefits can be reliably measured. Revenue only includes gross inflows of economic benefits received or receivable by the

Company. Revenue is recognized at the fair value of the consideration received or receivable, less rebates given.

We monitor revenue generated from the following services:

- *Digital Television:* revenue from residential subscribers of digital television (including VoD services and pay-per-view services), including TiVo activation fees. Digital television subscription revenues are charged monthly in advance and recognized as the service is utilized. Activation fees are billed in connection with commencement of service. Revenue from pay-per-view and VoD services are invoiced monthly after services are delivered to subscribers and are recognized as the service is utilized.
- *High-Speed Broadband:* revenue from residential subscribers of high-speed broadband services. Revenue from high-speed broadband services are invoiced monthly in advance and recognized as the service is utilized.
- *Fixed-Telephony:* revenue from residential subscribers of fixed-telephony services. Revenue from fixed-telephony services are invoiced monthly in advance with the exception of telephony traffic fees, which are invoiced monthly after services are delivered to subscribers. Revenue from fixed-telephony services are recognized as the service is utilized.
- *Landlord:* revenue from landlord customers for periodic charges related to the delivery of basic television services are invoiced largely quarterly in advance and reported as they are utilized.
- *Other:* revenue generated primarily from billing and reminder fees, iTUX revenue such as transmission costs and connection fees from service providers to iTUX for using iTUX's open LAN, B2B revenue from business subscribers of fixed and mobile telephony services and broadband services.

Going forward, we intend to monitor revenue generated from B2B customers, which includes revenue from business subscribers of fixed-telephony services, mobile telephony services, fixed and mobile broadband services and other IP services, such as IP-PBX services and SIP trunks. Revenue that is not usage based, which include mobile and fixed-telephony traffic and mobile data, are invoiced monthly in advance. Revenue from a usage-based plan that is not allocated to a fixed price plan are invoiced monthly after services are delivered to subscribers.

In line with our strategic focus on selling digital services to consumers in bundles, we intend to focus our reporting on aggregate revenue from the sale of digital services to consumers, blended residential ARPU, blended residential churn and RGUs for each individual consumer service in our reports going forward. As part of this transition, we plan to phase out publication of ARPU from the sale of individual digital services to consumers (*i.e.*, digital-television ARPU, high-speed broadband ARPU, and fixed telephony ARPU) beginning with our report as of and for the three months ended June 30, 2014. In the year ended December 31, 2013 and the three months ended March 31, 2014, our consumer services revenue, including revenues and fees (invoice, reminders and collection fees) from our digital television services, high-speed broadband and fixed telephony services, was SEK 3,529 million and SEK 893 million, respectively, our blended residential ARPU was SEK 356 and SEK 359, respectively, and our blended residential subscriber churn rate was 16.3% and 15.2%, respectively.

Cost of Sales and Services

Cost of sales and services includes the cost of content, fiber and ducting leasing costs, network fees and transmission costs as well as other production costs. Personnel costs related to field service and operations are included in cost of sales and services. Our fiber and ducting costs include rent payments for access to the national backbone. Our transmission costs include costs to third party operators in connection with digital services provided on open LANs. Cost of sales and services also includes depreciation and amortization of fixed assets related to production.

Our cost of sales and services is largely success-based, whereby costs link to our subscriber numbers. Digital television content cost is directly linked to the number of our digital television RGUs as we purchase content either on a per-subscription basis according to volume-driven rate cards or on a revenue-sharing basis, and IT costs are generally linked to investments to expand the capacity as subscribers seek access to higher speed broadband and capabilities of our existing support systems.

Selling Expenses

Selling expenses relate to cost of sales, service and marketing expenses. Costs related to customer service, advertising, telemarketing, sales commissions and bad debt losses are also included as well as personnel costs related to sales, service and marketing. Selling expenses include depreciation and amortization of fixed assets related to the sales function.

Administrative Expenses

Administrative expenses relate to supporting functions such as procurement, human resources and other joint functions as well as the cost of our premises. Administrative expenses also include depreciation and amortization of fixed assets related to administrative functions.

Other Operating Income

Other operating income includes operating exchange rate gains, recovered bad debt losses and reinvoiced expenses.

Other Operating Expenses

Other operating expenses include operating exchange rate losses, losses for disposals of non-current assets and acquisition costs.

Net Financial Income and Expenses

Financial income consists of interest income on bank balances and receivables, exchange rate gains and unrealized and realized gains on derivative instruments used in financial activities.

Financial expenses include exchange rate losses, interest expenses on borrowings and unrealized and realized losses on derivative instruments used in financial activities. Interest expenses or liabilities are calculated using the effective interest method. Interest expenses include allocated amounts of issue expenses and similar direct transaction expenses to raise borrowed funds.

Income Taxes

Income taxes are comprised of current tax and deferred tax. Income taxes are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity.

Consolidated Results of Operations for the Three Months Ended March 31, 2013 and 2014

The table below sets forth our results of operations and the period on period percentage of change for the periods under review.

	For the three months ended March 31,		
	2013	**2014**	**Change in %**
	(SEK in millions)		
Revenue	1,123	1,124	0.1
Cost of sales and services	(574)	(548)	(4.4)
Gross profit	**549**	**576**	**4.8**
Selling expenses	(334)	(361)	8.1
Administrative expenses	(58)	(64)	9.4
Other operating income	7	3	(56.2)
Other operating expenses	(2)	(7)	228.7
Operating income	**162**	**147**	**(9.2)**
Net financial income and expenses	(158)	(349)	120.4
Profit/(loss) after financial items	**3**	**(202)**	**n/m**
Income taxes	8	26	n/m
Net profit/(loss) for the period	**11**	**(176)**	**n/m**

Revenue

Our revenue increased by SEK 1 million, or 0.1%, from SEK 1,123 million in the three months ended March 31, 2013 to SEK 1,124 million in the three months ended March 31, 2014.

The table below sets forth, for each of the periods indicated, our revenue by service, both in SEK in millions and as a percentage of consolidated revenue, and the percentage increase or decrease in revenue by service from period to period.

	For the three months ended March 31,				
	2013[(1)]		2014		Change in %
	(SEK in millions)	(in % of revenue)	(SEK in millions)	(in % of revenue)	
Digital Television	428	38.1	431	38.4	0.9
High-Speed Broadband	325	28.9	344	30.6	5.8
Fixed-Telephony	113	10.1	90	8.1	(20.0)
Landlord	203	18.1	201	17.9	(1.0)
Other	54	4.8	57	5.1	5.4
Total	**1,123**	**100.0**	**1,124**	**100.0**	**0.1**

(1) The Company adopted a new methodology regarding the classification of revenue by service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. For further information regarding the reclassification of revenue by service, see "*Selected Consolidated Financial, Operating and Other Data—Selected Operational Data*."

An analysis of our revenue by service is set forth below:

Digital Television: Our revenue from digital television services increased by SEK 4 million, or 0.9%, from SEK 428 million in the three months ended March 31, 2013 to SEK 431 million in the three months ended March 31, 2014. The increase was mainly driven by ARPU growth. ARPU increased by SEK 8, or 3.6%, from SEK 235 in the three months ended March 31, 2013 to SEK 243 in the three months ended March 31, 2014. The increase in ARPU was mainly due to a better tier mix as new customers and customers migrating from legacy digital television take up new TiVo packages as well as the recognition of activation fees related to the purchase of a TiVo subscription. Revenue increased despite a decrease in digital television RGUs of approximately 18,000 or 2.9%, from approximately 613,000 as of March 31, 2013 to approximately 595,000 as of March 31, 2014. The rate of digital television RGU losses has recently declined as TiVo sales, which began in October 2013, are increasingly offsetting the churn of our legacy digital RGUs. In addition, the penetration of TiVo subscribers of our digital television subscriber base has increased to over 12% after two quarters of TiVo sales, outperforming the TiVo penetration rates achieved by many of our European peers during corresponding periods after the launching of their respective TiVo services. This increase in penetration in the three months ended March 31, 2014 was due to existing subscribers migrating from our legacy digital television package RGUs to TiVo packages as well as new customers taking our TiVo packages.

High-Speed Broadband: Our revenue from high-speed broadband services increased by SEK 19 million, or 5.8%, from SEK 325 million in the three months ended March 31, 2013 to SEK 344 million in the three months ended March 31, 2014. The increase was due to an increase in ARPU of SEK 4, or 1.8%, from SEK 201 in the three months ended March 31, 2013 to SEK 204 in the three months ended March 31, 2014. The increase in ARPU was primarily due to a continued shift of broadband subscribers to higher broadband speeds as lower speed offerings are phased out to support continuously growing data consumption. The increase in revenue was also due to an overall increase in high-speed broadband RGUs, which increased by approximately 28,000 or 5.1%, from approximately 542,000 as of March 31, 2013 to approximately 570,000 as of March 31, 2014. This increase in high-speed broadband RGUs is the result of increased demand for our high-speed broadband services and the expansion of our footprint to new open LAN households.

Fixed-Telephony: Our revenue from fixed-telephony services decreased by SEK 23 million, or 20.0%, from SEK 113 million in the three months ended March 31, 2013 to SEK 90 million in the three months ended March 31, 2014. The decrease was a result of a declining customer base as well as a reduction in ARPU as customer usage of fixed-telephony declines as the general market shifts from fixed to mobile telephony. ARPU decreased by SEK 18, or 16.1%, from SEK 111 in the three months ended March 31, 2013 to SEK 93 in the three months ended March 31, 2014 due primarily to reduced levels of fixed-telephony use, which we believe is consistent with industry-wide trends. Fixed-telephony RGUs decreased by approximately 13,000, or 3.7%, from approximately 339,000 as of March 31, 2013 to approximately 327,000 as of March 31, 2014. There was no decline in the fixed-telephony subscriber base in the three months ended March 31, 2014 as a result of an increase in uptake of bundles that included fixed-telephony.

Landlord: Our revenue from landlord services decreased by SEK 2 million, or 1.0%, from SEK 203 million in the three months ended March 31, 2013 to SEK 201 million in the three months ended March 31, 2014. The decrease in revenue was due primarily to a reduction in ARPU from landlord customers, which decreased by SEK 2, or 4.1%, from SEK 38 in the three months ended March 31, 2013 to SEK 37 in the three months ended March 31, 2014. The development in ARPU was driven primarily by: (i) the expansion of our open LAN footprint reducing blended ARPU in the landlord segment (as we do not receive revenue for basic television service from connected open LAN connected households); (ii) a reduction in prices at contract renewal as a result of offering landlords customized contract terms in an effort to secure contract renewal in line with our strategy to maintain our long-term landlord customer relationships and support our ability to sell higher ARPU digital services to our residential subscriber base, partly offset by (iii) price increases due to first quarter step up effects relating to the application of contractual consumer price indexation provisions. The number of connected homes increased from 1.777 million in the three months ended March 31, 2013 to 1.830 million in the three months ended March 31, 2014, as we successfully expanded our footprint by adding 53,000 new open LAN households, which we served both through iTUX, our communications operator, and through third-party communications operators, which was partly offset by a net decrease of 4,000 HFC cable network households.

Other: Our revenue from other services increased by SEK 3 million, or 5.4%, from SEK 54 million in the three months ended March 31, 2013 to SEK 57 million in the three months ended March 31, 2014. The increase was due to higher revenue from iTUX and our B2B services.

Cost of Sales and Services

Our cost of sales and services decreased by SEK 25 million, or 4.4%, from SEK 574 million in the three months ended March 31, 2013 to SEK 548 million in the three months ended March 31, 2014. As a percentage of revenue, cost of sales and services decreased from 51.1% in the three months ended March 31, 2013 to 48.8% in the three months ended March 31, 2014. The decrease in cost of sales and services was primarily due to lower non-recurring personnel costs attributable to the 2013 redundancy program. The decrease was also due to lower content costs and lower fixed-telephony call fees. The decrease in non-recurring personnel costs, lower content costs and fixed-telephony costs was partly offset by the higher cost of fiber inducting from indexing increases of existing connections. In addition, depreciation expenses increased related to depreciation schedules for TiVo STBs. Our network and maintenance costs, which include our rent payments for access to the national backbone, fiber and ducts, headend facilities, maintenance and related material costs, accounted for 15.9% of our cost of sales and services in the three months ended March 31, 2013 and 17.1% in the three months ended March 31, 2014, in each case excluding depreciation. Excluding non-recurring costs, which totaled SEK 2 million for the three months ended March 31, 2014 compared to SEK 21 million for the three months ended March 31, 2013, our costs of sales and services decreased by SEK 7 million, or 1.2%, from the three months ended March 31, 2013 to the three months ended March 31, 2014.

Selling Expenses

Our selling expenses increased by SEK 27 million, or 8.1%, from SEK 334 million in the three months ended March 31, 2013 to SEK 361 million in the three months ended March 31, 2014. As a percentage of revenue, selling expenses increased from 29.7% in the three months ended March 31, 2013 to 32.1% in the three months ended March 31, 2014. The increase in selling expenses was mainly due to increased non-recurring marketing costs related to the launch of TiVo and increased amortization of capitalized sales costs, partly offset by lower barter costs.

Administrative Expenses

Our administrative expenses increased by SEK 5 million, or 9.4%, from SEK 58 million in the three months ended March 31, 2013 to SEK 64 million in the three months ended March 31, 2014. As a percentage of revenue, administrative expenses increased from 5.2% in the three months ended March 31, 2013 to 5.6% in the three months ended March 31, 2014. The increase in administrative expenses was primarily due to non-recurring costs for consultants and lawyers, partly offset by lower depreciation and amortization. Excluding non-recurring costs, which totaled SEK 3 million for the three months ended March 31, 2013 compared to SEK 9 million for the three months ended March 31, 2014, our administrative expenses decreased by SEK 1 million, or 1%, from the three months ended March 31, 2013 to the three months ended March 31, 2014.

Other Operating Income

Our other operating income decreased by SEK 4 million, or 56.2%, from SEK 7 million in the three months ended March 31, 2013 to SEK 3 million in the three months ended March 31, 2014. The decrease in other operating income was primarily due to lower operating currency gains.

Other Operating Expenses

Our other operating expenses increased by SEK 5 million, or 228.7%, from an expense of SEK 2 million in the three months ended March 31, 2013 to SEK 7 million in the three months ended March 31, 2014. The increase in other operating expenses was primarily due to operating currency losses as well as transaction costs in the three months ended March 31, 2014 for the acquisition of Phonera Företag of SEK 5 million.

Financial Income and Expenses

Our net financial expense increased by SEK 191 million, or 120.4%, from SEK 158 million in the three months ended March 31, 2013 to SEK 349 million in the three months ended March 31, 2014. The increase was primarily attributable to currency gains on EUR denominated debt of SEK 249 million, which was partly offset by a negative change in fair value of derivative instruments of SEK 60 million in the three months ended March 31, 2013, compared to currency losses on EUR denominated debt of SEK 5 million offset by a positive change in fair value of derivative instruments of SEK 20 million in the three months ended March 31, 2014. The interest expense from our Senior PIK Notes increased by SEK 15 million primarily as a result of increased debt from these notes following our election to pay interest in pay-in-kind interest by increasing the principal amount in June and December 2013.

Income Taxes

We recognized deferred tax income for the three months ended March 31, 2014 of SEK 26 million compared to SEK 8 million in the three months ended March 31, 2013, of which SEK 26 million and SEK 29 million, respectively, related to changes in temporary differences and SEK 0 million and SEK (21 million), respectively, related to changes in the deferred tax asset due to tax losses carried forward. No deferred tax income was recognized for the taxable net loss for the three months ended March 31, 2014 which is based on the assessment of how the Group will be able to utilize recognized loss-carry-forward against taxable profits through subsequent years.

Net Profit/(Loss)

We recognized a net profit of SEK 11 million in the three months ended March 31, 2013 and a net loss of SEK 176 million in the three months ended March 31, 2014.

Underlying EBITDA

Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company. For a reconciliation of Underlying EBITDA to net profit/(loss), see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information*."

Underlying EBITDA increased by SEK 1 million, or 0.1%, from SEK 544 million in the three months ended March 31, 2013, to SEK 545 million in the three months ended March 31, 2014. As a percentage of revenue, Underlying EBITDA remained at the same percentage of 48.5%, for the three months ended March 31, 2013, and the three months ended March 31, 2014. Underlying EBITDA increased due to increased revenue of SEK 1 million partly offset by increased aggregated production and operating costs of SEK 1 million. The increase in revenue was mainly due to: (i) increased revenue from our digital television, high-speed broadband and B2B services, partly offset by (ii) a decrease in fixed-telephony revenue due to decline in both RGUs and ARPU, and (iii) lower landlord revenue due to a decrease in ARPU. Our aggregated production and operating costs increased due to increased operating costs partly offset by a decrease in production costs. Our production costs decreased due to lower content costs from a reduced digital-television subscriber base and lower telephony costs from lower usage, partly offset by an index increase for fiber and ducting on existing connections. Our operating costs increased due to higher marketing and staff related costs relating to new growth initiatives such as TiVo, B2B and our decision to move into third-party open LANs as a service provider, partly offset by lower operating costs due to lower barter costs and general cost savings.

Consolidated Results of Operations for the Years Ended December 31, 2012 and 2013

The table below sets forth our results of operations and the period on period percentage of change for the periods under review.

	For the year ended December 31,		
	2012	2013	Change in %
	(SEK in millions)		
Revenue	4,562	4,448	(2.5)
Cost of sales and services	(2,244)	(2,190)	(2.4)
Gross profit	**2,318**	**2,258**	**(2.6)**
Selling expenses	(1,310)	(1,378)	5.2
Administrative expenses	(249)	(220)	(11.6)
Other operating income	18	25	38.9
Other operating expenses	(29)	(28)	(3.4)
Operating income	**748**	**657**	**(12.2)**
Net financial income and expense	(1,759)	(1,537)	(12.6)
Profit/(loss) after financial items	**(1,010)**	**(880)**	**(12.9)**
Income taxes	413	109	(73.6)
Net profit/(loss) for the period	**(597)**	**(771)**	**(29.1)**

Revenue

Our revenue decreased by SEK 114 million, or 2.5%, from SEK 4,562 million in the year ended December 31, 2012 to SEK 4,448 million in the year ended December 31, 2013. The decrease in revenue was due primarily to lower revenue from digital television and fixed-telephony services, partly offset by increased revenue from high-speed broadband service and other revenue.

The table below sets forth, for each of the periods indicated our revenue by service, both in SEK and as a percentage of consolidated revenue, and the percentage increase or decrease in revenue by service from period to period.

	For the year ended December 31,				
	2012[(1)]		2013[(1)]		Change in %
	(SEK in millions)	(% of revenue)	(SEK in millions)	(% of revenue)	
Digital Television	1,741	38.2	1,683	37.8	(3.3)
High-Speed Broadband	1,296	28.4	1,323	29.7	2.1
Fixed-Telephony	507	11.1	417	9.4	(17.8)
Landlord	815	17.9	797	17.9	(2.2)
Other	202	4.4	228	5.1	12.9
Total	**4,562**	**100.0**	**4,448**	**100.0**	**(2.5)**

(1) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. For further information regarding the reclassification of revenue by digital service, see "*Selected Consolidated Financial, Operating and Other Data—Selected Operational Data*."

An analysis of our revenue by service is set forth below:

Digital Television: Our revenue from digital television services decreased by SEK 58 million, or 3.3%, from SEK 1,741 million in the year ended December 31, 2012 to SEK 1,683 million in the year ended December 31, 2013. The decrease was driven by a decrease in both ARPU and RGUs. ARPU decreased by SEK 1, or 0.3%, from SEK 234 in the year ended December 31, 2012 to SEK 233 in the year ended December 31, 2013. The decrease in ARPU was due to an increase in discounts, bundled services and a shift in the mix of our digital television subscriber packages, as we focused on subscriber retention until the launch of TiVo, our next generation digital television service. Digital television RGUs decreased by approximately 15,000, or 2.8%, from approximately 612,000 as of December 31, 2012 to approximately 597,000 as of December 31, 2013, due to increased competition and reduced investment in our legacy digital television service, as we focused on developing our next generation digital television TiVo platform and TiVo service.

High-Speed Broadband: Our revenue from high-speed broadband services increased by SEK 27 million, or 2.1%, from SEK 1,296 million in the year ended December 31, 2012 to SEK 1,323 million in the year ended December 31, 2013. The increase in revenue was due to an increase ARPU, which increased by SEK 4, or 1.9%, from SEK 199 in the year ended December 31, 2012 to SEK 203 in the year ended December 31, 2013. The increase in ARPU was due to the demand by our subscribers for higher broadband speeds, increased customer demand for data usage and the migration of subscribers from lower to higher speed broadband services. High-speed broadband RGUs increased by approximately 15,000, or 2.8%, from approximately 543,000 as of December 31, 2012 to approximately 558,000 as of December 31, 2013. The increase in the number of high-speed broadband RGUs is a result of increased demand for online services benefiting from our high-speed broadband service and the increase in the number of homes connected to our network including additional subscribers on third-party open LANs.

Fixed-Telephony: Our revenue from fixed-telephony services decreased by SEK 90 million, or 17.8%, from SEK 507 million in the year ended December 31, 2012 to SEK 417 million in the year ended December 31, 2013. The decrease was driven by a decrease in both ARPU and RGUs. ARPU decreased by SEK 13, or 11.3%, from SEK 118 in the year ended December 31, 2012 to SEK 104 in the year ended December 31, 2013 and RGUs decreased by approximately 20,000, or 5.9%, from approximately 348,000 as of December 31, 2012 to approximately 327,000 as of December 31, 2013. The decrease in ARPU and RGUs was largely a result of lower usage of fixed-telephony services as a result of the general shift from fixed to mobile telephony.

Landlord: Our revenue from landlord services decreased by SEK 18 million, or 2.2%, from SEK 815 million in the year ended December 31, 2012 to SEK 797 million in the year ended December 31, 2013. The decrease in revenue was due primarily to a reduction in ARPU from landlord customers. ARPU from landlord customers decreased by SEK 2, or 4.2%, from SEK 39 in the year ended December 31, 2012 to SEK 37 in the year ended December 31, 2013. The decrease in ARPU was mainly due to price renegotiations, partly offset by the increase in price indexes in connection with our landlord contracts and the increase in the number of households connected to our network. The number of homes connected increased from 1.749 million in the year ended December 31, 2012 to 1.817 million in the year ended December 31, 2013, as we successfully expanded our footprint by adding (i) 64,000 new open LAN households, which we served both through iTUX, our communications operator, and through third-party communications operators, (ii) 1,000 vertical LAN households, and (iii) 4,000 HFC cable network households.

Other: Our revenue from other services increased by SEK 26 million, or 12.9%, from SEK 202 million in the year ended December 31, 2012 to SEK 228 million in the year ended December 31, 2013. The increase was due primarily to an increase in revenue generated by our communications operator, iTUX.

Cost of Sales and Services

Our cost of sales and services decreased by SEK 54 million, or 2.4%, from SEK 2,244 million in the year ended December 31, 2012 to SEK 2,190 million in the year ended December 31, 2013. As a percentage of revenue, cost of sales and services remained flat at 49.2% in the years ended December 31, 2012 and 2013. The decrease in cost of sales and services was mainly due to lower digital television content costs, lower fixed-telephony interconnect traffic costs and lower depreciation and amortization. The decrease was partly offset by higher communications operator costs in iTUX as the number of open LAN contracts increased and increased non-recurring costs attributable to the 2013 redundancy program. Excluding non-recurring costs, which totaled SEK 27 million for the year ended December 31, 2013 compared to SEK 12 million for the year ended December 31, 2012, our cost of sales and services decreased by SEK 69 million, or 3.1%, from 2012 to 2013. Our fiber and ducting costs accounted for 16.4% of our cost of sales and services in the year ended December 31, 2012 and 16.4% in the year ended December 31, 2013, in each case excluding depreciation.

Selling Expenses

Our selling expenses increased by SEK 68 million, or 5.2%, from SEK 1,310 million in the year ended December 31, 2012 to SEK 1,378 million in the year ended December 31, 2013. As a percentage of revenue, selling expenses increased from 28.7% in the year ended December 31, 2012 to 31.0% in the year ended December 31, 2013. The increase in selling expenses was primarily due to non-recurring marketing costs incurred in connection with the commercial launch of our TiVo service and non-recurring staff-related costs incurred in connection with our 2013 redundancy program. The increase in selling expenses was offset in part by a decrease in expensed retail subsidies. Excluding non-recurring costs, which totaled SEK 122 million for the year ended December 31, 2013 compared to SEK 0 million for the year ended December 31, 2012, our selling expenses decreased by SEK 54 million, or 4.2%, from 2012 to 2013.

Administrative Expenses

Our administrative expenses decreased by SEK 29 million, or 11.6%, from SEK 249 million in the year ended December 31, 2012 to SEK 220 million in the year ended December 31, 2013. As a percentage of revenue, administrative expenses decreased from 5.5% in the year ended December 31, 2012 to 4.9% in the year ended December 31, 2013. The decrease in administrative expenses was primarily due to lower non-recurring consultancy costs and general cost savings. General costs savings included travel expenses, telephony costs and lower billing and postage costs. Excluding non-recurring costs, which totaled SEK 22 million for the year ended December 31, 2013 compared to SEK 39 million for the year ended December 31, 2012, our administrative expenses decreased by SEK 12 million, or 5.6%, from 2012 to 2013.

Other Operating Income

Our other operating income increased by SEK 7 million, or 38.9%, from SEK 18 million in the year ended December 31, 2012 to SEK 25 million in the year ended December 31, 2013. The increase in other operating income was primarily due to higher exchange rate gains on trade liabilities.

Other Operating Expenses

Our other operating expenses decreased by SEK 1 million, or 3.4%, from an expense of SEK 29 million in the year ended December 31, 2012 to SEK 28 million in the year ended December 31, 2013. The decrease in other operating expenses was primarily due to lower foreign exchange losses on trade liabilities.

Net Financial Income and Expense

Our net financial expense decreased by SEK 222 million, or 12.6%, from SEK 1,759 million in the year ended December 31, 2012 to SEK 1,537 million in the year ended December 31, 2013.

The decrease was mainly due to a decrease of SEK 328 million in interest expenses on intragroup debt as a result of the conversion of the shareholder loan into preference shares as of December 31, 2012, a positive change in fair value of derivative instruments of SEK 140 million in the year ended December 31, 2013, compared to a negative change in fair value of derivative instruments of SEK 159 million in the year ended December 31, 2012, a decrease of SEK 25 million in interest expense on our Senior PIK Notes issued in November 2012 compared to our previous intragroup PIK loan as well as a decrease in interest expenses on credit facilities with banks of SEK 24 million mainly as a result of a decrease in the underlying interest rate applicable to our credit facilities. This decrease in interest expense was partially offset by currency losses on EUR denominated debt of SEK 254 million in the year ended December 31, 2013, compared to currency gains on EUR denominated debt of SEK 195 million in the year ended December 31, 2012.

Income Taxes

Deferred tax income for the year ended December 31, 2012 was SEK 413 million, compared to deferred tax income of SEK 109 million in the year ended December 31, 2013. The decrease in deferred tax income in 2013 was due primarily to the reduction in the Swedish corporate tax rate in 2013 from 26.3% to 22.0% and the decision by the Company, in the fourth quarter, not to account for deferred tax related to the tax losses incurred in 2013 as a result of managements judgment that the tax loss carried forward will not be used within the foreseeable future.

As a result of the above factors, our recognized effective tax rate decreased from 40.9% in the year ended December 31, 2012 to 12.4% in the year ended December 31, 2013. Excluding the effect of the decision not to account for deferred tax related to the tax losses incurred in 2013, our effective tax rate in the year ended December 31, 2013 would have been 21.9%.

Net Profit/(Loss)

We recognized a net loss of SEK 597 million in the year ended December 31, 2012 compared to a net loss of SEK 771 million in the year ended December 31, 2013.

Underlying EBITDA

Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company. For a reconciliation of Underlying EBITDA to net profit/(loss), see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information*."

Our Underlying EBITDA decreased by SEK 32 million or 1.4% from SEK 2,232 million in the year ended December 31, 2012 to SEK 2,200 million in the year ended December 31, 2013. As a percentage of revenue, Underlying EBITDA increased from 48.9% in the year ended December 31, 2012 to 49.5% in the year ended December 31, 2013. The increase in Underlying EBITDA margin was primarily due to (i) lower production costs (content costs and fixed-telephony interconnect traffic fees), (ii) lower selling expenses and (iii) general cost savings in other operating costs such as cost for telephony, postal and traveling expenses. Non-recurring costs increased by SEK 126 million, from SEK 52 million in the year ended 2012 to SEK 178 million in the year ended December 31, 2013. The increase in non-recurring costs was primarily due to marketing and consultancy costs related to the TiVo launch of SEK 97 million and personnel costs relating to redundancy of SEK 49 million.

Results of Operations for the Years Ended December 31, 2011 and 2012

The table below sets forth our results of operations and the period on period percentage of change for the periods under review.

	For the year ended December 31,		
	Company Aggregated[1] 2011	Company[2] 2012	Change in %
	(SEK in millions)		
Revenue	4,520	4,562	0.9
Cost of sales and services	(2,310)	(2,244)	(2.8)
Gross profit	**2,211**	**2,318**	**4.9**

(1) The selected unaudited aggregated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011 and the audited financial statements of the Company from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain activities related to the acquisition of Com Hem by funds advised by BC Partners Limited.

(2) The selected audited consolidated financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the Company.

The unaudited aggregated financial information for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated results of operations of Com Hem Communications for the period ended September 30, 2011 and the audited consolidated results of operations of the Company for the period from July 5, 2011 to December 31, 2011. For the period between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain activities related to the Acquisition. See "*Selected Consolidated Financial, Operating and Other Data—Unaudited Aggregated Financial Information for the Year Ended December 31, 2011*." The unaudited financial information of Com Hem Communications for the nine months ended September 30, 2011 and the audited consolidated information of the Company for the period from July 5, 2011 to December 31, 2011 have been prepared in accordance with IFRS, as adopted by the European Union; the unaudited aggregated financial information for the year ended December 31, 2011 has not been prepared in accordance with IFRS or any other generally accepted accounting standards.

Revenue

Our revenue increased by SEK 42 million, or 0.9%, from SEK 4,520 million in the year ended December 31, 2011 to SEK 4,562 million in the year ended December 31, 2012. The increase in revenue was driven by higher revenue for digital television, high-speed broadband and other revenue, partly offset by lower revenue from fixed-telephony and from landlords.

The table below sets forth, for each of the periods indicated, our revenue by service, both in SEK and as a percentage of consolidated revenue, and the percentage increase or decrease in revenue by service from period to period.

	For the year ended December 31,				
	Company Aggregated(1)(3) 2011		Company(2)(3) 2012		Change in %
	(SEK in millions)	(in % of revenue)	(SEK in millions)	(in % of revenue)	
Digital television	1,690	37.4	1,741	38.2	3.0
High-Speed Broadband	1,243	27.5	1,296	28.4	4.2
Fixed-Telephony	565	12.5	507	11.1	(10.3)
Landlord	858	19.0	815	17.9	(5.0)
Other	163	3.6	202	4.4	24.0
Total	**4,520**	**100.0**	**4,562**	**100.0**	**0.9**

(1) The selected unaudited aggregated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited interim consolidated financial statements of Com Hem Communications for the period from January 1, 2011 to September 30, 2011 and the audited financial statements of the Company from July 5, 2011 to December 31, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company with no material operations, except for certain activities related to the acquisition of Com Hem by funds advised by BC Partners Limited.

(2) The selected audited consolidated financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the Company.

(3) The Company adopted a new methodology regarding the classification of revenue by digital service generated from landlord collective agreements as of January 1, 2014. For comparative purposes, our historical reported revenue has been reclassified accordingly in the presentation above. For further information regarding the reclassification of revenue by digital service, see "*Selected Consolidated Financial, Operating and Other Data—Selected Revenue by Service*."

An analysis of our revenue by service is set forth below:

Digital Television: Our revenue from digital television services increased by SEK 51 million, or 3.0%, from SEK 1,690 million in the year ended December 31, 2011 to SEK 1,741 million in the year ended December 31, 2012. The increase was driven by an increase in ARPU of SEK 8, or 4.0%, from SEK 225 in the year ended December 31, 2011 to SEK 234 in the year ended December 31, 2012. The ARPU increase in 2012 was driven by increased prices and fees for our basic digital television packages. The revenue increase related to ARPU was partly offset by a decrease in digital television RGUs due to an aggressive CI Module campaign in the last quarter of 2011 and intense competition, which decreased digital television RGUs by approximately 47,000, or 7.1%, from approximately 658,000 as of December 31, 2011 to approximately 612,000 as of December 31, 2012. The material increase in cancellations and churn throughout 2012 was driven by the CI Module campaign, which attracted a significant number of low quality RGUs with no intention to subscribe long-term, and by increased competitive pressure during a period when we offered fewer services given our focus on developing our TiVo service.

High-Speed Broadband: Our revenue from high-speed broadband services increased by SEK 53 million, or 4.2%, from SEK 1,243 million in the year ended December 31, 2011 to SEK 1,296 million in the year ended December 31, 2012. The increase was due to an increase in ARPU of SEK 6, or 3.3%, from SEK 193 in the year ended December 31, 2011 to SEK 199 in the year ended December 31, 2012. The ARPU increase was due to subscribers migrating to higher broadband speeds as a result of our strategy to meet customer demand for higher broadband speed services. Total high-speed broadband RGUs, however, decreased by approximately 8,000, or 1.4%, from approximately 551,000 as of December 31, 2011 to approximately 543,000 as of December 31, 2012. The decrease in broadband RGUs was driven by phasing out lower speeds and migrating subscribers to higher speeds in order to increase ARPU.

Fixed-Telephony: Our revenue from fixed-telephony services decreased by SEK 58 million, or 10.3%, from SEK 565 million in the year ended December 31, 2011 to SEK 507 million in the year ended December 31, 2012. The decrease in revenue was partly due to a decrease in ARPU of SEK 9, or 7.4%, from SEK 127 in the year ended December 31, 2011 to SEK 118 in the year ended December 31, 2012 primarily due to subscriber migration from fixed to mobile telephony services. The decrease was also partly a result of the decline in the number of RGUs. Fixed-telephony RGUs decreased by approximately 28,000, or 7.6%, from approximately 376,000 as of December 31, 2011 to approximately 348,000 as of December 31, 2012.

Landlord: Our revenue from landlord services decreased by SEK 43 million, or 5.0%, from SEK 858 million in the year ended December 31, 2011 to SEK 815 million in the year ended December 31, 2012. The decrease in revenue was primarily attributable to a reduction in ARPU from landlord customers, which decreased by SEK 2, or 4.0%, from SEK 40 in the year ended December 31, 2011 to SEK 39 in the year ended December 31, 2012. The decrease in ARPU was primarily due to contract renegotiations, which was partly offset by increases in the annual price index. The decrease in revenue was also due to the disconnection on December 31, 2011 of a large landlord customer, who represented approximately 25,000 households. The number of connected homes increased from 1.739 million in the year ended December 31, 2011 to 1.749 million in the year ended December 31, 2012, as we successfully expanded our footprint by adding (i) 20,000 new open LAN households, which we served both through iTUX, our communications operator, and third-party communications operators and (ii) 1,000 vertical LAN households, partly offset by a net decrease of 11,000 HFC cable networks.

Other: Our revenue from other services increased by SEK 39 million, or 23.4%, from SEK 163 million in the year ended December 31, 2011 to SEK 202 million in the year ended December 31, 2012. The increase in revenue was primarily due to higher service provider revenue which iTUX, our communications operator, charged to third party service providers, as well as increased invoicing fees.

Cost of Sales and Services

Our cost of sales and services decreased by SEK 66 million, or 2.9%, from SEK 2,310 million in the year ended December 31, 2011 to SEK 2,244 million in the year ended December 31, 2012. As a percentage of revenue, cost of sales and services decreased from 51.1% in the year ended December 31, 2011 to 49.2% in the year ended December 31, 2012. The decrease in cost of sales and services was primarily attributable to lower depreciation and amortization, lower digital television content costs and lower interconnection traffic costs for our fixed-telephony services, which was partly offset by higher costs for fiber and ducting and increased production costs for iTUX as the communications operator business continued to grow.

Underlying EBITDA

Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our business. For a reconciliation of Underlying EBITDA to net profit/(loss), see "*Selected Consolidated Financial and Operating Data—Selected Other Financial Information*."

Our Underlying EBITDA increased by SEK 134 million, or 6.4%, from SEK 2,098 million in the year ended December 31, 2011 to SEK 2,232 million in the year ended December 31, 2012. As a percentage of revenue, Underlying EBITDA increased from 46.4% in the year ended December 31, 2011 to 48.9% in the year ended December 31, 2012. The increase in Underlying EBITDA was primarily due to an increase in revenue from our residential subscribers, particularly as a result of the increase in ARPU generated from our digital television and high-speed broadband services, without a corresponding increase in our production costs. The increase in television and high-speed broadband ARPU was partly offset by lower ARPU and a decreased subscriber base for our fixed-telephony services as a result of subscribers shifting from fixed to mobile telephony. In addition, our marketing and sales costs decreased partly due to lower marketing spending in 2012 and lower digital television sales volumes in 2012 after substantially higher sales volumes in 2011 due to the aggressive CI Module campaign where sales costs could not be capitalized due to customers not being on a binding period.

Liquidity and Capital Resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in SEK. We rely primarily on operating cash flows and drawings under our Senior Credit Facility to provide funds required for operations. Following the Offering, we expect to rely primarily on operating cash flows and drawdowns under our 2014 Facilities to provide funds required for operations.

Our net working capital, which consists of inventories, trade receivables, prepaid expenses and accrued income, plus other receivables, less trade payables, other current liabilities, as well as accrued expenses and deferred income (but excluding financial items included in these line items in the balance sheet), was SEK (1,357) million, SEK (1,242) million and SEK (1,229) million as of December 31, 2011, 2012 and 2013, respectively, and was SEK (1,182) million and SEK (1,141) million as of the three months ended March 31, 2013 and 2014, respectively. We operate with negative net working capital as a substantial part of our net working capital is prepaid revenue for services to be provided. Accordingly, we expect our negative net working capital to stay negative. We believe that, as of the date of this Offering Memorandum, we have sufficient working capital to meet our payment obligations over the next twelve months.

Capital Expenditures

We classify our capital expenditures in the following categories:

- *Network and quality enhancement:* Investments in network capacity, improvements and enhancing quality in the network, investments in the television and fixed-telephony platforms, investments in broadband EuroDOCSIS and the installation of fiber-optic LANs by our communications operator, iTUX;
- *CPE and capitalized sales costs:* Investments in STBs and modems as well as capitalization of sales commissions and retail subsidies, which are mainly linked to RGU growth and RGU retention (*i.e,* success-based);
- *IS Development:* Investments in business systems and support systems; and
- *Other:* Investment in other corporate and other operational development projects, investment in measuring equipment and certain other investments.

Capital expenditures in fixed tangible and intangible assets have fluctuated on a quarterly basis during the periods under review. This fluctuation is due largely to the timing of our investment in technology, including network upgrades, cost of CPEs and sales costs, which can vary significantly on a quarter-to-quarter basis, and other capital expenditures. For example, we typically purchase CPE in bulk, which results in increased capital expenditures in the period when the purchase is made.

As of March 31, 2014, our capital expenditures amounted to SEK 215 million of which: (i) SEK 58 million was for network and quality enhancement capital expenditures; (ii) SEK 107 million was for CPE-related capital expenditures; (iii) SEK 41 million was for IS development capital expenditures; and (iv) SEK 8 million was for other capital expenditures. A significant portion of our capital expenditures is made in connection with acquiring new customers or upgrading existing customers; however, we generally purchase our CPEs prior to acquiring customers in order to enable prompt delivery to customers. We finance our capital expenditures through operating cash flow and our Capex Facility.

While we do not have any material commitments for the future, we believe our total capital expenditures will increase as a percentage of revenue in 2014 as the majority of our capital expenditure requirements going forward will be linked to incremental RGU and usage growth, including with respect to TiVo STBs and increased levels of capitalized sales costs. We believe our IS development capital expenditures will remain flat in 2014 and our success-based capital expenditures related to our B2B business including Phonera Företag will increase as we grow our B2B business and capitalize sales costs and CPE equipment. Accordingly, we expect our total capital expenditures to marginally increase in 2014.

The table below sets forth our capital expenditure for the years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2013 and 2014.

	For the year ended December 31,			For the three months ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
	Aggregated Company	**Company**		**Company**	
		(SEK in millions)			
Network and quality enhancement	254	462	441	82	58
of which TiVo platform investment	—	*99*	*96*	*21*	—
CPE and capitalized sales costs	295	269	403	40	107
of which TiVo STBs	—	—	*211*	*2*	*51*
IS development	130	117	150	37	41
of which TiVo development	—	*10*	*27*	*10*	*3*
Other	56	64	46	12	8
Capital expenditures in fixed tangible assets and intangible assets	**734**	**913**	**1,038**	**170**	**215**
Of which TiVo	—	*108*	*334*	*33*	*54*

Three Months Ended March 31, 2013 Compared to the Three Months Ended March 31, 2014

In the three months ended March 31, 2014, total capital expenditure increased by SEK 44 million, or 25.9%, from SEK 170 million to SEK 215 million, of which nil was financed by leasing arrangements compared to SEK 10 million in the three months ended March 31, 2013. As a result, our net capital expenditure increased by SEK 54 million, or 33.6%, from SEK 161 million in the three months ended March 31, 2013 to SEK 215 million in the three months ended March 31, 2014. In the three months ended March 31, 2014, capital expenditure increased primarily due to investments in TiVo STBs and increased capitalized sales costs, which were partly offset by reduced investments in network related capital expenditures due to nil investment in the TiVo platform during the three months ended March 31, 2014 and lower investments in iTUX open LAN. For a discussion of our expected capital expenditures for 2014, see "*Key Factors Affecting Our Results of Operations—Investments in Network Upgrade, Platforms and CPEs*."

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2013

In the year ended December 31, 2013, total capital expenditure increased by SEK 125 million, or 13.6%, from SEK 913 million to SEK 1,038 million, of which SEK 42 million was financed by finance lease arrangements compared to SEK 38 million in the year ended December 31, 2012. As a result, our net capital expenditure increased by SEK 122 million, or 14.0%, from SEK 874 million in the year ended December 31, 2012 to SEK 997 million in the year ended December 31, 2013. The increase in our capital expenditure was primarily due to increased investment in TiVo CPEs. Network and quality enhancement-related capital expenditure decreased by SEK 21 million, or 4.5%, from SEK 462 million in the year ended December 31, 2012 to SEK 441 million in the year ended December 31, 2013, as a result of the substantial completion of our network upgrade to EuroDOCSIS 3.0 standard. Other capital expenditure decreased due to one-off investments in the fourth quarter of 2012 relating to equipment for field service.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2012

In the year ended December 31, 2012, total capital expenditure increased by SEK 178 million, or 24.3%, from SEK 734 million to SEK 913 million, of which SEK 122 million and SEK 38 million was financed by leasing arrangements in the years ended December 31, 2011 and 2012, respectively. As a result, our net capital expenditure increased by SEK 262 million, or 42.8%, from SEK 612 million in the year ended December 31, 2011 to SEK 874 million in the year ended December 31, 2012. The increase in our level of capital expenditure was primarily due to our investment in our TiVo platform in the second half of 2012 and higher volumes of installed and upgraded households within the Com Hem network and within the iTUX open LAN.

The table below sets forth a reconciliation of our capital expenditures in tangible and intangible assets net after leasing to cash flow from investing activities for the years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2013 and 2014.

	For the year ended December 31,			For the three months ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
	Aggregated Company	**Company**		**Company**	
		(SEK in millions)			
Capital expenditures in tangible and intangible assets net after leasing	(612)	(874)	(997)	(161)	(215)
Investments in financial assets	*	(6)	—	—	—
Acquisition of subsidiaries[(1)]	*	—	(8)	(7)	(291)
Divestments of financial assets	*	—	0	—	—
Cash flow from investing activities	*****	**(880)**	**(1,005)**	**(168)**	**(507)**

(1) No acquisitions were completed in 2012. In 2013, we completed the acquisition of Örnsat AB. In the three months ended March 31, 2014, we completed the acquisition of Phonera Företag.

Cash Flows

The following table sets forth the principal components of our cash flows for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 and 2014.

	For the year ended December 31,		For the three months ended March 31,	
	Company		Company	
	2012	2013	2013	2014
	(SEK in millions)			
Cash flow from operating activities	568	1,035	388	321
Cash flow from investing activities	(880)	(1,005)	(168)	(507)
Cash flow from financing activities	(71)	430	(141)	(148)
Net change in cash and cash equivalents	(383)	460	(80)	(333)
Cash and cash equivalents at beginning of period	**1,045**	**662**	**662**	**1,122**
Cash and cash equivalents at period end	**662**	**1,122**	**742**	**789**

Cash flow from operating activities

Cash flow from operating activities decreased by SEK 67 million from a cash inflow of SEK 388 million in the three months ended March 31, 2013 compared to SEK 321 million in the three months ended March 31, 2014. This decrease in cash flow from operating activities in the three months ended March 31, 2014 was primarily due to the decline in our profit after financial items, which decreased from a profit after financial items of SEK 3 million in the three months ended March 31, 2013 to a loss after financial items of SEK 202 million in the three months ended March 31, 2014, primarily due to an increase in net financial expenses. The decline in our profit loss after financial items was partly offset by an increase in non-cash items included in adjustment for items not included in cash flow, which increased from SEK 448 million in the three months ended March 31, 2013, to SEK 596 million in the three months ended March 31, 2014. This increase primarily relates to an increase in adjustment of non-cash unrealized currency exchange losses.

Cash flow from operating activities increased by SEK 467 million from a cash inflow of SEK 568 million in the year ended December 31, 2012, to a cash inflow of SEK 1,035 million in the year ended December 31, 2013. This increase was due to a decline in our loss after financial items, which decreased from a loss after financial items of SEK 1,010 million in the year ended December 31, 2012, to a loss after financial items of SEK 880 million in the year ended December 31, 2013, primarily due to the elimination of interest expense on the shareholder loan that was converted into preference shares as of December 31, 2012. The increase was also due to an increase in our non-cash items included in adjustments for items not included in cash flow, which increased from SEK 1,695 million in the year ended December 31, 2012, to SEK 1,931 million in the year ended December 31, 2013. This increase primarily relates to an increase in adjustment of non-cash unrealized currency exchange losses as well as non-cash/PIK interest on the Senior PIK Notes issued in November 2012, partly offset by a decrease in adjustment of non-cash change in the fair value of derivative instruments. In addition, our cash flow from operating activities decreased due to changes in net working capital, which decreased by SEK 15 million in the year ended December 31, 2013, compared to a decrease of SEK 116 million in the year ended December 31, 2012. The negative change in 2013 is primarily a result of a reduction in operating liabilities partly offset by a decrease in operating receivables. The reduction in operating liabilities was primarily due to lower prepaid revenue as of December 31, 2013, compared to December 31, 2012. The decrease in operating receivables was primarily due to a reduction of account receivables and prepaid cost.

The decrease in net working capital in the year ended December 31, 2012 was primarily due to the high closing balances of accounts payable and accrued costs as of December 31, 2011 relating to transaction costs as well as legal and consultancy fees relating to the sale of the business in 2011 and subsequent refinancing.

Cash flow from investing activities

Our cash outflow from investing activities was SEK 507 million in the three months ended March 31, 2014 compared to SEK 168 million in the three months ended March 31, 2013. The increase in our cash outflow from investing activities was due primarily to the acquisition of Phonera Företag on March 31, 2014. The acquisition resulted in a net cash outflow of SEK 291 million. Cash outflow for the acquisition of property, plant and equipment increased from SEK 99 million in the three months ended March 31, 2013 to SEK 139 million in the three months ended March 31, 2014, driven by increased investments in TiVo STBs. Acquisition of intangible assets increased from SEK 61 million in the three months ended March 31, 2013 to SEK 76 million in the three months ended March 31, 2014. The increase was driven by increased capitalized sales costs.

Our cash outflow from investing activities was SEK 880 million in the year ended December 31, 2012 compared to a cash outflow of SEK 1,005 million in the year ended December 31, 2013. The increase in our cash outflow from investing activities was due primarily to the increase in the acquisition of intangible assets of SEK 134 million, or 54%, from SEK 250 million in the year ended December 31, 2012 to SEK 383 million in the year ended December 31, 2013. The increase was due to non-recurring engineering costs for TiVo development and also increased IS-development related to the development of the TiVo platform and TiVo service compared to 2012. The increase in cash outflow from investing activities was also due to our acquisition of Örnsat AB, a local cable network operator in Örnsköldsvik, which had a net cash impact of SEK 8 million. The increase in the cash outflow in 2013 was partly offset by a reduction in cash deployed in connection with the acquisition of property, plant and equipment. This decrease was primarily due to the shift in investments in the TiVo platform from tangible to intangible assets. For more information, see "*—Liquidity and Capital Resources—Capital Expenditures*."

Cash flow from financing activities

Cash outflow from financing activities was SEK 141 million in the three months ended March 31, 2013 compared to SEK 148 million in the three months ended March 31, 2014. The increase in cash outflow was primarily related to increased amortization on our Senior Credit Facilities partly offset by a decrease in amortization of financial lease liabilities.

Our cash outflow from financing activities was SEK 71 million in the year ended December 31, 2012 compared to an inflow of SEK 430 million in the year ended December 31, 2013. The increase in cash inflow was primarily related to the proceeds from new borrowings and a reduction in the amortization of borrowings in connection with the repayment of the old PIK Loan.

In the year ended December 31, 2013, cash flow from financing activities consisted of an inflow of SEK 300 million drawn under the SEK 750 million Capex Facility to fund capital expenditure and SEK 500 million drawn under the Incremental Facility to fund acquisitions or capital expenditures, of which, approximately, SEK 300 million was used to fund the acquisition of Phonera Företag in the three months ended March 31, 2014.

Cash flow from financing activities in the year ended December 31, 2012 included an inflow of SEK 2,120 million, which relates to the net proceeds from the issuance of the PIK Notes, which were used to repay (i) the old PIK Loan in the amount of SEK 1,410 million and (ii) shareholder loans of SEK 558 million. In addition, SEK 101 million related to the CDK Acquisition Overfunding Account was used to repay shareholder loans in 2012. OID, take out fees and other financing acquisitions costs of SEK 79 million were paid in 2012 related to the issuance of the PIK notes as well as the issuance of the Senior Secured Notes and Senior Notes in 2011.

Ordinary repayments of borrowings and leasing liabilities in the year ended December 31, 2013, amounted to SEK 354 million compared to ordinary and mandatory repayments of SEK 457 million (including SEK 303 million of prepayments related to the CDK Acquisition Overfunding Account). In connection with the conversion of the shareholder loan into preference shares, including payment of interest on the shareholder loan, a new share issue was performed resulted in a cash inflow of SEK 415 million.

Certain Indebtedness After Giving Effect to the Offering

On an as adjusted basis after giving effect to the issuance of the New Shares, the application of the net proceeds of the Offering as described in "*Background and Reasons for the Offering and Use of Proceeds*" and our entry into the 2014 Facilities, and including drawdowns under our Capex Facility of SEK 300 million as of the date hereof, as of March 31, 2014, our total financial indebtedness, including leasing facilities, would have been SEK 9,095 million.

As of March 31, 2014, the principal payments of our material long-term financing arrangements, after giving effect to the issuance of the New Shares, the application of the net proceeds of the Offering as described in "*Background and Reasons for the Offering and Use of Proceeds*" and our entry into the 2014 Facilities on such date, would have been as follows:

	Payment on Material Long-Term Indebtedness Due by Period(1)						
	2014	2015	2016	2017	2018	2019	Total
	(SEK in millions)						
2014 Facilities							
2014 Term Loan A	0	0	0	0	0	3,500	3,500
Senior Secured Notes(2)	0	0	0	0	3,492	0	3,492
Senior Notes(3)	0	0	0	0	0	1,670	1,670
Total	0	0	0	0	3,492	5,170	8,662

(1) The amounts shown relate to payments on the principal amount outstanding as of March 31, 2014 and do not reflect or include any amounts of accrued interest owed thereon (including capitalized interest).

(2) EUR-denominated indebtedness has been converted at the exchange rate on March 31, 2014, which was SEK 8.948 per €1.00.

(3) As of March 31, 2014, we had SEK 1,670 million outstanding under our Senior Notes, assuming the redemption of 35% of our Senior Notes in accordance with the application of the net proceeds of the Offering as described in "*Background and Reasons for the Offering and Use of Proceeds*."

For a description of the material terms of our long-term financing arrangements in place as of the date of this Offering Memorandum and the long-term financing arrangements that we anticipate will be in placed upon completion of the Offering, see "*Description of Certain Financing Arrangements*."

Certain Other Indebtedness

The table below sets forth the financial payments that we will be obligated to make under our financing leases as of December 31, 2013. For a description of our primary leasing arrangements, see "*Description of Certain Financing Arrangements—De Lage Landen Leasing Agreements*."

	As of December 31, 2013				
	Total	Due within 1 year	Due between 1 and 3 years	Due between 3 and 5 years	Due after 5 years
	(SEK in millions)				
Finance lease liabilities	81	44	35	2	—

In addition, we use operating assets through operating lease arrangements. We rent access to ducts and co-location facilities as well as optical fiber from Skanova, Stokab and Trafikverket. The following table sets forth the irrevocable operating lease payments we are obligated to make as of December 31, 2013.

	As of December 31, 2013			
	Total	Due within 1 year	Due between 1 and 5 years	Due after 5 years
	(SEK in millions)			
Operating lease payments	664	189	467	8

Other Financial Obligations: Pension Obligations

For a description of certain pension plans and obligations, see "*Business—Employees and Pension Obligations*."

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

Quantitative and Qualitative Disclosures about Financial Exposure

Market risk represents the risk of loss that may result from the potential change in exchange rates, interest levels, refinancing and credit risks. For additional information, see "*Note 26*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum.

Liquidity Exposure

Our liquidity exposure relates to our ability to meet our obligations to pay our employees and creditors and to service our debts. Our finance policy stipulates the availability of cash and cash equivalents to ensure funding of our operating activities. We prepare monthly liquidity forecasts, subject to regular review, which are part of our budgeting process. We utilize advance billing, with the vast majority of consumer account receivables being paid in the same months as invoiced, which has a positive effect on our liquidity. Consumers are usually billed one month in advance and property owners usually quarterly in advance.

Our cash reserve comprises cash and cash equivalents and unused credit facilities. Management believes that we have sufficient cash resources to allow us to continue to operate adequately in case of unforeseen fluctuations in cash.

Interest Rate Exposure

Our interest rate exposure is mainly affected by our overall financing. Interest fixing periods are a significant factor influencing interest risk. Longer interest fixing periods primarily affect price risk, while shorter interest fixing periods affect cash flow risk.

Our finance policy stipulates an objective to hedge a portion of our long-term funding. We use derivative instruments such as swap contracts to manage interest risks. These contracts are measured at fair value in the balance sheet, with value changes recognized in the income statement.

In accordance with the Senior Credit Facilities Agreement and to decrease interest rate risks, at least 66.66% of our outstanding bank debt has been hedged to secure our interest rate payments for three years from the date of signing the Senior Credit Facilities Agreement.

The table below provides information about our long-term fixed and floating rate debt (excluding capital leases) as of December 31, 2013 before and after the effect of interest rate derivatives, based on the outstanding principal amounts as of that date.

Liabilities	Nominal Value	Interest Rate Derivatives	Net Exposure	Proportion (in %)
		(SEK in millions)		
2014	6,089	(3,655)	2,435	16%
2015	—	3,655	3,655	25%
2016	—	—	—	—
2017	—	—	—	—
2018	3,492	—	3,492	24%
2019	5,097	—	5,097	35%
Total	**14,678**	**—**	**14,678**	**100.0%**

Our interest expenses would increase by some SEK 24 million annualized given a 1% increase in interest rates, given the same hedging conditions as applied on the reporting date.

Currency Exposure

Currency exposure is the risk that our income statement and balance sheet are negatively affected by fluctuations in exchange rates.

Transaction Exposure—Operational Flows

All of our billings are in SEK, as are the majority of our expenses. However, the procurement of some materials is denominated in other currencies and, accordingly, to reduce the earnings effect of exchange rates, we may hedge contracted currency flows in foreign currencies using forward contracts. Currency hedging, for a maximum period of 12 months, is normally entered into when we enter into agreements that have a minimum exposure of SEK 10 million in a foreign currency. Currency hedges are reported at fair value in the balance sheet with value changes recognized in net profit or loss.

Exchange rate differences arising in operations are reported in net profit or loss and allocated between other operating income and other operating costs. As of December 31, 2013, there were three transaction-related FX contracts with a fair value of SEK (0.5) million.

The following table sets forth our transaction exposure by currency as of the dates indicated.

	For the period from January 1 to December 31,			
	2012		2013	
	(SEK in millions)	%	(SEK in millions)	%
EUR	136	35	114	19
NOK	31	8	22	4
USD	212	55	444	76
Other	5	2	6	1
Total	**383**	**100**	**586**	**100**

Our consolidated cash flow would be reduced by approximately SEK 29 million for the year ended December 31, 2013, if the Swedish Krona depreciated by five percentage points against the above currencies assuming the same transaction exposure as in 2013 and assuming no hedging. We regularly assess foreign exchange risks in order to determine whether our exposure should be hedged by forward exchange contracts.

For additional information on foreign hedging contracts entered into to hedge our risks related to exchange risks and to hedge future cash flows, see "*Note 25*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum.

Translation Exposure—Financial Items

We have translation exposure due to our EUR-denominated debt obligations. As of December 31, 2013, our EUR denominated debt obligations amounted to EUR 874 million (EUR 304 million in credit facilities, EUR 287 million in Senior Notes and EUR 283 million in Senior PIK Notes). See "*Capitalization and Indebtedness*."

The following table sets forth the translation exposure before and after FX hedges as of December 31, 2013.

Liabilities	Nominal Value	Currency Derivatives	Exposure	Proportion (in %)
		(SEK in millions)		
Credit facilities	3,290	—	3,290	22%
Notes	3,492	—	3,492	24%
Finance leases	81	—	81	1%
Derivatives	—	2,017	2,017	14%
Total	**6,864**	**2,017**	**8,881**	**61%**

Liabilities	Nominal Value	Currency Derivatives	Exposure	Proportion (in %)
		(EUR in millions)		
Credit facilities	304	—	304	18%
Notes	570	—	570	35%
Derivatives	—	(226)	(226)	(14)%
Total	**874**	**(226)**	**648**	**39%**

Because we have hedged all of our EUR denominated coupons, net finance costs are not impacted by FX currency movements. If the Swedish krona had appreciated/depreciated by 5% versus the euro on the reporting date, with all other variables constant, net finances costs for the period would have been SEK 290 million higher/lower as a result of gain/loss when translating monetary liabilities.

Credit Exposure

Our exposure to credit risk is limited because we use advance billing for consumer and landlord services. We perform credit worthiness checks when entering into contracts with new subscribers and we make an internal credit assessment when we upsell to an existing subscriber to assess the potential credit risk. We also apply a fast debt recovery process, where we terminate a subscriber's service if payment is not made.

Due to the size of our subscriber base, there is no specific concentration of risks on a small number of large subscribers. General provisions for potential bad debt are made regularly, and credit losses are small in relation to our operations. Our total credit losses were 0.5% of revenue in the years ended December 31, 2013 and 2012.

Critical Accounting Policies

See "*Note 1*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum.

INDUSTRY OVERVIEW

Certain information set forth in this section has been derived from external sources, as well as publicly available reports from telecommunications operators. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Market Data," "Forward-Looking Statements" and "Risk Factors."

Country Overview—Sweden

We operate our cable business in Sweden, which as of February 28, 2014, had a population of approximately 9.66 million according to Statistics Sweden (SCB) and as of June 2013 had approximately 4.7 million households according to the PTS. We believe that as of March 31, 2014, our footprint covered approximately 39% of Sweden as measured by the number of homes connected, including Stockholm, Gothenburg, Malmö, Uppsala and other major metropolitan areas.

Sweden is one of the most affluent countries in Europe, with an estimated GDP per capita in 2013 of approximately SEK 371,000, and a robust macroeconomic profile, with expected GDP growth year-on-year in 2014 of 2.3% and public debt as a percentage of GDP of 42% in 2013 as estimated by the IMF. In this context, Sweden compares favorably to certain other Western European countries that have a significant cable presence (namely, the Netherlands, Belgium, Germany, France, and the United Kingdom). Based on data provided by IDC and the IMF, the total spend on communication services in Sweden in 2013 was equivalent to approximately 1.5% of the country's GDP, compared to, for example, 1.6% in Germany and 2.0% in the United Kingdom. Moreover, in the period from 2010 to 2013, the Swedish telecommunication market grew by approximately 0.7%, which is among the highest growth rates of other Western European countries that have a significant cable presence.

The following table presents selected key economic and market indicators in the countries presented.

	Belgium	France	Germany	Netherlands	Sweden	United Kingdom
GDP/capita (2013A in SEK)(1)	287	252	269	285	371	253
GDP growth (2014E in %)	1.0	1.0	1.4	0.3	2.3	1.9
Public debt (2013A/GDP in %)	101	93	80	74	42	92
Unemployment rate (2013E in %)	8.4	10.8	5.3	6.9	8.0	7.6
Communication spending (2013E/GDP in %)(2)	1.6	1.9	1.6	1.7	1.5	2.0
Telecoms market CAGR (2010-2013E in %)(3)	(1.6)	(1.5)	0.7	(2.4)	0.7	(0.2)
ARPU of the main cable operator(4)	431	371	153	378	371	510

Source: IMF, IDC Western Europe Telecom Services Database Q1 2014 as of May 2014, public filings of respective companies

(1) Data are converted in SEK at the following exchange rates: EUR/SEK: 8.85; GBP/SEK: 10.57; USD/SEK 6.52.

(2) Data refers to the total telecommunications markets in Sweden.

(3) Data: IDC Western Europe Telecom Services Database Q1 2014.

(4) ARPU as of December 31, 2013. The main cable operators include Telenet (Belgium), Numericable (France), Kabel Deutschland (Germany), Ziggo (Netherlands), Com Hem (Sweden), and Virgin Media (United Kingdom).

We believe that the relatively prosperous nature of the Swedish population and the absence of any severe austerity measures in the public sector, combined with a comparatively low blended cable ARPU, especially when adjusted for GDP per capita, provides this market with significant growth opportunities for cable operators such as Com Hem.

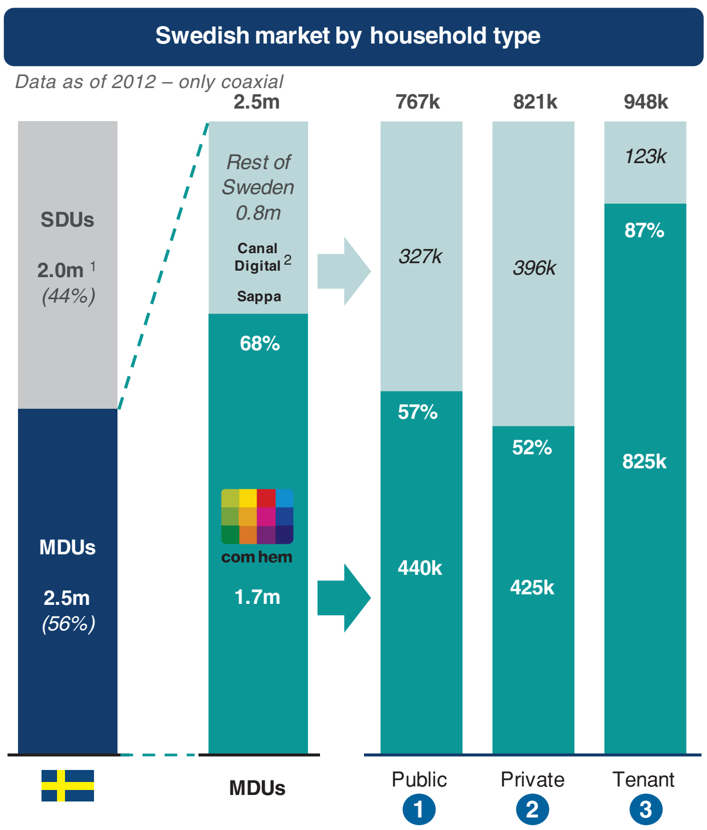
Swedish Communications and Operator Market Overview

The main communications and operator market in which we operate consists of television, high-speed broadband and fixed-telephony services for end-consumers as well as broadband and telephony services for B2B consumers.

The Swedish consumer market for such services consists of two types of homes: MDUs and SDUs. MDUs are buildings with multiple separate housing units for residential (in other words, non-commercial) inhabitants. SDUs are standalone houses and villas. Out of the 4.7 million households in Sweden, we believe that approximately 55% are MDUs and approximately 45% are SDUs. Com Hem focuses on predominantly serving homes in MDUs, where it competes primarily with Telia, Telenor (operating under the Canal Digital Cable, Bredbandsbolaget and Ownit brands), Tele2 (which recently sold its fixed cable and LAN operations to Telenor), Sappa and other local city network operators. DTH/DTT television services (as defined below), primarily offered by Viasat, Canal Digital and Boxer, are more suitable for SDUs and rural areas and thus compete less in Com Hem's primary market of MDUs.

MDUs can be classified in segments based on the ownership structure:

- Owned by municipalities, representing approximately 440,000 households within the Com Hem footprint. These MDUS are typically social housing units with politically appointed boards which prioritize tenant satisfaction criteria in their decision marking.
- Owned by private landlords (large commercial organizations or small private companies), representing approximately 425,000 households within the Com Hem footprint. This segment has historically been the most economically driven in decision making, although only the larger organizations have staff dedicated to actively manage relations with the operator;
- Owned by tenants, representing the largest segment within the Com Hem footprint with approximately 825,000 households. In this segment, tenants typically own a share of the landlord organization (which entitles them to live in their apartment), appoint its board and participate in a voting-based decision making process.



Source: Statistics Sweden

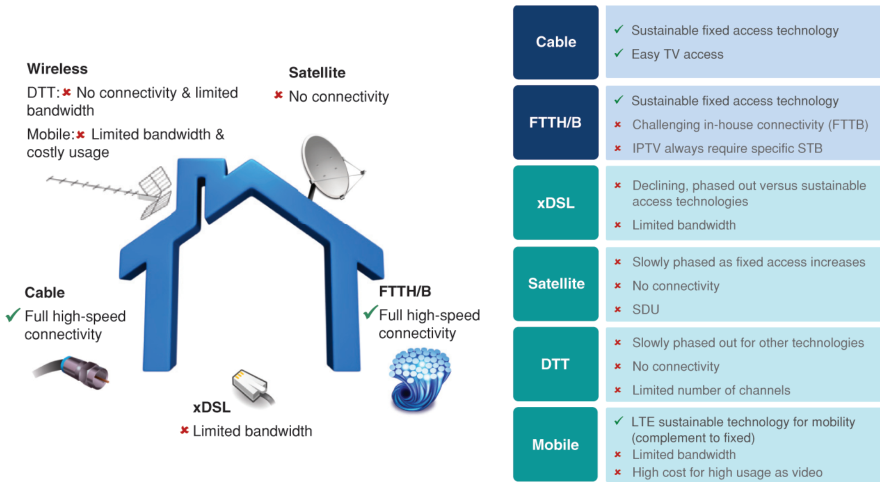
(1) Com Hem provides services to approximately 40,000 SDUs.

(2) Part of the Telenor group. Tele2 recently sold its fixed cable and LAN operations to Telenor.

Network Dynamics in Sweden

The Swedish media and communication markets are characterized by the presence of various access technologies for the delivery of television, broadband and telephony services: HFC cable, delivering basic analog television, digital television, high-speed broadband and telephony services; fiber LAN and FTTH/B as well as legacy xDSL networks for broadband, telephony and IPTV services; and DTT and DTH for the delivery of free and pay digital television services via wireless technologies. Sweden also has rather advanced mobile broadband networks, principally based on 3G/High-Speed Packet Access and 4G/LTE technology standards.

The following graphic illustrates the various networks that may be used for the delivery of television, broadband and telephony services to households in Sweden.



HFC Cable

Com Hem is the largest cable operator in Sweden with 1.731 million homes connected to our HFC cable network as of March 31, 2014. Canal Digital Cable (part of the Telenor group), Tele2 (which recently sold its fixed cable and LAN operations to Telenor) and Sappa also operate HFC cable networks in Sweden. IHS Technology estimates that each of these operators did not have more than 200,000 households connected as of December 2013, which is equivalent to slightly more than one-tenth of Com Hem's homes connected.

The structure of the Swedish cable network is strongly influenced by historical factors, most importantly the former monopoly of Telia. In 2003, Telia announced its sale of Com Hem, the largest cable television network. This sale was the result of a decision rendered by the European Commission ordering Telia to sell Com Hem as a pre-condition for the merger between Telia and Sonera.

Com Hem's HFC cable network is 92% bi-directional and EuroDOCSIS 3.0-enabled and uses the full spectrum capacity of 862 MHz, which enables the delivery of high-speed connectivity and interactive communication services for television, broadband and fixed-telephony. We believe that the Com Hem HFC cable network is one of the most technologically advanced networks in Europe.

The following graphic illustrates the characteristics of our network in comparison to our peers in other European markets.

	com hem	Ziggo	Telenet	Virgin Media	Kabel Deutschland	Numericable
EuroDocsis 3.0 enabled (%)	99%[1]	100%	100%	c.100%	c.95%	c.50%
Cable network capacity	862 MHz	862 MHz	600 MHz	750 MHz	630 MHz[2]	862 MHz
Max broadband speeds	500 Mbps	150 Mbps	150 Mbps	152 Mbps	100 Mbps	200 Mbps
Households per node	~580	~1,000	~580	~650	~1,000	N/A[3]
Future capex dynamics	✓ Low capex requirements	✗ Capacity investments	✗ Capacity investments	✗ Capacity investments	✗ Capacity investments	✗ Capacity investments

Source: Public filings of the respective companies, Moody's Investors Service, broker reports

(1) 99% of households are EuroDOCSIS 3.0-enabled in accordance with European cable operators' definitions. As of March 31, 2014, approximately 92% of households within the Com Hem HFC cable network have full service capability such as 500 Mbit/s broadband service and TiVo through the CPE.

(2) Approximately 40% of Kabel Deutschland's network upgraded to 862 MHz.

(3) There are approximately 200 households per node on approximately 50% of the network that is EuroDOCSIS 3.0-enabled.

HFC cable networks, including Com Hem's, have the following key features in comparison to other available technologies in Sweden:

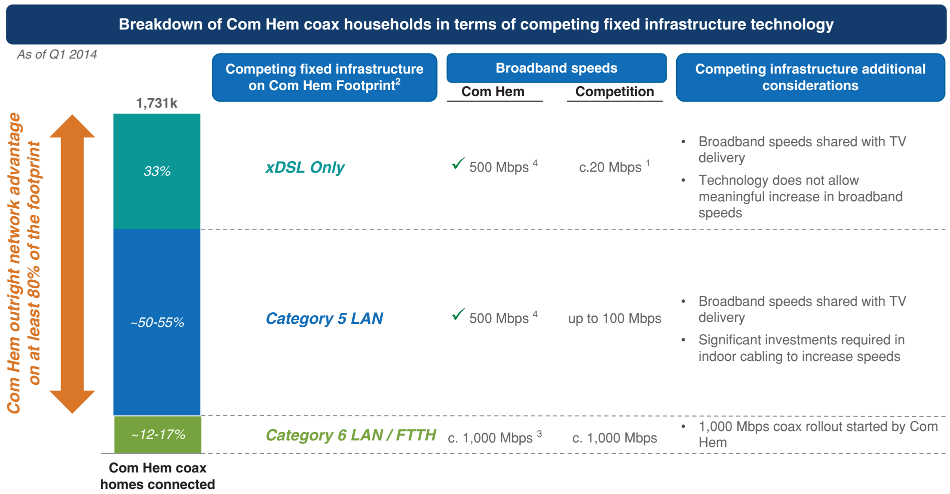
- *Plug-and-play:* Cable is the only active major technology for the delivery of traditional analog or digital television, with the basic television access fee for tenants typically included in the landlord contract and characterized by plug-and-play ease of access, with no need for a set-top box or CA module. Television signals over FTTH/B and fiber LAN or xDSL networks are delivered through IPTV technology. To be able to watch television programming, IPTV subscribers, like DTT, DTH and digital cable subscribers, must have a separate set-top box or CA module for each television in a household, a significant logistical challenge and cost for landlords.

- *Speed-agnostic:* HFC cable networks deliver consistent speeds to all broadband subscribers irrespective of the distance to the subscriber, unlike xDSL networks, which are characterized by copper-based last mile connections. Copper is a distance-sensitive medium, and accordingly, access speeds for xDSL technology decrease substantially as distance from xDSL hubs increases.

- *Consistent signal delivery:* Fiber LANs transport television, broadband and fixed-telephony data signals over a shared bandwidth whereas HFC cable networks deliver those signals over an independent allocated bandwidth for each, ensuring largely consistent delivery independent from the concurrent use of multiple digital services within the household. This is particularly relevant to ensure the delivery of a steady television signal, which is indispensable when delivering high definition television signals.

- *High-speed:* HFC cable and 1 Gbit/s enabled FTTx/LAN can currently offer broad coverage of high-speed broadband with up to 500 Mbit/s via the HFC cable network and up to 1 Gbit/s via 1 Gbit/s enabled FTTX/LAN networks. In comparison to the industry, 92% of Com Hem's HFC cable network currently offers 500 Mbit/s high-speed broadband download speeds, compared to average broadband speeds of approximately 11 Mbit/s for xDSL, up to 100 Mbit/s for 100 Mbit/s enabled FTTx/LAN and up to 1 Gbit/s for 1 Gbit/s enabled FTTx/LAN. Moreover, we have started to selectively offer services with speeds of up to 1 Gbit/s to households connected to LANs and we believe have the ability to offer 1 Gbit/s broadband service across our entire HFC cable footprint without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term.

The following table illustrates the characteristics of competing fixed broadband technologies within Com Hem's footprint compared to Com Hem's HFC cable network characteristics.



(1) This is the average broadband speed of Com Hem's competitors, according to the PTS.

(2) Considers only the most competitive infrastructure in each segment. For example, xDSL is available throughout the vast majority of Com Hem's cable footprint.

(3) 1,000 Mbit/s (1 Gbit/s) services provided through open LANs.

(4) Available on 92% of Com Hem's HFC cable network.

xDSL Networks

xDSL technologies leverage the basic telephone infrastructure, like Telia's legacy copper network, to provide broadband services. xDSL functions through the transmission of data signals from the telecommunications service provider's central office to the end customer's premises over the standard copper wire used for voice services. Copper is a distance-sensitive medium, and accordingly, access speeds for xDSL technology decrease substantially as distance from the xDSL hub increases. The effective average download speed for xDSL networks in Sweden is currently approximately 11 Mbit/s compared to our ability to offer download speeds of up to 500 Mbit/s across 92% of our HFC cable network and 1 Gbit/s over open LAN (with the ability to offer 1 Gbit/s high-speed broadband service across our entire HFC cable network in the future).

More recent variations of xDSL technology like VDSL (very high-speed DSL) may enable higher speeds (*e.g.*, up to 60 Mbit/s download) but their application requires significant investments in the old infrastructure and typically encounters technical issues related to structural characteristics of the legacy network as well as the telecommunication market (*e.g.*, direct control by one single operator of all the last-mile connections from hubs to households and businesses) and ultimately requires the distance between a central office and customer's premises to be relatively short. For these reasons, as well as the development of vertical and open LAN overbuild and other more recent FTTH initiatives, VDSL has so far not had a significant impact on the Swedish market where operators have been focusing their efforts and investments on development of FTTB (fiber LANs) and FTTH technologies.

Additionally, fewer B2C telecommunications operators in the Swedish market have adopted Unbundled Local Loop ("**ULL**") and other forms of wholesale access to Telia's DSL network when compared to other European markets. ULL is instead more widely used by B2B operators to access businesses via Telia's legacy network, especially by small scale operators that may find it more difficult to sustain investments in their own networks.

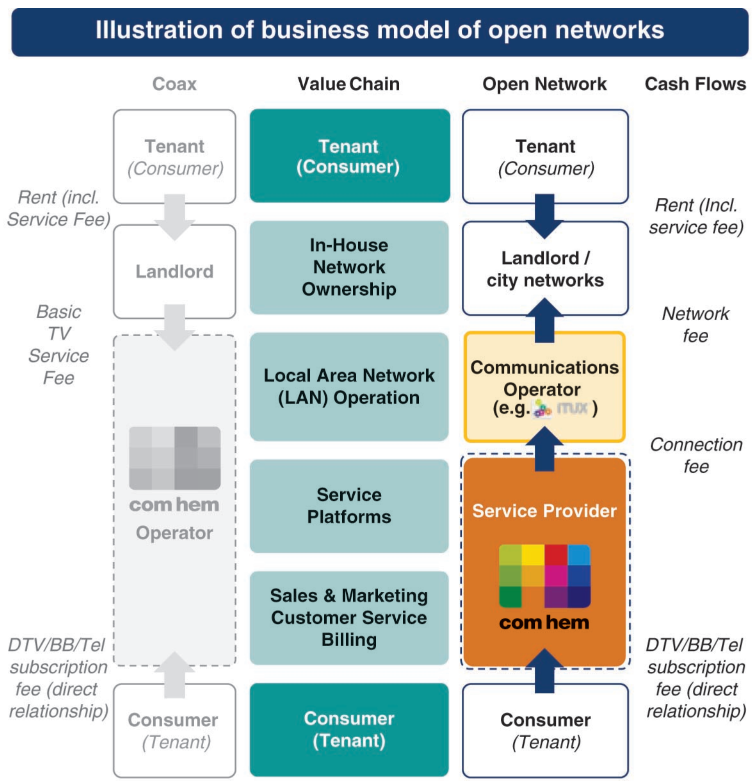
Fiber LANs

Sweden has been a pioneer in the roll-out of fiber networks, especially via fiber LAN, which have been developed on a larger scale since the early 2000's, mainly for the delivery of high-speed broadband before cable networks were enabled for such services. Fiber LAN was, at the time, the only infrastructure that could compete with xDSL and deliver higher speeds. Sweden's high fiber penetration is a result of a national broadband strategy. According to the PTS's agenda, 90% of all Swedish households and businesses should be covered by high-speed (100 Mbit/s or faster) broadband by the year 2020 (source: PTS, "Follow-up of the Government's Broadband Strategy," May 2011).

LANs have been present in the market, and have competed with Com Hem's HFC cable network, for more than ten years, with the substantial overbuild of cable with fiber LANs occurring in the first decade of the 21st century, during which time we believe that the overbuild increased from approximately 34% in 2006 to approximately 66% in 2012 to approximately 67% in 2013. The LAN business model was particularly attractive to private landlords who received free in-house wiring by entering into exclusive vertical contracts. Public landlords, however, invested in fiber LANs as a means of opposing the Skanova/Telia monopoly. Likewise, municipalities invested in utility infrastructure at the same time as investing in the LANs, thereby creating city network companies, in direct competition to the Skanova/Telia monopoly.

The fiber LAN overbuild is highest in densely populated areas due to economies of scale and within MDUs owned by municipalities and private landlords (especially large commercial organizations) which have been able to sustain the significant investments required to complete the overbuild. Accordingly, the overbuild rate has materially slowed since 2010, as the number of landlords without access to the LAN overbuild has declined and the largest landlords, and those with the greatest investment capacity, are already connected. We believe that during 2013 the percentage of "LAN-overbuilt" households in the Com Hem footprint increased by approximately 1 percentage point to reach approximately 67% compared to approximately 5 percentage points per year in the years between 2006 and 2012. As outlined above, the majority of fiber LANs cannot offer speeds above 100 Mbit/s whereas we can offer speeds of 1 Gbit/s on our LAN.

The Swedish LAN market has certain unique aspects. In particular, landlords can choose (i) vertical LAN or (ii) open LANs. The following graphic illustrates the economic differences between vertical and open infrastructure along the value chain.



- *Vertical LAN:* In a vertical LAN, the operator historically has financed the cost of building the in-house LAN and seeks the exclusive right to deliver high-speed broadband, television and fixed-telephony services to the residents in the connected building(s) for a minimum term, generally between five and ten years depending on the size of the investments.

- *Open LAN:* In an open LAN, a landlord typically builds and finances the in-house LAN infrastructure. Open LANs may also be built by a city network and connect several landlords or SDUs to its network. Access to the network is primarily owned by the landlord or the city network, but it may also be owned by an infrastructure owner such as Skanova. The network owner then leases the network to a communications operator that is in charge of running and maintaining the network, including the deployment and operation of the active elements of the network such as switches. The communications operator in turn contracts with service providers that can then offer their digital television, broadband and telephony services to end customers through that third-party network. The service provider is in charge of end customer sales and marketing, customer service and billing, thus incurring all end-customer revenue. The service provider in turn pays a connection fee per active service to the communications operator. The communications operator also pays a fee to the landlord or city network to compensate the landlord or city network for the network build-out investments. With open LAN, the communications operator needs to provide equal terms to all service providers within a specific network. The landlord or city network that owns the open LAN may increase the rental fees in accordance with the national tenant association.

The build-out of open LANs has been primarily driven by: (i) large private landlords as a means of increasing tenant rent, which is regulated in Sweden; and (ii) public landlords as a means of offering high-speed broadband to tenants (which cable operators did not offer at the time of the main build-out wave). Smaller private landlords have historically been less inclined to pursue open LAN build-outs given the significant capital investments required and due to the fact that LAN infrastructure is not a core competency of smaller landlords. We believe that the LAN overbuild in the MDU segment has materially decreased since the largest private landlords and a large majority of the public landlords have completed the process.

The city networks (Sw. *Stadsnät*) in Sweden consist of more than 150 urban open fiber networks, built mainly by municipalities, which are fiber networks geographically limited to, and often owned by, a local municipality. The municipalities have built their own open fiber networks over the past several years in an effort to maximize broadband access to all Swedish households and to eventually achieve nationwide coverage of backbone networks, regional networks and access networks. The municipalities typically only build dark fiber when there are limited commercial interests in a particular region.

Other recent fiber initiatives, such as Telia's FTTH/B roll-out plans, are primarily targeted at the SDU market where the economics are more attractive given the lack of competition from any other high-speed provider (HFC cable or LAN). A significant difference for the SDU business model is that SDUs typically pay a high one-time connection fee.

Moreover, the PTS also recently required TeliaSonera to open its fiber networks to competitors and provide other operators with the opportunity to purchase access to TeliaSonera's fiber network, thereby allowing other operators to position their own equipment at TeliaSonera's exchanges or allowing them to purchase pre-packaged wholesale products from TeliaSonera and offer them directly to their subscribers. Other operators need not invest in their own equipment if they pursue the latter scenario.

DTT and DTH

Other TV access technologies include DTH and DTT, which offer national coverage with the highest usage in the SDU market and in rural areas, where the economics of cable and fiber connections are less favorable.

DTH operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers need a satellite dish and a satellite receiver, and, for digital channels, a set-top box and CA-modules. Viewers also require a smart card for pay television services distributed via satellite. Furthermore, both DTH providers and DTT providers are unable to provide broadband services and subscribers cannot access VoD services without a broadband connection due to technological constraints with respect to DTH and DTT services (no two-way communication). Due to the risk of structural damage, regulatory restrictions and the unappealing aesthetics of satellite dishes, landlords of MDUs typically prohibit tenants from installing satellite dishes. Where permitted, landlords of MDUs may distribute terrestrial signals to provide television to their subscribers or tenants, as the case may be, on a shared access basis. In this case, the landlord will not incur ongoing subscription fees, but may pay copyright fees and charge certain fees to their subscribers or tenants.

Mobile

Wireless connectivity, especially via next generation LTE technology, is also widely available in Sweden thanks to early development. This technology currently provides more limited and volatile bandwidth (with broadband speeds varying depending on the number of users logged into a respective mobile cell) than HFC cable and fiber access networks, as well as a higher usage costs.

Swedish Digital Television Market

The Swedish television market had a combined free and digital television penetration rate of approximately 98% as of December 2013 according to IHS Technology. The number of digital television homes (served by cable, DTH, DTT and IPTV combined) represented approximately 57% (excluding analog cable homes) of the total penetration rate, while the remaining household penetration was represented by free-DTT used either as primary television access or for secondary television sets, especially in households with no cable (*i.e.*, analog television) infrastructure.

Television signals are distributed through various platforms, including cable (both analog and digital television), DTH and DTT, as well as through broadband technologies such as VDSL, ADSL2+ and FTTH/B or fiber LAN ("**IPTV**"). In addition, OTT viewing (as defined below) is increasing. Cable has historically been the leading television distribution platform in Sweden, with approximately 49% of Swedish homes watching television over a cable network (based on primary television sets) according to IHS Technology.

The following table illustrates the development of the percentage of Swedish homes (based on primary television sets) that watch digital television via cable, DTH, DTT and IPTV for the period from 2011 to 2013 according to IHS Technology.

	For the year ended December 31		
	2011A	**2012A**	**2013E**
	(primary digital pay television market share in %)		
Cable	38.1	35.0	32.8
DTT	20.4	18.7	18.5
DTH (satellite)	25.2	23.8	24.0
IPTV	16.3	22.5	24.6

Cable

Sweden is a highly penetrated cable television market with approximately 2.4 million homes watching television via cable in 2013 (based on primary television set) according to IHS Technology. At present, there are three major cable operators that cover Sweden: Com Hem, Canal Digital and Tele2 (which recently sold its fixed cable and LAN operations to Telenor).

The cable operators such as Com Hem provide a basic television program offering of between 7 and 17 channels (depending on the cable operator and the region served), mainly via landlord contracts. Cable network services are characterized by easy-to-use plug-and-play technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home. Basic television services are usually included in utility fees charged to tenants by their housing associations and landlords as part of their rental agreement, as housing associations and landlords typically enter into contracts with operators for the provision of service (often including access to customer services) to all of their units.

DTT

The second largest television delivery platform in Sweden is DTT, with the highest usage in rural areas and lower penetration in metropolitan areas. Boxer is a government owned business and the only DTT broadcaster in Sweden. It offers a range of channels broadcast on four national transmitter networks, of which three can be received by approximately 98% of the population according to FSab Markets.

DTH

The third largest form of television reception in the Swedish market is DTH with 17% of Swedish households receiving television programs via satellite as of December 31, 2013 according to IHS Technology. Canal Digital and Viasat are the only major DTH operators in the Swedish market.

IPTV

As a result of improvements in broadband technologies, the internet is increasingly being used as a platform for the distribution of IPTV and VoD services. IPTV can be carried through fiber LANs or xDSL networks. The main IPTV operators in Sweden are Telia, Bredbandsbolaget (Telenor) and Com Hem while the rest of the market is generally fragmented due to the presence of other locally established companies using urban or local fiber LANs. Com Hem also operates as an IPTV provider via its vertical LAN connections and access to open LANs. Additionally, Com Hem is the only cable operator whose TiVo STB is a hybrid STB that works on both HFC cable and LAN networks.

OTT

Another emerging technology is the delivery of television broadcasts and video content OTT of an existing broadband connection. In our market, OTT players generally reach consumers through mediums such as the content providers' website which allows them to view broadcasting content online (*e.g.,* TV4 and SVT in Sweden) or via a subscription-based business model such as Netflix or Viaplay. OTT viewing is increasing and has gained increased media attention in the last year with "tech giants" like Google, Apple and Netflix entering the Swedish market. Netflix, having launched its operations in Sweden in October 2012, in particular, has recorded a relatively successful uptake of its subscription-based VOD service ("**SVOD**") reaching a household penetration of approximately 16% in Sweden as of March 31, 2014, according to Mediavision. Other Swedish OTT market participants include Viaplay, Voddler, C More Play, TV4 Play, and SVT Play. Also, content providers like HBO have launched OTT distribution models in addition to selling content to local and international broadcasters operating in Sweden. Despite the increase in OTT viewing, the digital television market is expected to continue to grow, with cable operators using OTT as a complementary medium. We have fully integrated OTT on our TiVo platform and offer a unified viewing experience to customers.

Overview of Digital Television Penetration and Market Shares in Sweden and in Com Hem's Footprint

The penetration of digital television services, calculated as digital television subscribers over total Swedish households (including only primary homes), was estimated to be approximately 70% as of December 2013 according to IHS Technology. The penetration rate of digital pay television services within Com Hem's footprint was 50% as of March 31, 2014, according to Mediavision.

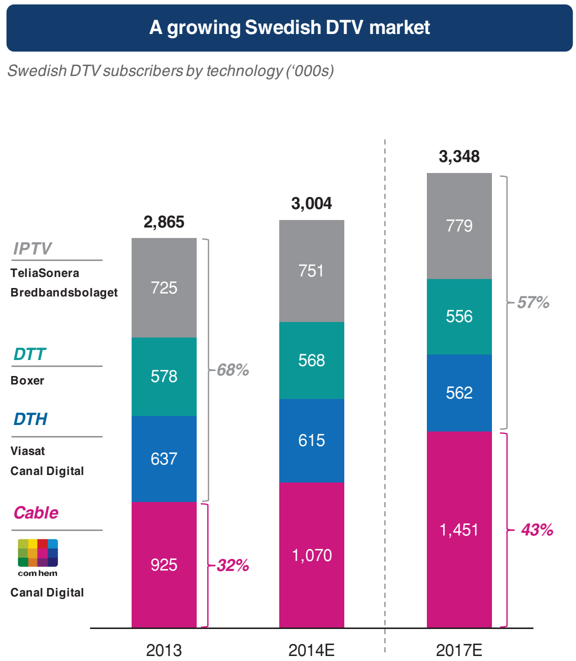
Nationwide, Com Hem is the leading digital television operator with a market share of 21% of total Swedish digital television subscribers, followed by Boxer (DTT) with 20%, Viasat (DTH) with 11%, Canal Digital (DTH) with 11%, Telia (IPTV) with 19%, Telenor-Bredbandsbolaget (IPTV) with 3% and Canal Digital Cable and others (cable) with an aggregate market share of 11% as of December 31, 2013, according to IHS Technology.

Within our footprint, as of December 31, 2013, we are the number one digital television platform by subscribers with a market share of approximately 62%, versus approximately 11% for Boxer (DTT), approximately 6% for Viasat (DTH), approximately 6% for Canal Digital (DTH), approximately 11% for Telia (IPTV), approximately 2% for Telenor-Bredbandsbolaget (IPTV) and approximately 2% for other IPTV. This calculation assumes that nationwide digital television market shares for our competitors are applicable in our footprint.

Key Trends in the Digital Television Market in Sweden

According to IHS Technology, the number of digital television subscribers in Sweden is expected to grow by a compounded annual growth rate of approximately 4%, from approximately 2.9 million in 2013 to approximately 3.3 million in 2017. Cable and IPTV are expected to be the highest beneficiaries of such growth among traditional television delivery technologies with subscribers growing at a compounded annual growth rate of 12% and 2%, respectively.

The following table illustrates the market growth for the Swedish digital television market according to IHS Technology.



The Swedish television market is experiencing continued digitalization with consumer behavior showing increasingly clear evidence of greater emphasis on television offerings such as HD, VoD, Start Over and Catch-up TV over both traditional distribution and OTT platforms. According to IHS Technology, digital pay television penetration within the entire Swedish market was 57% at the end of 2013 (including only primary homes), but only 51% within Com Hem's footprint according to Mediavision, which, notwithstanding the uniqueness of the Swedish market, is relatively low compared to more advanced digital television markets like the Netherlands (98%), Belgium (94%) and France (77%), as per data sourced from IHS Technology, and comparable to the United Kingdom (54%), which has a significantly stronger "free" offering than Sweden. This low penetration rate within our footprint provides significant opportunity to migrate basic television subscribers to digital television, which will increase our digital penetration rates and blended residential ARPU.

OTT subscription services are also expected to increase their penetration among Swedish digital television consumers, following a currently estimated penetration rate of approximately 24% nationwide and 26% within Com Hem's footprint as of March 31, 2014, according to Mediavision. The relative success of OTT in the Swedish market is attributable to, among other factors, the lack of digital television product innovation from the Swedish traditional digital television players before the recent introduction by Com Hem of the TiVo next-generation services, including TiVo STB, TiVo integrated platform for search and personalized recommendations and TiVo-To-Go service. OTT will both compete with traditional digital television offerings and increasingly complement digital television offerings which successfully integrate OTT offerings. For example, the TiVo platform recently launched by Com Hem which offers a full suite of television services, including OTT content such as Netflix, to any device, including portable devices, and provides consumers with increased convenience through a one-stop-shop offering with consistent navigation and search/recommendations across all content.

We believe that in the near term OTT is likely to increase demand for bandwidth but is unlikely to decrease digital television subscriptions as most OTT services are complementary and do not provide the same level of content as cable (for example, OTT providers lack linear television capabilities). OTT is an opportunity for cable operators that are able to provide high-speed broadband and next generation television services such as TiVo, but likely a threat to operators who are unable to provide both services. In fact, recent surveys conducted by Mediavision show that there is an overlap of digital television and OTT services consumption with only approximately 10% of respondents declaring to have unsubscribed from previous traditional digital television services in favor of OTT services, a further 8% having decided to subscribe to a less expensive digital television tier and approximately 76% declaring no intention to unsubscribe from digital television. This trend is also evidenced by the fact that the market share of Netflix within our TiVo subscriber base at approximately 25% is approximately 1.5 times higher than the market average according to Mediavision. For further information see "*Business—Our Strengths—Leading digital television service in the market.*"

The recent consumer trends in the digital television market are also placing greater emphasis on the availability of key content on the various platforms. The content supply market in Sweden is characterized by relatively favorable dynamics. Premium content (including sport and movies) is largely owned by C More and Viasat, which in turn require distribution platforms of larger scale to cover the initial high acquisition costs of such premium content. Other television distribution platforms, including cable, usually have access to premium content on a non-exclusive basis and through revenue-sharing wholesale agreements, which are designed to insulate distributors from the direct impact of content cost increases. As a consequence, the market is characterized by a relatively lower risk of content cost inflation and bidding competition for premium content when compared to other European and U.S. markets with significant cable presence.

Swedish Broadband Market

The Swedish broadband market is well advanced with, according to the PTS, approximately 85% of the population subscribed to either a fixed and/or a mobile connection as of June 2013.

Fixed broadband signals are distributed through various platforms, including cable, fiber (FTTH/B and fiber LANs) and xDSL (*e.g.*, VDSL and ADSL2+). The following table illustrates the development of the technology market shares in the Swedish fixed broadband market for the period from December 2011 to June 2013 according to the PTS.

	For the year ended December 31		For the six months ended June 30
	2011A	2012A	2013A
	(fixed broadband market share in %)		
Cable	20	19	19
Fiber LAN/FTTH	29	34	36
xDSL	50	47	45

Overview of Broadband Penetration and Market Shares in Sweden and in Com Hem's Footprint

The penetration of fixed broadband services calculated as households with broadband subscriptions over total Swedish households (including only primary homes) was approximately 71% as of March 31, 2014 according to Mediavision as compared to a penetration rate of approximately 79% within the Com Hem footprint according to Mediavision.

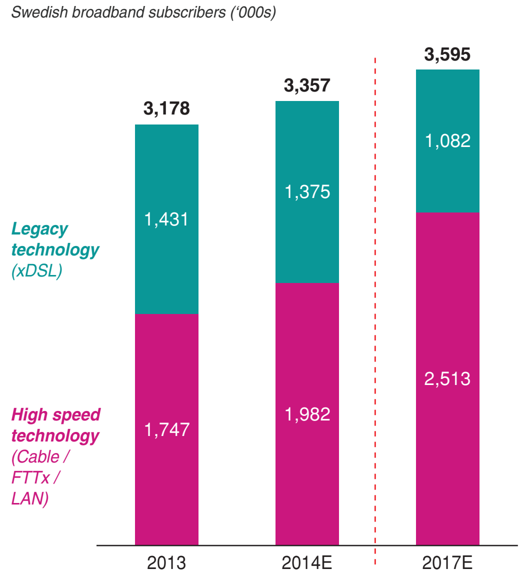
Nationwide, Telia is the leading broadband provider with a market share of 39%, followed by Com Hem with 18%, Bredbandsbolaget (Telenor) with 17%, Tele2 (which recently sold its fixed cable and LAN operations to Telenor) with 7% as well as other smaller competitors including a variety of city networks with an aggregate national market share of 19% as of June 30, 2013 according to the PTS.

Within our footprint, we are the leading broadband provider with a market share of approximately 45% as compared to approximately 26% for Telia and approximately 12% for Telenor, each of which offer broadband over xDSL, fiber LAN (both open and closed) and FTTH/B. Other players include Tele2, with a market share of approximately 5%, and other smaller competitors, with an aggregate market share of 13% as of June 30, 2013 according to the PTS. This calculation assumes that nationwide broadband market shares for our competitors are applicable in our footprint.

Key Trends in the Swedish Broadband Market

According to Informa WBIS, between December 2011 and June 2013 the total number of fixed broadband subscriptions in the broadband market grew by approximately 2%. Fiber connections have been progressively gaining market share while legacy xDSL subscriptions have decreased and HFC cable subscriptions have remained stable.

The following chart illustrates the market growth for the Swedish fixed broadband market based on data sourced from Informa WBIS.

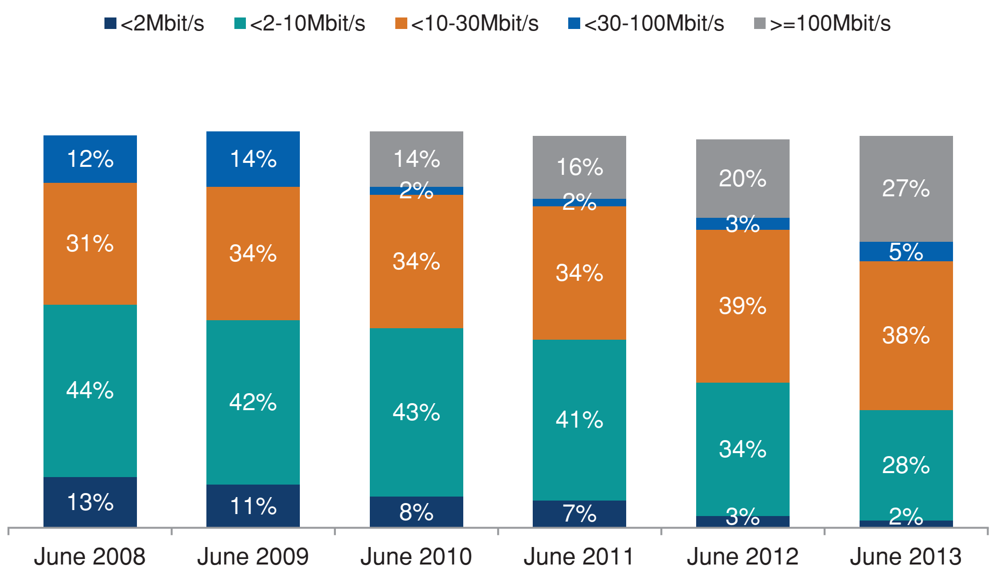


Source: Informa WBIS

According to Informa WBIS, the number of fixed broadband subscribers in Sweden is expected to grow by a compounded annual growth of approximately 3%, from approximately 3.2 million in 2013 to approximately 3.6 million in 2017. High-speed technologies like FTTx/LAN and HFC cable are expected to benefit greatly from such growth with their subscribers expected to grow at a compounded annual growth rate of approximately 10% while legacy xDSL technology subscribers are expected to decline at a compounded annual growth rate of 7% over the same period.

In recent years, there has been a growing demand in the market for high bandwidth services due to consumers' desire to download and watch any type of content, anytime, anywhere and on any device, including televisions, personal computers, tablets and smart phones, and the concurrent use of multiple devices in the household. This trend is reflected in the consistently larger uptake of higher download speed offers for fixed broadband as reported by the PTS. At the end of the first half of 2013, there were 840,000 subscriptions with a speed of 100 Mbit/s or more. This equates to an increase from the first half of 2012 of 37%, or 225,000 subscriptions. Of these, over 1,000 had a speed of 1 Gbit/s (1,000 Mbit/s) or more.

The following graphic presents data on the percentage of broadband subscriptions, by download speed, in Sweden for the period from June 2008 to June 2013.



Source: PTS, The Swedish Telecommunications Market First Half-year 2013

The market appetite for higher speed broadband offers is a positive factor for potential ARPU uplift opportunities as these packages are usually priced at comparatively higher levels. Additionally, the high investment requirements in fiber networks have incentivized the main operators to promote the adoption of higher speed broadband and price the respective offers at levels that justify a sustainable return for their investments. However, the open fiber LAN overbuild has also increased competition, with more aggressive offers targeted to encourage switching from previous providers. We believe that this trend has particularly affected the market share of xDSL operators given their current effective average speed delivery of approximately 11 Mbit/s, while cable operators have been able to retain their market share and migrate customers to higher speeds.

Swedish Consumer Fixed-Telephony Market

The Swedish consumer fixed line telephony market had a penetration rate of approximately 65% (calculated as number of private subscriptions for fixed-telephony over total households) as of June 2013 according to the PTS.

The main technologies for the delivery of fixed-telephony services are the traditional public switched telephone network ("**PSTN**") and the more recently introduced internet-based VoIP (other technologies include ISDN which has not seen widespread adoption in the Swedish market). VoIP is based on a packet-switching technology which delivers voice communications and provides for multimedia communication over the internet or over managed IP networks (such as HFC cable or fiber LAN/FTTH networks).

The following table illustrates the development of the technology market shares in the Swedish consumer fixed-telephony market for the period from December 2011 to June 2013 according to the PTS.

	For the year ended December 31		For the six months ended June 30
	2011A	2012A	2013A
	(private fixed-telephony market share in %)		
PSTN	65	60	57
VoIP	35	40	43

Overview of Consumer Fixed-Telephony Penetration and Market Shares in Sweden and in Com Hem's Footprint

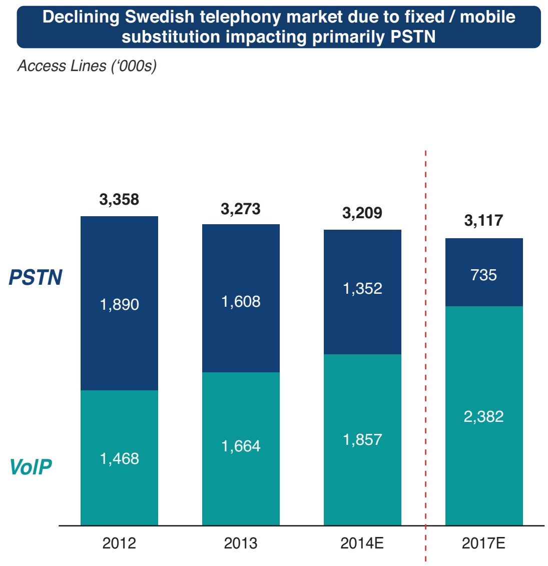
The penetration of fixed-telephony services calculated as private subscriptions for the service over total Swedish households was approximately 65% as of June 2013 according to the PTS as compared to a penetration rate of approximately 64% within the Com Hem footprint according to Mediavision.

According to the PTS, Telia is the largest provider of fixed-telephony services in Sweden, with an estimated nationwide market share of consumer fixed-line connections of 61% as of June 2013, followed by Tele2 (which recently sold its fixed cable and LAN operations to Telenor) with 10%, Com Hem with 8%, Bredbandsbolaget (Telenor) with 7%, as well as other smaller competitors, including a variety of city networks, with an aggregate national market share of 14%. Telia's fixed-telephony market share has been decreasing in terms of subscribers, from 69% in June 2008 to 61% in June 2013 (Source: PTS "The Swedish Telecommunications Market First Half-year 2013") and this trend is continuing due to pressure from resellers, alternative carriers (*e.g.*, cable) and declining mobile phone charges.

Com Hem's in-footprint market share is estimated at approximately 26%, which positions us as the second largest provider behind Telia with an estimated market share of approximately 49% within our footprint, according to PTS. Tele2's and Bredbandsbolaget (Telenor)'s market shares are estimated at 8% and 6%, respectively with other competitors covering 11%. Based on estimates, we believe that as of March 31, 2014, excluding the approximately 327,000 Com Hem telephony subscribers, approximately 800,000 households within our network are currently subscribing to competitors' fixed-telephony services.

Key Trends in the Consumer Fixed-Telephony Market

Over recent years, traditional PSTN access technology has been declining in favor of alternative technologies such as VoIP services offered via broadband connections and service providers such as Skype. This is evidenced by the number of PSTN access lines declining from approximately 1.9 million in 2012 to approximately 1.5 million in 2013, while VoIP has grown from approximately 1.6 million to approximately 1.7 million during the same period, as shown in the figure below. In the period from 2012 to 2017, VoIP subscriptions are expected to grow by 10% on average per annum while PSTN subscriptions are expected to decline by 17% on average per annum, in each case according to IDC-Western Europe Telecoms Service Database.



Source: IDC—Western Europe Telecoms Service Database 4Q13

The Swedish fixed-telephony market is currently experiencing relatively high fixed-to-mobile substitution which is causing a growing fixed-line churn and a decrease of usage resulting in lower overall subscribers and ARPU for this service. Consumer fixed-telephony penetration in Sweden has decreased from 73% as of the end of 2011 to 65% as of end of June 2013, according to the PTS.

We expect continued competition from traditional and non-traditional fixed-line and mobile phone providers in the future, with operators increasingly offering flat-rate plans. In this context we would also note that traditional players with large legacy fixed-telephony customer bases carry a comparatively higher risk from back-book re-pricing which makes their ability to compete on price more challenging while the market appears to continue to offer the opportunity to promote fixed-telephony adoption through attractive bundles with digital television and/or fixed broadband services.

Swedish Mobile Telephony Market

As of June 2013, there were approximately 14.0 million mobile subscriptions in Sweden, which translated into a penetration rate, calculated as mobile subscriptions over the Swedish population, of approximately 146% according to the PTS. Although multiple operators provide mobile services in Sweden, the only network operators are: TeliaSonera, Tele2, Telenor and Hi3G (marketed under the trademark 3).

Sweden has a relatively advanced market for mobile broadband, principally through operators' 3G (High-Speed Packet Access) and 4G (LTE) networks. As of June 30, 2013, there were approximately 2.1 million mobile broadband as stand-alone service subscribers in Sweden, implying a 5% growth from a year earlier and approximately 5.4 million mobile broadband as an add-on service subscribers in Sweden, implying a 30% growth from a year earlier, according to the PTS. After the 4G spectrum auction at the beginning of 2011, Net4Mobility (a joint venture between Telenor and Tele2), TeliaSonera and Hi3G have been able to offer mobile broadband at significantly increased speeds in the 800 MHz frequency band. However, today mobile broadband, including 4G services, continue to have substantial download speed constraints versus cable and fiber access technologies, with download speeds ranging from 10 Mbit/s up to 40 Mbit/s, significant download speed volatility depending on the number of users logged into a certain mobile cell, as well as higher cost per Mbit/s, and therefore are not comparable with Com Hem's high-speed fixed broadband services.

Current technology limitations on speed, capacity and cost per megabyte mean that mobile broadband has become complementary to fixed broadband, as consumers still largely require a fixed connection for bandwidth intensive applications such as video streaming. Mobile broadband is especially well-suited for rural areas, where this maximum bandwidth can be reached on a more consistent basis than in urban areas, as mobile speeds decline with the number of users connected to a mobile cell, and where high broadband speeds are not available from cable or LAN operators.

Over recent years mobile telephony operators utilized their networks by allowing mobile service providers or mobile virtual network operators ("**MVNO**") to sell their own branded mobile products. Discount providers and large retailers have also entered the market in cooperation with mobile operators. We believe that the mobile market provides us with additional strategic options in the medium to long term.

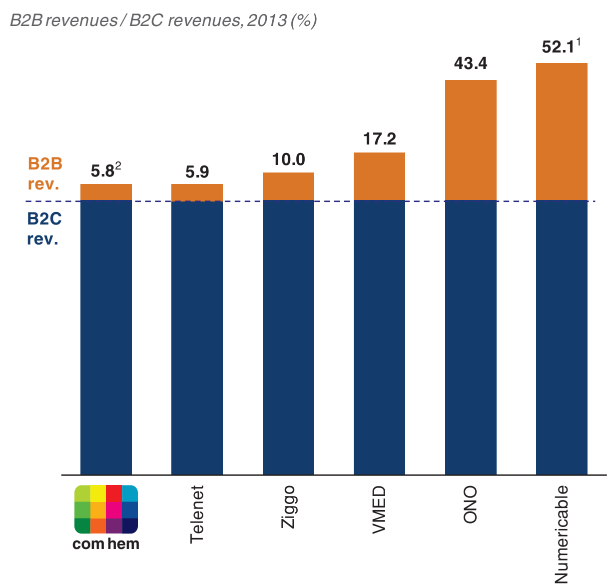
Swedish B2B Telecommunication Services Market

According to IDC European Telecom Services Database and our own estimates, the size of the Swedish fixed telecommunication B2B market in 2013 was approximately SEK 11.5 billion, split into SEK 3.8 billion for fixed voice services, SEK 6.6 billion for fixed data services and SEK 1.1 billion for IP voice services. The size of Com Hem's targeted SoHo and SME segment of the market in 2013 was approximately SEK 6.2 billion, split into SEK 2.6 billion for fixed voice services, SEK 2.9 billion for fixed data services and SEK 0.6 billion for IP voice services.

Telia remains the leading operator in the B2B fixed-line telephony, and B2B fixed broadband markets. The rest of the market for B2B communication services remains fragmented with the presence of traditional integrated players such as Telenor, Tele2 and Com Hem, among others, as well as various smaller scale operators often acting as "virtual" operators (*i.e.*, providing communication services via wholesale of third party's networks) and/or focusing on specific market niches.

As adjusted to reflect our acquisition of Phonera Företag on March 31, 2014, our market share of revenue in the fixed B2B market for SoHo and SME clients (including revenue from traditional fixed voice, fixed IP voice and fixed broadband and other B2B data services) was approximately 4%, according to IDC. Moreover, according to the PTS, the majority (approximately 48% in 2012) of B2B revenue from fixed internet access services is still generated by legacy xDSL technologies, creating a clear market opportunity for higher speed, more resilient delivery of services such as the ones offered by Com Hem's HFC cable network and other fiber networks.

As presented in the graphic below, statistics from European cable operators highlight that B2B revenue can contribute significantly higher shares of total revenue in more advanced cable B2B markets.



Source: Public filings of respective companies

(1) Includes wholesale revenue.

(2) Pro forma for Phonera Företag acquisition.

Bundling Dynamics in Sweden

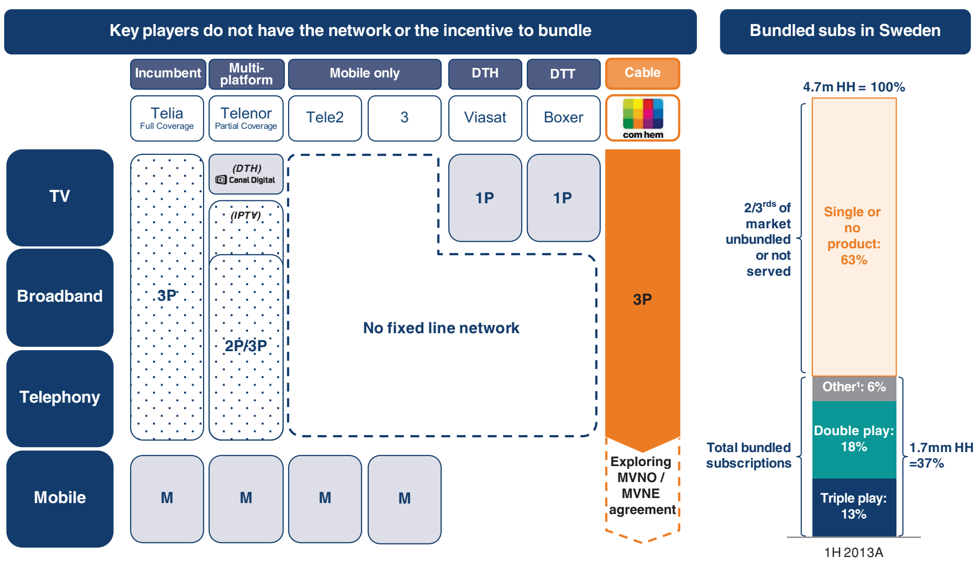
Currently, the market in Sweden for digital television, broadband and fixed-line telephony services from one provider via integrated offerings (“**bundles**”) is underdeveloped. The bundles include:

- “double-play” (two digital services provided together);
- “triple-play” (three digital services provided together) or
- “quadruple-play” (four digital services, including mobile telecommunication, provided together).

From an operator perspective, offering bundled services from a single point of contact helps increase ARPU, improve customer loyalty and reduce churn. According to the PTS, bundled subscriptions increased in Sweden by 6% from 1.64 million in June 2012 to 1.73 million in June 2013, while, the percentage of households in the market purchasing double- or triple-play bundles remained relatively low at 18% and 13%, respectively, as of June 2013. Our main competitors continue to focus primarily on selling individual services, and have not begun to offer bundles as their primary product to the same degree as operators in other European countries, such as the United Kingdom or the Netherlands. We believe this is the primary reason why triple-play penetration in Sweden is comparatively low, as indicated above, and represents a market opportunity for Com Hem.

We are able to offer consistent triple-play bundles to approximately 92% of our HFC cable network, while of our main competitors only Telia and, partially, Telenor (via Bredbandsbolaget, its broadband and IPTV provider) are currently able to effectively offer triple-play services in our footprint, including providing television services via IPTV. These competitors in our footprint offer their services using both LANs (average speed of 54 Mbit/s) and xDSL networks (average speed of 11 Mbit/s). The DTH and DTT operators do not have operations in the fixed broadband and telephony markets and consequently focus on providing television services only. Mobile telecommunication services are currently marketed primarily as single offer propositions by all Swedish mobile network operators including Telia, Telenor, Hi3G (which does not offer fixed telecommunication services) and Tele2 (which recently sold its fixed cable and LAN operations to Telenor).

The following graphic illustrates the bundling capabilities of selected Swedish market participants and data on the percentage of subscribers taking service bundles in Sweden as of June 30, 2013.

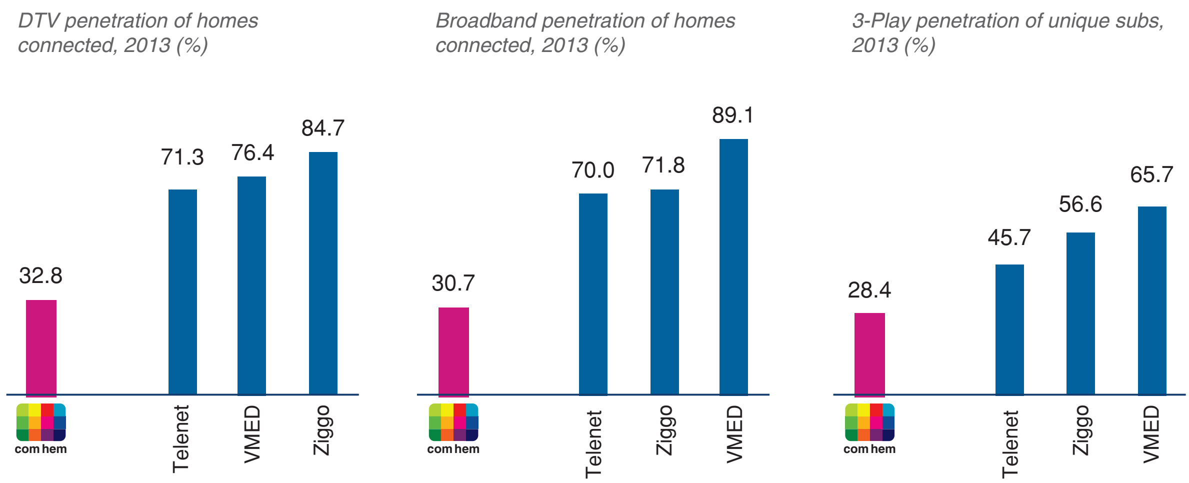


Source: Publicly available reports of the telecommunications operators presented; PTS

(1) Includes bundling packages with mobile broadband services.

We believe that cable operators such as Com Hem are well positioned to benefit from these convergence trends as we increasingly sell bundled digital television, broadband and telephony services to our existing cable television subscriber base and new subscribers, with the aim of increasing our market shares in the telecommunications market. Additionally, statistics from cable operators in other European markets indicate that bundle penetration of the cable subscriber base is significantly higher in more advanced bundling markets as illustrated in the chart below.

The following graphic illustrates digital television, high-speed broadband and triple-play penetration rates for Com Hem in comparison to its peers to other European cable operators in the year ended 2013.



Source: Publicly available reports of the telecommunications operators presented.

BUSINESS

Overview

We are the largest cable operator in Sweden, based on the number of homes connected and the number of unique residential subscribers served, and are a leading provider of television, high-speed broadband and fixed-telephony services. We provide our basic and digital television, high-speed broadband and fixed-telephony services mainly to residential subscribers via our advanced HFC cable network and LANs. We also provide broadband and fixed and mobile telephony services to the B2B segment via our HFC cable network, LANs, xDSL networks and mobile networks. As of March 31, 2014, we offered our digital services to approximately 1.731 million homes connected to our HFC cable network, approximately 2,000 homes connected to closed LANs and 97,000 homes connected to open LANs. Our footprint covered 39% of all homes in Sweden as of March 31, 2014, including homes in all major metropolitan areas, such as Stockholm, Gothenburg, Malmö and Uppsala.

We provide the following digital services directly to our residential subscribers:

- *Digital television services:* We provide residential subscribers the ability to subscribe for one of four digital television packages, ranging from "*TiVo Bas*," a basic package of 19 digital channels, to "*TiVo Max*," which provides subscribers with access to 84 television channels. With our TiVo service, subscribers can: (i) access content from multiple content sources, including linear, non-linear (VoD) and OTT; (ii) view content on multiple devices, including STBs, personal computers, tablets and smartphones (both Android and iOS platforms); and (iii) search and record content with a single search across multiple content sources, allowing us to offer what we believe to be one of the richest content offerings in Sweden. We also offer subscribers the ability to purchase pay-per-view events and access to premium channel packages, which include access to a comprehensive VoD offering of approximately 6,000 transaction VoD, 5,000 free VoD titles and approximately 17,000 OTT titles.

- *High-speed broadband services:* Our current high-speed broadband services portfolio consists of services with download speeds ranging from 10 Mbit/s up to 500 Mbit/s on our HFC cable network and up to 1 Gbit/s on LANs, with 500 Mbit/s service available to approximately 92% of all homes connected to our HFC cable network as of March 31, 2014. Our corresponding upload speeds vary from 10 Mbit/s to 50 Mbit/s on our HFC cable network and up to 100 Mbit/s on LANs.

- *Fixed-telephony services:* We provide residential subscribers with several fixed-telephony packages, which include a SEK 0/min tariff with a call setup fee for calls to landlines in Sweden, a discount service for foreign calls and a discount service for mobile calls. Additionally, we have introduced new smartphone applications in connection with our fixed-telephony services that enable subscribers to use our fixed-telephony services through their smartphones and to place and receive VoIP calls via a WiFi-connection.

Our HFC cable network is fiber-rich with approximately 580 homes connected to each node. Approximately 1.6 million, or approximately 92% of all homes connected to our HFC cable network, are served by our bi-directional and EuroDOCSIS 3.0-enabled network with a spectrum bandwidth capacity of 862 MHz and can receive our digital services as well as access to broadband speeds of up to 500 Mbit/s. Consequently, we believe our HFC cable network is one of the most technologically-advanced networks in Europe. In addition, we currently offer 1 Gbit/s high-speed broadband service to homes connected through LANs which are 1 Gbit/s FTTx/LAN enabled and we believe that we have the ability to offer 1 Gbit/s broadband service across our entire HFC cable network without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term.

HFC cable has inherent capacity and quality advantages compared to copper-based xDSL networks and we are currently able to offer higher speeds, and hence more capacity for simultaneous distribution of digital television, high-speed broadband and fixed-telephony services, than the large majority of fiber LAN-based service provider in Sweden. As a result, we are able to more efficiently deliver high-capacity-dependent content to connected homes across our entire upgraded network, which allows our subscribers to simultaneously view basic or digital television programming on multiple televisions, order VOD services, place telephone calls and use the high-speed broadband at speeds of up to 500 Mbit/s, which is higher than most other European cable operators are able to provide. We have an infrastructure advantage that allows us to offer the fastest broadband service to at least 80% of households connected to our upgraded network. See "*Industry Overview—Network Dynamics in Sweden—HFC cable*."

We operate the only next generation network of scale in Sweden, which is capable of high-speed broadband and next generation television. Our competitors' networks are either national and predominantly xDSL-based, or fiber-based but regional, and in most cases, highly fragmented. See "*Industry Overview—Network Dynamics in Sweden—HFC cable*." Additionally, the quality of our upgraded network gives us a competitive advantage by allowing us to introduce innovative, high-bandwidth services without incurring significant capital expenditures. Instead, based on our current competitive position and the upgraded status of our network, we can focus our capital expenditures on subscriber growth, meeting subscriber demand and new product development as well as network and platform development.

In addition to providing our basic television services to subscribers and landlords across our HFC cable network, we also deliver digital services across an IP platform to MDUs that are connected to Com Hem via fiber LANs. In this context, we deliver services either via (i) vertical or "closed" LANs, which we typically build and control and through which we offer services on an exclusive basis to connected households, or (ii) open LANs, which are built and owned by third parties. Open LANs are operated by communications operators (including our own communications operator, iTUX) on behalf of the network owners. Communications operators in turn enter into agreements with various service providers (including Com Hem) that can offer their services on a non-exclusive basis to end customers via that third-party network. For further information on open and closed LANs and the development of LAN infrastructure in Sweden, generally, see "*Industry Overview—Network Dynamics in Sweden—Fiber LANs*."

We focus on providing our services to subscribers who live in MDUs. We typically enter into contracts with landlords of MDUs to provide all of their tenants with basic television service, consisting of up to 17 basic television channels, with the cost of the service generally included in the tenant's rent or occasionally listed as a separate item on monthly rent statements. Once we have established a distribution and service relationship with a landlord through the delivery of our basic television service to its tenants, individual subscribers (*i.e.*, typically tenants within the MDUs) have the ability to subscribe to our full range of digital services, including digital television, high-speed broadband and fixed-telephony services. A key focus area of our strategy is to increase our blended residential ARPU and consumer revenue by converting existing basic television households into subscribers of our digital services, either for our bundled digital services or on a stand-alone basis. As of March 31, 2014, we had contracts with approximately 23,000 landlords, with the top ten landlords based on the number of homes connected accounting for 2.6% of landlord revenue as of March 31, 2014, and approximately 40,000 SDU households. Pursuant to these contracts to provide our basic television service (7 or 17 channels) and must carry digital service (7 channels) to homes connected to our HFC cable network. As we are currently able to market digital services to households with our basic television service, we believe that we will continue to have a substantial opportunity to drive digital penetration, which we believe will allow us to generate attractive operating margins and financial growth.

A core element of our strategy is providing our services as a bundle, which offers our subscribers the convenience of receiving digital television, high-speed broadband and/or fixed-telephony services from a single provider at an attractive price. As of March 31, 2014, we had approximately 838,000 unique residential subscribers subscribing for approximately 1.492 million digital services, corresponding to a ratio of RGUs per unique residential subscriber of 1.78 to 1, which is lower than many of our European peers offering similar services. We therefore believe that we have a substantial opportunity to increase the number of bundled services to which our customers subscribe. See "*—Our Strengths—Competitive advantage in bundled services*" and "*—Our Strategy—Migrate existing subscribers and attract new subscribers into bundled services*."

In June 2013, we launched our offering to the B2B segment, initially offering our broadband and fixed-telephony services to prospective SoHo customers in our footprint. We estimate that there were approximately 178,000 SoHos and SMEs in our footprint as of March 31, 2014 to whom we did not historically market our services. On March 31, 2014, we completed the acquisition of Phonera Företag, a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers. By combining Phonera Företag's existing 53,000 unique subscribers, its portfolio of complementary services aimed at SoHo and SME customers and its experienced and dedicated B2B sales force with our superior network, network operating experience and economies of scale, we believe that we can accelerate and expand the growth of our B2B offering. For more information on our B2B offering, see "*—Services—B2B Services*."

Our Strengths

We believe the following strengths will allow us to execute our growth strategy described below:

Sweden is a highly attractive market to operate pay television and broadband business.

Sweden is characterized by strong macroeconomic fundamentals including, according to the IMF, GDP per capita of SEK 371,000 in 2013, one of the highest in Europe, and a solid public finances position, with a ratio of public debt to GDP in 2013 of 42%, one of the lowest in Europe. This favorable macro backdrop has positively impacted the Swedish telecommunications market, which grew at a CAGR of 0.7% between 2010 and 2013, while most other telecommunications markets in Europe declined during the same period. In particular, the Swedish digital television market, which is one of our key markets, is expected to grow strongly as the number of subscribers and ARPU are expected to increase at a CAGR of 4.0% and 3.8%, respectively, between 2013 and 2017, according to IHS Technology. This trend is expected to be supported by, *inter alia,* the proliferation of revenue enhancing next generation pay television services such as VoD, TV Everywhere ("**TVE**") and catch-up services, which were introduced in many European markets several years earlier and have been highly successful. These pay television services were introduced more recently in Sweden on a larger scale, including by Com Hem. At the same time, there is limited pressure for our digital television content costs to increase going forward. This is due to the favorable and unique Swedish digital television market structure whereby premium programming rights owners typically wholesale their premium content to other distributors, including us, on a revenue sharing basis. To a large extent, the revenue sharing model insulates us from content cost inflation, unlike the cost per subscriber models in place in most other markets.

We are the fastest broadband service provider on at least 80% of our network.

Our HFC cable network is one of the most technologically-advanced in Europe and the only high-speed network of scale in our footprint. It is fully bi-directional, 92% EuroDOCSIS 3.0-enabled with spectrum bandwidth capacity of 862 MHz across the entire HFC cable network and has approximately 580 households connected per node. As a result of significant historical investment and the primary location of our network in high population density metropolitan areas, operating our network is highly efficient. We expect future network-related capital expenditures to be stable in the medium term. Since completing our network upgrade and the launch of our new high-speed broadband product portfolio in August 2013, we offer up to 500 Mbit/s broadband speeds to 92% of the 1.731 million homes (as of March 31, 2014) connected to our HFC cable network, a level of performance that we believe compares favorably to our European publicly listed cable peers. Consequently, we have a network advantage on at least 80% of our network where we offer broadband speeds that are generally five times faster than our peers. As of March 31, 2014, approximately 12%-17% of homes connected to our HFC cable network had access to 1 Gbit/s enabled FTTx/LAN based broadband providers who can provide broadband speeds of 1 Gbit/s, while approximately one third of homes connected to our HFC cable network only had access to xDSL-based broadband providers who on average deliver effective broadband download speeds of approximately 11 Mbit/s, according to the PTS, and 50%-55% of homes connected to our HFC cable network had access to 100 Mbit/s enabled FTTx/LAN based broadband providers who can offer broadband speeds of up to 100 Mbit/s. In addition, we are offering 1 Gbit/s service to our vertical and open LAN households and we believe that we have the ability to offer 1 Gbit/s broadband service across our entire HFC cable network without the need for substantial investment or to upgrade our network to EuroDOCSIS 3.1 standard in the medium term. We do not expect this competitive landscape to change materially going forward, as we believe that the fiber LAN overbuild process in Sweden is largely complete. In addition, upgrades of 100 Mbit/s enabled FTTx/LAN from 100 Mbit/s to higher speeds would require significant additional investments in the access network.

Leading digital television service in the market.

After signing a 5-year exclusive contract with TiVo Inc. in June 2012, which includes a unilateral option for us to extend the contract for an additional exclusive term of up to six years, we introduced our new interactive digital television TiVo platform (including TiVo-to-Go on multiple devices such as personal computers, tablets and smart phones) to the Swedish market in October 2013. TiVo offers an extensive set of next generation television functionality, including Start Over and Catch-Up TV, keyword search, personalized recommendations, series-link, remote record, the ability to record three programs at once while watching a fourth program and 1TB or 500 hours of storage space, that we were previously unable to offer and which none of our competitors are currently able to provide. TiVo provides a one-stop shop for our digital television subscribers to search and choose television programming by integrating content from multiple sources such as linear and non-linear television (*e.g.*, video-on-demand and PVR recordings) and OTT (*e.g.*, Netflix and Viaplay) and offers a consistent viewing experience across multiple viewing platforms including television, tablets, smartphones and internet browsers. The introduction of TiVo has been highly successful in the six months after launch, and our TiVo penetration rate as of March 31, 2014 among our digital television subscribers was 12.4%, which we believe is above the TiVo penetration rates achieved by many of our European peers during corresponding periods after launching their respective TiVo services. Furthermore, by October 2013, in time for the TiVo launch, we completed renegotiations for a large majority of our content agreements to include additional content in our digital television packages. As a result, our digital television content offering is one of the richest in Sweden, offering the largest number of standard definition, high definition, Start Over, Catch-Up TV and TVE channels and, as of March 31, 2014, we are the only provider in Sweden with each of the following key OTT platforms integrated into our platform: Netflix (on an exclusive operator basis until December 31, 2014) and Viaplay.

Market leader in digital television and broadband services within our footprint.

Com Hem is the largest cable operator in Sweden, with approximately 1.83 million homes connected in our footprint, representing approximately 39% of the total homes connected in Sweden as of March 31, 2014 according to IHS Technology. We are the number one digital television operator in Sweden and had an in-footprint digital television market share of approximately 61% as of March 31, 2014 according to PTS. Additionally, we are the number two broadband operator nationwide and the number one broadband operator in-footprint with a market share of approximately 44% as of March 31, 2014 according to Mediavision. Our market-leading presence within our footprint provides us with a significant competitive advantage, for example, in the implementation of our upsell and cross-sell strategies. Moreover, the combination of our leading market positions with our recently launched TiVo digital television service and ability to provide up to 500 Mbit/s broadband speed to 92% of the homes connected to our HFC cable network, positions us to exploit growth opportunities in these markets such as increasing demand for next generation digital television services and continuous migration of subscribers to higher broadband speeds, both of which would increase revenue.

Competitive advantage in bundled services.

As the only provider in our footprint able to offer both next generation digital television services and high-speed broadband services, we believe we are ideally positioned to offer highly competitive bundled services that offer more digital television content, advanced functionality and higher speeds than our competitors and are competitively priced. We are the fastest broadband service provider on at least 80% of our network, which fully supports our bundling strategy, and are currently able to offer more capacity for simultaneous distribution of digital services than fiber LANs (up to 500 Mbit/s across 92% of our HFC cable network compared to 1 Gbit/s on 1 Gbit/s enabled FTTx/LANs and up to 100 Mbit/s on 100 Mbit/s enabled FTTx/LANs). This allows our subscribers to simultaneously view analog or digital television programming on multiple televisions, order VoD services, place telephone calls and use high-speed broadband services.

Enhanced capabilities to exploit the largely untapped, significant growth opportunity in B2B.

The Swedish B2B market represents an untapped opportunity for us, given that the SoHo and SME segments have been a significant growth driver for cable companies in the U.S. and Europe. In addition to the revenue potential it represents, the unit economics are also attractive given the limited cost and capital expenditure required to connect and serve B2B subscribers. Moreover, B2B subscribers primarily use capacity during daytime hours when residential subscriber capacity is lower, making the combination of B2B and residential services highly complementary in terms of optimizing network capacity usage. Recognizing the significant opportunity, we organically launched our SoHo offering in December 2012 and further accelerated our expansion into the B2B market with the acquisition of Phonera Företag, a Swedish full service provider of communications services to the SoHo and SME segments, on March 31, 2014. With an experienced and dedicated B2B sales force that is four times larger than our sales force, a subscriber base of 53,000 unique B2B subscribers and a complementary portfolio, we believe we are uniquely positioned to successfully capture a meaningful share of the B2B market, as we can serve 178,000 businesses in Sweden through our HFC cable network and open LANs.

Our Strategy

The key components of our growth strategy are as follows:

Leverage our superior high-speed broadband offering.

As of March 31, 2014, our high-speed broadband penetration rate was 31.2% of homes connected, considerably below the penetration rates achieved by many of our European cable peers. We intend to capitalize upon our superior high-speed broadband capabilities to increase our penetration rate and revenue by targeting, in particular, broadband customers of xDSL providers, who on average deliver broadband download speeds of approximately 11 Mbit/s to their customers according to PTS. In addition, we intend to migrate our existing high-speed broadband subscribers to higher speeds, which will continue to support our broadband ARPU growth and/or reduce residential churn. As of March 31, 2014, approximately 43% of our high-speed broadband subscribers subscribed to broadband packages with speeds of 10 Mbit/s or lower, which we believe represents a substantial opportunity to migrate our existing high-speed broadband subscribers to higher speeds. Furthermore, we expect demand for our high-speed broadband services to increase as consumption of services requiring high bandwidth, such as OTT and video streaming, increase.

Migrate our basic television subscribers into digital television.

As of March 31, 2014, our digital television penetration rate was 32.5% of homes connected to our HFC cable network, which was considerably below the penetration rates achieved by many of our European cable peers. We intend to migrate our basic television subscribers to digital television, which will increase our digital television penetration rates and revenue, by leveraging our recently launched TiVo service and our enriched content offering, which is one of the richest in Sweden both in terms of linear channels and across non-linear and premium content. Tenants within connected households have generally high awareness of Com Hem as a basic television service operator which provides us with a strong base to directly upsell digital television, high-speed broadband and fixed-telephony services (while retaining the revenue generated from the delivery of the underlying basic television service to the landlords). As a result of this upselling strategy, we expect many of our existing digital subscribers to migrate to TiVo, delivering higher digital television ARPUs and lower residential churn.

Migrate existing subscribers and attract new subscribers into bundled services.

With only 27.8% of our subscribers subscribed to triple-play bundles as of March 31, 2014, one of the lowest levels among European cable peers which have on average 52% of their subscribers purchasing triple-play bundles, we believe that there is significant opportunity to increase the penetration of triple-play bundles. See "*Industry Overview—Bundling Dynamics in Sweden.*" We aim to achieve an increase in triple-play penetration by shifting focus in marketing and subscriber interactions from single services to bundled services and leveraging our next generation digital television and high-speed broadband services to promote bundled services. By driving more of our subscribers to bundled services, we believe that we will be able to increase blended residential ARPU, drive residential subscriber and RGU intake, increase consumer revenue and reduce residential churn.

Realize untapped fixed- telephony upside through bundling and competitively priced offerings.

As of March 31, 2014, over 800,000 homes in our footprint subscribed to our competitors' fixed-telephony services, while at the same time only 327,000 homes subscribed to our fixed-telephony service. A significant share of Swedish homes (approximately 52% as of June 2013 according to the PTS) is still connected to legacy PSTN/WLR contracts. With our attractively priced IP fixed-telephony offering, we believe that we will be able to attract new fixed-telephony subscribers, especially those that subscribe to both our competitors' telephony services and our high-speed broadband and/or digital television services by offering superior value fixed-telephony service as part of our competitive bundled offerings. Our current fixed-telephony offering is well positioned with attractive pricing in comparison to our peers, whose legacy pricing levels are particularly high in comparison to ours, limiting their ability to compete with us. In addition, we launched our TiVo Com Bo Max offer, which is aimed at increasing triple-play subscriptions, and has already begun to mitigate the decline in telephony RGUs.

Monetize the largely untapped significant growth opportunity in B2B.

The B2B market has been a considerable growth driver for other cable operators in Europe and contributes on average approximately 10% of European cable peers revenue. We believe that the SoHo and SME segments of the Swedish B2B market represent an attractive target market as they are underserved. According to the PTS, a substantial portion (approximately 48% in 2012) of B2B revenue from fixed internet access services in the market continues to be generated by legacy xDSL technologies, creating a clear market opportunity for our high-speed broadband services. In 2013, the market for fixed telecommunications services for the SoHo and SME segments in Sweden was approximately SEK 6.2 billion according to IDC. Combining the strength of our network and the added capabilities from the Phonera Företag acquisition, which include a complementary product portfolio, an experienced and dedicated B2B sales force that is four times larger than our sales force and a subscriber base of 53,000 unique B2B subscribers, we believe we are ideally positioned to capitalize on the substantial market and revenue growth opportunity. There is also a cross-sell opportunity as 13% of Phonera Företag's subscribers located within our footprint currently only have PSTN or VoIP solutions and we can offer them HFC cable broadband bundles with VoIP, thereby increasing our RGUs, revenue and margins. In addition, we can realize cost synergies by moving Phonera Företag's subscribers onto our network.

Translate revenue growth into equity free cash flow growth.

We believe that we will be able to achieve mid-single digit revenue growth year-on-year in the medium term, which we believe will translate into attractive equity free cash flow growth. First, we expect Underlying EBITDA growth to follow revenue growth over time and any business mix driven reductions in our Underlying EBITDA margin to be offset by the anticipated return of our revenue to capital expenditures ratio to industry averages. In particular, we expect our TiVo related investments, which represented approximately one-third of our capital expenditures in 2013, to decrease over time as our major TiVo platform investments are now completed. Second, we operate with negative net working capital as a large part of our net working capital is prepaid revenue for services to be provided. We expect our negative net working capital to remain negative going forward. Third, we do not expect to pay Swedish corporate income tax in the near term given our net operating losses balance of SEK 2.1 billion as of December 31, 2013. Fourth, after the application of the net proceeds of the Offering and associated refinancing transactions,and including drawdowns under our Capex Facility of SEK 300 million as of the date hereof, we expect our interest expenses to decline as net debt and average cost of debt, which were SEK 13,865 million and 8.4%, respectively, as of and for the three months ended March 31, 2014, decline to SEK 9,095 million and 6.7%, respectively. Furthermore, we intend to continue to reduce our interest expenses by optimizing our capital structure and cost of debt, mainly through refinancing transactions at times when economically most convenient and subject to credit market conditions.

Capture strategic option value in mobile services.

Mobile services represent a potential significant future upside for us that can be realized either organically through establishing an MVNO/MVNE agreement with a mobile network operator and launching mobile services as many other European cable peers have successfully done or through a potential fixed-to-mobile convergence combination transaction.

Our 2014 Revenue Expectations and Medium Term Financial Targets

We expect the year-on-year revenue growth rate for the financial year 2014 to be in the mid-single digits including the effect of the consolidation of Phonera Företag from March 31, 2013, which generated revenue of SEK 258 million and Underlying EBITDA of SEK 60 million in the twelve months ended December 31, 2013. During the remainder of the first half of 2014, we will continue to roll out our TiVo service and implement enhanced customer service initiatives. In the second half of 2014, we expect to continue to benefit from the progress of our marketing initiatives, particularly with respect to our triple-play bundles, high-speed broadband services and our next generation digital television service, TiVo.

We have a medium term target of growing the revenue of our overall business in the mid-single digits year-on-year. We aim to generate revenue growth in our consumer and B2B operations. In addition, we aim to generate RGU growth by migrating basic television subscribers to digital television and leveraging our network and broadband speed advantage in the Swedish market to increase our number of broadband customers, in particular as the penetration of double-play and triple-play bundles increases. As a result of our enhanced customer service initiatives and improved services, such as TiVo and high-speed broadband, we believe that customer churn will decrease. We intend to grow blended residential ARPU by increasing the proportion of our digital television subscribers taking TiVo, managing the speed mix of our high-speed broadband subscribers, migrating customers to higher speed offerings, and increasing bundling penetration. In the B2B segment, we intend to expand our customer base by combining the strength of Phonera Företag's sales force with our network, and benefiting from the combination of Phonera Företag's strong telephony product portfolio with our strong broadband product portfolio. We also expect the B2B customer mix to shift towards higher ARPU SME customers.

Over the medium term our underlying EBITDA margin is expected to slightly soften as a consequence of a shift in our business mix, primarily resulting from the relative contribution of digital television and B2B revenue increasing with lower gross margins than our remaining business lines. Over the medium term, we expect capital expenditures as a percentage of revenue to decline to a level that is more in line with the industry average.

In the medium term, we aim to operate within a target leverage of 3.5x to 4.0x LTM Underlying EBITDA retaining flexibility to distribute excess cash to shareholders in the form of dividends or other means of cash capital distributions to our shareholders.

In preparing our 2014 revenue guidance and medium term financial targets, we have in general assumed that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, accounting), which, individually or in the aggregate, are material to our results of operations; and that we will not become party to any litigation or administrative proceeding that may have a material impact on us of which we are currently unaware. The assumptions, on which we have based the 2014 revenue guidance and medium term financial targets, include the following:

- our continued ability to gain market share;
- the growth of our operations, in particular our B2B business, and our ability to renew contracts necessary to operate our network;
- the migration of basic television subscribers to digital television packages and the migration of broadband subscribers to higher speed offerings at a higher ARPU;
- the continued uptake of TiVo driving ARPU and lowering churn for both existing and new digital television subscribers;
- the migration of existing subscribers and new subscribers into bundled services;
- our continued ability to negotiate content rights at attractive terms;
- our continued ability to procure CPEs such as modems and TiVo STBs at attractive terms;
- the continued Swedish general market trend of declining fixed-telephony call volumes; and
- our ability to translate our revenue growth into operating free cash flow growth.

The assumptions that may also be affected by external factors beyond our management's influence include the following:

- our continuation as the only provider to offer next generation digital television services together with high-speed broadband services to 92% of the homes connected to our HFC cable network;
- continued competition from LAN and xDSL providers who offer their services through fiber LANs and copper-networks;
- continued demand for cable services, in particular digital television and high-speed broadband services;
- continued shift in subscriber preferences from fixed-telephony to mobile telephony;
- absence of disruptive technology changes that may impact our network superiority; and
- regulatory changes, including regulations granting third parties access to Com Hem's network.

Certain statements in the sections "*Summary Overview—Our Strategy—Translate revenue growth into equity free cash flow growth*" and "*—Our Strategy—Translate revenue growth into equity free cash flow growth,*" including in particular the financial targets described immediately above, constitute forward looking statements. These forward looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward looking statements as a result of many factors, including but not limited to those described under "*Forward Looking Statements*" and "*Risk Factors*." Investors are urged not to place undue reliance on any of the statements set forth above.

Our History

Com Hem was founded in 1983 by Televerket, the former Swedish state telephone monopoly and predecessor of Telia, to meet rising consumer demand for television services in Sweden. In 1985, legislation was passed in Sweden that permitted the distribution of satellite transmission via cable, leading to a rapid expansion of the cable television market. The television division was established as a separate wholly-owned subsidiary of Telia in 1993 called Svenska Kabel-TV AB, which in turn was renamed Com Hem in 1999. Com Hem was acquired by the Swedish private equity firm EQT in June 2003 and then subsequently acquired by The Carlyle Group and Providence Equity Partners in January 2006. Later that same year The Carlyle Group and Providence Equity Partners acquired UPC Sweden and integrated the two companies under the Com Hem brand. On September 29, 2011, funds advised by BC Partners Limited and certain members of our existing and former management acquired Com Hem from The Carlyle Group and Providence Equity Partners.

We launched digital television in 1997 and high-speed broadband services in 1999. In 2004, we launched our cable based fixed-telephony services, and in 2005, we introduced "Com Bo," a single brand for our bundled services, including our triple-play bundles, combining digital television services with high-speed broadband and fixed-telephony services. We introduced VoD services and we began offering 100 Mbit/s broadband services in 2009, 200 Mbit/s broadband services in 2011, 500 Mbit/s broadband services in 2013 to HFC cable households and, selectively, 1 Gbit/s broadband services in 2014 to LAN households. In 2009, we started offering our digital services in areas outside our network via our own communications operator, iTUX. In December 2012, we started offering services through third-party communications operators over open LANs. In 2013, we commercially launched our offering of high-speed broadband and fixed-telephony services to B2B SoHo customers within our footprint, which has been accelerated and expanded by the recent acquisition of B2B operator Phonera Företag. In October 2013, we commercially launched our next generation digital television TiVo service together with our leading content line-up, including content from the two of the largest OTT providers in Sweden, Netflix (on an exclusive operator basis until December 31, 2014) and Viaplay.

Services

We focus on providing our services to SMEs and SoHos and residential subscribers, the vast majority of which live in MDUs. We typically enter into contracts with landlords of MDUs to provide all their tenants with basic television services. As of March 31, 2014, we had contracts with approximately 23,000 landlords and approximately 40,000 SDU households to provide our basic television service (7 or 17 channels) and must carry digital service (7 channels) to homes connected to our HFC cable network. Once we have established a distribution and service relationship with a landlord through the delivery of basic television service to its tenants, individual subscribers (or tenants within the MDUs) have the ability to subscribe to our full range of digital services, including digital television services, high-speed broadband services and fixed-telephony services. A key focus area of our strategy is to increase our blended residential ARPU and consumer revenue by converting existing basic television households into subscribers of our digital services, either together in bundled services or on a stand-alone basis.

As of March 31, 2014, 838,000, or 45.8%, of our connected homes subscribed for one or more of these services. A core element of our strategy is providing our services combined in bundles, which offers our subscribers the convenience of receiving digital television, high-speed broadband and/or fixed-telephony services from a single provider at an attractive price. As of March 31, 2014, 21.0% of our subscribers subscribed to our double-play packages and 27.8% of our subscribers subscribed to our triple-play packages. Our double-play and triple-play penetration rates are below those of many of our European peers, which we believe indicates that we have a substantial opportunity to increase the number of bundled services to which our customers subscribe.

We also offer high-speed broadband and fixed-telephony services to B2B SoHo and SME customers within our footprint. As a result of our acquisition of Phonera Företag on March 31, 2014, we have been able to significantly accelerate and expand the broadband and telephony product portfolio that we offer to B2B SoHo and SME customers and have also included mobile services and IP services such as IP-Centrex, switchboard and conference call hosting, in our service offering to those customers. For more information on our B2B offering, see "—*B2B Services*."

In addition to providing our digital and basic services to subscribers and landlords across our network, we provide our full range of digital services to subscribers via LANs, including since 2009, over open LANs through our own communications operator, iTUX. As a communications operator, iTUX operates open

LANs built by landlords, allowing tenants to choose the service provider, which is also Com Hem in many cases. For more information on our LAN-based operations and the development of LAN infrastructure in Sweden, see "—*Communications Operator Services*" and "*Industry Overview—Network Dynamics in Sweden*," respectively.

Digital Services for Residential Subscribers

In the year ended December 31, 2013 and the three months ended March 31, 2014, digital services (consisting of digital television, high-speed broadband and telephony services) for residential subscribers accounted for 77.0% and 77.0%, respectively, of our total revenue. We offer residential subscribers access to the following digital services.

Digital Television Services

As of March 31, 2014, we had approximately 595,000 digital television RGUs, meaning that approximately 32.5% of the homes that are connected to our network as of such date subscribed to our digital television services. We typically enter into standard form contracts directly with residential subscribers, which allows us to deliver targeted marketing materials to upsell subscribers to higher digital television, high-speed broadband and fixed-telephony services. The CPE required for the digital television services can generally be self-installed by the customer. Our digital television services accounted for 37.8% and 38.4% of our total revenue in the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. In the year ended December 31, 2013 and the three months ended March 31, 2014, our digital television services generated an ARPU of SEK 233 and SEK 243, respectively.

We offer residential subscribers the ability to subscribe for one of four tiers of basic digital television packages. Legacy residential subscribers that subscribed to our digital television services prior to our TiVo service have access to similarly structured digital television tiers as our TiVo subscribers, however the channel line-up and number of channels are not the same and they do not have the benefit of TiVo functionality. Most of our digital television packages come with a TiVo STB and therefore new and existing residential subscribers that upgrade to our digital television packages, are generally provided with a TiVo STB, enabling them to easily upgrade between tiers and add additional features and content to their digital television subscriptions. In connection with our TiVo service, we enter into contracts with existing residential subscribers, as well as new subscribers who migrate from other networks, which have positively impacted our churn rates. As at March 31, 2014, the average contract lengths for TiVo subscribers was 19 months.

Residential subscribers are required to have a subscription for service linked to a STB, CA-module, personal computer, tablet or smart phone. TiVo subscribers pay an activation fee at the start of their subscription, which varies according to the particular subscription and duration of the subscription. The following table sets forth certain information with respect to our four tiers of digital television service.

Tier	No. of Total Channels(2)	No. of HD Channels	TVE Channels	No. of Play services	Additional Services
TiVo Bas (small)(3)	19	2	—	12	• 18 Catch Up/ Start Over channels • VoD services
TiVo Mellan (medium)(3)	29	2	23	15	• 25 Catch Up/Start Over channels • VoD services
TiVo Plus (large)(3)	54	8	41	17	• 41 Catch Up/ Start Over channels • VoD services
TiVo Max (extra-large)(3)	84	20	66	17	• 62 Catch Up/ Start Over channels • VoD services

(1) Our TiVo Bas digital television tiers includes two HD channels free of charge, which differentiates us from many of our peers.

(2) The total number of channels offered is subject to change as our channel line-up is continually changing.

(3) Each of our TiVo Mellan, TiVo Plus and TiVo Max digital television tiers include TVE and HD service free of charge, which differentiates us from our peers.

In addition, residential subscribers who subscribe to TiVo Max, TiVo Plus or TiVo Mellan can also subscribe for our premium channel packages as a bolt on to their service. Our premium channel packages provide subscribers with access to a large number of additional channels across a range of genres, primarily sports, movies and TV series, through add-on subscription packages from two leading Swedish premium content providers, Viasat and C More. To provide extra value, Viasat and C More Play content are included in the premium channel tiers free of charge and can be accessed by subscribers on their on demand or TiVo STB and via their TVE device.

Monthly subscription fees for our digital television services are billed in advance on a monthly basis. From time to time we offer digital television packages at an introductory discount rate to attract new residential subscribers. We regularly review our pricing policy in order to offer a competitive pricing scheme, taking into consideration our available channels and content as well as services offered by our competitors.

We believe we have developed strong and long-term relationships with broadcasters and content aggregators in connection with our digital television services, VoD services, and integrated OTT services, which has enabled us to provide the broadest content offering in the Swedish market. In addition, in connection with the launch of our TiVo service, we renegotiated all of our content agreements and significantly increased our content rights on equal or more favorable terms. In particular, our content agreements generally do not include consumer price index based (or other) price adjustments but include attractive subscriber volume-based payment reduction ratchets, pursuant to which our content costs per subscriber generally decrease as the number of subscribers increase. Furthermore, the content costs related to premium channel packages are based on a revenue sharing model, which to a large extent, insulates us from the risk of inflation on our content costs.

TVE Services

We have the most comprehensive TVE offering in the Swedish market with 23 of our 29 TiVo Mellan (medium) channels and 66 of our 84 TiVo Max (extra-large) channels available to subscribers inside and outside of their homes on their personal computers, tablets and smart phones (both Android and iOS platforms), marketed under the TiVo-To-Go Brand. In addition to linear TV streaming, our TiVo-To-Go service also provides access to a range of all our currently offered VoD services, including "Start Over" and "Catch-Up TV" functionality and OTT services, as well as functions such as STB remote record, command and control. TVE services are offered free of charge in connection with our TiVo Mellan (medium), TiVo Plus (large) and TiVo Max (extra-large) digital television tiers, which differentiates us from our competitors in the Swedish market.

VoD Services

We have a comprehensive VoD service offering of approximately 6,000 TVoD and 5,000 free VoD titles, including HD titles.

We provide residential subscribers with the ability to select from among the following VoD services:

- *Start Over:* Ability to re-start a program within its broadcast window. We have rights to offer "Start Over" services on 83 channels.
- *Catch-Up TV:* Ability to watch programs up to seven days after their original broadcast with commercials included. We have rights to offer the seven-day Catch-Up service on 83 channels.
- *Play Services:* Ability to watch programs up to 30 days after their original broadcast without commercials. We have rights to offer the extended play service on 62 channels.
- *SVoD:* Subscription VoD services with unlimited viewing of pre-defined programming, which are updated on a monthly basis. SVoD services are currently available for multiple titles, including content from two of the largest OTT providers in Sweden, Netflix (on an exclusive operator basis until December 31, 2014) and Viaplay, and from leading SVoD providers like Disney, ABCTV and Cirkus.
- *TVoD:* Transaction VoD offers titles that are available to rent on an individual basis.

To obtain access to VoD services, residential subscribers require a STB, such as our TiVo STB, capable of receiving VoD services. Our hybrid STB works on both HFC cable and IPTV networks. Our "Start Over" and seven-day "Catch-Up TV" services, are offered free of charge on a channel-by-channel basis un accordance with the channels in the subscribers' digital television subscription package. For example, if a residential subscriber subscribes to the large tier, the subscriber will receive the "Play services" for certain channels in that tier. To obtain access to the "Play services" for the channels in the TiVo Max tier, subscribers must upgrade to the TiVo Max tier, which includes the 30-day Catch-up TV feature free of charge. The SVoD and TVoD services are available for an additional fee.

Pay-Per-View Services

We offer our digital service subscribers a variety of events that they may purchase to view live. These events primarily include sporting events.

OTT Services

With a TiVo subscription, subscribers have the ability to search and view integrated OTT content across different platforms, including STBs, personal computers, tablets and smart phones (both Android and iOS platforms). Com Hem is currently the only provider in Sweden that has integrated two of the largest OTT providers in Sweden, Netflix (on an exclusive operator basis until December 31, 2014) and Viaplay.

High-Speed Broadband Services

We offer our high-speed broadband services on a stand-alone basis and bundled with our other digital services. We offer high-speed broadband services on a monthly subscription basis to homes that are connected to our upgraded network, which, as of March 31, 2014, amounted to 1.6 million homes. As of March 31, 2014, we had approximately 570,000 high-speed broadband RGUs.

As part of our standard high-speed broadband services portfolio, we currently provide fixed high-speed broadband packages with maximum download speeds of 10 Mbit/s, 50 Mbit/s, 100 Mbit/s, 250 Mbit/s, 500 Mbit/s to households connected to the HFC cable network and selectively, 1 Gbit/s to households connected to LANs, and maximum upload speeds of 10 Mbit/s and 50 Mbit/s and 100 Mbit/s on fiber LAN, without any time or data volume restrictions. As of March 31, 2014, 500 Mbit/s service was available to approximately 92% of all homes connected to our HFC cable network and 36.9% of our high-speed broadband subscribers subscribed to our broadband services with speeds between 100 Mbit/s and 500 Mbit/s.

Over the past three years, we have successfully migrated customers from lower to higher speeds, generating more ARPU while having low impact on churn. We intend to continue migrating customers to higher speeds. With 43.3% of our subscribers subscribing to services of 10 Mbit/s as of December 31, 2013, we believe that we have the opportunity to migrate customers to higher speeds and achieve higher ARPUs.

To access our high-speed broadband services, subscribers connecting through our HFC cable network require a cable modem, however subscribers connecting through LANs do not require a modem. Subscription fees are billed in advance on a monthly basis. In the year ended December 31, 2013 and the three months ended March 31, 2014, our high-speed broadband services generated an ARPU of SEK 203 and SEK 204, respectively.

Our high-speed broadband services generated 29.7% and 30.6% of our total revenue in the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Fixed-Telephony Services

We charge our fixed-telephony subscribers a fixed monthly subscription fee and additional fees for traffic consumption. Our basic fixed-telephony service subscribers can choose from several usage packages, which enable subscribers to control or reduce traffic charges, including a 0 SEK/min tariff with a call setup fee for calls to landlines in Sweden, a discount service for foreign calls and a discount service for mobile calls. We offer these services for an additional monthly fee. As of March 31, 2014, we had approximately 327,000 fixed-telephony RGUs. In the year ended December 31, 2013 and the three months ended March 31, 2014, our fixed-telephony services generated an ARPU of SEK 104 and SEK 93, respectively.

Our fixed-telephony services use VoIP as a method of transporting voice over our cable network and LANs and we believe that our service effectively replicates the user experience of circuit-switch fixed-telephony. Analog voice information is digitally encoded and converted into packets, and then sent to their destinations via our fixed-telephony switches. We pay interconnection fees to other fixed-telephony providers when our subscribers connect with another network and we receive similar fees from providers when their users connect with our network through interconnection points.

We introduced new smartphone applications in connection with our fixed-telephony services in January 2013, enabling subscribers to use our fixed-telephony services through their smartphones and to place

VoIP calls via a WiFi-connection. This enables us to redirect mobile traffic from third-party mobile operators to our fixed-telephony service. Subscribers that download the application "*Hemtelefon i Mobilen*" can access contact lists on their smartphones when calling from fixed numbers. In addition Com Hem fixed-telephony subscribers can call other Com Hem fixed-telephony subscribers for free, and call fixed, mobile and international numbers at a low cost. While the app presents a more cost efficient proposition to consumers, we believe it has also led to reduced telephony churn.

Subscribers to any of our fixed-telephony packages must have a modem to use our telephony service, and to the extent that they do not have a modem, they can buy a modem from us, which we sell on a subsidized basis. Subscription fees are billed in advance on a monthly basis, whereas usage fees are billed retrospectively.

Our fixed-telephony operations generated 9.4% and 8.1% of our total revenue in the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

Basic Television Service

As of March 31, 2014, we had contracts with approximately 23,000 landlords and approximately 40,000 SDU households to provide our basic television service and must carry digital service to homes connected to our HFC cable network. Our largest basic television service includes up to 17 basic television channels, many of which have high viewership rates in Sweden. Through the basic television service, both the landlords and Com Hem comply with their "must-carry" obligation. Our basic television service works in multiple rooms without a STB and offers customers a simple plug-and-play solution. Our basic cable television service accounted for 17.9% and 17.9% of our total revenue in the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. Further, due to the large number of unique residential subscribers, and the fact that the content costs, if any, are substantially lower for basic television channels compared to digital channels, our basic television service contribute an important and stable stream of revenue, with a high profit margin that translates to high cash flows due to lower associated capital expenditures. The importance of our basic television service is not only reflected in the revenue and profits generated by the service itself, but also in the ability to upsell our range of digital services to the subscribers within our connected MDUs to generate higher ARPU.

We provide basic television service primarily to subscribers who reside in MDUs based on contracts that we have entered into with the landlords of the MDUs. These landlords include municipally-owned public housing companies, private landlords of multi-tenant buildings and tenant-owned cooperative housing (Sw. *Bostadsrättsföreningar*). See "*Industry—Network Dynamics in Sweden*." Subscribers pay for basic television access as part of their rent or as a separate charge paid directly to their respective landlord. We have entered into approximately 23,000 landlord contracts with a diverse customer base, with the top ten landlords based on the number of households connected accounting for 2.6% of landlord revenue as of March 31, 2014. We tailor the service mix and duration of contracts to the needs of individual landlord customers, and as contracts near expiration, enter into proactive discussions with our landlord customers, which can result in us agreeing to new contract terms to maintain the long-term customer relationship. We normally enter into standard 36-month contracts which provide for a 12-month termination period, and the agreements automatically renew for an additional 36 months if they are not terminated within the termination period. While some landlord contracts have contract terms of up to ten years, the average contract duration of our contract portfolio is currently three to four years, with 56% of our homes connected having contract durations of three or more years. Approximately 15% of our homes connected have contract durations of one year or less. Subscription fees under landlord contracts are normally paid quarterly in advance. Our annual landlord churn rate has historically been low and has improved in recent years (2.6% in 2011; 2.1% in 2012; 1.4% in 2013; 0.7% in the three months ended March 31, 2014) and we had a very low default rate of approximately 0.5% for the year ended December 31, 2013.

In addition to contracts with landlords, we provide basic television service to approximately 40,000 SDUs based on individual agreements with the homeowners.

In general, all basic television customers with a digital tuner can also receive seven free-to-cable digital channels (which are the same channels as the analog channels but provided in a digital format), including six free-to-air digital terrestrial television channels. The free-to-cable tier is included as part of the basic television service to a majority of our 1.731 million homes connected to our HFC cable network, provided that they have either the basic service or a digital collective agreement and the requisite digital tuner.

Communications Operator Services

In addition to providing our digital and basic services to subscribers and landlords across our network, we also provide our full range of digital services to subscribers via open LANs based on contracts with communications operators. These communications operators can be either a third party communications operator or our own communications operator business, iTUX.

iTUX, like its competing communications operators, effectively operates the open LANs owned by landlords and is therefore responsible for installing the active network equipment as well as running and maintaining the day-to-day operation of the network infrastructure. iTUX contracts with a number of service providers, including Com Hem, which then market their services to end customers for the delivery of their digital television, broadband and telephony services via that network. iTUX generates revenue from an access fee charged to service providers for getting access to customers through a third party network, and transmission fees from service providers which have active customers on the network. iTUX in turn pays a fee to the network owner as compensation for the previously incurred network construction investments.

Our active presence in the communications operator market has provided us with the opportunity to grow our footprint by approximately 350,000 additional households in open LANs currently outside our footprint.

iTUX, which commenced operations in 2009, operates as a communications operator for approximately 115,000 open LAN households as of March 31, 2014 compared to approximately 110,000 households as of December 31, 2013.

For more details on the communications operator market see "*Industry Overview—Network Dynamics in Sweden—HFC Cable*."

B2B Services

In June 2013, we launched our offering to the B2B segment, initially offering our broadband and fixed-telephony services to prospective SoHo customers within our footprint. On March 31, 2014, we completed the acquisition of Phonera Företag, a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers. At the time of the acquisition, Phonera Företag provided services to approximately 53,000 unique B2B subscribers. By combining Phonera Företag's existing subscribers, its portfolio of complementary services aimed at SoHo and SME customers and its experienced and dedicated B2B sales force with our superior network, network operating experience and economies of scale, we believe that we can accelerate and expand the growth of our B2B offering.

Com Hem B2B Services

We offer our B2B services across our HFC cable network and on LANs. Additionally, our services are offered in third-party xDSL networks and mobile networks as part of Phonera Företag's product suite. We offer monthly subscriptions for broadband services, fixed-telephony services and mobile services; customers can choose to buy these services in a bundle or on a standalone basis.

Our B2B Broadband Services

As part of our standard broadband services portfolio, we currently offer fixed broadband packages with download speeds of 10 Mbit/s, 100 Mbit/s, 250 Mbit/s and 500 Mbit/s for customers on our HFC cable network or on LANs and upload speeds of 10 Mbit/s and 50 Mbit/s and 100 Mbit/s on fiber LANs. For customers subscribing to the B2B service via third-party xDSL networks, we offer packages with maximum download speeds of 2 Mbit/s, 4 Mbit/s, 10 Mbit/s and 40 Mbit/s. All services are offered without any time or data volume restrictions. To access our broadband services, subscribers on our HFC cable network and on third-party xDSL networks need the respective modems. Subscription fees are billed in advance on a monthly or quarterly basis.

Our B2B Fixed-Telephony Services

We offer fixed-telephony service both via VoIP and (as a Phonera Företag service) via PSTN. Besides regular fixed-telephony calling services, we also offer IP-Centrex (also available with mobile extension), switchboard and conference call hosting. VoIP customers via our HFC cable network need a cable modem with an integrated digital converter, whereas VoIP customers via LANs need a digital converter. We pay interconnection fees to other fixed-telephony providers when our subscribers connect with another network and we receive similar fees from providers when their users connect with our network through interconnection points. Subscription fees are billed in advance on a monthly or quarterly basis whereas usage fees for telephony services are billed retrospectively.

Our B2B Mobile Services

As part of Phonera Företag's standard mobile services portfolio, Phonera Företag currently offers five different standard mobile packages: XS, S, M, L and XL. The prices for telephony, text messages and data traffic vary depending on the package, and contain fixed and variable billing components dependent on the package. Phonera Företag acts as a mobile service provider with traffic control on TeliaSonera's mobile network and pay interconnection fees when its subscribers utilize its services through TeliaSonera's network. To be able to use its services, customers need to have a simcard and a mobile phone. Fixed fees are billed in advance on a monthly or quarterly basis whereas variable fees are billed retrospectively.

Product, Marketing and Sales

The mission of our Product, Marketing and Sales teams is to attract, develop and retain profitable end-customer and landlord subscriber relationships. This is done by developing, refining and managing competitive offerings. These divisions work closely together to develop our business based on market and subscriber insights with a goal of ensuring that we are the most relevant and attractive choice in a competitive arena.

Product Division

Our Product Division consists of three units. The broadband and telephony unit is responsible for product development in the areas of high-speed broadband and fixed-telephony services. The television unit has the same responsibilities within television services. In addition, the television unit is responsible for negotiations, reporting and communication with all broadcasters and television channels. We also operate a Cross-Product Propositions team, which is responsible for developing attractive and profitable bundled and single-play propositions for our consumers driving profitability in the consumer business.

The Product Division's main mission is to ensure that our product portfolio is profitable and competitive over time and that it meets certain financial and quality requirements. To be competitive, our Product Division must ensure that our product portfolio meets our current and prospective subscribers' expectations and leads in our competitive environment. This includes the strategic development of elements of our service offerings, including the optimization of, and changes to, our channel packages.

The Product Division is also responsible for product selection for offerings within the advertisement campaign process and ensures that the advertisement campaign offerings match our sales objectives for upcoming campaign periods.

Marketing Division

Our Marketing Division is responsible for our strategic brand positioning in addition to developing and monitoring advertisement campaign management, which includes initiating and creating advertising campaigns in accordance with our advertising campaign process.

We market all of our services under the well-known "Com Hem" brand. According to TNS Sifo, in January 2014, we had consideration from Com Hem customers as a provider of digital television and high-speed broadband of 64% and 48%, respectively (based on 265 customers, 3 months moving average). Moreover, according to Evidence Strategy, Com Hem reached 23% brand preference for television and 10% brand preference for broadband in 2014.

In the last quarter of 2013, we launched a significant marketing campaign to support our launch of TiVo, and have continued to make updates as we move to the more prospect-focused phase of the marketing campaign. Our current broadband marketing concept, "Judit and Judit," was launched in the spring of 2009 and we believe it has been well received and contributed to the overall improvement of our brand positioning.

Our Marketing Division includes our web development team, which is responsible for creating and capitalizing on the best opportunities for web sales, while ensuring that our website is an attractive marketplace for our subscribers and prospective clients by providing a user-friendly self-service online experience.

Our Marketing Division is also responsible for overseeing relationships with third-party service providers and agencies, including web development, advertising and media agencies. Our media strategy primarily focuses on television and online advertising in combination with direct marketing, and participation in social media sites such as Twitter and Facebook.

Sales Division

The main focus of our Sales Division is to ensure that we meet our sales volume goals by optimizing the available sales channels and monitoring subscriber acquisition costs in an effective way. The Sales Division also collaborates with the Product Management Division with respect to the strategic development of elements of our service offerings, including the optimization of, and changes to, our channel packages.

Our Sales Division is responsible for business-to-consumer sales and the commercial relationship with landlord customers.

Residential Sales

Our Residential Sales Department is responsible for managing and developing our business-to-consumer sales volume goals and optimizing and monitoring our subscriber acquisition costs. We market our services to residential subscribers via the following sales channels:

- *Customer service sales channel:* Customer service is our largest distribution channel, contributing 72% of total sales in the year ended December 31, 2013. We have a dedicated sales team and an upselling strategy in all inbound call centers.
- *Telemarketing sales channel:* Our telemarketing sales channel accounted for 8% of total sales in the year ended December 31, 2013. Our telemarketing sales are based on a fully outsourced call center strategy and are financed on a commission basis. Competition between five telemarketing partners assists in keeping commission rates low.
- *Retail sales channel:* Our retail sales channel accounted for 8% of total sales in the year ended December 31, 2013. We have agreements with retail partners operating 393 retail locations and have five store-in-store concessions. We offer commissions to promote our service offerings. The retail channel is a particularly important sales channel to drive digital television sales.
- *Internet sales channel:* Our internet sales channel accounted for 6% of total sales in the year ended December 31, 2013. We had 560,000 unique visits per month on our website. We are investing in improving the capabilities and ease of use of our website with the goal of increasing online sales through several initiatives, including the introduction of web exclusive offers, the purchase of bundles online and a redesign of our online TiVo demonstration. The internet sales channel represents a cost-efficient consumer marketing tool.
- *Direct sales channel:* Our direct sales channel accounted for 5% of total sales in the year ended December 31, 2013. Competition between four partners with "random sales agents" working across Sweden keeps commissions low.

Landlord Sales

Our Landlord Sales Department is responsible for commercial relationships with our landlord customers and consists of three major functions: Sales, Landlord Support and Business Support. Our Landlord Division is located in Stockholm and we run regional sales representation offices in Gothenburg and Malmö.

The Sales function is divided into Key Account Management, Account Management and New Business. Sales Key Account Management is responsible for relationships and business development with our 100 largest customers. Sales Account Management has a regional responsibility for relationships and business management with landlords of MDUs with over 50 households. Sales New Business is responsible for new sales to landlords that are not currently connected to our network and construction companies that are building new housing developments. The Landlord Support group is responsible for the administration of landlord contracts and supporting our sales force with daily administrative tasks. In addition, the

Landlord Support group has a support center that is responsible for landlords of MDUs with less than 50 households.

B2B Product Management, Marketing and Sales

The mission of our B2B Product Management, Marketing and Sales Department is to attract, develop and retain profitable B2B subscriber relationships. This is primarily achieved by developing, refining and managing competitive offerings. The divisions within our B2B Product Management, Marketing and Sales Department work closely together to develop our business based on market and subscriber insight with a goal of ensuring that we are the most relevant and attractive choice in a competitive arena.

Billing and Collections

Our billing and collection operation includes billing, account receivables and collection. We employ a dedicated team of professionals to manage our billing and collection process.

Our landlord customers are typically billed quarterly in advance, however we do offer monthly and annual billing cycles to our landlord customers. Service and distribution fees to landlords are billed in advance.

Our direct subscribers are billed in advance on a monthly basis. Usage fees such as telephony traffic, pay-per-view and VoD are billed in arrears. Our encryption fees are billed one month in advance and are included in the total billed amount rather than as a separate invoice. Our direct subscribers can elect to receive either electronic or paper invoices. In the year ended December 31, 2013, approximately 43.9% of our direct subscribers paid via direct debit from their bank accounts, compared to 44.5% in the year ended December 31, 2012. Direct subscribers that do not pay us via direct debit pay us pursuant to bank transfers. In 2013, over 88% of our direct subscriber bills were settled the same month they were incurred. Non-paying subscribers are handled with a series of escalating measures to ensure collection while ideally keeping subscribers as paying subscribers. Such measures include reminder and collection letters, telephone calls and the barring of service. Collection agencies also place telephone calls and send SMS messages to certain subscribers with outstanding accounts. We generally hand over outstanding accounts to collection agencies before terminating service and in an average month in 2013 we terminated approximately 5,606 customer accounts. Collection rates by collection agencies averaged approximately 83% in the year ended December 31, 2013.

Operations

Operations is our delivery, production, support and sales organization. The main mission of Operations is to secure our network coverage area, services, provide quick responses with accurate information to our customers and correct errors that occur as soon as possible. It should be easy for our customers to get in touch with us and there should also be high availability of our services. Our Operations organization participates in a variety of ongoing projects to develop our production systems and networks and is responsible for:

- delivering signal to new networks and landlords to secure our network coverage area;
- continuously producing and maintaining the services we provide to our end customers;
- solving customer incidents and problems as quickly as possible, in the first customer contact/phone call if possible
- making sure the customer has updated information about his/her "trouble ticket" until it is solved; and
- leveraging the fact that every customer contact is a sales opportunity.

The organization is divided into the following units: Delivery, Service Production, Network Production, Customer Service and Support, Operations Center, Field Engineering and Operational Development.

Delivery

The mission of our Delivery Unit is to deliver what is sold by the sales organization and ensure it is delivered on time, within budget and to the expected level of quality. Delivery is responsible for both network and service delivery regardless of infrastructure.

Service Production

Our Service Production Unit produces all of our end-customer services and is focused on delivering a positive customer experience. Service Production is responsible for the daily service production and the management of our television, high-speed broadband and telephony backend systems. Although other units provide and operate the backbone and access networks, business support systems and CPEs, which are crucial for our services, the Service Production department is ultimately responsible for these services, as each affects our customers' experience.

Network Production

Our Network Production Unit is responsible for the production of our infrastructure, independent of the service delivered to the end-customer. The unit therefore is responsible for the backbone network, the HFC and LAN/FTTx access networks and back-end server hardware and operating systems, etc. The unit acts like an internal sub-contractor to the Service Production unit.

Most of the professionals are specialists on third-line support level. We have specialists that are on call on a 24x7 basis. When needed, during critical incidents, they work 24x7 in shifts until the incident is closed or a solution is implemented.

The production and management of our platforms consumes approximately 30% of the workload of employees of the unit and includes troubleshooting and fault resolution within the incident process as well as escalation of incidents to platform suppliers and external network providers, as necessary. The remainder of the workload of employees of the unit consists primarily of the implementation of planned changes in infrastructure and participation in the development of new services. Planned work is typically done during scheduled service maintenance windows.

Customer Service and Support

Our Customer Service and Support Unit operates two call centers in Härnösand and in Örnsköldsvik. In 2013, our Customer Service staff handled approximately 2.9 million calls/errands and was our leading sales channel, representing approximately 72% of subscriptions sold in 2013. Our Customer Service staff is available 365 days a year, from 8:00-21:00 on week days and from 9:00-18:00 on weekends and national holidays. In May 2014, we opened a third call center in Sundsvall to handle TiVo support and sales.

We constantly measure the performance of our Customer Service and Support Unit based on various key performance indicators. In customer surveys conducted by the Swedish Quality Index (Sw. *Svenskt Kvalitetsindex*) from 2011 to 2013, Com Hem, like many of its competitors, was associated with providing low customer satisfaction. Our management team is focused on improving our customer satisfaction rates and has been implementing a series of measures to address customer satisfaction. As a result of these measures, we fully in-sourced our Customer Service and Support function, eliminating calls to overflow partners. In 2010, 48% of calls were addressed by overflow partners. We believe that addressing all calls internally helps improve response quality and improves customer satisfaction, which we believe will ultimately drive sales. Additionally, we have managed to improve the percentage of customer complaints that were resolved on the first call, with the number of complaints being resolved on the first call increasing to 70%, based on research that we commission on an ongoing basis. We continue to work to implement consistent procedures throughout the value chain that are designed to improve the customer service experience. While customer service and satisfaction is a top priority for us, we also strive to manage the cost of our operations based on a system of key performance indicators, such as number of contacts per RGU, contact handling time and cost per minute. Our Customer and Field Service has improved, which has resulted in lower call volumes and reduced costs, in particular with regard to the sale and support of more complex digital services.

Operations Center

Our Operations Center is a support organization divided into three functions:

- Network Operation Center ("**NOC**"), which monitors the operating status of our network and works in close cooperation with other departments. Major problems and incidents related to our network are managed and coordinated by the NOC;
- Service Operation Center ("**SOC**"), which consists of senior staff members who work proactively to make the mission of the NOC easier; and

- Planned Works, which coordinates and plans all scheduled network activities/maintenance to minimize risk and service impact for subscribers.

Field Engineering

Our Field Engineering Unit performs work on the network on behalf of other Operations units, such as the Operations Center, Customer Service, Network Production or Delivery. Assignments are delivered to Field Service according to established processes and via modern work force management systems. The goal is to complete assignments within given time limits and within existing budgets.

Operational Development

Our Operational Development Unit is responsible for central support functions such as central operating support system ("**OSS**") platforms, business architecture, developing processes and key performance indicators, developing interactive voice response tools and production planning.

Technology

Our Technology Division is responsible for the overall architecture, end-to-end integration and development of the network and our services. The Technology division supports our overall technology strategy and our ability to introduce new technologies.

Service Development Department

Our Service Development Department is responsible for our service systems and the overall architecture of the systems as well as the design and development of new or upgraded services. The technical specialists in the department work in numerous fields, such as digital video broadcast ("**DVB**"), digital television, conditional access systems, interactive and OTT TV-services, IP telephony, Middleware and CPEs.

Network Development Department

The Network Development Department is responsible for development of the network and network architecture, major upgrades of deployed solutions and third-line technical support. The technical specialists in the department work in numerous fields such as access networks (FTTH, HFC and LAN), WDM-technologies, IPv4 and IPv6, Core/Backbone, Peering/Cache, CMTS and CPEs for broadband.

OSS Development Department

The OSS Development Department is responsible for our operational support systems, the overall architecture and vision of the systems as well as the design and development of new OSS functionality. The system designers in the department work on system integration, network rollout automation, service activation and other operations-related matters.

Support Functions

Our support functions are mainly located at the head office in Stockholm and consist of the following departments:

- *IS/IT Department:* The IS/IT department's responsibility is to develop new solutions and maintain existing systems relating to Com Hem's existing business support systems, as well as the infrastructure and operation of the business support systems in addition to providing first-line support to employees with respect to their computer systems.
- *Other Support Functions:* Other support functions consist of Communication, Finance, Human Resources, Legal and Procurement.

Our Network

Network History

Our network was originally built to Swedish telecom standards by Televerket, the former Swedish state telephone monopoly and predecessor to Telia AB (which merged with Sonera in 2002, creating TeliaSonera), in the mid-1980s. See "*—Our History*."

To support network upgrades, expand our network and facilitate the rollout of new services, we have substantially invested in our network. For example, since 2009, we have invested approximately SEK 2.5 billion in our network and IT systems. We completed the deployment of EuroDOCSIS 3.0 standard in 2010, and can now offer 92% of all homes connected to our HFC cable network with access to broadband upload speeds of up to 50 Mbit/s and download speeds of up to 500 Mbit/s, and, following the commercial launch of our next generation TV offering with TiVo in October 2013, 94% of our connected homes through HFC cable network are on-demand and TiVo enabled. In April 2014, we completed the roll-out of a new state-of-the-art software-based VoIP platform for Hosted PBX/IP Centrex, mobile private branch exchange, business lines, session initiation protocol, or SIP, trunking and residential telephony. During 2014, we also expect to complete the roll out of our new backbone infrastructure, which is designed to ensure cost-efficient and long-term capacity growth.

We believe that our unified network is state-of-the-art and cost efficient, and allows us to deliver integrated services across scalable infrastructure with abundant capacity and offer a wide range of advanced service platforms. Additionally, we believe our HFC cable network is one of the most technologically advanced in Europe based on our relatively high share of upgraded network (92% EuroDOCSIS 3.0 standard), the relatively low number of homes connected to each node (580) and our ability to offer relatively high broadband speeds across the network (92% at up to 500 Mbit/s). See "*Industry Overview—Network Dynamics in Sweden—HFC Cable*."

Network Overview

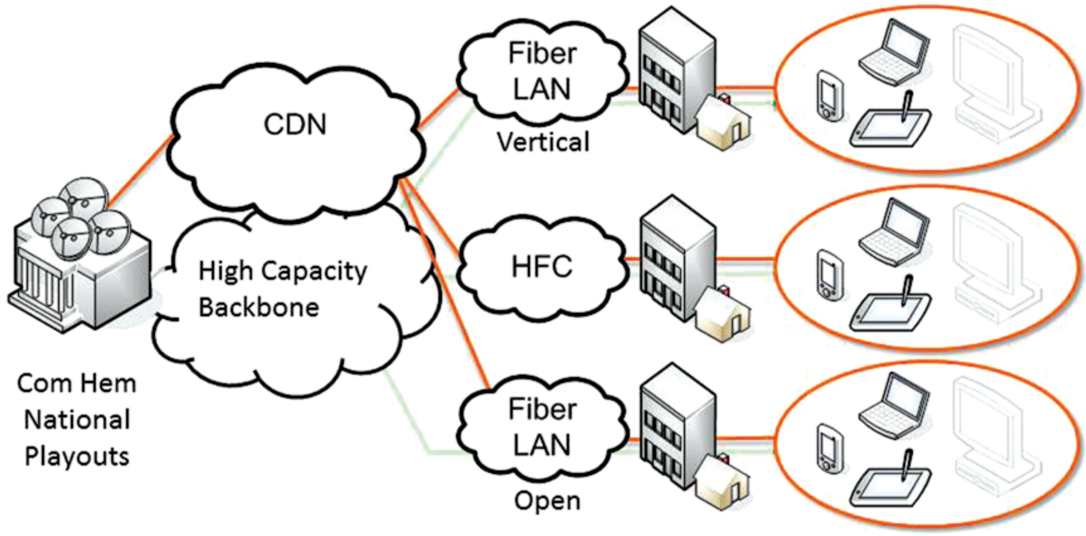
As of March 31, 2014, 1.731 million homes were connected to our HFC cable network. Approximately 98% of the households connected to our network are in MDUs, with the remaining households in the form of single-family homes or town houses. Our network is concentrated in metropolitan areas throughout Sweden with high population densities. While we own the coaxial cable in our network, the equipment and certain other parts of the access network, we lease parts of our network through long-term lease agreements, including facilities for the national playout centers, our headends and hubs. We also have entered into long-term leases for the national backbone and access network fibers, which greatly reduces capital expenditures for maintenance, upgrades and general service. We lease transmission capacity on the national backbone pursuant to a framework agreement with Trafikverket, which is valid until further notice by either party with twelve months' notice. For further information on our lease agreements with respect to the national backbone and the regional and metropolitan network, see "*Legal Considerations and Supplementary Information—Material Contracts.*"

The following graphic illustrates the broad scope of our network as it correlates to the households connected to our network throughout Sweden.

Substantially all network areas are connected by a national fiber backbone and our local access networks have been built with HFC cable and FTTx/LAN. The network allows our cable television, high-speed broadband and fixed-telephony services to be bundled efficiently within one physical cable and deployed to the households we serve. This efficient network enables us to deliver a range of high bandwidth and high quality services to connected homes. These services include 17 basic television channels, approximately 87 digital television channels, of which 22 are broadcast in HD, VoD services, high-speed broadband services providing transfer rates of up to 500 Mbit/s on our HFC cable network and 1 Gbit/s on fiber LAN.

Of the 1.731 million homes connected to our HFC cable network as of March 31, 2014, approximately 99% of the homes were in areas connected to the national backbone and are able to receive our digital television services. Approximately 92% of the homes connected to our network are connected to our upgraded HFC cable network or LAN and thus can receive our on-demand, high-speed broadband and fixed-telephony services. Approximately 1% of homes are served by satellite television services only. Consequently, we believe that future investment in our network will be limited to subscriber driven demand as opposed to general network capital expenditure. From the headends and hubs, our HFC cable network connects properties and subscribers to our services via in-house networks. The network is designed to provide a common architecture independent of the access network, including our own HFC or FTTx/LANs or open FTTx/LANs. This assures cost efficient growth and integration of the universe of subscribers across different access networks.

The following graphic illustrates the basic structure of our network, from the playout center to the subscriber's set-top box and modem.



Playout

All central equipment is located in three datacenters in the Stockholm area. The primary national playout center is a modern data center located in Nacka Strand, just outside of central Stockholm, and hosts equipment and systems for digital television and other crucial support systems. We lease our playout center facility in Nacka Strand from Vasakronan. In addition, in May 2012, we introduced an additional playout center, which serves as a geo-redundant playout center, in Stockholm's city center. The playout centers host equipment and systems for all analog and digital television channels, including encryption equipment, the TiVo system as well as a complete VoD back-office from which we offer time-shifted video, and on-demand content. The playouts distribute the content within our network as well as via TV Everywhere and OTT solutions. Both geo-redundant playout centers share the same design. The playout centers are also key to our high-speed broadband offering and host hardware for major business and operational support systems. All services are distributed from the playout center over IP, via Cisco service routers, to local headends.

Backbone

The national backbone is leased from the Swedish Transport Administration (Sw. *Trafikverket*), which we use to transport all digital signals to our subscribers throughout Sweden.

We have used the backbone since 2006 and we have found that the backbone has excellent capacity. In order to handle increasing broadband traffic, we entered into a new agreement with Trafikverket in June 2012 that tripled our capacity on the backbone. The deployment of the backbone upgrade is ongoing. The ten largest sites were operational by November 2012. The backbone upgrade is expected to be complete by the fourth quarter of 2014. With this upgrade, we believe the backbone will be one of Sweden's most powerful backbones by capacity and reach. The upgrade will also enable us to reduce our annual costs on the backbone, improve redundancy and more efficiently meet growing demand for capacity in the future. Trafikverket operates the physical fibernet and Com Hem owns and operates all Cisco service routers.

The "backbone" connects Stockholm, Gothenburg and Malmö, with two sites in each city, with multiple 10 Gbit fully-mesh networks. From these core network sites all backbone sites are connected with redundant 10+10 Gbit point-to-point ("**P2P**") connections. From the core-network we also connect to peering points. The "backbone" is used for the following purposes:

- to distribute digital television from the playout center to local headends;
- to transport fixed-telephony traffic between local areas and central switches and to facilitate PSTN interconnect in Stockholm ("**IP Interconnect**");
- to transport all on-demand traffic between our video vault in Stockholm and local streamers; to facilitate local IP transit to peering points in Sundsvall, Stockholm, Gothenburg and Malmö;

- to facilitate the connection to broadband international transit points in Stockholm, Gothenburg and Malmö;
- for the provisioning of all services; and
- to monitor and manage network and technical systems

The original backbone was built in three rings in 2006, however, we have addressed increased capacity needs over the past seven years by splitting the three rings into additional rings, resulting in increased capacity with fewer cities and subscribers relying upon each ring. As a result of the ongoing growth in broadband traffic, we sought new solutions in 2011 resulting in a completely new design and new agreement with Trafikverket as described above and at that time the three rings were split into 10 rings. Our core network termination points in Stockholm, Gothenburg and Malmö are physically redundant, providing additional security in the event of a failure.

The national backbone connects to 46 major headends, which in turn connect to 122 digital hubs throughout Sweden. The "backbone" is monitored by the NOC.

In addition to the national "backbone," the distribution of our services within the densely-populated metropolitan areas of Stockholm and Gothenburg are supported by local dark fiber rings to address increased capacity needs.

Headends and Hubs

A typical headend consists of a backbone router, an on-demand streamer, a broadband router (CMTS), local receivers of DVB-S and DVB-T signals as well as combining equipment and laser transmitters that send signals to the HFC cable network. Television signals carried from the backbone are mixed with locally-received signals and narrowcast signals, including on-demand, high-speed broadband and fixed-telephony signals, and are then combined and inserted into laser transmitters connected to fiber nodes on the HFC cable network.

The headend facilities and rackspace are leased from Skanova and from private landlords. Headend utilities, like power and cooling, are either included in Skanova facilities or provided by us. The power policy states that all headends and hubs connected to more than 10,000 homes must have back-up power for all equipment, providing a minimum of one hour of back-up power.

Fiber/Coax Network (Local Cable Networks)

In larger network areas, a central headend feeds one or several hubs to which the local HFC cable network is connected. The access network between the headends and hubs is built with HFC technology in a tree-and-branch architecture. The HFC cable network branches out in close geographical proximity to the subscriber; on average, each fiber carries our services to approximately 580 connected households. Our HFC cable network has full frequency bandwidth capabilities, using 862 MHz to provide our services and content to subscribers and 65 MHz for return communication from subscribers.

Signals for all services, including digital television, on-demand content, high-speed broadband traffic and fixed-telephony traffic are collected from the national backbone and passed through the headends and hubs to our HFC cable network. Some of our basic television channels are received locally, either off terrestrial transmission or satellite, and retransmitted in analog format.

Fibers are leased mainly from Skanova and Stokab, and in some instances also from other municipality network owners. While we own ducts in some municipalities, most ducts are leased from Skanova and Stokab. We also lease, to a limited extent, coax from Skanova and Stokab. We own all of our street cabinets and all active equipment in the network.

FTTx/LAN (Local Area Networks)

The LAN platform is designed to provide maximum capacity, performance and reliability. The network is made up of the following main functional building-blocks:

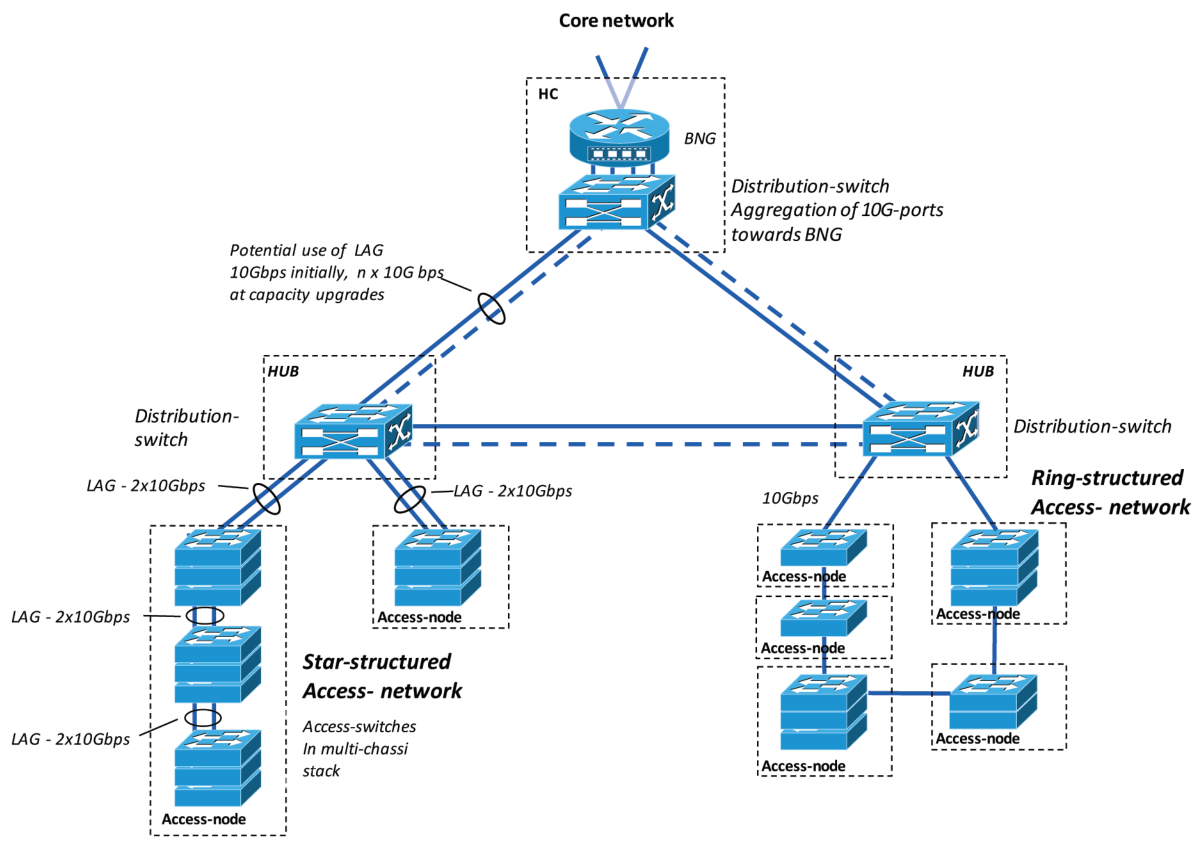
- the broadband network gateway ("**BNG**"). The BNG is a centrally-based router with subscriber management functionality. The BNG dynamically creates end-user services, by controlling the allocation of IP-addresses, bandwidths and traffic-prioritization to individual logical connections in the access network. The router interacts with RADIUS to identify the type and version of service to be applied.

The BNG is used to provision services in our LAN's and in the open access network. We have the chosen Cisco ASR 9000-series as our BNG; and

• distribution (or aggregation) switches. Distribution switches are high-capacity Ethernet switches that aggregate trunks and traffic in-between the BNG and access-switches. The switches normally reside at HUB-nodes in our network. A distribution switch is always also installed at BNG sites to enable efficient utilization of BNG ports. We use Huawei S6324-EI distribution switches, which provide 24 × 10GE ports.

All network links between BNGs, distribution switches and access switches are established with a minimum capacity of 10 Gbit/s. The equipment supports link aggregation ("**LAG**"). LAG makes it possible to bundle two or more physical links to one logical trunk, with in-built load balancing and redundancy. Access networks are preferably established in star/mesh-structures, although ring-structures may be used if preferred from a passive infrastructure perspective.

The following graphic illustrates the LAN structure:



In-house Networks

The final part of the network, the property or in-house network, is owned by the property owners, who are typically landlords of MDUs. In-house networks are either generally in a cascade network, with a maximum of six antenna outlets in a cascade, or in a star network. In our FTTx/LAN households, the in-house networks typically have a 10 Gbit/s northbound switch (*i.e.*, an interface that allows network components to communicate with higher level components) and a 1 Gbit/s southbound switch (*i.e.*, an interface that allows network components to communicate with lower-level components) with CAT5/CAT6 cabling. Of the 1.731 million households connected to our HFC cable network as of March 31, 2014, approximately 99% of households were in areas connected to the national backbone, and of these, approximately 1.6 million households were upgraded for two-way communication, providing these households with access to our high-speed broadband, on-demand and fixed-telephony services.

Service Production Platforms

Television Production Platforms

All digitally-distributed television channels are first received at the two playout centers either through fiber optic lines or via satellite. The channels are encrypted via simulcrypt with Verimatrix and Conax CAS 7 (to support legacy STB) systems and then fed to multiplexers for our digital video broadcast, cable ("**DVB-C**"), customers. In total, these produce 31 transport streams holding approximately 160 television channels. For IPTV, TV Everywhere and OTT delivery the same channel source is used, but only Verimatrix is used for encryption, and the channels are sent out as single channel streams.

Our digital television platform within the playout center was originally built in the late 1990's, however it has been modernized continuously and upgraded in line with technological developments within our industry. The playout center currently is equipped with modern MPEG encoders, multiplexers and system controllers. For DVB-C, the channels are multiplexed into transport streams, which are fed into the national backbone and transported via IP to the local headends. The channels are then fed into our local HFC cable network using dedicated modulators (EQAMs). For IPTV, single program transport streams, or SPTS, are distributed via the national backbone, but go over IP all the way to the end-consumer.

To receive digital television services, our subscribers decode the digital signals using either one of our STBs, such as the TiVo box, or other TV Everywhere devices, which use the Verimatrix Software based DRM, or a legacy STB or decoder built into their television set, together with a smart card to decrypt the Conax signal. Our latest television development, includes a state-of-the-art platform that provides services to all types of equipment, such as STBs, personal computers, tablets and smartphones (both Android and iOS platforms), independent of whether the content is live, time-shifted, On-Demand, multicasted or unicasted. This platform also supports rich meta data handling as well as an advanced recommendation engine that allows us to recommend content based on subscriber viewing preferences. We have also implemented a modern Content Distribution Network, or CDN, which gives us a cost efficient way to distribute high quality video content in our network. The platform is based on:

- middleware and cloud service from TiVo;
- VOD backend from SeaChange;
- meta data from TMS;
- adaptive streaming for TV Everywhere and OTT encoding from Envivio;
- Baton for quality assurance;
- CDN from Edgeware; and
- a common DRM with Verimatrix for all distribution forms.

As part of this implementation, we have harmonized the platform so that we are access-agnostic as possible if we distribute over a quadrature amplitude modulation ("**QAM**") or IP, as the first step toward an all-IP environment, meaning that we use, *e.g.*, the same TiVo STB for our FTTH/LAN and HFC cable networks.

High-Speed Broadband Production Platforms

Our high-speed broadband services are based on a Modular-CMTS EuroDOCSIS 3.0 standard architecture, with more than 120 Cisco uBR10k broadband routers distributed in local headends or a P2P FTTx/LAN. Domestic broadband traffic is carried through the backbone rings to local areas. Domestic traffic is exchanged with other major broadband operators over our Cisco CRS-1 peering routers in Sundsvall, Stockholm, Malmö and Gothenburg. International transit is conducted through agreements with Telia International Carrier and Global Crossing with respect to international transit points in Stockholm, Gothenburg and Malmö.

To gain internet access, subscribers use a EuroDOCSIS modem or router within their homes. We have only deployed telephony-ready modems (EMTAs) since 2005, and in 2009 we began deploying modems (Gateways) with WiFi and routing capability. The gateways are monitored and configurable via our OSS.

Telephony Production Platforms

Our fixed-telephony platform was initially delivered by Nokia Siemens Networks ("**NSN**") and installed in 2004 with soft switches complying with the Euro Packet Cable 1.1 standard. The platform was enhanced in

2007 by implementing an IP Multimedia Subsystem ("**IMS**") for routing between soft switches as well as a Media Gateway Control Function to get an optimized interconnect solution. During 2010, we modernized all soft switches and IMS software and hardware and introduced an application server from NSN and session border controllers from ACME Packet to offer telephony to LAN customers.

In 2013, we launched the voice-over-WiFi app "*Hemtelefon i Mobile*" as an extension to the home phone. In the second half of 2013, all interconnected traffic was migrated from switch-based technology and is now IP-based.

In April 2014, we implemented a new software-based telephony platform from BroadSoft, which will provide residential as well as business services and is built in a geo-redundant fashion over two sites. All existing customers will be migrated to the new platform. The new software-based platform is based on COTS hardware with software-based functionalities, providing a simple and cost efficient platform going forward. Currently, the platform is being used to support business services such as PBX, SIP trunk and device management and may be used for MVNO and MEX integration in the future.

OSS

Constituting the link between the business layer and our networks, the OSS department aims to facilitate efficient day-to-day operations by deploying a high level of automation across the entire network life cycle, spanning across the Com Hem infrastructure, including IPTV, VoIP and access services on HFC/DOCSIS, FTTH/FTTB and open networks.

Over the past 18 months, OSS has deployed a complete stack of modern application program interfaces supporting swift implementation and integration with open networks and facilitating automated processes for feasibility/availability, provisioning, activation and fault management.

The deployment of real time technical support and monitoring platforms ensures a high level of understanding of, and insight into, the end-user experience, which is critical to efficient customer care operations and service trouble shooting.

Automated resource allocation and network configuration roll-outs as well as system-aided network element software upgrades ensure a network management ecosystem with minimal risk of human error that could impact end-user services, while also providing processes that deploy automatic documentation, element configuration backup and enable logging.

In areas where flawed network documentation from third parties has affected service activation, support and customer experience, OSS has effectively deployed activation means that allow for de-coupling from network documentation, including service activation based on customer equipment or distributed activation codes.

OSS aims to take management responsibility for all network related parts that are essential for the end-user service to ensure that availability, quality and functionality can be tracked from a service perspective, rather than just from a component perspective. This involves management and monitoring of CPEs, such as media converters, wireless access routers and set top boxes, but also the provisioning state of all related backend platforms.

OSS also provide systems for service control, IP address allocation and logging. OSS owns and drives the development of performance management, graphing the counters supervised in the fault management system, and provides a service quality measurement system for open networks.

Information Support and Information Technology

Our IS/IT department plays an important role in supporting the commercial relationship with customers, landlords and partners. This includes digital sales and marketing channels, services catalog, CRM, billing and accounts receivables, provisioning of purchased services, customer care tools, mobile workforce solutions and self-help online. The mission of IS/IT is to develop, maintain and operate our Business Support Systems, Enterprise Support Systems and some Operating Support Systems.

The End Customer Systems Unit is responsible for developing, maintaining and operating IT systems and solutions relating to our existing IS/IT systems. The change process is primarily performed in-house based upon lean development principles and we apply an iterative, incremental framework for development (the so called "SCRUM" methodology) within our software teams, which are located in Stockholm and Pune, India.

The Delivery and Ops Support Unit is responsible for supporting the End Customer Systems Unit with integration of tools, test environments, database administrator ("**DBA**") tasks and release management. Our Delivery and Ops Unit currently is being expanded as it is assuming DBA responsibilities from the IT Infrastructure Unit.

The IT Infrastructure Unit is responsible for the infrastructure and operation of our Business Support Systems in addition to providing second-line support to our employees with respect to systems. The unit also supports the End Customer Systems Unit by providing the necessary infrastructure and server capacity required for their assignment.

The Workplace & Support Unit is responsible for the digital workplace environment (*i.e.*, desktop computers, mobile phones, intranet and online collaboration) as well as the first line support and helpdesk for the digital workplace and systems. Our Workplace & Support Unit currently is being established and will assume some responsibilities from the IT Infrastructure Unit.

Intellectual Property

We have registered various domain names, including "www.comhem.se." We also own numerous Swedish as well as Danish, Norwegian and EU trademarks, including "Com Hem," "on demand," "KAS Futur" and "KommHem." See "*Risk Factors—Risks Relating to Our Business—Any negative impact on the reputation of and value associated with our name, including as a result of customer service and satisfaction issues, could adversely affect our business*."

Real Property

The following table sets forth certain information with respect to the facilities that we currently operate and which we believe are of importance to our operations. We lease all of the following properties, which are located in Sweden.

Location	Approximate Area (m^2)	Use of facility
Stockholm	4,714	Head office; Network operations center
Örnsköldsvik	1,850	Office; Customer service site
Härnösand	3,775	Office
Sundsvall	1,234(1)	Office; Customer Service, sales and field service site
Nacka Strand	977	Office; Playout Center
Magnus Ladulåsgatan, Stockholm	890	Technology
Tranebergsvägen, Stockholm	172	Technology and part of staff facilities

(1) The lease agreement regarding the office in Sundsvall is under negotiation and the lease term starts on August 1, 2014, however some of the areas may not be completed until September 1, 2014.

On March 31, 2014, we completed the acquisition of Phonera Företag, a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers. Phonera Företag has the following properties: Malmo (628 m^2), Gothenberg (242 m^2) and Stockholm (166 m^2).

We lease most of our ducts from Skanova and Stokab. In relation to these leases, we are subject to contractual asset retirement obligations. Depreciation is charged over the normal useful life of the respective assets. In some municipalities we have right of use agreements in place with the municipality.

We believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use. We believe that we generally have sufficient space to satisfy the demand for our services in the foreseeable future, but keep flexibility to move certain operations to alternative premises.

Employees and Pension Obligations

As of March 31, 2014 we had approximately 966 employees, including part-time employees. The table below sets forth the number of permanent employees we employed as of the dates indicated.

	As of December 31,			As of March 31, 2014
	2011	2012	2013	
Product	15	17	23	15
Consumer Sales	23	14	16	16
Marketing	23	22	25	31
Landlord Sales	50	51	47	49
B2B	N/A	N/A	3	3
Operations	160	146	184	189
Customer Service	363	480	474	480
Technology and Business Development	32	57	22	35
IS/IT	37	51	49	51
Support functions	96	101	107	97
Total number of employees	**799**	**939**	**950**	**966**

Phonera Företag had 81 employees as of March 31, 2014.

Com Hem AB is covered by union agreements and provides retirement benefits to employees under separate pension plans, which are either defined benefit plans or defined contribution plans as described below. Phonera Företag and iTUX Communications AB are not covered by union agreements and pension premiums are based on individual pension agreements.

Our pension plans are as follows:

The ITP Plan: ITP is for supplementary pensions for salaried employees and complements the national retirement pension in Sweden. The ITP Plan is divided into:

- ITP 1 plan with a defined retirement pension that applies to salaried employees born in or after 1979.
- ITP 2 with a defined benefit retirement pension that applies to salaried employees born in or after 1978.

ITP 1 applies to employees hired after April 1, 2008 and includes a defined contribution retirement pension, with premiums paid on a monthly basis for employees over the age of 25, which is based upon the "pensionable salary" of each employee. ITP 1 includes disability pension from the age of 18. The employee can choose family cover as well as repayment cover. The employee must also have occupational group life insurance (*Sw. TGL*). As of December 31, 2013, there were 464 current and former employees participating in the ITP 1 plan.

ITP 2 includes retirement pension, disability pension and family pension. The employee also has the complementary retirement pension ITPK, which is a separate defined contribution element for those covered by ITP 2. ITPK contributions are invested at the election of the employee and the employee can voluntarily choose family cover and repayment cover. The employee must also have occupational group life insurance. Retirement benefits under ITP 2 are based upon a certain percentage of each employee's salary at the time of retirement. ITP 2 also includes an alternative ITP solution for highly paid employees, enabling such employees to opt out of certain defined benefit elements and effectively converting these elements into a defined contribution arrangement. Employees hired after April 1, 2008 and born in or before 1978 are subject to the ITP 2 plan. As of December 31, 2013, there were 1,133 current and former employees participating in the ITP 2 plan.

ITP 2 also includes ITP-Tele plan, which was introduced in 1998 when Com Hem was a part of the TeliaSonera Group and applies to employees hired before April 1, 2008. The ITP-Tele plan is similar to ITP 2 with an additional insurance connected to long-term sick leave.

Defined benefit management pension plan: When Com Hem was a part of the TeliaSonera Group, the former CEOs of Com Hem were entitled to individual pension agreements covering income exceeding 30% of the base income amount, for retirement pensions and family pensions. A maximum of 30% of base income amount is pensionable income under ITP 2. As of December 31, 2013, there were two former employees participating in the defined benefit management pension plan.

Conditional right to early retirement: This is a defined benefit pension plan for a limited number of employees that have the right to receive a pension before the age of 65, pursuant to certain transition rules (the "Early Retirement Plan"). Retirement pension under ITP 2 and/or ITP-Tele are earned any time after an employee reaches the age of 28 and are typically payable at the age of 65; however those employees that were employed by Com Hem on or before December 31, 1991 and that fall under the Early Retirement Plan, are eligible to receive their pensions at the age of 60. This applies to employees that have remained employed with Com Hem since the transition rules came into effect on July 1, 1997, pursuant to a central government collective agreement. As of December 31, 2013, there were nine employees participating in the conditional right to early retirement plan.

We use the PRI system, and our commitment for the ITP 2 pension plan is recognized as a liability in the balance sheet. Under this financing method there is a mandatory requirement to maintain credit insurance with the insurer PRI Pensionsgaranti. Credit insurance with PRI Pensionsgaranti, which is a Swedish mutual insurance company, allows a company to retain pension capital in the business instead of paying premiums to an insurance company. Each company that holds credit insurance bears a contingent liability not exceeding 2% of its pension liability. The employees' pensions are guaranteed in the case of company default. Aside from acting as a credit insurer, PRI Pensionsgaranti's main task is to calculate the value of pension obligations and to manage pension payments.

As of December 31, 2013, our pension liability, for which we have obtained credit insurance via PRI Pensionsgaranti, amounted to SEK 249 million based on an actuarial calculation in accordance with IAS 19 as of that date. Com Hem's plan assets are held in TeliaSonera AB's pension fund. As of December 31, 2013, these assets amounted to SEK 140 million. As of December 31, 2013, our provisions for pension commitments under the management pension plan were SEK 1 million and our commitments pursuant to the transition rules under the early retirement plan were SEK 6 million. Both of these plans are unfunded.

For additional information, see "*Note 20*" to our audited consolidated financial statements as of and for the year ended December 31, 2013.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use and environmental protection. We believe that we are in substantial compliance with applicable requirements of such laws and regulations. However, we could incur costs, such as fines and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations.

Insurance

We have insurance coverage under various insurance policies for, among other things, property damage to our NOC, our playout center, our office locations, hubs and headends, our technical and office equipment and stock, as well as coverage for business interruption. The business interruption coverage is limited to situations where the interruption is caused by an insured property damage. We do not have insurance coverage for all interruption of operations risks because in our view, these risks cannot be insured or can only be insured at unreasonable terms. For example, the broadband cable network in the ducts is not insured and an interruption caused by damage to such network would therefore not be covered by the business interruption insurance. There is also no insurance coverage against the risk of failure by subscribers to pay. We also have insurance policies covering transport, general and product liability as well as for criminal acts. All of our vehicles are leased and insured through the leasing company.

For all members of the Board of Directors as well as certain of our other employees, we have taken out directors and officers liability insurance ("**D&O insurance**"). The D&O insurance policy has no deductible.

Additionally, we will acquire public offering securities insurance related to the Offering to cover risks of claims arising from untrue or misleading information contained in the prospectus.

In our view, the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection, taking into account the costs for the insurance coverage and the potential risks to business operations. However, we can provide no assurances that losses will not be incurred or that claims will not be filed against us which go beyond the type and scope of the existing insurance coverage.

Competition

The television, high-speed broadband and fixed-telephony industries are competitive, and we face competition from established and new competitors in Sweden. See "*Risk Factors—Risks Relating to Our Industry—We operate in competitive industries and competitive pressures could have a material adverse effect on our business*." Our main competitors include TeliaSonera, Telenor, Boxer, Viasat and Tele2 (which recently sold its fixed cable and LAN operations to Telenor), as well as city networks. For additional information on the development of the digital television, high-speed broadband and fixed-telephony industries in Sweden and a discussion of competition from the delivery of television broadcasts OTT of an existing broadband network, see "*Industry Overview*."

Legal Proceedings

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. We do not expect the legal proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

REGULATION

Introduction

Our operations are subject to various regulatory requirements and obligations including electronic communications and media laws, general competition law as well as technical and other regulations. In general, electronic communications laws apply to the establishment and operation of technical infrastructures used for communication, whereas media laws apply to the content of such communication.

Electronic Communications Regulation

The Swedish Electronic Communications Act

Electronic communication services and the operation of electronic communication networks are subject to the regulatory regime of the Swedish Electronic Communications Act (the "**Electronic Communications Act**") and certain regulations issued in accordance with the Electronic Communications Act. The Electronic Communications Act contains provisions regarding, among other things, (i) the establishment and powers of a regulatory body; (ii) notification requirements; (iii) co-sharing of equipment; (iv) allocation of frequencies; (v) access obligations; and (vi) the regulation of prices for the provision of services. The regulations contain further and more detailed provisions in respect of and in addition to certain sections of the Electronic Communications Act.

The Electronic Communications Act implements the EU Framework (the "**EU Framework**"), which consists of the Framework Directive (2002/21/EC), the Authorization Directive (2002/20/EC), the Access Directive (2002/19/EC), the Universal Service Directive (2002/22/EC) and the Directive on Privacy and Electronic Communications (2002/58/EC).

In November 2009, the European Parliament, following a proposal by the European Commission, passed legislation (Directive 2009/140/EC and 2009/136/EC), amending certain directives within the EU Framework in order to enhance competition and to strengthen consumer rights in Europe's telecom markets and to facilitate access to high-speed broadband connections (the "**Amendment Directives**"). The Amendment Directives entered into force on December 19, 2009. The aims of the Amendment Directives are, in particular, to:

- strengthen mechanisms for regulating operators with significant market power in key markets;
- progressively reduce access sector specific rules and, ultimately, for electronic communications to be governed by competition laws only;
- give appropriate incentives for investment in new high-speed networks;
- strengthen the independence of national regulatory authorities;
- increase flexibility in spectrum management and access to spectrum through technology and service neutral authorizations, such authorizations allowing requirements tailored to the promotion of media pluralism as defined by member states; and
- strengthen consumer's rights, consumer protection and to improve the level of security of electronic communications.

For the purpose of implementing the Amendment Directives into Swedish law, certain amendments to the Swedish Electronic Communications Act took effect on July 1, 2011 (the **"Amendments to the Electronic Communications Act"**), as further described below. In addition to changes to EU legislation, the Electronic Communications Act is amended on an ongoing basis due to changes in Swedish political priorities.

The Regulatory Body

The PTS is an independent governmental body responsible for the regulation of the Swedish electronic communications market. The PTS has various powers with respect to the enforcement of the Electronic Communications Act and regulations. All decisions of the PTS may be challenged before the administrative court (Sw. *Förvaltningsrätten*) in Stockholm, as the court of first instance, and further appealed to the administrative appeal court (Sw. *Kammarrätten*) in Stockholm, which is the final court of appeal.

Notification and License Requirements

The operation of electronic communications networks and the provision of electronic communications services do not require any licenses from any regulatory body. However, operators that provide public communication networks and publicly available electronic communications services must notify the PTS prior to the commencement of business activities.

The use of radio frequencies and telephone numbers from the national numbering plan on the other hand, requires a license from the PTS. In cases of shortage of frequencies, licenses are allocated by the PTS in a public tender process. The PTS may also grant permission to trade licenses. In the most recent allocations of frequencies, licenses have been awarded on a technology neutral basis, *i.e.*, it has not been a prerequisite that the license be used for a specific technology.

General Access Regulation

Under the Electronic Communications Act, an operator with control over subscriber access, must at market price, offer any other operator upon its request, the interconnection of both parties' networks, provided the interconnection is technically feasible. The purpose of this regime is to ensure that subscribers with different operators can reach each other. As a network owner and provider of fixed-telephony services, we must offer such interconnection in respect of those parts of our networks that have bi-directional transmission capability.

Further, the Electronic Communications Act allows for the PTS to order any operator to provide another operator with access for the co-location of equipment or other forms of property or equipment sharing for the purpose of protecting the environment, public health, public security or meeting town and country planning. As a result of the Amendments to the Electronic Communications Act, these obligations have been expanded, allowing the PTS to order an operator to share wiring inside buildings (up to the first concentration or distribution point where this is located outside the building) with other operators, where this is justified on the grounds that the duplication of the infrastructure would be economically inefficient or physically impracticable. The Amendments to the Electronic Communications Act provide that network holders/holders of rights shall be entitled to market price compensation from the party obtaining access.

On April 15, 2014, the European Parliament approved a directive aimed at reducing the costs of deploying high-speed broadband networks. The directive provides *e.g.*. that Member States shall ensure that, upon written request of an undertaking providing, or authorized to provide, public communications networks, any network operator has the obligation to meet all reasonable requests for access to its physical infrastructure under fair and reasonable terms and conditions, including price, with a view towards deploying elements of high-speed electronic communications networks. Com Hem may in the future be affected by such requests for access. The directive is to be implemented into national law by January 1, 2016 and to enter into force July 1, 2016.

Access Obligations—Promotion of Competition

The Electronic Communications Act authorizes the PTS to order operators to grant third-party access on the markets where there is lack of competition. Unlike under the general access obligations (see "*—General Access Regulation*"), the PTS will need to carry out a market analysis, as well as an analysis of the suitable remedies that may be imposed to enhance competition, prior to ordering an operator the granting of third-party access.

Markets That May be Subject to Access Obligations

Important aspects concerning the regulation of access and price are determined by certain market definitions, setting out the boundaries of each relevant market that may be subject to access obligations, and market analyses procedures related thereto. The PTS is the responsible authority on the Swedish market for market analyses.

The PTS's market analyses must be carried out based on the European Commission's recommendation regarding the product and service markets in the electronic communications sector that should be subject to access regulation due to lack of competition (the "**Recommendation**"). The markets identified in the Recommendation are:

- access to the public telephone network at a fixed location for residential and non-residential customers ("**Market 1**");

- call origination on the public telephone network provided at a fixed location ("**Market 2**");
- call termination on individual public telephone networks provided at a fixed location ("**Market 3**");
- wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location ("**Market 4**");
- wholesale broadband access ("**Market 5**");
- wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity ("**Market 6**"); and
- voice call termination on individual mobile networks ("**Market 7**").

While Market 1 applies on a retail level, Markets 2 through 7 apply on a wholesale level.

In addition to the markets set out in the Recommendation, the PTS may also determine that other markets should be subject to access regulation. In order to impose access regulations on such other markets, the PTS must conclude that high and non-transitory barriers to entry exist, that there is no tendency towards enhanced competition and that general competition laws are not sufficient to remedy the lack of competition on the relevant market. In 2013, the PTS concluded that the market defined as "broadcasting transmission services to deliver broadcast content to subscribers on the wholesale level" (Former Market 18 under the Recommendation, but removed from the Recommendation in 2007), should continue to be subject to access regulation on the Swedish market nationwide. See "*—Operators Subject to Access Regulation*."

The European Commission is currently working on a second review of the Recommendation that forms the basis for the PTS's market analyses. According to the draft, Recommendation changes may be made to Markets 1, 2 and 5. There does not appear to be any suggested changes in relation to Market 3, which is the only market where Com Hem is currently subject to access regulation. However, it cannot be excluded that the Recommendation will be altered as a result of the European Commission's review. The new Recommendation, which in turn will affect PTS's future market analyses, is expected to be adopted by the European Commission by mid-year 2014. See "*Risk Factors—Risks Relating to Regulatory and Legislative Matters—We may be considered to have significant market power and therefore be subject to access regulation*."

Operators Subject to Access Regulation

After having determined the geographical and product related scope of the market, the PTS must, prior to ordering an operator to grant a third-party access, analyze whether there is a lack of competition in the relevant market and, if so, establish which operator has significant market power (SMP status) and decide on the obligations for such operator.

The PTS may impose on operators of public electronic communication networks with significant market power, the obligation (i) to grant access to certain network components and certain facilities, and (ii) to offer the re-sale of their electronic communications services on a wholesale basis. Where there are exceptional reasons, the PTS may also impose on vertically integrated operators an obligation (i) to grant access and (ii) an obligation to organizationally separate the business units to which the obligation relates (functional separation) in such a manner that the businesses are run as independent business units and, in particular, ensure the aim of non-discrimination and transparency. The PTS may also prohibit an operator with significant market power to charge excessive access prices for its services. See "*—Price Regulation*."

An operator with significant market power must apply terms and conditions that are non-discriminatory. Therefore it must apply equivalent conditions in equivalent circumstances and not discriminate in favor of their own subsidiaries or partners.

A vertically integrated operator may also be ordered to functionally separate its network operations from its retail operations, although this is considered a "measure of last resort" and has never been imposed by the PTS thus far.

If the PTS requires an operator to grant access to its networks, and if any third-party requests an offer from such operator for access and the parties fail to come to an agreement, the PTS is entitled to require access and provide for the terms and conditions (including prices) of such access. To ensure compliance with its orders, the PTS may impose penalties in respect of non-compliance.

In accordance with the Amendments to the Electronic Communications Act, PTS's market analyses and decisions on significant market power as well as on obligations for operators with significant market power shall be renewed within three years after the previous decisions.

In 2013, the PTS decided on SMP status and new obligations as regards Market 1 through 3, Market 6 and Market 7 and Former Market 18 (see below). As regards Market 4 and Market 5, the PTS is currently carrying out market analyses. Final decisions are expected to be made no earlier than mid-year 2014.

In line with its previous decision in 2009, the PTS concluded that within Market 3 (call termination on individual public telephone networks provided at a fixed location), all network operators connecting calls to their subscribers, including Com Hem, should be considered to have significant market power, on the basis that each individual network is considered a separate market where the owner/service provider enjoys a monopoly in terminating calls. The PTS has imposed a number of obligations on the operators within Market 3 in an effort to prevent behavior that could restrict competition.

Because we are considered to have significant market power in Market 3, we are subject to access regulation within that market. The PTS has therefore required us to:

- comply with reasonable requests from other operators, requesting call termination to their subscribers; and
- apply a fair and reasonable price for call termination. The PTS has stated that the price will be deemed fair and reasonable where it is not higher than the cost-oriented price that TeliaSonera may charge for call termination/origination. The cost for the call termination is calculated by the use of a long run incremental cost, or LRIC, model produced and updated each year by the PTS. The Government Bill 2013/14:72 (Sw. *Bättre prisreglering enligt lagen om elektronisk kommunikation*) proposes changes to the price regulation system for purposes of increased transparency and predictability. The changes mean that how the price should be calculated should be set out in each decision imposing such obligation. In certain cases, the PTS also has the option to decide that operators should apply a certain maximum or minimum price for interconnection and other forms of access. The changes are expected to enter into force on July 1, 2014.

The PTS has not concluded that we have significant market power in any other market than Market 3.

With respect to the market for broadcasting transmission services to deliver broadcast content to subscribers on the wholesale level (Former Market 18 under the Recommendation), the PTS has concluded that the terrestrial broadcaster Teracom has significant market power. The PTS has required Teracom to grant access for the broadcasting of such radio and television as may be received by subscribers free of charge and to apply cost-oriented prices (based on fully distributed cost) for the service upon any reasonable request from a holder of a broadcasting license. See *"—Notification and License Requirements*."

As regards Market 4 and Market 5, the PTS is currently carrying out market analyses. Final decisions are expected to be made no earlier than autumn 2014. Until new decisions have been made by the PTS, the former decisions as regards Market 4 and Market 5 from 2010 are still valid.

In 2010, the PTS concluded that within Market 4 (wholesale (physical) network infrastructure access) and Market 5 (wholesale broadband access), TeliaSonera had significant market power and therefore required TeliaSonera, including its subsidiaries (Skanova among others), on a nationwide basis, to grant third parties access within these markets. The intention of the PTS is to enable competitors to set up their own products and access bitstream services with the aim of strengthening the competitors that depend on the infrastructure of TeliaSonera and thereby enhance competition.

The PTS further concluded that the market for hybrid-fiber coaxial technology, *i.e.*, cable television, should not be considered part of Market 4 and Market 5. This means that cable television is excluded from the access regulations in force on Markets 4 and 5.

The PTS has, in its second draft for new regulation regarding Market 4, which was out for public consultation until March 7, 2014, determined the relevant retail and wholesale markets to be equal to the existing regulation from 2010, that the market shall be national and finally that TeliaSonera will remain an operator with significant market power. However the PTS has, based on European Commission recommendation on "consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment" dated September 11, 2013, suggested to implement Equivalence of Input (EOI) obligations regarding fiber access and after ensuring compliance of those obligations by TeliaSonera, remove price regulation on fiber access. An EOI obligation requires an operator with SMP to make available exactly the same access to products externally and internally over the same ordering and information system and on the same terms. An EOI obligation will likely require an operator with SMP to make significant adaptions to its ordering and information system. It is likely to be more costly for the SMP operator to apply EOI than if a less restrictive non-discriminating obligation applies. On March 7, 2014, Com Hem submitted comments to PTS within the framework of its consultation on Market 4, criticizing the suggested imposition of the EOI and removal of price regulations which, in our view, will lead to increased wholesale prices.

As regards Market 5 the PTS, in its first draft in September 2013 suggested the removal of regulation in total based on a new market analysis where the PTS proposed a revised market definition. Based on this market definition, TeliaSonera, according to the PTS, only has a 7% market share and therefore should not be determined to have significant market power. Based on TeliaSonera's purchase of the communication operator Zitius Service Delivery AB, network operators Quadracom Networks AB, Quandracom Services AB, QMarket AB and service provider Riksnet which was cleared by the SCA on May 15, 2014 after an in-depth review, the PTS has decided to perform a revised market analysis and has not yet presented a second draft for public consultation.

It is too early to say at this stage what will come of the review of Markets 4 and 5 and what possible implications it will have on Com Hem. This will also depend on the revision of the Recommendation currently undertaken by the European Commission. However, as it stands before any changes, the PTS has not concluded that we have significant market power in any market other than Market 3 (call termination on individual public telephone networks provided at a fixed location). This means that we are not subject to any access regulation that may force us to grant access to third parties or to apply regulated prices for such access on any market other than Market 3.

Mobile Data and Telephony Services

We offer mobile data services on a resale basis to individual subscribers in co-operation with Hi3G Access AB (operating under the brand "3"). We also offer mobile telephony services through Phonera Företag using TeliaSonera's network. In this capacity, we are not subject to any specific licensing or access obligations nor are we considered to have significant market power on the market for mobile telephony services. However, general restrictions set out in the Electronic Communications Act, laws concerning data and consumer protection, as well as general competition laws apply. As a mobile service provider, even though it is on a resale basis, we are also regulated by the PTS.

Internet Access

The regulations under the Electronic Communications Act do not differentiate between content (phone, television or internet data) transmitted in an electronic communications network and internet access services to subscribers that have not been subject to any access regulation in Sweden.

Dark Fiber

In 2007 and 2008, the PTS carried out a market analysis regarding the market for dark fiber, which is an important component in the high-speed transmission of data. The PTS reached the conclusion that there was a significant lack of competition on the wholesale market. The PTS concluded, however, that at the time there were indications that the market was moving towards a greater degree of competition, and that the conditions for imposing access regulation were not satisfied.

The PTS has identified a need for additional measures to promote competition on the market for the wholesale of dark fiber. One such measure is the 2010 regulation of TeliaSonera's fiber network through the imposition of access obligations on Market 4 (wholesale (physical) network infrastructure access). See "*—Markets that May Be Subject to Access Obligations*."

Price Regulation

Under the Electronic Communications Act, an operator of an electronic communications network that has significant market power on a relevant market may be required by the PTS to apply prices that do not exceed a "cost oriented" or "fair and reasonable" level. These price levels are determined by the PTS and reviewed on an annual basis.

In Market 3, where we, and all network operators connecting calls to their subscribers, are considered to have significant market power, we have been directed to apply a fair and reasonable price for call termination. The PTS has stated that this price must not exceed the cost-oriented price that TeliaSonera may charge for call termination and origination and, as result, interconnection prices are applied reciprocally within that market. See "*—Markets that May Be Subject to Access Obligations*." The Government Bill 2013/14:72 (Sw. *Bättre prisreglering enligt lagen om elektronisk kommunikation*) proposes changes to the price regulation system for purposes of increased transparency and predictability. The changes mean that the calculation of the price should be set out in each decision imposing such obligation. In certain cases, the PTS also has the option to decide that operators should apply a certain maximum or minimum price for interconnection and other forms of access. The changes are expected to enter into force on July 1, 2014.

Interconnection Agreements

Alternative operators that offer fixed-telephony services generally enter into interconnection agreements with other operators that provide fixed-telephony services in order to allow for their subscribers to place and receive calls from subscribers in other fixed and mobile telecommunications networks. Because TeliaSonera is the most dominant market player on the Swedish telephony market, nearly all alternative operators have entered into interconnection agreements with TeliaSonera. Interconnection agreements are normally applied on reciprocal terms between operators.

Because the interconnection services TeliaSonera provides are subject to access regulation, the PTS has ordered TeliaSonera to publish a reference interconnection offer that contains terms and conditions for interconnection that should apply as a minimum level of protection. An operator that enters into an interconnection agreement, or is in an existing interconnection agreement relationship with TeliaSonera, may refer to these terms.

We have arrangements with TDC Sverige AB ("**TDC**") regarding interconnection services, under which TDC is to provide all relevant interconnection services required for our fixed-telephony operations by entering into agreements with other operators.

Consumer Protection

Pursuant to the Electronic Communications Act, we must comply with various provisions for the special protection of end-users (subscribers) regarding, among other things, the formation of agreements, which must include: (i) the identification of the service provider; (ii) a description of services; (iii) the quality of services; (iv) details of delivery periods; (v) the maintenance services offered by the service provider; (vi) a detailed description of prices; (vii) how the subscriber may receive information in relation to the services provided; (viii) the term of the agreement; (ix) standard terms and conditions; (x) compensation in case of non-delivery; and (xi) information on how consumer disputes are initiated. In addition, general consumer protection laws must be complied with when providing services to consumers.

For the purpose of strengthening consumers' rights, the Amendments to the Electronic Communications Act provide, *inter alia*, that operators providing electronic communications services to consumers must offer users the possibility to subscribe to a contract with a maximum term of 12 months and contracts concluded between consumers and operators providing electronic communications services must not have an initial commitment period exceeding 24 months.

Furthermore, the Electronic Communications Act has been amended on May 1, 2014, providing, *inter alia*, a limitation of the notice period to 1 month for contracts concluded between consumers and providers of electronic communications services. Previous standard practice for most operators was 3 months' notice period. The amendment also entails an obligation for operators providing publicly available electronic communications service that have entered into an agreement with a consumer about subscriptions with a fixed period, coupled with the provision of terminal equipment, to remove operator locks free of charge and without delay upon the request of the consumer at the end of the introductory period.

On June 13, 2014 changes to the Distance Selling Act (Sw. *distans- och hemförsäljningslagen*) will also enter into force. The changes of the law (which is now renamed the Distance Contracts and Contracts Outside Business Premises Act (Sw. *lag om distansavtal och avtal utanför affärslokaler*) includes, *e.g.*, the extension of its scope to include contracts concluded in places where a trader is only offering goods or services for a few days, such as a mall or a so called pop up store and increased disclosure requirements before contract conclusion. If the trader does not fulfill the disclosure requirements, there are sanctions under the Marketing Act (Sw. *marknadsföringslagen*) and the customer may in certain circumstances not have to pay additional costs which were not transparent before conclusion of the contract.

Network Neutrality

In order to prevent the degradation of services and hindering or slowing down network traffic, the Amendments to the Electronic Communications Act authorize the PTS to set minimum quality standards on services provided by operators of public communications networks. Well in advance of establishing such standards, the PTS must provide the European Commission with a summary of the grounds for any such action and the proposed standards and courses of action. This information shall also be made available to the Body of European Regulators for Electronic Communications ("**BEREC**"). The Amendments to the Electronic Communications Act also entail that operators of public communications networks may be obligated to inform consumers of any change to conditions limiting access to and/or use of services and applications, to provide information on any procedures put in place by the provider to measure and shape traffic to avoid filling or overfilling a network link and to provide information about how those procedures could impact service quality. In order to comply with these new transparency obligations, Com Hem has updated its terms and conditions as well as included information on traffic management measures on the company web page. See "*—New EU Legislative Package.*"

Number Portability

Under the Electronic Communications Act, an operator must ensure that their telephone network allows for a subscriber to retain his or her telephone number when changing to another service provider. As a result of the Amendments to the Electronic Communications Act, this requirement has become more stringent such that the porting of numbers and subsequent activation of numbers must be carried out within the shortest possible time and that, under all circumstances, a new number must be activated within one working day from the date a subscriber signs an agreement to port a number to a new operator. In the case of delay or the prevention of porting, a subscriber will be entitled to compensation from the operator.

Numbering Issues

The PTS is the competent authority for the administration of numbering issues. It is responsible for the Swedish national numbering plan. The PTS also allocates (telephone) numbers to telecommunications network operators, telecommunications service providers and subscribers. When we assign numbers (for example, local numbers for subscribers or a technical number in order to implement number portability), we must comply with certain conditions (for example, with regard to the transfer of numbers), as set out in the PTS numbering regulation.

Privacy Issues—Data Protection and Public Safety

Each provider of electronic communications services must maintain "communication privacy." This means that the content and detailed circumstances of communication, in particular the fact whether or not a person is or was engaged in a communication activity, must not be disclosed to third parties. In addition, each operator must protect the personal data and traffic data of subscribers and users in connection with the collection and processing of such data.

Each provider of electronic communications services must make appropriate technical arrangements or take other measures in order to protect the privacy of personal and traffic data and data processing systems against unauthorized access. A provider of electronic communications services must notify any unlawful transfer or leakage of processed traffic data to individuals affected by such transfer or leakage.

Furthermore, an operator offering publicly available telephony services is required to provide all users with free access to emergency services by using the European-wide emergency call number "112" and any additional national emergency call numbers.

On March 12, 2014, the European Parliament approved the European Commission's proposed regulation setting out a general European Union framework for data protection and directive on protecting personal data processed for the purposes of prevention, detection, investigation or prosecution of criminal offences and related judicial activities intended to replace Directive 95/46/EC. According to the European Commission, the key changes in the reform include:

- A single set of rules on data protection, valid across the European Union to remove unnecessary administrative requirements.
- Instead of the current obligation for all companies to notify all data protection activities to data protection supervisors, the Regulation provides for increased responsibility and accountability for those

processing personal data. For example, companies and organisations must notify the national supervisory authority of serious data breaches as soon as possible (if feasible within 24 hours).

- Organisations will only have to deal with a single national data protection authority in the European Union country where they have their main establishment. Wherever consent is required for data to be processed, it is clarified that it has to be given explicitly, rather than assumed.
- People will have easier access to their own data and be able to transfer personal data from one service provider to another more easily (right to data portability).
- A 'right to be forgotten' will help people better manage data protection risks online: people will be able to delete their data if there are no legitimate grounds for retaining it.
- European Union rules must apply if personal data is handled outside of the European Union by companies that are active in the European Union market and offer their services to European Union citizens.
- Independent national data protection authorities will be strengthened so they can better enforce the European Union rules at home. They will be empowered to fine companies that violate European Union data protection rules. This can lead to penalties of up to €1 million or up to 2% of the global annual turnover of a company.
- The new directive will apply general data protection principles and rules for police and judicial cooperation in criminal matters. The rules will apply to both domestic and cross-border transfers of data.
- The next step in the legislative process is discussions between European Union Member States (meeting in the Council of Ministers). The legislation will take effect two years after it has been adopted.

Interception and Information Requests From Law Enforcement Authorities

The Electronic Communications Act requires network operators and service providers to conduct their operations in such a manner that court decisions regarding the interception and monitoring of electronic communications may be executed without being disclosed and that the content of and information about the intercepted communication is made available to the police and prosecution authorities in an easy manner. Operators are entitled to request compensation for such assistance.

The Electronic Communications Act also requires network operators and service providers to provide information, if retained, to certain authorities about the subscription or a specific telecommunication. Operators are entitled to request reasonable compensation for their assistance.

Data Retention

On May 1, 2012, the Directive 2006/24/EC on the retention of data (the "**Data Retention Directive**") was implemented in Sweden. The legislation requires each network operator or service provider to collect and store certain traffic data generated in its operations during a six-month period in order to comply with statutory provisions for law enforcement purposes. Operators are not entitled to compensation for technical adjustments in their networks necessary for such collection and storage but are entitled to reasonable compensation for information requests from law enforcement authorities. The PTS presented the final regulation (Sw. *Föreskrifter*) with respect to security relating to the storage and collection of certain traffic data on November 7, 2012, with effect from December 1, 2012. The PTS presented the final regulation with respect to compensation for information requests on December 11, 2013, with effect from January 1, 2014. However, on April 8, 2014, the European Court of Justice declared the Data Retention Directive to be invalid. In addition to us, operators such as Bahnhof, Tele2, Telenor and TeliaSonera have ceased collecting and storing data. The PTS has stated that they will not at present take any action based on the data retention regulation. On April 30, 2014, the Department of Justice launched an investigation into data retention. In implementing the assignment, the investigator will consult with the Swedish prosecution authority, police, security service, customs and the PTS. The initial analysis shall be presented no later than June 12, 2014.

Fees

For operations with an annual turnover of more than SEK 5 million that require notification to the PTS, it will charge an annual fee of 0.174% of the turnover.

In addition, all operators subject to a notification requirement with an annual turnover of more than SEK 30 million must pay a "preparedness fee" (relating to significant peacetime threats to and strains on electronic communications) corresponding to 0.155% of the annual turnover.

For operators, with an annual turnover of more than SEK 5 million, the PTS will charge an annual fee for review (*Sw. tillsyn*) of 0.0045% of the turnover.

Turnover in this respect is the turnover for the services that are subject to the notification requirement.

The PTS will also charge an operator for use of numbers from the national numbering plan.

New EU Legislative Package

On September 11, 2013, the European Commission adopted the legislative package "Connected Continent" aimed at building a connected, competitive continent and enabling sustainable digital jobs and industries. The European Parliament voted in support of the Commission's proposed regulation during its first reading of the draft on April 3, 2014. The European Union Member States will now continue to review the proposal and the Commission expects final agreement on the regulation by the end of 2014.

According to the European Commission, the legislative changes proposed complement the current regulatory framework and address the following main points:

- Simplifying European Union rules for telecoms operators—A single authorization for operating in all 28 member states (instead of 28 authorizations) and further harmonizing the way operators can rent access to networks owned by other companies in order to provide a competing service.
- Pushing roaming premiums out of the market—Incoming call charges while travelling in the European Union would be banned.
- No more international call premiums within Europe—The proposal means companies cannot charge more for a fixed intra-European Union call than they do for a long-distance domestic call. For mobile intra-European Union calls, the price could not be more than €0.19 per minute (plus VAT). In setting prices, companies could recover objectively justified costs, but arbitrary profits from intra-European Union calls would disappear.
- Legal protection for open internet (net neutrality)—Blocking and throttling of internet content will be banned, giving users access to the full and open internet regardless of the cost or speed of their internet subscription. Companies will still be able to provide "specialized services" with assured quality (such as IPTV, video on demand, apps including high-resolution medical imaging, virtual operating theatres, and business-critical data-intensive cloud applications) so long as this does not interfere with the internet speeds promised to other customers. Consumers will have the right to check if they are receiving the internet speeds they pay for, and to walk away from their contract if those commitments are not met.
- New consumer rights, with all rights harmonized across Europe—New rights such as the right to plain language contracts with more comparable information, greater rights to switch provider or contract, the right to a 12-month contract if one does not wish a longer contract, the right to walk away from one's contract if promised internet speeds are not delivered, and the right to have emails forwarded to a new email address after switching internet provider.
- Coordinated spectrum assignment—Mobile operators will be able to develop more efficient and cross-border investment plans, thanks to stronger coordination of timing, duration and other conditions of assignment of spectrum. Member States would remain in charge, and continue to benefit from related fees from mobile operators, while operating within a more coherent framework.
- More certainty for investors—The Recommendation on Costing Methodologies and Non-Discrimination of September 11, 2013 is the second element of this package, complementing the proposed regulation. It aims to increase certainty for investors, to increase their investment levels, and reduce divergences between regulators. This means 1) further harmonizing and stabilizing costs that incumbent operators may charge for giving others access to their existing copper networks; and 2) ensuring that "access seekers" have truly equivalent access to networks.

The European Telecommunications Network Operators (ETNO) has expressed concerns over the package. Following the parliamentary vote on April 3, 2014, they stated that the most worrying development is the evolution of the Open Internet provisions which in their opinion would introduce far-reaching restrictions on traffic management, which would make an efficient management of the network almost impossible, resulting in a lower quality internet for all.

Media Regulation

The Swedish Radio and Television Act

The aim of Swedish media policy is to support freedom of expression, diversity and the independence of and accessibility to mass media, as well as to combat harmful elements in mass media.

The Audiovisual Media Services Directive (2010/13/EU) was transposed into Swedish law by the Swedish Radio and Television Act, which entered into force on August 1, 2010 (the "**Radio and Television Act**"). The Radio and Television Act covers all audiovisual media services and includes provisions regarding advertisement technologies, provisions for license obligations and on license transfers for broadcasting radio and television programs.

The Regulatory Body

The Swedish Broadcasting Authority (the "**SBA**") is the governmental authority for the broadcasting market. The SBA grants licenses for broadcasting services, designates local cable broadcasting companies, issues regulations on television standards and exercises a supervisory role in this area. The SBA also monitors developments in the media field.

Notification and License Requirements

Broadcasting of television and radio via cable, IP-networks or satellite is not subject to any license requirements. Broadcasting via cable (except for mere retransmission) and, under certain circumstances, satellite broadcasting must be registered with the SBA. The provision of VoD services requires registration with the SBA.

Broadcasting of radio and television via a terrestrial network requires a license from the SBA.

Fees

SBA charges the applicant for a permit to broadcast TV, searchable text TV and digital commercial radio and a notification fee equal to SBA's costs for processing the matter as well as fees governing consents to the transfer of such licenses.

Digital Switchover

The digital switchover from analog to digital terrestrial broadcasting was completed in Sweden in February 2008. The last launch of licenses for terrestrial broadcasting carried out by SBA has been for the broadcasting of high definition television.

The government authorized the PTS to allocate 72MHz (790-862 MHz) radio frequencies as a result of the switchover. These frequencies were made available by the PTS through a spectrum auction during February 2011. Hi3G Access AB, Net4Mobility HB (a joint venture between Telenor Sverige AB and Tele2 Sverige AB) and TeliaSonera Mobile Networks AB were awarded technology-neutral licenses in this frequency band. On February 17, 2012, the World Radio Communication Conference ("**WRC**") adopted a resolution which opens up the possibility for national regulators to make additional frequencies available for mobile services in the 700 MHz band (preliminarily 694-790 MHz) following a potential decision at the next WRC in 2015. On February 27, 2014, the Swedish government also decided, *inter alia*, that the 694-790 MHz-band will be re-allocated.

Must-Carry Obligations

An owner or operator of a fixed electronic communications network, such as Com Hem, which is used for public broadcasting of television in Sweden, must broadcast public service channels, *i.e.*, SVT1 and SVT2, SVT24, Kunskapskanalen and Barnkanalen free of charge.

In general, the television channels acquire the relevant licenses and pay all copyright fees for the broadcast content that are necessary for a network operator to distribute the channels via different platforms, including cable and IP television. However, the public service channels covered by the must-carry obligations do not clear such rights and we are therefore required to pay royalties to rights holders for the distribution of such channels, as discussed further below.

In March 2011, the Swedish government commissioned the SBA to review the system concerning must carry obligations for cable television networks. The SBA was instructed to consider, among other things, the allocation of costs for the remuneration of rights holders. The SBA published its report on September 30, 2011, in which it concluded that the must-carry obligations of owners or operators of a fixed electronic communications network, such as Com Hem, should remain. Furthermore, it concluded that there are reasons to consider an amendment of the current allocation of costs for the remuneration of rights holders. This conclusion indicates that the public service channels could be obligated to bear part of these costs in the future. In the processing of the Swedish Government bill on Public Service, which was passed on November 21, 2013, the Culture Committee of the Parliament (Sw. *Riksdagen*) stressed that the public service broadcaster should ensure that remuneration to rights holders are paid. During 2014, the Swedish Government is expected to commission an inquiry on the need for continued must-carry obligations as well as on the responsibility for payments of copyright fees for content in channels covered by the must-carry obligation. If this leads to a change where Com Hem is relieved from (the whole or part of) the must-carry obligation and/or copyright fees, this would reduce costs currently incurred.

Competition Regulation

The electronic communications and the media sector are covered by general Swedish and EU competition law. The Swedish Competition Authority (the "**SCA**"), the European Commission and/or other national authorities may initiate investigations into an undertakings agreement and behavior on the market to assess whether it complies with the applicable competition rules. They may order an undertaking to cease applying certain terms and conditions and pricing if considered restrictive of competition. The District Court of Stockholm (Sw. *Stockholms tingsrätt*) also has the power to, upon a claim initiated by the SCA due to infringement of the competition rules, impose a competition distortion fine (Sw. *konkurrensskadeavgift*). The European Commission and/or other authorities also have the power to impose fines for infringements.

Merger notifications in the electronic communications sector have been subject to close scrutiny over the last few years at both EU and Swedish level. Following Com Hem's notification of a proposed acquisition of CDK on July 22, 2011, the SCA initiated an investigation which resulted in the SCA taking the view that the acquisition would create or strengthen a dominant position for Com Hem in the Swedish market for the distribution of TV services to MDUs via collective agreements with landlords. On November 24, 2011, the SCA therefore brought an action before the District Court of Stockholm to prohibit the acquisition. Com Hem revoked its notification of the proposed acquisition on December 16, 2011, whereby the SCA withdrew its demand the same day.

On January 24, 2012, the District Court of Stockholm dismissed the case. In December 2013, the SCA unconditionally approved the acquisition by Telenor Sverige AB of the fiber LAN, cable and open net business of Tele2 Sverige AB. The transaction concerned the fixed line business relating to individual consumers and small business customers. On May 15, 2014 the SCA, after conducting an in-depth review, cleared TeliaSonera's acquisition of communication operator Zitius Service Deliver AB, network operators Quadracom Networks AB, Quadracom Services AB, QMarket AB and service provider Riksnet.

The sector is also a priority sector for various regulatory authorities. It may therefore be assumed that authorities are following any developments closely.

Environmental

We are subject to a variety of laws and regulations relating to land use and environmental protection. While the Company could incur costs, such as fines and third-party claims for property damage or personal injury, as a result of violations of environmental laws and regulations, we believe that we comply with the applicable requirements of such laws and regulations.

We are required to implement certain power saving features in set-top boxes due to Directive 2009/125/EC (establishing a framework for the setting of ecodesign requirements for energy-related products) and Commission Regulation (EC) No 107/2009 implementing Directive 2005/32/EC (with regard to ecodesign requirements for simple set-top boxes). It could be expected that these requirements on complex set-top boxes will be self-regulated by voluntary industry agreements setting certain energy consumption thresholds. We believe that we will be in compliance over time without incurring additional substantial costs.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

Board of Directors

According to the Articles of Association, the Board of Directors shall consist of three to ten members elected by the shareholders at a general meeting. The Board of Directors currently consists of nine members; seven members were elected by the annual general meeting held in May 2014 for the period until the end of the 2015 annual general meeting and two members are employee representatives (with two deputy employee representatives).

The members of the Board of Directors, their year of birth, the year of their initial election, their position, whether or not they are considered to be independent as defined in the Swedish Corporate Governance Code (the "**Code**") in relation to the Company and management as well as in relation to principal shareholders and their shareholdings in the Company as of the date hereof, are set forth in the table below. The shareholdings in the Company assume the Share Conversion and Bonus Issue have occurred and conversion of all shares held.

Name	Year of birth	Member of the Board of Directors since	Position	Independent of the Company and Management	Independent of principal shareholders	Shareholding in the Company
Andrew Barron	1965	2013	Chairman of the Board	Yes	Yes	181,380
Nikos Stathopoulos	1969	2011	Board Member	Yes	No	
Joachim Ogland	1972	2011	Board Member	Yes	No	—
Monica Caneman	1954	2014	Board Member	Yes	Yes	—
Eva Lindqvist	1958	2014	Board Member	Yes	Yes	—
Anders Nilsson	1967	2014	Board Member/ CEO	No	Yes	247,668
Joachim Jaginder	1962	2011	Board Member/ CFO	No	Yes	42,830
Tina Bergström Darrell	1952	2011	Board Member(1)	No	Yes	—
Marianne Bohlin	1958	2013	Board Member(1)	No	Yes	—
Tomas Kadura	1963	2013	Deputy Board Member(2)	No	Yes	—
Mattias Östlund	1969	2013	Deputy Board Member(2)	No	Yes	—

(1) Employee representative.

(2) Deputy employee representative.

Members of the Board of Directors

Andrew Barron
Born in 1965.
Member of the Board of Directors since 2013. Chairman of the Board of Directors since 2014.

Andrew Barron has been a member of the Board of Directors of Com Hem since December 2013 and has served as the Chairman of the Board of Directors of Com Hem since May 2014. From 2008 to 2013 Mr. Barron held various posts at Virgin Media, latterly as Chief Operating Officer, and left when the company was sold to Liberty Global. He also served on the board of Virgin Unite, the pro bono venture for all Virgin companies. Prior to this, Mr. Barron was Chief Operating Officer of Modern Times Group, the international broadcasting group, and CEO of Chellomedia, the broadband and media division of UPC, now part of Liberty Global. He also served on the board of SBS, the international broadcaster. Mr. Barron has also served as an Executive Vice President within Walt Disney Europe, and as a consultant with McKinsey & Co, primarily in telecoms.

Mr. Barron previously held the position of Executive Chairman in Com Hem, but is no longer employed by Com Hem.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions in the past five years: COO of Virgin Media and MTG as well as member of the board of directors of Virgin Unite Charity.

Principal education: Bachelor degree in History and Management Studies from Trinity College, Cambridge University, and an MBA from Stanford University.

Holding in the Company: 181,380

Nikos Stathopoulos
Born in 1969.
Member of the Board of Directors since 2011. Chairman of the Board of Directors between 2011-2014.

Nikos Stathopoulos is a Managing Partner and a member of the Investment Committee of BC Partners Limited. He joined BC Partners Limited in 2005 and has over 17 years of experience in the private equity industry. Mr. Stathopoulos has been an active investor in the media, telecoms, consumer and retail industries. He is currently also Chairman of the board of Gruppo Coin and The Mergermarket Group and a member of the board of Migros Turk, Kenan Investments S.A. (parent company of Migros) and Icon 1 S.A. (parent company of Gruppo Coin). Prior to joining BC Partners Limited, Mr. Stathopoulos was a Partner at Apax Partners in London where he spent seven years working on large buy-out transactions in many European countries. Prior to Apax he spent three years as a management consultant with the Boston Consulting Group in London.

Mr. Stathopoulos is Chairman of the BC Partners Foundation, member of the Harvard Business School European Leadership Board, the Board of Trustees of the Impetus-Private Equity Foundation, and a Fellow of the Royal Society of Arts.

Current assignments/positions as of the date hereof: Managing Partner and member of the Investment Committee at BC Partners Limited. Chairman of the board of directors of Gruppo Coin and The Mergermarket Group. Member of the board of directors of Migros Turk, Kenan Investments S.A. (parent company of Migros) and Icon 1 S.A. (parent company of Gruppo Coin), Board observer of Regency Entertainment and member of the Harvard Business School European Leadership Board, the Board of Trustees in Private Equity Foundation and the Advisory Board of AUEB. Chairman of BC Partners Limited Foundation.

Previous assignments/positions in the past five years: Chairman of the board of directors of Regency Entertainment.

Principal education: Degree in Business Administration from Athens University of Economics & Business (AUEB) and an MBA from Harvard Business School.

Holding in the Company: None

Joachim Ogland
Born in 1972.
Member of the Board of Directors since 2011.

Joachim Ogland is a Senior Partner at BC Partners Limited, and is responsible for the firm’s investment activities in the Nordic region. He joined BC Partners Limited in 2003, and has over 13 years of experience in the private equity industry. Since joining BC Partners Limited, Mr. Ogland has made seven investments; Teknon, BDR Thermea, Dometic, Foxtons, Office Depot, Nille and Com Hem, and is also currently a member of the board of Nille. Prior to BC Partners Limited, Mr. Ogland worked with Morgan Stanley Capital Partners on leveraged buy-out transactions across Europe from 2001 to 2003. Prior to Morgan Stanley, he was with McKinsey & Co. in Oslo and consulted clients in media, telecom, financial services and retail sectors.

Current assignments/positions as of the date hereof: Chairman of the board of directors of Nipa Holding AS. Member of the board of directors of Nille Acquisition SA, Nille Finance S.à.r.l and Per Aarskog AS as well as an alternate member of the board of directors of Jonas Ogland Holding AS.

Previous assignments/positions in the past five years: Member of the board of directors of Dometic Holding AB, Dometic International AB, FA Corp S.à.r.l., Fina Cold I SA, Fina Cold II SA, FP Corp S.à.r.l. and Foxtons Holdings Ltd.

Principal education: Bachelor in Science in Mechanical Engineering from Massachusetts Institute of Technology (MIT) and MBA from Harvard Business School.

Holding in the Company: None.

Monica Caneman
Born in 1954.
Member of the Board of Directors since 2014.

Monica Caneman joined Com Hem in May 2014. She currently holds positions on several boards in Swedish and international companies, including BIG BAG Group, Fjärde AP Fonden, Arion Bank hf, Poolia, Schibstedt Sverige, SAS, mySafety Group, Intermail and Storebrand. Previously, Ms. Caneman has held positions on the board of directors of Allenex, Investment Öresund, SJ, Orexo and SPP Livförsäkring. Prior to this, Ms. Caneman held various management positions in SEB, where she was employed for almost 30 years.

Current assignments/positions as of the date hereof: Member of the board of directors and chief executive officer of Monica Caneman AB, Chairman of the board of directors of BIG BAG Group AB, Fjärde AP Fonden and Arion Bank hf as well as a Member of the board of directors of Poolia AB, Schibsted Sverige AB, SAS AB (publ), mySafety Group AB, Intermail AS and Storebrand ASA.

Previous assignments/positions in the past five years: Chairman of the board of directors of Frösunda Omsorg AB, Allenex AB (publ) and Electornic Transaction Group Nordic Holding AB as well as a Member of the board of directors of Investment AB Öresund (publ), SJ AB, Orexo AB (publ) and SPP Livförsäkring AB (publ).

Principal education: Master in Economics (Sw. *civilekonom*) from Stockholm School of Economics.

Holding in the Company: None.

Eva Lindqvist
Born in 1958.
Member of the Board of Directors since 2014.

Eva Lindqvist joined Com Hem in May 2014. She currently holds positions on several boards in Swedish and international companies, including ASSA ABLOY, Micronic Mydata, SWECO, Revres Holding, Tieto, Caverion och Bodycote. Ms. Lindqvist has previously held positions on *inter alia* the board of directors of Niscayah Group, V&S Vin & Sprit, Almi, Tretti, Schibsted Sonra Sverige AB, Investment Aktiebolaget Spiltan and Blekinge Tekniska Högskola. In addition to this, Ms. Lindqvist has held management positions at TeliaSonera, where she was Senior Vice President of Mobile Business and chief executive officer of TeliaSonera International Carrier, and Ericsson.

Eva Lindqvist is an Elected Member for life of the Royal Swedish Academy of Engineering Sciences.

Current assignments/positions as of the date hereof: Member of the board of directors of ASSA ABLOY AB (publ), Micronic Mydata AB (publ), Almi Företagspartner Aktiebolag, SWECO AB (publ), Lineco AB, Xer Invest AB, Revres Holding AB, Tieto Oy, Caverion Oy och Bodycote plc.

Previous assignments/positions in the past five years: Chairman of the board of directors of Admeta Aktiebolag and Xelex Holding AB, chief executive officer of Xelex Holding AB and Svenska Smakupplevelser AB. Member of the board of directors of Nordia Innovation AB, Gemalto AB, KF Media Aktiebolag, Niscayah Group AB, Transmode AB, Tretti AB, Almi Invest AB, Norstel Aktiebolag, First Date International FD AB, Indoscan in Sweden AB, Bitsec AB, AP Partnerinvest XLR AB, AP Partnerinvest XLR 2 AB, AP Partnerinvest Network AB, Schibsted ASA, Birdstep Technoloy ASA and Blekinge Tekniska Högskola.

Principal education: Master of Science in Applied Physics from Linköping University, Marketing Diploma from IHM Business School and an MBA in Financial Analysis from Melbourne Graduate School of Management at Melbourne University.

Holding in the Company: None.

Anders Nilsson
Born in 1967.
Member of the Board of Directors since 2014.

Anders Nilsson joined Com Hem as Chief Executive Officer in April 2014. Previously, Mr. Nilsson served as Executive Vice President of Commerce & Services at Millicom, the international cellular company. Prior to joining Millicom he worked within the MTG group of companies for 20 years. Within the MTG group, Mr. Nilsson held several executive positions and served, *inter alia,* as Executive Vice President of Central European Broadcasting, COO of MTG and CEO of MTG Sweden. In addition to having served as a member of the board of directors in several MTG companies, Mr. Nilsson has previously been a member of the board of directors of CDON Group, an e-commerce company that is listed on NASDAQ OMX Stockholm. He is currently a member of the board of directors of Milvik.

Current assignments/positions as of the date hereof: Member of the board of directors of Milvik AB.

Previous assignments/positions in the past five years: Chairman of the board of directors of Relevant Traffic Sweden AB, Relevant Traffic Europe AB, Gymgrossisten AB, Engine AB and FTV Prima Holding, a.s. Czech Republic. Member of the board of directors of CDON Group AB, MTG Holding AB, MTG Publishing AB, Investment Alsergrund AB, Mediainvest Holding AS Estonia, Agentsia Eva OOD Bulgaria, UAB Tele-3 Lithuania, TV3 Latvia SIA and LNT Latvia SIA. Executive Vice President of Modern Times Group MTG AB and Executive Vice President of Millicom Services AB.

Principal education: Studies in Law at Lund University.

Holding in the Company: 247,668

Joachim Jaginder
Born in 1962.
Member of the Board of Directors since 2011.

Joachim Jaginder has served as Chief Financial Officer of the Company since August 2008 and was acting Chief Executive Officer from March 2014 to April 2014. Previously, Mr. Jaginder served as Chief Executive Officer and Chief Financial Officer of Eniro and member of several boards within the Eniro Group, and as a member of the board of Dacke Group Nordic. Prior to 2006, Mr. Jaginder also served as the Chief Financial Officer of Song Networks, Chief Financial Officer of Teleca and AU-Systems and Chief Controller of McDonalds Sweden.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions in the past five years: None.

Principal education: Master of Business Administration from Stockholm University.

Holding in the Company: 42,830

Tina Bergström Darrell
Born in 1952.
Member of the Board of Directors (employee representative) since 2011.

Tina Bergström Darrell is a facility manager with Com Hem and has been employed within the Company and its predecessors since 1970. Mrs. Bergström Darrell is one of two employee representatives appointed by the trade unions in Com Hem.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions in the past five years: None.

Principal education: Degree in public employment law from Lund University.

Holding in the Company: None.

Marianne Bohlin
Born in 1958.
Member of the Board of Directors (employee representative) since 2013.

Marianne Bohlin is a customer relations manager with Com Hem and has been employed within the Company since 2004. Ms. Bohlin is one of two employee representatives appointed by the trade unions in Com Hem.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions in the past five years: None.

Principal education: Degree in Higher Staff Administrative Training from SPF/TBV.

Holding in the Company: None.

Tomas Kadura
Born in 1963.
Deputy Member of the Board of Directors (deputy employee representative) since 2013.

Tomas Kadura is a customer deliverance manager with Com Hem and has been employed within the Company and its predecessors since 1985. Mr. Kadura is one of two deputy employee representatives appointed by the trade unions in Com Hem.

Current assignments/positions as of the date hereof: Tomas Kadura sole proprietorship.

Previous assignments/positions in the past five years: None.

Principal education: Degree in economics from University of Borås.

Holding in the Company: None.

Mattias Östlund
Born in 1969.
Deputy Member of the Board of Directors (deputy employee representative) since 2013.

Mattias Östlund is a business architect in operational excellence with Com Hem and has been employed within the Company since 2004. Mr. Östlund is one of two deputy employee representatives appointed by the trade unions in Com Hem.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions in the past five years: None.

Principal education: University certificate in Energy System Engineering from Mälardalen University.

Holding in the Company: None.

Management

The table below sets forth the name, year of birth, the year each person became a member of management and their current position. The shareholdings in the Company as of the date hereof assume the Share Conversion and Bonus Issue have occurred and conversion of all shares held.

Name	Year of birth	Member of management since	Position
Anders Nilsson	1967	2014	Chief Executive Officer (CEO)
Joachim Jaginder	1962	2008	Chief Financial Officer (CFO)
Jon James	1969	2014	Chief Operating Officer (COO)
Stefan Trampus	1969	2012	Head of Sales
Henri Caddeo	1968	2013	Chief Technology Officer
Asanga Gunatillaka	1977	2013	Chief Product Officer
Jonas Tränk	1972	2014	Marketing Director
Krister Tånneryd	1969	2007	Director Operations and Customer Service
Stefan Berg	1971	2009	Chief Information Officer (CIO)
Daniel Ljungberg	1974	2009	Director Operational Excellence and Procurement
Kerstin Björklund	1958	2013	Director of Human Resources
Jessica Sjöberg	1977	2014	Director of Communications
Christer Kinch	1970	2006	Director Strategic Development and Public Affairs
Christer E. Andersson	1957	2012	Managing Director of iTUX Communication AB

Anders Nilsson
Chief Executive Officer since April 2014. See "*—Members of the Board of Directors*."

Joachim Jaginder
Chief Financial Officer since August 2008. See "*—Members of the Board of Directors*."

Jon James
Born 1969.
Chief Operating Officer since February 2014.

Jon James joined Com Hem in February 2014 as COO. Previously, Mr. James served as executive director of broadband and TV at Virgin Media and was formerly Group Strategy Director for Virgin Media. Prior to this, Mr. James was Commercial Director at Flextech & UKTV, a pay-TV broadcaster, and before that he spent five years as a senior consultant with Informed Sources working in Europe and the United States.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: Executive Director, Broadband and TV and Group Strategy Director, Virgin Media.

Principal education: Cambridge University.

Holding in the Company: 171,168

Stefan Trampus
Born 1969.
Head of Sales since October 2012.

Stefan Trampus joined Com Hem in October 2012 as Head of Sales for both the Landlord Business Unit and Consumer Sales. Previously, Mr. Trampus served as a member of the board of Cygate Group, Vice President of Broadband Services at TeliaSonera Sweden, Vice President Business Management of Mobility Services at TeliaSonera Sweden, Sales Director at TeliaSonera Sweden and Head of Product Management for Internet access at TeliaSonera Sweden.

Current assignments/positions as of the date hereof: Member of the board of directors of iTUX Communication AB and deputy member of the board of directors of Ancans Huvudkvarter AB.

Previous assignments/positions within the past five years: Member of the board of directors of Cygate Group AB.

Principal education: DIHM Diploma in Business Finance from IHM Business School.

Holding in the Company: 61,124

Henri Caddeo
Born 1968.
Chief Technology Officer since February 2013.

Henri Caddeo joined Com Hem in February 2013 as Director of Technology. Previously, Mr. Caddo served as Head of Solution at Ericsson and Development Director at Telenor.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Master of Science in Engineering (Physics) from the Royal Institute of Technology and an MBA in Financial Management from Stockholm School of Economics.

Holding in the Company: None.

Asanga Gunatillaka
Born 1977.
Chief Product Officer since March 2013.

Asanga Gunatillaka has served as Chief Product and Marketing Officer since March 2013. Previously, Mr. Gunatillaka served as Commercial Director for the Digital Entertainment division of Virgin Media in the UK, Head of Product Strategy, Product Manager Digital TV and Consultant at Accenture.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Master of Electronic Engineering and Management from Imperial College, London.

Holding in the Company: 86,700

Jonas Tränk
Born 1972.
Marketing Director since March 2014.

Jonas Tränk has served as Marketing Director since March 2013. Previously, Mr. Tränk served as Head of Marketing at Viasat.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Bachelor of Science in Marketing and Master of Science from Lund University.

Holding in the Company: None.

Krister Tånneryd
Born 1969.
Director Operations and Customer Service since February 2014.

Krister Tånneryd has served as Director of Operations and Customer Service of Com Hem since February 2014 and has been with the Company since 2007. Previously, Mr. Tånneryd has served as COO of Com Hem, Chairman of the board and member of the board of SNPAC Swedish Number Portability Administrative Centre, member of the board of Bostadsrättsföreningen Adlern Mindre, Partner and Management Consultant at Alacrity Consulting Group, Vice President and COO at Telenor, Deputy CEO at Telenor Business Solutions, Vice President and CTO at 4ctrl.com, and Director of IT Infrastructure and Manager IT Purchasing at SAS.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Introduction to IT Law at Linköping University and Introductory Course in Law at Stockholm University, Sweden.

Holding in the Company: 45,211

Stefan Berg
Born 1971.
Chief Information Officer since August 2009.

Stefan Berg has served as Chief Information Officer of Com Hem since August 2009. Previously, Mr. Berg served as Regional Manager at Strand Interconnect, and as Business Area Manager at Cybercom Group and Teleca.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Bachelor of Social Science from Uppsala University.

Holding in the Company: 11,898

Daniel Ljungberg
Born 1974.
Director Operational Excellence and Procurement since January 2009.

Daniel Ljungberg has served as Director Operation Excellence and Procurement of Com Hem since January 2009. Previously, Mr. Ljungberg served as a member of the board of HSB Bostadsrättsförening Sunnan i Nacka, Director of Group Procurement at Eniro, Head of Procurement Development at SEB and Management Consultant at Accenture.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Master of Science in Industrial Engineering and Management at Linköping University.

Holding in the Company: 7,141

Kerstin Björklund
Born 1958.
Director Human Resources since August 2013.

Kerstin Björklund has served as Director of Human Resource of Com Hem since August 2013. Previously Ms. Björklund held the position of HR Director at Fujitsu, where she has also served as HR Manager, Scandinavia. Further, Ms. Björklund has previously served as HR Manager at Electrolux and Microsoft.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Degree in Marketing Economics from IHM Business School and a degree in Human Resource Management from the Institute of Business Administration (FEI).

Holding in the Company: None.

Jessica Sjöberg
Born 1977.
Director of Communications since February 2014.

Jessica Sjöberg joined Com Hem in August 2010 as Press Manager and assumed the role of Director of Communications in February 2014. Prior to Com Hem Ms. Sjöberg worked for the operator TDC Sverige as Communication Manager, for TDC Song where she started as a project leader within the marketing department and progressing to Marketing Manager and for DGC Systems as Account Manager.

Current assignments/positions as of the date hereof: None.

Previous assignments/positions within the past five years: None.

Principal education: Media and Communications and Political Sciences from Stockholm University.

Holding in the Company: None.

Christer Kinch
Born 1970.
Director Strategic Development and Public Affairs since February 2004.

Christer Kinch joined Com Hem in February 2004 and serves as Director Strategic Development and Public Affairs. He also serves as a member of the board of Keaco Holding. Previously, Mr. Kinch served as a member of the board of Broadcast Text Holding and Konsumenternas Tele-, TV- & Internetbyrå, KTIB, Investment Manager at Investor Growth Capital and Engagement Manager at McKinsey & Company.

Current assignments/positions as of the date hereof: Member of the board of Keaco Holding AB.

Previous assignments/positions within the past five years: Member of the board of Broadcast Text Holding AB and Konsumenternas tele- TV- & Internetbyrå, KTIB, AB.

Principal education: Master of Science in Industrial Engineering and Management at the Royal Institute of Technology in Stockholm.

Holding in the Company: 85,667

Christer E. Andersson
Born 1957.
Managing Director of iTUX Communication AB since September 2012.

Christer E. Andersson has served as Managing Director for the subsidiary iTUX Communication AB since September 2012. Mr. Andersson joined Com Hem in 2007 as Director of the Landlord Business Unit. He also currently serves as a member of the board of iTUX Communication AB and as a deputy member of the boards of Toolking and Ute&inne i Mellerud. Previously, he served as Chairman of the board of Uppsala Stadsnät, Market Manager at TDC Song, Director of Product & Services at Song Networks, and Managing Director at Lucent Technologies.

Current assignments/positions as of the date hereof: Member of the board of iTUX Communication AB and deputy member of the board of Ute&inne i Mellerud AB and Toolking AB.

Previous assignments/positions within the past five years: Director of the Landlord Business Unit of Com Hem.

Principal education: Master of Science in Industrial and Management Engineering at Linköping Institute of Technology.

Holding in the Company: 14,276

Other Information on the Board of Directors and Management

The office address for all members of the Board of Directors and management is Com Hem Holding AB (publ), Fleminggatan 18, SE-106 26 Stockholm, Sweden.

Nikos Stathopoulos was Chairman of the board of directors of Regency Entertainment when it underwent a corporate reorganization (a consensual debt restructuring with lenders). Joachim Ogland was a member of the board of directors in Foxtons Holdings Limited, which was dissolved by way of insolvent liquidation.

With the exception of the cases described in the immediately preceding paragraph, no member of the Board of Directors or management has been involved in bankruptcy, mandatory liquidation or bankruptcy administration in the past five years in their respective capacity as Board member or senior executive. No member of the Board of Directors or management has been convicted in any case relating to fraud in the past five years. There are no, and during the past five years there have not been any, allegations and/or sanctions on the part of any authority or professional association against any of these persons. No member of the Board of Directors or management has in the past five years been banned by any court from membership of a company's administrative, management or control bodies, or from holding management or general positions within a company. No member of the Board of Directors or management has any private interest that might conflict with the Company's interests. However, several members of the Board and management have certain financial interests in Com Hem as a consequence of their holdings, direct or indirect, of Shares in the Company). There are no family ties between members of the Board of Directors or management.

External Auditor

The most recent auditor election was at the annual general meeting in May 2014, when KPMG AB, in its capacity as registered audit firm, was re-elected for the period until the end of the 2015 annual general meeting. Thomas Thiel is the auditor-in-charge. Thomas Thiel is an authorized public accountant and member of FAR (the Swedish Institute for Authorized and Approved Public Accountants). KPMG AB's office address is Tegelbacken 4A, SE-103 23 Stockholm, Sweden.

KPMG AB has been auditor throughout the entire period which the historical financial information in this Offering Memorandum covers.

CORPORATE GOVERNANCE

Corporate Governance

Prior to listing on NASDAQ OMX Stockholm, the corporate governance of the Company has been based upon Swedish law and internal rules and guidelines. Once listed on NASDAQ OMX Stockholm, the Company will also comply with NASDAQ OMX Stockholm's Rule Book for Issuers and the Code. The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and is to be fully applied from the date of the first annual general meeting held the year after listing. Companies are not obliged to apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation in its annual corporate governance report (the "comply or explain" principle).

The Company will apply the Code from the time of the listing of the Shares on NASDAQ OMX Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2014 financial year. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. Currently, the Company expects to report a deviation from the Code in the corporate governance report with respect to the number of members of the Board of Directors who are also members of the Company's management as well as with respect to the issuance of Warrants to the Board of Directors pursuant to the incentive program. The Code allows for one member of the Board of Directors to also be a member of the Company's management and currently both Anders Nilsson, CEO, and Joachim Jaginder, CFO, are members of the Board of Directors.

General Meetings

Pursuant to the Swedish Companies Act, the general meeting is the Company's supreme decision-making body and shareholders exercise their voting rights at such meetings. Annual general meetings must be held within six months from the end of each financial year. The Company's annual general meetings are held in Stockholm, Sweden. In addition to the annual general meeting, extraordinary general meetings can be convened.

Pursuant to the Articles of Association, notices convening general meetings shall be issued through announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) as well as on the company's website. Announcement to the effect that a notice convening a general meeting has been issued shall be made in Svenska Dagbladet. Once Com Hem is listed, a press release in Swedish and English with the notice in its entirety will be issued ahead of each general meeting.

Right to Attend General Meetings

All shareholders who are directly recorded in the share register maintained by Euroclear Sweden five weekdays (Saturdays included) prior to the general meeting and who have notified the Company of their intention to participate in the general meeting not later than the date indicated in the notice of the general meeting, are entitled to attend the general meeting and vote for the number of shares they hold.

In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares are temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden, in order to be entitled to participate in the general meeting. Shareholders should inform their nominees well in advance of the record date.

Shareholders may attend general meetings in person or by proxy and may be accompanied by a maximum of two assistants. It will normally be possible for shareholders to register for the general meeting in several different ways, as indicated in the notice of the meeting. Shareholders are entitled to vote for all shares in the Company held by that shareholder.

Shareholder Initiatives

Shareholders who wish to have an issue brought before the general meeting must submit a request in writing to the Board of Directors. The request must normally be received by the Board of Directors not later than seven weeks prior to the general meeting.

Nomination Committee

Under the Code, the Company shall have a nomination committee, the purpose of which is to make proposals in respect of the chairman at general meetings, Board member candidates, including the post of chairman, fees and other remuneration of each Board member as well as remuneration for committee work, election of and remuneration to the external auditor and proposal for nomination committee for the following annual general meeting.

At the annual meeting held in May 2014, it was resolved that the Nomination Committee, ahead of the 2015 annual general meeting, shall be composed of representatives of the four largest shareholders listed in the shareholders' register maintained by Euroclear Sweden as of September 30, 2014, and the Chairman of the Board, who will also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall be appointed Chairman of the Nomination Committee. If earlier than two months prior to the annual general meeting in 2015, one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the four largest shareholders, representatives appointed by these shareholders shall resign and the shareholders who then are among the four largest shareholders may appoint their representatives. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the largest shareholders the largest shareholder in turn. Changes to the composition of the Nomination Committee must be announced immediately.

The composition of the Nomination Committee for the annual general meeting in 2015 is to be announced no later than six months before that meeting. Remuneration shall not to be paid to the members of the Nomination Committee. The Company is to pay any necessary expenses that the Nomination Committee may incur in its work. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced.

The Board of Directors' Responsibilities and Work

The duties of the Board of Directors are set forth in the Swedish Companies Act, the Company's Articles of Association and the Code, the latter of which will be applicable to the Company after the listing of the Shares on NASDAQ OMX Stockholm. In addition to this, the work of the Board is guided by formal rules of procedure that the Board adopts every year. The work plan governs the division of work and responsibility among the Board, its Chairman and the Chief Executive Officer and specifies financial reporting procedures for the Chief Executive Officer. The Board also adopts instructions for the Board committees.

The Board of Directors' tasks include adopting strategies, business plans and budgets, interim report, year-end financial statements and setting policies and guidelines. The Board of Directors is also required to follow economic developments and ensure the quality of financial reporting and internal controls and evaluate operations on the basis of the objectives and guidelines set by the Board of Directors. Finally, the Board of Directors decides on major investments and changes in the organization and activities of the Company. The Chairman of the Board of Directors shall, in close collaboration with the Chief Executive Officer, monitor the Company's performance and chair Board meetings. The Chairman is also responsible for ensuring that the Board of Directors evaluates its work each year and always receives the information necessary to perform its work effectively.

The Board of Directors currently consists of nine members; seven members were elected by the annual general meeting held in May 2014 for the period until the end of the 2015 annual general meeting and two members are employee representatives (with two deputy employee representatives), who are presented in "*Board of Directors, Management and auditor—Members of the Board of Directors*."

Board Committees and Committee Work

The Board has two committees: the Remuneration Committee and the Audit Committee.

The task of the Remuneration Committee is to prepare issues relating to compensation and other employment terms for the Chief Executive Officer and the Company's senior management. This work includes proposing guidelines for, among other things, the relationship between fixed and variable compensation and the relationship between performance and compensation, the principal conditions for bonuses and incentive schemes, conditions for non-monetary benefits, pensions, termination and severance pay, and to make proposals on individual compensation packages for the Chief Executive Officer and other executives in the Company's senior management. Furthermore, the Remuneration Committee shall monitor and evaluate the outcome of variable compensation schemes and the Company's compliance with remuneration guidelines adopted by the general meeting. The Remuneration Committee has three members: Nikos Stathopoulos (chairman), Eva Lindqvist and Joachim Ogland.

The overall task of the Audit Committee is to ensure fulfillment of the Board of Directors' supervisory duty in relation to internal control, audit, internal audit, risk management, accounting and financial reporting. The Audit Committee shall review procedures and routines for the aforementioned areas and shall also prepare the Board of Directors' report on internal control. In addition, the Audit Committee shall monitor the impartiality and independence of the auditor, evaluate the audit work and discuss with the auditor the coordination of the external and internal audit. The Audit Committee shall also assist the Company's Nomination Committee in preparing nominations for auditors and recommendations for audit fees. The Audit Committee has three members: Monica Caneman (chairman), Nikos Stathopoulos and Joachim Ogland. The Audit Committee fulfils the requirement in respect of accounting or auditing competence as set forth in the Swedish Companies Act.

The work of the Remuneration Committee and the Audit Committee is preparatory in nature and does not constitute a delegation of the liability under Swedish law of the Board of Directors or its members for these matters. Reports to the Board of Directors on issues discussed at committee meetings are either in writing or given orally at the following Board meeting. The work of each committee is performed in accordance with written instructions and a work plan stipulated by the Board of Directors. Minutes of committee meetings are provided to all Board members.

The CEO and Management

The CEO is subordinated to the Board of Directors and is responsible for the everyday management and operations of the Company. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and instructions for the CEO. The CEO is also responsible for the preparation of reports and compiling information to the board meetings and for presenting such material at the board meetings.

According to the instructions for financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the Board of Directors receives adequate information for the Board of Directors to be able to evaluate the Company's financial condition.

The CEO must continually keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and management are presented in "*Board of Directors, Management and Auditor*."

Compensation of the Members of the Board of Directors, CEO and Management

Compensation of the Members of the Board of Directors and Board Committees

The following compensation amounts have been adopted for the current Board of Directors for the period until the end of the 2015 annual general meeting: SEK 1,814,000 to be distributed to the Chairman of the Board of Directors and SEK 350,000 to each of the other Board members elected by the general meeting not receiving a salary. In addition, it has been resolved that compensation for committee work would be paid in the amount of SEK 75,000 to the chairman of the Remuneration Committee and SEK 50,000 to each of the other members of the committee not receiving a salary, and SEK 100,000 to the chairman of the Audit Committee and SEK 70,000 to each of the other members of the committee not receiving a salary. No compensation has been paid to the members of the Board of Directors who have been elected by general meetings for the year ended December 31, 2013 (except Joachim Jaginder who received total renumeration in the amount of SEK 3,716,289 for his work as CFO (salary including pension, bonus and other renumeration).

Guidelines for Remuneration of the Chief Executive Officer and Management

The annual general meeting to be held in 2015 will resolve on guidelines which shall apply in relation to remuneration of the CEO and members of management.

Current Terms of Employment for the Chief Executive Officer and Management

Remuneration

Remuneration of the Chief Executive Officer consists of salary as well as a bonus at Com Hem's discretion. The Chief Executive Officer is entitled to a fixed yearly salary of SEK 4,800,000 and an annual bonus target equal to 75% of his fixed salary. Management is generally entitled to a maximum annual bonus of 15-50% of their annual salary in addition to their fixed salary; however one member (other than the Chief Executive Officer) of management has an annual bonus target equal to 50% of his fixed salary. During 2013, total remuneration to other members of current management who were also employed during 2013 amounted to SEK 24,001,712, of which SEK 15,373,631 consisted of salaries and SEK 4,211,595 consisted of bonus payments.

The Chief Executive Officer and a few other members of management are also eligible to participate in the investment program for executives as established by the Company.

Pensions and Other Benefits

In addition to remuneration, the Chief Executive Officer and management are entitled to pension, health insurance and other benefits. The majority of management is entitled to pension benefits according to Company Policy, meaning that they are covered by either the ITP Plan or the ITP-Tele Plan.

Incentive Programs

At the Extraordinary General Meeting on June 3, 2014, it was resolved to issue warrants within the scope of an employee incentive program for senior executives and key employees and separately to issue warrants within the scope of an employee incentive program for members of the Board of Directors in accordance with the following. Identical terms and conditions will apply to both incentive programs. In total, the incentive programs will encompass approximately 25 individuals and a maximum of 10,883,694 warrants. The incentive programs entail that senior executives, key employees and members of the Board of Directors are offered to acquire warrants at a market value corresponding to in total up to SEK 19 million (assuming the midpoint of the Offer Price Range), according to the Black & Scholes valuation formula. The maximum number of warrants to be issued will correspond to up to 5% of the Company's share capital and votes following the Offering. The warrants have been issued in two series, not more than 5,441,847 warrants expiring in June 2017 and not more than 5,441,847 warrants expiring in June 2018. Pursuant to their terms and conditions, warrants expiring in June 2017 can be exercised during three months before expiration at an exercise price corresponding to 126.0% of the Offer Price and warrants expiring in June 2018 can be exercised during three months before expiration at an exercise price corresponding to 136.1% of the Offer Price. If a Change of Control Event (as defined in the warrants) occurs during the term of the warrants, the warrants will be immediately exercisable and a re-calculated exercise price shall apply. The Company has reserved a preemption right regarding the warrants if the participant's employment or assignment within the Group is terminated or if the participant wishes to transfer its warrants.

Notice of Termination

The Chief Executive Officer has a mutual notice period of 12 months (*i.e.*, the notice period for both Anders Nilsson and his employer, Com Hem, is 12 months).

Most members of management are entitled to a notice period of 6 months when notice is given by the employee and a notice period of 12 months when notice is given by the employer. One member of management (other than the Chief Executive Officer) has a mutual notice period of 12 months (*i.e.,* the notice period for both the employee and the employer is 12 months) and four members of management are only entitled to a notice period of 6 months when notice is given by the employer (out of which one has a notice period of three months when notice is given by the employee).

One member of management is entitled to severance pay in the amount of 6 months' salary on top of his notice period if the employment is terminated by the Company.

Auditing

The external audit of the accounts of the Company and its subsidiaries as well as the management by the Board of Directors and management is conducted in accordance with generally accepted auditing standards in Sweden.

The external auditor attends the Board meeting at which the annual report and, where applicable, the consolidated accounts are to be discussed in order, *inter alia,* to comment on the financial statements and on the audit work, at which time the chief executive officer or any other member of management shall not be present. In the period covered by the historical financial information, KPMG AB has performed advisory services for us, in addition to its auditing work, consisting of audit-related, tax-related and other services. The auditor receives compensation for its work in accordance with a resolution by the annual general meeting. For additional information, see "*Note 7*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum.

PRINCIPAL SHAREHOLDER

Our Shareholders

As of the date of this Offering Memorandum, we have 42,195,626 Shares outstanding. Prior to the Offering, the Principal Shareholder, NorCell S.à r.l., was our majority shareholder. NorCell S.à r.l. is indirectly controlled by funds advised by BC Partners Limited. Certain members of our management (the "**Management Shareholders**") held, prior to the Offering, the remaining Shares.

The following table sets forth certain information regarding the ownership of Shares of the Company on an actual basis after the Share Conversion and Bonus Issue (each as defined under "*The Share and Share Capital*") and as adjusted to give effect to the sale of Shares in the Offering. The table is presented on the basis of the assumption that the final Offer Price is set at the midpoint of the Offer Price Range.

	Shares held prior to the Offering		Shares held after the Offering (if the Over-allotment Option is not exercised)		Shares held after the Offering (if the Over-allotment Option is exercised in full)	
Shareholder	**Number**	**%**	**Number**	**%**	**Number**	**%**
Shareholders with holdings exceeding 5 per cent of the shares						
The Principal Shareholder(1)	98,907,145	98.91	98,907,145	47.79	98,907,145	45.44
Shareholding members of the Board of Directors, management and other shareholders(2)						
Andrew Barron	181,380	0.18	181,380	0.09	181,380	0.08
Anders Nilsson	247,668	0.25	247,668	0.12	247,668	0.11
Joachim Jaginder	42,830	0.04	42,830	0.02	42,830	0.02
Jon James	171,168	0.17	171,168	0.08	171,168	0.08
Stefan Trampus	61,124	0.06	61,124	0.03	61,124	0.03
Asanga Gunatillaka	86,700	0.09	86,700	0.04	86,700	0.04
Krister Tånneryd	45,211	0.05	45,211	0.02	45,211	0.02
Stefan Berg	11,898	0.01	11,898	0.01	11,898	0.01
Daniel Ljungberg	7,141	0.01	7,141	0.00	7,141	0.00
Christer Kinch	85,667	0.09	85,667	0.04	85,667	0.04
Christer E. Andersson	14,276	0.01	14,276	0.01	14,276	0.01
Other shareholders	137,794	0.14	137,794	0.07	137,794	0.06
Total	100,000,000	100.00	100,000,000	48.31	100,000,000	45.94
New shareholders	0	0.00	106,976,271	51.69	117,673,898	54.06
Total	100,000,000	100.00	206,976,271	100.00	217,673,898	100.00

(1) The business address of the Principal Shareholder is 29, avenue de la Porte-Neuve, L-2227 Luxembourg and its registration number with the Registre de Commerce et des Sociétés of Luxembourg is B162.416. BC Partners refers to BC European Capital IX, acting thru its general partner and manager, CIE Management IX Limited, and advised by BC Partners Limited.

(2) Certain members of our Board of Directors and executive management have been awarded warrants pursuant to an incentive compensation plan. See "*Corporate Governance—Compensation of Members of the Board of Directors, CEO and Management—Current Terms of Employment—Incentive Programs*."

In order to enable delivery of Shares included in the Offering prior to the registration of the New Shares with the Swedish Companies Registration Office and with Euroclear Sweden, the Principal Shareholder has agreed with the Managers to lend Shares to the Managers. We have also granted an option to the Managers, exercisable in whole or in part for 30 days following the first day of trading of the Shares on the NASDAQ OMX Stockholm, to purchase up to 12,885,778 Additional Shares, equal to 10% of the maximum number of Shares sold in the Offering, to cover any potential over-allotment or other short position, if any, in connection with the Offering. For further information on the Over-allotment Option and Stabilization, please see "*Plan of Distribution*."

Shareholder Agreement

The Principal Shareholder and the Management Shareholders are currently parties to a shareholders' agreement, which will be terminated automatically upon listing of the Shares.

Lock-up

After completion of the Offering, the Principal Shareholder will continue to hold approximately 47.8% of our Shares or 45.4% (assuming that the Over-allotment Option is exercised in full), based on the midpoint of the Offer Price Range. The Principal Shareholder will agree with the Managers not to divest its remaining Shares for a period of 180 days after the Offer Price is announced, subject to certain exceptions. In addition, the Management Shareholders will agree with the Managers not to divest its remaining Shares for a period of 365 days after the Offer Price is announced, subject to certain exceptions. These undertakings are subject to the occurrence of the Closing Date of the Offering. See "*Plan of Distribution—Lock-up Arrangements.*"

RELATED PARTY TRANSACTIONS

As of December 31, 2013 the Group had non-current receivables of SEK 6 million from NorCell S.à r.l., which generated SEK 0.3 million in interest income during 2013.

Other than (i) as set forth above, (ii) the board fees paid to members of the Board of Directors as established by our general meeting, and (iii) payments of remuneration under agreements with our executive management, none of the members of the Board of Directors, our executive management or our shareholders has or had any part in any transactions with us which are or were unusual in their nature or condition, or significant to our business taken as a whole and that were effected during the current or immediately preceding three financial years, or during any earlier financial year and which remain in any respect outstanding or unperformed. For additional information see "*Note 29*" to our audited consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Offering Memorandum.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Overview

With respect to our existing financing arrangements, we intend to:

- use a portion of the net proceeds of the Offering to redeem the Senior PIK Notes in full shortly following the completion of the Offering;
- use a portion of the net proceeds of the Offering to redeem up to 35% of the amount outstanding under the Senior Notes within 180 days of the completion of the Offering as permitted by the indenture governing such notes; and
- use the remainder of the net proceeds of the Offering, together with drawdowns under the 2014 Facilities (as such term is defined below), to repay the Senior Credit Facilities (as such term is defined below) on or shortly following the completion of the Offering and to pay any fees associated with the 2014 Facilities or costs that may arise from unwinding certain hedging contracts.

In addition, from time to time we may consider making an offer to purchase or refinance the Senior Secured Notes (as such term is defined below) and the Senior Notes once such notes are callable in November 2014 and November 2015, respectively. For information on the call provisions applicable to the Senior Secured Notes and the Senior Notes, see "*—Financing Arrangements in Place Before the Offering—Senior Notes*" and "*—Financing Arrangements in Place Upon Closing of the Offering—Senior Secured Notes*."

Financing Arrangements in Place Upon Closing of the Offering

2014 Senior Facilities Agreement

Overview, Structure and Pricing

On May 22, 2014 we entered into the facilities agreement (the "**2014 Senior Facilities Agreement**") with, among others, Nordea Bank AB (publ) as agent and security agent. The facilities available under the 2014 Senior Facilities Agreement comprise the following, capable of being drawn from the date of receipt of the proceeds of the Offering (subject to the satisfaction of certain conditions precedent):

- a SEK 3,500 million term facility, with a final maturity date falling five years from the date of its initial drawdown ("**2014 Term Loan A Facility**"). We expect to use the 2014 Term Loan A Facility to repay the Senior Credit Facilities, as well as to pay certain fees, costs and expenses associated with such repayment (including with respect to the unwinding of any related hedging arrangements) and with obtaining the 2014 Facilities (as defined below); and
- a SEK 2,000 million multi-currency revolving credit facility (the "**2014 Revolving Credit Facility,**" and together with the 2014 Term Loan A Facility, the "**2014 Facilities**"). The final maturity date of the 2014 Revolving Credit Facility is five years following the date of initial drawdown of the 2014 Term Loan A Facility. The 2014 Revolving Credit Facility is expected to be used for general corporate and working capital purposes including capital expenditure, acquisitions and the completion of each of the transactions (described above) to be completed using the 2014 Term Loan A Facility. The 2014 Revolving Credit Facility can be utilized by way of cash advances or bilateral ancillary facilities on customary terms.

The 2014 Facilities are priced at STIBOR, LIBOR or EURIBOR (as applicable) plus a margin determined in accordance with a margin grid and ranging from 3.00% to 1.75% depending on the level of net leverage (tested on a quarterly basis). The initial margin for the 2014 Facilities is 2.50%. In addition, the 2014 Senior Facilities Agreement contains customary provisions relating to commitment fees with respect to the undrawn 2014 Revolving Credit Facility, default interest and other customary yield protection provisions (including gross-up for certain lenders and customary indemnities). We will also pay certain arrangement fees to the arrangers of the 2014 Facilities.

In addition to the 2014 Facilities, the 2014 Senior Facilities Agreement permits additional debt to be incurred subject to certain conditions. One way in which such additional debt can be incurred is pursuant to incremental bank debt facilities under the 2014 Senior Facilities Agreement (and/or additional high yield and/or senior secured notes), the conditions for which include that (a) pro forma net leverage is not above 4.5:1.0 having borrowed such facilities (and/or issued such notes) and applied the proceeds thereof (which may be used for general corporate purposes including, without limitation, towards any acquisitions, distributions or other transactions permitted, or not prohibited, under the 2014 Senior Facilities

Agreement) and (b) in the case of incremental bank debt facilities, not more than SEK 1,000 million of such facilities may have a scheduled repayment date prior to the final maturity of the 2014 Term Loan A Facility.

The 2014 Senior Facilities Agreement does however also permit further indebtedness to be incurred outside of the 2014 Senior Facilities Agreement including (a) while the Senior Notes and/or the Senior Secured Notes are outstanding, any indebtedness that is permitted to be incurred under the documentation in respect thereof and (b) under certain capped 'basket' exceptions.

Any incremental debt incurred pursuant to such additional incremental facilities or debt instruments will rank *pari passu* in right of payment with any existing and future indebtedness of the Company unless otherwise subordinated under intercreditor arrangements (and any incremental bank facilities under the 2014 Senior Facilities Agreement would rank *pari passu* with the other facilities under such agreement).

Guarantees

The 2014 Facilities are guaranteed by each of the guarantors of the Senior Secured Notes and the Senior Notes and accordingly each of NorCell Sweden Holding 3 AB (publ), NorCell Sweden Holding 2 AB (publ), Com Hem Communications AB, iTUX Communication AB and Com Hem AB guarantee all amounts payable to the finance parties under the 2014 Facilities and certain hedging banks under certain hedging agreements (subject to customary guarantee limitation wording). In addition, each subsidiary of NorCell Sweden Holding 3 AB (publ) that becomes a guarantor of the Senior Secured Notes or the Senior Notes in the future is also required to become a guarantor under the 2014 Senior Facilities Agreement. Any such guarantee may be released in certain circumstances including if the relevant guarantor is disposed of to a third party by way of a permitted disposal or if the relevant guarantor has ceased to be a guarantor of the Senior Secured Notes and Senior Notes.

Security

The 2014 Facilities will benefit from the same security granted in favor of the Senior Secured Notes and accordingly will be secured by way of: (i) a first-ranking pledge over the shares in NorCell Sweden Holding 3 AB (publ) and each guarantor (except the shares of NorCell Sweden Holding 2 AB (publ)); (ii) a first-ranking security interest by NorCell Sweden Holding 2 AB (publ), NorCell Sweden Holding 3 AB (publ) and certain subsidiaries over certain receivables due to each of them from other members of the Group; (iii) a first-ranking pledge over certain material trademarks of Com Hem AB; and (iv) an assignment of certain rights under the transaction documents for the Acquisition granted by NorCell Sweden Holding 3 AB (publ).

Such security may be released in certain circumstances including (i) a release of all such security which is shared only with the Senior Secured Notes upon full redemption of the Senior Secured Notes (and any further notes issued from time to time) and (ii) a release of all such security which is shared with the Senior Notes upon full redemption of the Senior Notes (and any similar further notes issued from time to time) unless at such time any Senior Secured Notes (and any similar further notes issued from time to time) remain outstanding and benefit from such security.

Representations and Warranties, Covenants and Events of Default

The 2014 Senior Facilities Agreement contains customary representations and warranties made as of the signing and initial funding, and contains provisions that require the members of the Group that are a party thereto to make certain of these representations and warranties on an ongoing basis.

In addition, the 2014 Senior Facilities Agreement contains customary undertakings, subject to certain agreed exceptions, including with respect to obtaining and maintaining authorizations, complying with laws, not entering into mergers or other corporate reconstructions, not changing the general nature of the business of the Group, not creating security or quasi-security, not disposing of assets and not incurring financial indebtedness. The 2014 Senior Facilities Agreement also contains a financial covenant requiring the Group to maintain an agreed ratio of net leverage (such financial covenant being tested on a quarterly basis and set at 5.95:1 until such time as the Senior Notes have been repaid in full, and then stepping down to 5.75:1 thereafter), together with certain information undertakings requiring (among other things) the provision of annual, semi-annual and quarterly reporting.

The 2014 Senior Facilities Agreement does not however contain any restrictions on dividend payments.

The 2014 Senior Facilities Agreement also contains customary events of default provisions (subject in certain cases to agreed grace periods, financial thresholds and other qualifications) including with respect to non-payment of amounts due under the 2014 Senior Facilities Agreement, breach of the financial covenant or other undertakings, misrepresentation, cross default, certain insolvency events, unlawfulness or invalidity with respect to the finance documents, and material adverse effect (as defined in the 2014 Senior Facilities Agreement).

Prepayment

All outstanding amounts under the 2014 Facilities will be repaid on the final maturity date referred to above, with each advance under the 2014 Revolving Credit Facility also being repaid on the last day of the interest period relating thereto (subject to customary netting mechanics) but capable of being reborrowed subject to certain customary conditions.

In the event that either (i) any person or group of persons gains control of the Company or the Company ceases to own (directly or indirectly), together with the Company's management, 100% of the voting shares in NorCell Sweden Holding 3 AB (publ); or (ii) there is a delisting of the Company, each lender has the right (within agreed time periods) to request that their commitments are cancelled and all amounts owing to them are repaid. A similar prepayment right exists in the event that it becomes unlawful for a lender to perform any of its obligations under the 2014 Senior Facilities Agreement as contemplated by the terms of that agreement or to fund, issue or maintain its participation in any loan thereunder or if it becomes unlawful for any lender or affiliate of a lender to do so.

The 2014 Senior Facilities Agreement may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and breakage costs (which do not include loss of margin) and in addition we have the right to prepay (or replace) individual lenders in certain circumstances.

Intercreditor Agreement

To establish the relative rights of certain creditors under our subsidiaries' financing arrangements, the agent under the 2014 Senior Facilities Agreement, and the lenders under the 2014 Senior Facilities Agreement have acceded to an intercreditor agreement entered into with respect to the Senior Facilities Agreement, the Senior Secured Notes and the Senior Notes (as amended from time to time, the "**Intercreditor Agreement**"). The arrangers under the 2014 Senior Facilities Agreement have also acceded to the Intercreditor Agreement and the agreement has been amended and restated in connection with such accession.

Financing Arrangements in Place Before the Offering

Senior Facilities Agreement

Overview

In connection with the financing of the Acquisition, NorCell Sweden Holding 2 AB (publ), NorCell Sweden Holding 3 AB (publ) and certain of its subsidiaries (together, the "**Group**") entered into a senior facilities agreement dated as of July 21, 2011 (as amended and/or restated from time to time, the "**Senior Facilities Agreement**") with, among others, Nordea Bank AB (publ) as agent and security agent and Goldman Sachs Bank USA, Nordea Bank AB (publ), Banc of America Securities Limited, Deutsche Bank AG, London Branch, UBS Limited and Morgan Stanley Bank International Limited as mandated lead arrangers and bookrunners. As described above, we intend to use a portion of the net proceeds from the Offering together with drawdowns under the 2014 Facilities to pay all amounts outstanding under the Senior Facilities Agreement.

The facilities under the Senior Facilities Agreement consist of the following (amounts refer to initial amounts):

- a SEK 1,592 million senior secured term loan A facility (the "**Term Loan A Facility**");
- a senior secured term loan B1 facility for an aggregate principal amount of SEK 1,283 million (the "**Term Loan B1 Facility**") and a senior secured term loan B2 facility for an aggregate principal amount of €321 million (the "**Term Loan B2 Facility**" and, together with the Term Loan B1 Facility, the "**Term Loan B Facilities**");

- a SEK 500 million senior secured incremental facility (the "**Incremental Facility**" and together with Term Loan A Facility and Term Loan B Facility, the "**Term Facilities**");
- a SEK 750 million senior secured capital expenditure loan facility (the "**Capex Facility**" and, together with the Term Facilities, the "**Senior Term Facilities**"); and
- a SEK 500 million senior secured multi-currency revolving credit facility (the "**Revolving Credit Facility**" and, together with the Senior Term Facilities, the "**Senior Credit Facilities**" (each a "**Senior Credit Facility**").

The aggregate principal amount of indebtedness under the Senior Credit Facilities as of March 31, 2014 was SEK 5,882 million equivalent.

Prepayment

In addition to the repayment of principal and interest pursuant to a series of scheduled dates commencing September 2012 to September 2017 in the case of the Term Loan A Facility, March 2015 to September 2017 in the case of the Capex Facility and March 2018 in the case of the Term Loan B Facilities and the the Incremental Facility, in respect of the Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility will be repaid on the earlier of September 2017 and the date on which each of the Senior Term Facilities has been repaid in full. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

The Senior Facilities Agreement may become prepayable in whole or in part upon the occurrence of certain customary circumstances, including in connection with (i) a change of control or disposal of substantially all of the business of the Group; (ii) a qualifying listing (as defined therein); and (iii) certain disposals of assets, insurance claims and recovery claims from the vendors in the Acquisition and report providers, in each case to the extent that such net cash proceeds exceed certain agreed thresholds and have not satisfied other conditions.

The Senior Facilities Agreement may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and breakage costs.

Senior Secured Notes

On November 2, 2011, NorCell Sweden Holding 3 AB (publ) issued SEK 3,492,306,000 aggregate principal amount of 9¼% Senior Secured Notes due 2018, which bear interest at a rate of 9.25% per annum, with interest payable semi-annually on each April 5 and October 5 (the "**Senior Secured Notes**"). The Senior Secured Notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange. We do not intend to use net proceeds from the Offering to redeem the Senior Secured Notes following the Offering. From time to time we may consider making an offer to purchase or refinance the Senior Secured Notes once the notes are callable in November 2014. For further information, see "*Capitalization and Indebtedness*" and "*—Senior Secured Notes Optional Redemption*."

Guarantees and Security

The Senior Secured Notes are guaranteed by NorCell Sweden Holding 2 AB (publ), Com Hem Communications AB, iTUX Communication AB and Com Hem AB (each, a "**Senior Secured Notes Guarantor**" and collectively, the "**Senior Secured Notes Guarantors**") on a senior secured basis.

NorCell Sweden Holding 3 AB (publ)'s obligations under the Senior Secured Notes and the guarantees thereof by NorCell Sweden Holding 2 AB (publ), Com Hem Communications AB, iTUX Communication AB and Com Hem AB are secured by a first-ranking security interest granted on an equal and ratable first-priority basis with the Senior Credit Facilities in: (i) all of the capital stock of NorCell Sweden Holding 3 AB (publ) and each Senior Secured Note Guarantor (other than NorCell Sweden Holding 2 AB (publ)); (ii) certain intercompany loan receivables owed by Com Hem Communications AB, iTUX Communication AB and Com Hem AB; (iii) NorCell Sweden Holding 3 AB (publ)'s rights under the Acquisition Agreement; and (iv) certain trademarks.

Senior Secured Notes Change of Control

The indenture governing the Senior Secured Notes includes a change of control provision, which stipulates that upon the occurrence of certain events constituting a "change of control" with a decline in the credit rating of the Senior Secured Notes, NorCell Sweden Holding 3 AB (publ) would be required to offer to repurchase all outstanding Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase and additional amounts, if any. In the event of certain asset sales, after which the proceeds are not reinvested or used to repay indebtedness in the form set forth in the indenture governing the Senior Secured Notes and as a result of which such proceeds exceed SEK 250 million, NorCell Sweden Holding 3 AB (publ) would be required to make an offer to repurchase the maximum principal amount of the Senior Secured Notes, plus accrued and unpaid interest, if any, at 100% of the principal amount to the extent of such proceeds.

Covenants and Events of Default

The indenture governing the Senior Secured Notes contains covenants and events of default typical for instruments similar to the Senior Secured Notes, including limitations on the ability of NorCell Sweden Holding 3 AB (publ) and certain of its subsidiaries to, *inter alia*: incur or guarantee additional indebtedness and issue certain preferred stock; create or incur certain liens; make certain payments, including dividends or other distributions, with respect to the shares of NorCell Sweden Holding 3 AB (publ) or those of certain of its subsidiaries; prepay or redeem subordinated debt or equity; make certain investments; create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to NorCell Sweden Holding 3 AB (publ) or certain of its subsidiaries; sell, lease or transfer certain assets including stock of certain of its subsidiaries; engage in certain transactions with affiliates; consolidate or merge with other entities; impair the security interests for the benefit of the holders of the Senior Secured Notes; and engage in certain activities. Certain of these covenants will be suspended with respect to the Senior Secured Notes if and when, and for so long as, (i) the Senior Secured Notes are rated at least (a) "BBB−" or higher from Standard & Poor's Investor Ratings Services and (b) "Baa3" or higher from Moody's Investors Services; and (ii) no default or event of default has occurred and is continuing.

Senior Secured Notes Optional Redemption

Prior to November 1, 2014, NorCell Sweden Holding 3 AB (publ) may on one or more occasion redeem up to 35% of the original principal amount of the Senior Secured Notes (including the principal amount of any additional notes), with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings at a redemption price of 109.250% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any; *provided* that (i) at least 65% of the original principal amount of the Senior Secured Notes (including the principal amount of any additional notes) remains outstanding after each such redemption and (ii) the redemption occurs within 180 days after the closing of such equity offering. Any such redemption may, at NorCell Sweden Holding 3 AB (publ)'s discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related equity offering.

In addition, prior to November 1, 2014, NorCell Sweden Holding 3 AB (publ) may redeem all or a part of the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and accrued and unpaid interest and additional amounts, if any. Any such redemption may, at NorCell Sweden Holding 3 AB (publ)'s discretion, be subject to the satisfaction of one or more conditions precedent.

On and after November 1, 2014 NorCell Sweden Holding 3 AB (publ) may redeem all or part of the Senior Secured Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, if redeemed during the twelve-month periods beginning on November 1 of the years indicated below:

Year	Redemption Price
2014	106.938%
2015	104.625%
2016	102.313%
2017 and thereafter	100.000%

In addition, in the event of certain developments affecting taxation, NorCell Sweden Holding 3 AB (publ) may redeem all of the Senior Secured Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

The final maturity date of the Senior Secured Notes is September 29, 2018.

Senior Notes

On November 14, 2011, NorCell Sweden Holding 2 AB (publ) issued €287,058,000 aggregate principal amount of its 10¾% Senior Notes due 2019, which bear interest at a rate of 10.75% per annum, with interest payable semi-annually on each April 5 and October 5 (the "**Senior Notes**"). The Senior Notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange. We may use a portion of the net proceeds of the Offering to redeem up to 35% of the Senior Notes within 180 days of the Offering. From time to time we may consider making an offer to purchase or refinance the Senior Notes once the notes are callable in November 2015. For further information, see "*Capitalization and Indebtedness*" and "*—Senior Notes Optional Redemption and Mandatory Redemption*."

The Senior Notes are senior indebtedness of NorCell Sweden Holding 2 AB (publ) and rank *pari passu* in right of payment with any existing and future indebtedness of NorCell Sweden Holding 2 AB (publ) that is not subordinated in right of payment to the Senior Notes (including the guarantee by NorCell Sweden Holding 2 AB (publ) of the Senior Credit Facilities and the Senior Secured Notes) and rank senior in right of payment to any existing and future obligations of NorCell Sweden Holding 2 AB (publ) that are expressly subordinated in right of payment to the Senior Notes.

Guarantees and Security

The Senior Notes are guaranteed by NorCell Sweden Holding 3 AB (publ), Com Hem Communications AB, iTUX Communication AB and Com Hem AB (each, a "**Senior Notes Guarantor**" and collectively, the "**Senior Notes Guarantors**") on a senior subordinated basis.

NorCell Sweden Holding 2 AB (publ)'s obligations under the Senior Notes and the guarantees thereof by the Senior Notes Guarantors are secured by a second-ranking share pledge over all the shares of NorCell Sweden Holding 3 AB (publ) and by a second-ranking pledge over intercompany loans owed to NorCell Sweden Holding 2 AB (publ) from NorCell Sweden Holding 3 AB (publ).

Senior Notes Change of Control

The indenture governing the Senior Notes includes a change of control provision, which stipulates that upon the occurrence of certain events constituting a "change of control" with a decline in the credit rating of the Senior Notes, NorCell Sweden Holding 2 AB (publ) would be required to offer to repurchase all outstanding Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase and additional amounts, if any. In the event of certain asset sales, after which the proceeds are not reinvested or used to repay indebtedness in the form set forth in the indenture governing the Senior Notes and as a result of which such proceeds exceed SEK 250 million, NorCell Sweden Holding 2 AB (publ) would be required to make an offer to repurchase the maximum principal amount of the Senior Notes, plus accrued and unpaid interest, if any, at 100% of the principal amount to the extent of such proceeds.

Covenants and Events of Default

The indenture governing the Senior Notes contains covenants and events of default typical of instruments similar to the Senior Notes, including limitations on the ability of NorCell Sweden Holding 2 AB (publ) and its Restricted Subsidiaries to, *inter alia*: incur or guarantee additional indebtedness and issue certain preferred stock; create or incur certain liens; make certain payments, including dividends or other distributions, with respect to the shares of NorCell Sweden Holding 2 AB (publ) or those of certain of its subsidiaries; prepay or redeem subordinated debt or equity; make certain investments; create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to NorCell Sweden Holding 2 AB (publ) or certain of its subsidiaries; sell, lease or transfer certain assets including stock of certain of its subsidiaries; engage in certain transactions with affiliates; consolidate or merge with other entities; and impair the security interests for the benefit of the holders of the Senior Notes. Certain of these covenants will be suspended with respect to the Senior Notes if and when, and for so long as, (i) the Senior Notes are rated at least (a) "BBB−" or higher from

Standard & Poor's Investor Ratings Services and (b) "Baa3" or higher from Moody's Investors Services; and (ii) no default or event of default has occurred and is continuing.

Senior Notes Optional Redemption

Prior to November 14, 2015, NorCell Sweden Holding 2 AB (publ) may on one or more occasion redeem up to 35% of the original principal amount of the Senior Notes (including the principal amount of any additional notes) with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings at a redemption price of 110.750% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, *provided* that (i) at least 65% of the original principal amount of the Senior Notes (including the principal amount of any additional notes) remains outstanding after each such redemption and (ii) the redemption occurs within 180 days after the closing of such equity offering. Any such redemption may, at NorCell Sweden Holding 2 AB (publ)'s discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related equity offering.

In addition, prior to November 14, 2015, NorCell Sweden Holding 2 AB (publ) may redeem all or a part of the Senior Notes at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and accrued and unpaid interest and additional amounts, if any. Any such redemption may, at NorCell Sweden Holding 2 AB (publ)'s discretion, be subject to the satisfaction of one or more conditions precedent.

On and after November 14, 2015 NorCell Sweden Holding 2 AB (publ) may redeem all or, from time to time, part of the Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, if redeemed during the twelve-month periods beginning on November 14 of the years indicated below:

Year	Redemption Price
2015	105.375%
2016	102.688%
2017 and thereafter	100.000%

In addition, in the event of certain developments affecting taxation, NorCell Sweden Holding 2 AB (publ) may redeem all, but not less than all, of the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

The final maturity date of the Senior Notes is September 29, 2019.

Senior PIK Notes

On November 21, 2012, NorCell 1B AB (publ) issued €250,000,000 aggregate principal amount of 12.4% Senior PIK Notes due 2019, which bear interest at a rate of 12.4% per annum, plus a ratchet margin, if any, with interest payable semi-annually on each June 1 and December 1 (the "**Senior PIK Notes**"). The ratchet margin is zero to but excluding December 1, 2017. On and after such date, interest on the Senior PIK Notes will accrue at a rate of 13.4% per annum. The Senior PIK Notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange.

Following the issuance of the Senior PIK Notes, NorCell 1B AB (publ) elected to pay interest in the form of pay-in-kind interest by issuing additional Senior PIK Notes for the interest payments made on June 1, 2013, December 1, 2013 and June 1, 2014. As of June 1, 2014, the aggregate amount of Senior PIK Notes outstanding was EUR 300 million. We intend to redeem the Senior PIK Notes in full on or shortly following the completion of the Offering, subject to the satisfaction of various requirements, using a corresponding portion of the net proceeds of the Offering. For further information, see "*Capitalization and Indebtedness*" and "*—Senior PIK Notes Optional Redemption*."

Security

NorCell 1B AB (publ)'s obligations under the Senior PIK Notes are secured by a first-ranking security interest granted on an equal and ratable first-priority basis in the shares of NorCell Sweden Holding 2 AB (publ).

Senior PIK Notes Change of Control

The indenture governing the Senior PIK Notes includes a change of control provision, which stipulates that upon the occurrence of certain events constituting a "change of control" with a decline in the credit rating of the Senior PIK Notes, NorCell 1B AB (publ) would be required to offer to repurchase all outstanding Senior PIK Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase and additional amounts, if any. In the event of certain asset sales, after which the proceeds are not reinvested or used to repay indebtedness in the form set forth in the indenture governing the Senior PIK Notes and as a result of which such proceeds exceed SEK 250 million, NorCell 1B AB (publ) would be required to make an offer to repurchase the maximum principal amount of the Senior PIK Notes, plus accrued and unpaid interest, if any, at 100% of the principal amount to the extent of such proceeds.

Covenants and Events of Default

The indenture governing the Senior PIK Notes contains customary covenants and events of default.

Senior PIK Notes Optional Redemption

Prior to June 1, 2014, NorCell 1B AB (publ) may on one or more occasion redeem up to 35% of the original principal amount of the Senior PIK Notes (including the principal amount of any additional notes) with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings at a redemption price of 112.400% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any; *provided* that (i) at least 65% of the original principal amount of the Senior PIK Notes (including the principal amount of any additional notes) remains outstanding after each such redemption and (ii) the redemption occurs within 180 days after the closing of such equity offering. Any such redemption may, at NorCell 1B AB (publ)'s discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related equity offering.

In addition, prior to June 1, 2014, NorCell 1B AB (publ) may redeem all or a part of the Senior PIK Notes at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and accrued and unpaid interest and additional amounts, if any. Any such redemption may, at NorCell 1B AB (publ)'s discretion, be subject to the satisfaction of one or more conditions precedent.

On and after June 1, 2014 NorCell 1B AB (publ) may redeem all or a part of the Senior PIK Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, if redeemed during the twelve-month periods beginning on June 1 of the years indicated below:

Year	Redemption Price
2014	106.200%
2015	103.100%
2016 and thereafter	100.000%

In addition, in the event of certain developments affecting taxation, NorCell 1B AB (publ) may redeem all, but not less than all, of the Senior PIK Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

The final maturity date of the PIK Notes is December 1, 2019.

De Lage Landen Lease Agreements

Com Hem AB has entered into several lease agreements between 2009 and 2013 with De Lage Landen Finans AB ("**De Lage Landen**") to lease equipment purchased from Cisco International Limited. The lease period for each separate lease agreement is typically 36 months and De Lage Landen retains title to all leased equipment. As of March 31, 2014, the aggregate amount outstanding under the lease agreements with De Lage Landen was SEK 42 million.

THE SHARE AND SHARE CAPITAL

Share Information

Under our Articles of Association, the share capital shall be not less than SEK 13,000,000 and not more than SEK 52,000,000 divided into not fewer than 13,000,000 shares and not more than 52,000,000 shares. We have three classes of shares. Our registered share capital as of the date of this Offering Memorandum is SEK 42,195,626 represented by 42,195,626 Shares outstanding. In connection with the Offering, the number of shares and share classes will change. See "*—Share Conversion and Bonus Issue in Connection with the Offering*."

The Shares are denominated in SEK and have a quota value of SEK 1 per Share. The Shares have been issued in accordance with Swedish law. The Shares have been fully paid and will in connection with the listing of the Company's shares on NASDAQ OMX Stockholm be freely transferrable.

The offered Shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered Shares during the current or preceding financial year.

Certain Rights Attached to the Shares

Following the conversions described under "*—Share Conversion and Bonus Issue in Connection with the Offering*," the offered Shares will be of the same class. The rights associated with the Shares, including those set out in the Articles of Association, can only be changed in accordance with the procedures set forth in the Swedish Companies Act.

Voting Rights

At general meetings of shareholders, each Share carries one vote and each shareholder is entitled to vote the full number of Shares such shareholder holds in the Company.

Preferential Rights to New Shares

If we issue new Shares, warrants or convertibles in a cash issue or a set-off issue (Sw. *kvittningsemission*), the holders of Shares have preferential rights to subscribe for such securities in proportion to the number of Shares held prior to the issue. Nothing in our Articles of Association restricts our ability to issue new shares, warrants or convertibles with deviation from the shareholders' preferential rights as provided for in the Swedish Companies Act.

Rights to Dividend and Liquidation Proceeds

Following the conversions described under "*—Share Conversion and Bonus Issue in Connection with the Offering*," all Shares will carry equal rights to dividends as well as to the Company's assets and potential surplus in the event of liquidation.

Resolutions regarding dividend are passed by general meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Payments to shareholders not resident in Sweden for tax purposes are subject to Swedish withholding tax. See "*Taxation—Certain Tax Considerations in Sweden*."

Share Conversion and Bonus Issue in Connection with the Offering

In connection with the listing of our Shares on NASDAQ OMX Stockholm all existing class B ordinary shares and preference shares will be converted into class A ordinary shares (the "**Share Conversion**") such that we will have only one class of Shares following the Offering (class A ordinary shares). Each class B ordinary share and each preference share will be converted into one newly issued class A ordinary share. Certain members of the Board of Directors and management and key executives have been granted a right to set off a portion of the value of their preference shares against warrants issued in a new incentive program and, in exchange for a part of the preference shares, to receive cash for the payment of taxes accrued in connection with the conversion of preference shares to class A ordinary shares.

In order for the Company to have 100,000,000 Shares prior to the Offering, a bonus issue (the "**Bonus Issue**") will be carried out subsequent to the Share Conversion. The Shares issued in the Bonus Issue will be allocated to the shareholders *pro rata* to their shareholding in the Company following the Share Conversion.

Share Capital History

The table below summarizes the historic developments in our share capital and the changes in the number of Shares and the share capital which will be made in connection with the listing of our Shares on NASDAQ OMX Stockholm.

Year	Event	Change in number of shares	Total number of shares	Change in share capital (SEK)	Share capital (SEK)	Quota value (SEK)
2011	Incorporation	50,000	50,000	50,000	50,000	1
2011	New Issue(1)	13,110,717 class A ordinary shares 23,490 class B ordinary shares 230,455 preference shares	13,414,662	13,364,662	13,414,662	1
2012	New Issue(2)	28,757,463 preference shares	42,172,125	28,757,463	42,172,125	1
2014	New Issue(3)	10,469 class A ordinary shares 7,784 class B ordinary shares 5,248 preference shares	42,195,626	23,501	42,195,626	1
2014	Share Conversion(4)	29,074,440 class A ordinary shares (81,274) class B ordinary shares (28,993,166) preference shares	42,195,626	0	42,195,626	1
2014	Bonus Issue	57,804,374 class A ordinary shares	100,000,000	57,804,374	100,000,000	1
2014	New Issue in Connection with the Offering(5)	106,976,271 class A ordinary shares	206,976,271	106,976,271	206,976,271	1

(1) A new issue directed to the Principal Shareholder and our management. The new issue was carried out to establish the incentive program for our management. The Principal Shareholder subscribed for a majority of the Shares and our management subscribed for the remaining Shares (class A ordinary shares, class B ordinary shares and preference Shares).

(2) A new issue directed to the Principal Shareholder, carried out in two parts. One part of the new issue consisted of 24,608,423 preference Shares that were paid for by the Principal Shareholder by way of setoff claim. The other part of the new issue consisted of 4,149,040 preference Shares that were paid in cash. The new issues were carried out to convert an outstanding shareholder's loan into Shares.

(3) A new issue directed to management, which was carried out as part of the incentive program for management.

(4) Based on the assumption that members of the Board of Directors, management and key executives elect to convert all of their class B ordinary shares and preference shares.

(5) Based on the assumption that the final Offer Price is set at the midpoint of the Offer Price Range and that the Over-allotment Option is not exercised.

Warrants and Convertibles

Other than as described under "*Corporate Governance—Compensation of the Members of the Board of Directors—Current Terms of Employment for the Chief Executive Officer and Management—Incentive Programs*," the Company does not have any outstanding warrants (Sw. *teckningsoptioner*) or convertible securities (Sw. *konvertibla skuldebrev*).

Central Securities Depositary Affiliation

The Shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*). The Shares are cleared through the electronic securities system operated by Euroclear Sweden, the Swedish central securities depository (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). No share certificates are issued with respect to the Shares. The account operator is Nordea. The ISIN code for the Shares is SE0005999778.

THE SWEDISH SECURITIES MARKET

The following is a description of the Swedish securities markets, including a brief summary of certain provisions of the laws and securities market regulations in Sweden in effect on the date of this Offering Memorandum. The summary is not intended to provide a comprehensive description of all such regulatory matters and should not be considered exhaustive. Moreover, the laws, rules, regulations and procedures summarized below may be amended or reinterpreted.

NASDAQ OMX Stockholm

NASDAQ OMX Stockholm is the principal market on which shares, bonds, derivatives and other securities are traded in Sweden. NASDAQ OMX Stockholm is a part of the NASDAQ OMX Group, Inc. ("**NASDAQ OMX**"). NASDAQ OMX offers trading across multiple asset classes and its technology supports the operations of over 70 exchanges in 50 countries. NASDAQ OMX also owns and maintains the exchanges in Helsinki, Copenhagen, Riga, Reykjavik, Tallinn and Vilnius. Each country has its own official list and country-specific listing requirements. NASDAQ OMX's Nordic List was launched in 2006 and it consists of shares listed on the exchanges in Stockholm, Helsinki and Copenhagen. Companies on the Nordic List are divided into three segments: Large Cap, Mid Cap and Small Cap. Companies with a market capitalization in excess of €1 billion are included in the Large Cap segment. Companies with a market capitalization between €150 million and 1 billion are included in the Mid Cap segment, while companies with a market capitalization below €150 million are included in the Small Cap segment. The segments are normally revised at year-end and the segments are re-set, effective on January 1 and July 1, based on weighted average prices for May and November the year before. Companies with a market capitalization of more than 50% of the minimum or maximum threshold of a segment will be transferred into a new segment with immediate effect. Companies with a market capitalization of less than 50% of the minimum or maximum segment threshold will have a transitional period until the next forthcoming review (or at least 12 months), and thus be subject to one more review before transferring into a new segment. Furthermore, companies are sorted by their industry sector according to the ICB Company Classification Standard (prior to February 1, 2012, the Global Industry Classification Standard (GICS) was applied). Companies belonging to the same industry sector are placed in the same industry sector segment in alphabetical order.

Trading in Securities on NASDAQ OMX Stockholm

Trading in and clearing of securities on NASDAQ OMX Stockholm takes place in SEK, with prices quoted in minimum increments of 0.01 SEK. All price information is produced and published only in SEK.

Trading on NASDAQ OMX Stockholm is conducted on behalf of customers by duly authorized Swedish and foreign banks and other securities brokers, as well as the Swedish Central Bank. While banks and brokers are permitted to act as principals in trading both on and off NASDAQ OMX Stockholm, they generally engage in transactions as agents. Settlement of trades take place through an electronic account-based security system administered by Euroclear Sweden. See "*—Securities Registration.*"

NASDAQ OMX Stockholm uses the trading platform INET. In INET, bids and offers are entered in the relevant order book and automatically matched to trades when price, volume and other order conditions are met. INET continuously broadcasts all trading information. The information is displayed in real time in the form of order books, market summaries, concluded trades, index information and different kinds of reports. The round lot for all shares traded on NASDAQ OMX Stockholm is one share. A three-day settlement schedule currently applies to share trading. The settlement cycle is expected to be transitioned into two-day standard settlement on or around October 6, 2014.

NASDAQ OMX Stockholm has three principal trading periods: pre-trading, trading and post-trading. For shares, pre-trading begins at 8:00 CET and ends at 8:45 CET. Opening call begins at 8:45 CET and ends at 9:00 CET. Continuous trading begins sequentially after the opening call ends at 9:00 CET when the first share is assigned its opening price and it then becomes subject to continuous trading. Continuous trading takes place from 9:00 CET to 17:25 CET when the closing call is initiated. The closing call ends at approximately 17:30 CET when the closing prices are determined. Post-trading, during which contract transactions for shares can be registered as dealings after trading hours mainly within the price limits based on the trading day, takes place from 17:30 CET to 18:00 CET.

In addition to official trading on NASDAQ OMX Stockholm through automatic order matching in INET, shares may also be traded off NASDAQ OMX Stockholm, *i.e.*, outside INET, during, as well as after, the official trading hours (through "manual trading"). Manual trades during trading hours must normally be entered into at a price within the volume weighted average spread reported in INET at the time of the trade or, as regards manual trades during the closing call, at the time prior to the closing call auction. Outside the trading hours, manual trades must normally be affected at a price within the volume weighted average spread reported in INET at the close of trading hours. However, in the absence of a spread and in situations where there is a change in the market conditions during the closing call or after the close of trading hours, as the case may be, manual trades must take place at a price that takes into account the market situation at the time of the trade. Manual trades which qualify as large scale (€50,000 – €500,000, depending on the average daily turnover in the relevant share) may be effected without regard to any spread. Trading on NASDAQ OMX Stockholm tends to involve a higher percentage of retail clients while trading off NASDAQ OMX Stockholm, whether directly or through intermediaries, often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets, and foreign buyers and sellers purchasing shares from, or selling shares to, Swedish institutions.

All manual trades must normally be reported in INET within three minutes from the time of the trade, although trades outside the official trading hours must be reported during the pre-trading session on the following exchange day and not later than 15 minutes prior to the opening of the trading hours.

Securities Market Regulations

The Nordic List is regulated under EU directives, primarily Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**"), which has been implemented through the Swedish Securities Market Act of 2007 (Sw. *lagen (2007:528) om värdepappersmarknaden*) (the "**Securities Market Act**"). NASDAQ OMX Stockholm AB is authorized pursuant to the Securities Market Act to operate a regulated market under the supervision of the SFSA. The SFSA is a governmental agency responsible for, among other things, supervising and monitoring the Swedish securities market and market participants. The SFSA also issues regulations that supplement Swedish securities market laws. Furthermore, pursuant to the Swedish Securities Market Act, NASDAQ OMX Stockholm is required to have rules of its own, governing the trading on NASDAQ OMX Stockholm. The Rule Book for Issuers of NASDAQ OMX Stockholm, based on European standards and EU directives such as MiFID and Directive 2004/109/EC (the "**Transparency Directive**"), sets forth listing requirements and disclosure rules for companies listed on NASDAQ OMX Stockholm. The objective of the regulatory system governing trading on and off NASDAQ OMX Stockholm is to achieve transparency and equality of treatment among market participants. NASDAQ OMX Stockholm records information as to the banks and brokers involved, the issuer, the number of shares, the price and the time of each transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or as principal. All trading information reported in INET is publicly available. NASDAQ OMX Stockholm also maintains a market supervision unit ("**Trading Surveillance**") that monitors trading on a "real time" basis, as described below.

Trading Surveillance monitors trading data for indications of unusual market activity and trading behavior, and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When Trading Surveillance becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to identify unusual trading activity indicating that persons may be trading on that information.

The Swedish Market Abuse Penal Act of 2005 (Sw. *lagen (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument*) (the "**Market Abuse Act**"), implementing in part Directive (2003/6/EC) (the "**Market Abuse Directive**"), provides sanctions for insider trading and unlawful disclosure of insider information. The Market Abuse Act also contains provisions prohibiting market manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments (such as through spreading false or misleading information). Market manipulation may also constitute fraud under Swedish law. The SFSA and the Trading Surveillance enforce compliance with the Market Abuse Act and other insider trading rules. Criminal offenses are enforced in court by the Swedish National Economic Crimes Bureau (Sw. *Ekobrottsmyndigheten*). Moreover, the SFSA may cause the operating license of a bank or broker to be revoked if the bank or broker has engaged in improper conduct, including market manipulation.

Securities Registration

The Swedish book-entry securities system is centralized at Euroclear Sweden, a central securities depository and clearing organization authorized under the Swedish Financial Instruments Accounts Act (Sw. *lagen (1998:1479) om kontoföring av finansiella instrument*) and the Swedish Securities Markets Act. Among other things, Euroclear Sweden maintains the register of shareholders in Swedish companies listed on NASDAQ OMX Stockholm. Shares administered by Euroclear Sweden are registered in book-entry form on securities accounts (VP accounts) and no share certificates are issued. Title to shares is ensured exclusively through registration with Euroclear Sweden. All transactions and other changes to accounts are entered in the system of Euroclear Sweden through banks or other securities institutions that have been approved as account operators by Euroclear Sweden. The register maintained by Euroclear also contains information on other interests in respect of shares, such as those of a pledgee.

Shares may be registered on VP accounts, and consequently entered in the register of shareholders, either in the name of the beneficial owner (owner registered shares) or in the name of a nominee authorized by Euroclear Sweden (nominee registered shares), in which case a note thereof is made in the securities system. The relationship between the nominee and the beneficial owner is governed by agreement. In order to exercise certain rights, such as participation at a general meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names. Nominees are also required to report the holdings of underlying beneficial owners to Euroclear Sweden on a regular basis.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those holders whose names are recorded in the register of shareholders as of a particular record date, and the dividends are normally distributed to bank accounts as specified by the holders registered with Euroclear Sweden. The relevant record date must be specified in the resolution declaring a dividend or capital increase, or any similar matter in which shareholders have preferential rights. Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in conjunction with rights offerings, as well as new shares subscribed through the exercise of subscription rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

Transactions and Ownership Disclosure Requirements

Under the Trading Act, which implements the Transparency Directive in part, a shareholder is required to notify both the company in which it holds shares and the SFSA, when its holding (including options for shares) reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50, 66⅔ or 90% of the total number of votes and/or shares in a company. The notice is to be made in writing or electronically on the SFSA's website on the trading day immediately following the day of the applicable transaction. The SFSA will announce the contents of the notification no later than 12:00 a.m. CET on the trading day following receipt of the notification. When calculating a shareholder's percentage of ownership, a company's treasury shares are to be included in the denominator, while warrants and convertibles are to be excluded. For the purposes of calculating a person's or entity's shareholding, not only the shares and financial instruments directly held by the shareholder are included, but also those held by related parties. The Trading Act contains a list of related parties whose shareholding must be aggregated for the purposes of the disclosure requirements. Related parties include, but are not limited to, subsidiaries and, in certain circumstances, proxies, parties to shareholders' agreements as well as spouses/co-habitants.

Under the Regulation (EU) 236/2012 on short selling and certain aspects of credit default swaps, a person who has a net short position in a share is required to notify the SFSA when the position either reaches or falls below the following thresholds: 0.2% of the issued share capital of the company concerned and each 0.1% above that. Furthermore, there is also a requirement of public disclosure when the position reaches or falls below the following thresholds: 0.5% of the issued share capital of the company concerned and each 0.1% above that. The public disclosure is made by the SFSA via announcement on its website. Further, an investor who wishes to take an uncovered, or "naked," short position in a particular share will be required either: (a) to have borrowed sufficient shares to settle the short trade; (b) to have entered into a binding agreement to borrow the shares; or (c) to have an arrangement with a third party under which that third party has confirmed that the shares have been located and has taken measures *vis-à-vis* third parties necessary to have a reasonable expectation that settlement can be effected when it is due.

In addition, pursuant to the Swedish Act on Reporting Obligations for Certain Holdings of Financial Instruments (Sw. *lagen (2000:1087) om anmälningsskyldighet för vissa innehav av finansiella instrument*), among others, individuals who own, directly or indirectly, shares representing 10% or more of the share capital or the voting rights in a publicly traded company must report, in writing or electronically, such ownership and any changes therein to the SFSA, which keeps a public register based on the information contained in such reports.

Mandatory Bids

Pursuant to the Swedish Act on Public Takeovers on the Securities Market (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) (the "**Takeover Act**"), any Swedish or foreign legal entity or natural person who holds less than 30% of the total voting rights in a company listed on a regulated market in Sweden, must make a public offer for the acquisition of all the remaining shares issued by the target company (a mandatory bid) should such legal entity or natural person alone, or together with a related party, reach 30% or more of the total voting rights in the company. This applies where the increased holding is the result of a purchase, subscription, conversion, or any other form of acquisition of shares in the target company (other than a public offer) or the result of the establishment of a related party relationship. In this context, a related party can be an entity within the same corporate group as the buyer, a spouse or co-habitant, as well as any person or entity that cooperates with the buyer to obtain control over the company or with whom an agreement has been reached regarding the coordinated exercise of voting rights with the object of achieving a long-term controlling influence on the company's management.

The public offer shall be made within four weeks after the acquisition that triggered the mandatory bid requirement unless the acquirer (or the related party) reduces its level of voting share ownership within such time to below 30%. The offer is normally also made to holders of other securities issued by the target company, if the price of such securities could be substantially affected as a result of a de-listing of the target company's shares, such as, for example, warrants and convertibles. Under the Takeover Act, offerors have a duty to undertake to comply with the takeover rules adopted by NASDAQ OMX Stockholm (the "**Takeover Rules**"). By making this undertaking, the offeror agrees to comply not only with the Takeover Rules, but also to comply with statements and rulings by the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) on points of interpretation of the Takeover Act as well as to be subject to any sanctions that may be imposed by NASDAQ OMX Stockholm. Exemptions from the mandatory bid requirement may under certain circumstances, for example in conjunction with rights offerings and underwriting guarantees, be granted by the Swedish Securities Council. The Swedish Securities Council may also grant exemptions from the provisions of the Takeover Rules.

TAXATION

*The following is a summary of certain tax consequences that may arise from the Offering and is intended as general information only. The statements of Swedish tax laws and U.S. federal income tax laws set forth below are based on the laws and regulations as of the date of this Offering Memorandum, including the Convention Between the Government of Sweden and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"), and are subject to any changes in Swedish or U.S. law, or in the Treaty, occurring after that date, which changes may have retroactive effect.*

Certain Tax Considerations in Sweden

Below is a summary of certain Swedish tax issues related to ownership of the Offer Shares for private individuals and limited liability companies that are residents of Sweden for tax purposes, and to shareholders that are not resident in Sweden for tax purposes. The summary is based on current legislation and is intended only to provide general information regarding the Offer Shares as from the admission to trading on NASDAQ OMX Stockholm.

The summary does not cover:

- situations where Offer Shares are held as current assets in business operations;
- situations where Offer Shares are held by a limited partnership or a partnership;
- situations where Offer Shares are held in an investment savings account (Sw. investeringssparkonto);
- the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds Offer Shares in the Company that are deemed to be held for business purposes (for tax purposes);
- the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;
- the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. *investeraravdrag*);
- foreign companies conducting business through a permanent establishment in Sweden; or
- foreign companies that have been Swedish companies.

Further, special tax rules apply to certain categories of companies who are shareholders. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences relating to the holder's particular circumstances that could arise from the admission to trading of the Offer Shares in the Company on NASDAQ OMX Stockholm, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation.

Private Individuals Resident in Sweden for Tax Purposes

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30%.

Capital losses on listed shares may be fully offset against taxable capital gains arising during the same year on shares, as well as on listed securities taxed as shares (however not mutual funds (Sw. *värdepappersfonder*) or hedge funds (Sw. *specialfonder*) containing Swedish receivables only (Sw. *räntefonder*)). Capital losses not absorbed by these set-off rules are deductible at 70% in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30% of the net loss that does not exceed SEK 100,000 and 21% of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30% is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Allotments of Shares to Employees

Normally, the allotment of shares is not a taxable event. However, for employees allotment of shares may in certain situations give rise to taxation of benefits. Taxation of benefits should, however, not occur if the employees (including Directors and alternate Directors and existing shareholders), on the same terms and conditions as others, acquire not more than 20% of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.

Limited Liability Companies Resident in Sweden for Tax Purposes

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22%. As from January 1, 2013, the tax rate has been reduced from 26.3% to 22%. The lower tax rate applies to tax years commencing after December 31, 2012.

Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilized during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset against taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, *e.g.*, investment companies.

Shareholders Not Resident in Sweden for Tax Purposes

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company (such as the Offer Shares), Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, for example payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30%. The tax rate is, however, generally reduced through tax treaties for the avoidance of double taxation. Under the Treaty, the withholding tax on dividends paid to U.S. Holders entitled to the benefits of the Treaty shall not exceed 15%. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Shareholders not resident in Sweden for tax purposes—which are not conducting business through a permanent establishment in Sweden—are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation.

United States Federal Income Tax Considerations

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT: (A) THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE"); (B) THIS OFFERING MEMORANDUM IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion describes certain material U.S. federal income tax consequences to U.S. Holders (defined below) (and solely to the extent described below under "US Foreign Account Tax Compliance Act," to non-U.S. persons) under present law of an investment in the Shares. This summary applies only to U.S. Holders that acquire Shares in the Offering, hold Shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States and the Treaty as of the date of this Offering Memorandum and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Offering Memorandum, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change and differing interpretation, which change or interpretation could apply retroactively and could affect the tax consequences described below. This summary does not address any estate or gift tax consequences or any state, local, or non-U.S. tax consequences, nor does it address the Medicare Contribution tax on net investment income.

The following discussion does not address all the tax consequences applicable to any particular investor or describe all of the consequences which may be relevant to persons in special tax situations such as:

- banks;
- certain other financial institutions;
- regulated investment companies;
- insurance companies;
- broker dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- certain U.S. expatriates;
- persons holding the Shares as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the Company's voting stock;
- persons that are resident in or have a permanent establishment in a jurisdiction outside the U.S.; or
- partnerships or persons holding the Shares through partnerships or other pass-through entities.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SHARES.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of the Shares that is, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The tax treatment of a partner in a partnership or other entity taxable as a partnership for U.S. federal income tax purposes that holds the Shares generally will depend on such partner's status and the activities of the partnership.

Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions (other than certain *pro rata* distributions of ordinary shares) made by the Company with respect to the

Shares (including the amount of taxes withheld therefrom) generally will be includable in a U.S. Holder's gross income as dividend income on the date of actual or constructive receipt to the extent that such distributions are paid out of the Company's current or accumulated earnings and profits as determined under U.S. federal income tax principles. The Company does not calculate its earnings and profits under U.S. federal income tax principles, and, accordingly, a U.S. Holder should expect to treat all cash distributions as dividends for such purposes. The dividends will generally be foreign source income. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be "qualified dividend income," which is taxed at the lower applicable capital gains rate, provided that (1) we are eligible for the benefits of the Treaty, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year and (3) certain holding period requirements are met. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to the Shares.

Subject to certain conditions and limitations, Swedish taxes withheld from a distribution may be eligible for credit against your U.S. federal income tax liability. If a refund of the tax withheld is available to you under the laws of Sweden or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your U.S. federal income tax liability (and will not be eligible for the deduction against your U.S. federal taxable income). The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to Shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income." The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available. If you do not elect to claim a foreign tax credit with respect to any foreign taxes for a given taxable year, you may instead claim a deduction for all foreign taxes paid in that taxable year.

The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency on the date such distribution is includible in income by the recipient, regardless of whether the payment is in fact converted into U.S. dollars at that time. Any gain or loss on a subsequent conversion or other disposition of the currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Sale or Other Disposition of the Shares

Subject to the passive foreign investment company rules discussed below, upon a sale or other disposition of the Shares, a U.S. Holder will recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and its tax basis in such Shares. Any such gain or loss generally will be U.S. source gain or loss and will be treated as long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations.

If the consideration received for the Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received. A U.S. Holder may realize additional gain or loss upon the subsequent sale or disposition of such currency, which will generally be treated as U.S. source ordinary income or loss. If the Shares are treated as traded on an established securities market and the relevant holder is either a cash basis taxpayer, or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the Internal Revenue Service), such holder will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If a U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, it will recognize foreign currency gain or loss to the extent of any difference between the U.S. Dollar amount realized on the date of disposition and the U.S. Dollar value of the currency received at the spot rate on the settlement date. A U.S. Holder's initial tax basis in the Shares generally will equal the cost of such Shares. The cost of the Shares will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. However, if the Shares are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer, or an accrual basis taxpayer who has made the special election described above, such holder will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company

The Company would be a passive foreign investment company (a "**PFIC**"), for any taxable year if either: (a) at least 75% of its gross income is passive income, or (b) at least 50% of the value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, the Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock.

The Company does not anticipate that it will be a PFIC for its current taxable year or for the foreseeable future. This is a factual determination, however, that must be made annually at the end of the taxable year. Therefore there can be no assurances that the Company will not be a PFIC for the current taxable year or for any future taxable year.

If the Company were a PFIC for any taxable year during which a U.S. Holder held the Shares, such holder generally would be subject to special tax rules with respect to any "excess distribution" that it receives and any gain it realizes from a sale or other disposition (including a pledge) of the Shares, unless such holder makes a "mark-to-market" election as discussed below. Under these special tax rules:

- the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period for the Shares;
- the amount allocated to the current taxable year, and any taxable year in such holder's holding period prior to the first taxable year in which the Company became a PFIC, would be treated as ordinary income; and
- the amount allocated to each other year would be subject to the highest applicable tax rate in effect with respect to the U.S. Holder for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

A U.S. Holder will generally be required to make an annual filing with the Internal Revenue Service if such holder holds the Shares in any year in which the Company is a PFIC.

If the Company is a PFIC for any year during which a U.S. Holder holds the Shares, it generally will continue to be treated as a PFIC with respect to such holder for all succeeding years during which the holder holds the Shares. If the Company ceases to be a PFIC, such a holder may be able to avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the Shares, as applicable.

If a U.S. Holder is eligible to and does make a mark-to-market election, such holder generally will include as ordinary income the excess, if any, of the fair market value of the Shares at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of the Shares will be treated as ordinary income. The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to their ownership of the Shares.

A timely election to treat the Company as a qualified electing fund under the Internal Revenue Code would result in an alternative treatment. However, the Company does not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to the Shares and proceeds from the sale, exchange or redemption of the Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on Internal Revenue Service Form W-9. In addition, certain U.S. Holders who are individuals are required to report information relating to an interest in the Shares, subject to certain exceptions (including an exception for Shares held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

US Foreign Account Tax Compliance Act

Provisions under the Internal Revenue Code and Treasury Regulations thereunder, commonly referred to as "FATCA," generally may impose 30% withholding on certain "withholdable payments" and "foreign passthru payments" (each as defined in the Internal Revenue Code) made by a "foreign financial institution" (as defined in the Internal Revenue Code) that has entered into an agreement with the IRS to perform certain diligence and reporting obligations with respect to the foreign financial institution's US-owned accounts (each such foreign financial institution, a "Participating Foreign Financial Institution"). If the Company were treated as a foreign financial institution and if the Company becomes a Participating Foreign Financial Institution, such withholding may be imposed on payments on the Shares to any foreign financial institution (including an intermediary through which a holder may hold the Shares) that is not a Participating Foreign Financial Institution or any other investor who does not provide information sufficient to establish that the investor is not subject to withholding under FATCA, unless such foreign financial institution or investor is otherwise exempt from FATCA, but only to the extent such payments are considered foreign passthru payments. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before 1 January 2017. Sweden has agreed to enter into an intergovernmental agreement ("**IGA**") with the United States to implement FATCA which has not yet been finalized but is currently treated as in effect. Guidance regarding compliance with FATCA and the IGAs, when published, may alter the rules described herein, including the treatment of foreign passthru payments.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE COMPANY, THE SHARES AND THE HOLDERS IS SUBJECT TO CHANGE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF FATCA, OR ANY IGA, OR NON-U.S. LEGISLATION IMPLEMENTING FATCA, ON THEIR INVESTMENT IN THE SHARES.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

PLAN OF DISTRIBUTION

On or about June 16, 2014, the Company, the Principal Shareholder and the Managers named below (for whom the Joint Global Coordinators are acting as representatives) expect to enter into an underwriting agreement (the "Underwriting Agreement") pursuant to which the Managers severally agree, subject to certain conditions, to purchase, and the Company agrees to issue and sell to the Managers the aggregate number of Offer Shares sold in the Offering at an Offer Price per share to be set forth in the Underwriting Agreement and announced by the Company on or about June 17, 2014. As of the date hereof, the Company and the Principal Shareholder have allocated 90% of the Offer Shares among the Managers, as set forth in the table below. On the pricing date, the Company and the Principal Shareholder shall allocate the remaining 10% of the Offer Shares among the Managers.

Manager	Percentage of Offer Shares
J.P. Morgan Securities plc	30%
Morgan Stanley & Co. International plc	30%
Nordea Bank AB (publ)	20%
Carnegie Investment Bank AB	10%
Total	90%

The Managers' several obligations to purchase the Offer Shares are subject to the fulfillment of certain conditions, including among other things, delivery of legal opinions by legal counsel to the Company and the Principal Shareholder.

The Company will pay to the Managers a combined management, underwriting and selling commission of 1.5%, and may, at the discretion of the Principal Shareholder, pay an additional commission of 1.0%, in each case in respect of the Offer Price, multiplied by the aggregate number of Shares sold by the Company, pursuant to the Underwriting Agreement, including pursuant to any exercise of the Over-allotment Option. The Company will also reimburse the Managers for certain of their expenses in connection with the Offering. Including these amounts, the total expenses of the Offering to the Company (excluding underwriting discounts and commissions) are estimated to amount to approximately SEK 198 million.

The Offering consists of: (i) a public offering to retail and institutional investors in Sweden pursuant to a separate prospectus in Swedish (the "**Swedish Prospectus**"); and (ii) a private placement to institutional investors in other jurisdictions, including a private placement in the United States only to persons reasonably believed to be "qualified institutional buyers" as defined in, and pursuant to, Rule 144A under the U.S. Securities Act. All offers and sales of Shares outside the United States will be made in compliance with Regulation S under the U.S. Securities Act. The Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and, unless so registered, may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Any offer and sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the U.S. Exchange Act.

Immediately prior to this Offering, there has been no public market for the Shares. The Offer Price of the Shares will be determined by negotiations among the Company, the Principal Shareholder and the Joint Global Coordinators. The factors that will be considered in such determination include, among others, the orders, in terms of price and quantity, received from institutional and retail investors; prevailing market conditions; the Company's historical performance; estimates of the Company's business potential and earnings prospects; and the market valuation of publicly traded common stock of comparable companies.

The Offer Price is expected to be announced on or about June 17, 2014. The Offer Price range set forth on the cover page of this Offering Memorandum is subject to change as a result of market conditions and other factors, in which case a supplement offering memorandum would be published. There can be no assurance that an active trading market will develop for the Shares or that the Shares will trade in the public market after the Offering at or above the Offer Price.

Purchasers of the Offer Shares may be required to pay stamp taxes and other charges in accordance with the practices of the country of purchase in addition to the Offer Price.

The Underwriting Agreement provides that the Offering may be terminated at any time upon the occurrence of certain events such as the suspension of, or material limitations to, trading on NASDAQ

OMX Stockholm or certain other stock exchanges, a material adverse change in the condition, results of operations, assets or prospects of the Group, a material breach by the Company or the Principal Shareholder of the Underwriting Agreement, any of the representations and warranties given by each of the Company and the Principal Shareholder becoming inaccurate or misleading, any statement contained in certain Offering documents being untrue, incorrect or misleading, a disruption in specified financial markets, a refusal by NASDAQ OMX Stockholm to list the Shares or the occurrence of certain other events, prior to the listing of the Shares.

In the Underwriting Agreement, the Company and the Principal Shareholder make certain customary representations and warranties, including with respect to the Company's business, the Shares, the contents of this Offering Memorandum and the Swedish Prospectus, the use of proceeds from the Offering and, in the case of the Principal Shareholder, in relation to its title to the Shares it is selling in the Offering. The Company also agrees in the Underwriting Agreement to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Offering, including liabilities arising under the Securities Act and other applicable securities laws, or to contribute to payments the Managers may be required to make in respect thereof.

In connection with the Offering, each of the Managers and any of their affiliates acting as investors for their own account may take up the Offer Shares and in that capacity may retain, purchase or sell, for their own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering, in each case in accordance with applicable law. Accordingly, references in this Offering Memorandum to the Offer Shares being offered or placed should be read as including any offering or placement of securities to any of the Managers and any affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Lock-up Arrangements

The Company will agree with the Managers, subject to certain customary exceptions, that it will not allot, issue, offer, lend, mortgage, assign, pledge, sell or contract to sell any Shares or any securities convertible into, or substantially similar to Shares or enter into any transaction with the same economic effet as, or agree to do, any of the foregoing in writing for a period of 180 days after the closing date in the Underwriting Agreement (the "**Closing Date**"), without the prior written consent of the Joint Global Coordinators. The foregoing shall not apply to the sale of Offer Shares in the Offering or the issuance of Shares upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Managers have been advised.

The Principal Shareholder and certain members of management will each agree with the Managers not to offer, sell, contract to sell, grant or sale of options over, purchase of any option or contract to sell, transfer, charge, pledge, grant of any right or warrant to purchase or otherwise transfer, lend, or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into of any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise or enter into any other disposal or agreement to dispose of any Shares or any announcement or other publication of the intention to do any of the foregoing, for a period of 180 days from the date on which the Offer Price is announced, with respect to the Principal Shareholder and 365 days from the date on which the Offer Price is announced, with respect to certain members of management. These undertakings are conditional upon the occurrence of the Closing Date. The foregoing shall not apply to: (i) the sale of Offer Shares in the Offering; (ii) the lending of Shares under the Underwriting Agreement; (iii) the sale of Shares to which the Joint Global Coordinators consent; (iv) the sale or transfer of Shares in connection with a take-over offer or an offer by the Company to all shareholders to purchase its own Shares or a scheme of arrangement or reconstruction; (v) gifts of Shares to certain family members or trustees; (vi) Shares acquired following the listing on the NASDAQ OMX Stockholm; and (vii) certain other enumerated circumstances, subject in each case to certain exceptions. In the event the Joint Global Coordinators grant a waiver of the above restrictions in respect of certain members of management, the Principal Shareholder shall be released from any lock-up undertaking in respect of a *pro rata* number of Shares. However, in the event the Joint Global Coordinators choose to grant such a waiver in respect of the Principal Shareholder, the Joint Global Coordinators will not be required to release any other shareholders from their obligations.

Over-allotment Option

We have granted an Over-allotment Option to the Managers, acting severally and not jointly, to purchase up to an additional 12,885,778 Shares. The Over-allotment Option may be exercised starting from the first day of listing of Shares on the NASDAQ OMX Stockholm and expires 30 days thereafter. The Over-allotment Option may be exercised in whole or in part for the purpose of covering over-allotments (if any) and to facilitate stabilization transactions.

Stabilization

In connection with the Offering, Morgan Stanley, acting as the stabilizing manager, or its agents, on behalf of the Managers may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of the listing of the Shares on the NASDAQ OMX Stockholm. Specifically, the Managers and the Company have agreed that the Managers may over-allot Offer Shares by accepting offers to purchase a greater number of Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Offer Shares available for purchase by the Managers under the Over-allotment Option. The Managers can close out a covered short sale by exercising the Over-allotment Option or purchasing Shares in the open market. In determining the source of Shares to close out a covered short sale, the Managers will consider, among other things, the open market price of Shares compared to the price available under the Over-allotment Option. The Managers may also sell Shares in excess of the Over-allotment Option, creating a naked short position. The Managers must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the stabilizing manager is concerned that there may be downward pressure on the price of the Shares in the open market after pricing that could adversely affect investors who purchase in the Offering. Any naked short position will not exceed an amount equal to 5% of the original number of Offer Shares offered. As an additional means of facilitating the Offering, the stabilizing manager or its agents may effect transactions to stabilize or maintain the price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares. These activities may support the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Such transactions may be effected on NASDAQ OMX Stockholm, in the over-the-counter markets or otherwise. The stabilizing manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the stabilizing manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, none of the stabilizing manager, any of its agents or the Managers intends to disclose the extent of any stabilization and/or over-allotment transactions in connection with the Offering.

Other

The Managers and their respective affiliates have engaged in transactions with and performed various commercial banking, investment banking, financial advisory and other services for the Company and its respective affiliates, and they and their respective affiliates are currently providing and may in the future provide such services for the Company and its respective affiliates. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and our interests.

In addition, Nordea Bank AB (publ) is acting as a mandated lead arranger, coordinating bookrunner, agent, security agent and lender under our 2014 Facilities Agreement, affiliates of Morgan Stanley are acting as a arranger and lender, respectively under our 2014 Facilities Agreement, an affiliate of J.P. Morgan is acting as lead arranger under the 2014 Facilities Agreement and J.P. Morgan is a lender under the 2014 Facilities. Some of the Managers or their affiliates are also parties to our existing indebtedness. Nordea Bank AB (publ) is agent and security agent under the Senior Facilities Agreement and Nordea Bank AB (publ) and an affiliate of Morgan Stanley are each a mandated lead arranger and bookrunner under the Senior Facilities Agreement. An affiliate of J.P. Morgan also holds certain of our Senior Notes.

The Offering to the Public

The application for the Offering to the public in Sweden will commence on June 4, 2014 and is expected to end at 5 p.m. (CET) on June 13, 2014. Application for acquisition of Offer Shares from the public in Sweden shall relate to a minimum of 200 Offer Shares and a maximum of 40,000 Offer Shares in even lots of 100 Offer Shares. Pursuant to Swedish law, the Offer Price to retail investors in Sweden will not exceed the maximum Offer Price. If the Underwriting Agreement is terminated, any monies received in respect of the Offering to the public in Sweden will be returned to applicants without interest. The Swedish Prospectus contains more detail on the terms and conditions for the Offering to the Public in Sweden.

Selling Restrictions

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

The Offer Shares may only be resold: (i) in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act; and (ii) outside the United States of America in offshore transactions in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Any offer or sale of Offer Shares in the United States will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Terms used above shall have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act.

European Economic Area

In relation to each Relevant Member State of the EEA that has implemented the Prospectus Directive (with the exception of Sweden), no offer of the Offer Shares may be made to the public in that Relevant Member State, except that offers of the Offer Shares may be made under the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this paragraph, the expression an "offer of the Offer Shares may be made to the public" in relation to any of the Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000. Any investment or investment activity to which this offering memorandum relates is available only to, and will be engaged in only with, investment professionals falling within Article 19(5), or fall within section 49(2)(a) to (d) ("high net worth; unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this offering memorandum and should not act or rely on it.

General

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this offering memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this offering memorandum comes are required by the Company and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. Neither we nor the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

TRANSFER RESTRICTIONS

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;

(4) the purchaser is not an affiliate of ours or a person acting on behalf of such affiliate;

(5) the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;

(6) the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or otherwise transfer of the Offer Shares made other than in compliance with the above-stated restrictions;

(7) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(8) the purchaser acknowledges that the Company and the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser (i) is a QIB (as defined in Rule 144A under the U.S. Securities Act), (ii) is aware that the sale to it is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;

(4) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in compliance with Regulation S under the U.S. Securities Act, or (iii) in accordance

with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(6) the purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

(7) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(8) the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;

(9) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(10) the purchaser acknowledges that the Company and the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a Relevant Member State, other than persons receiving offers contemplated in the Swedish Prospectus in Sweden, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Managers and us that:

(1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(2) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

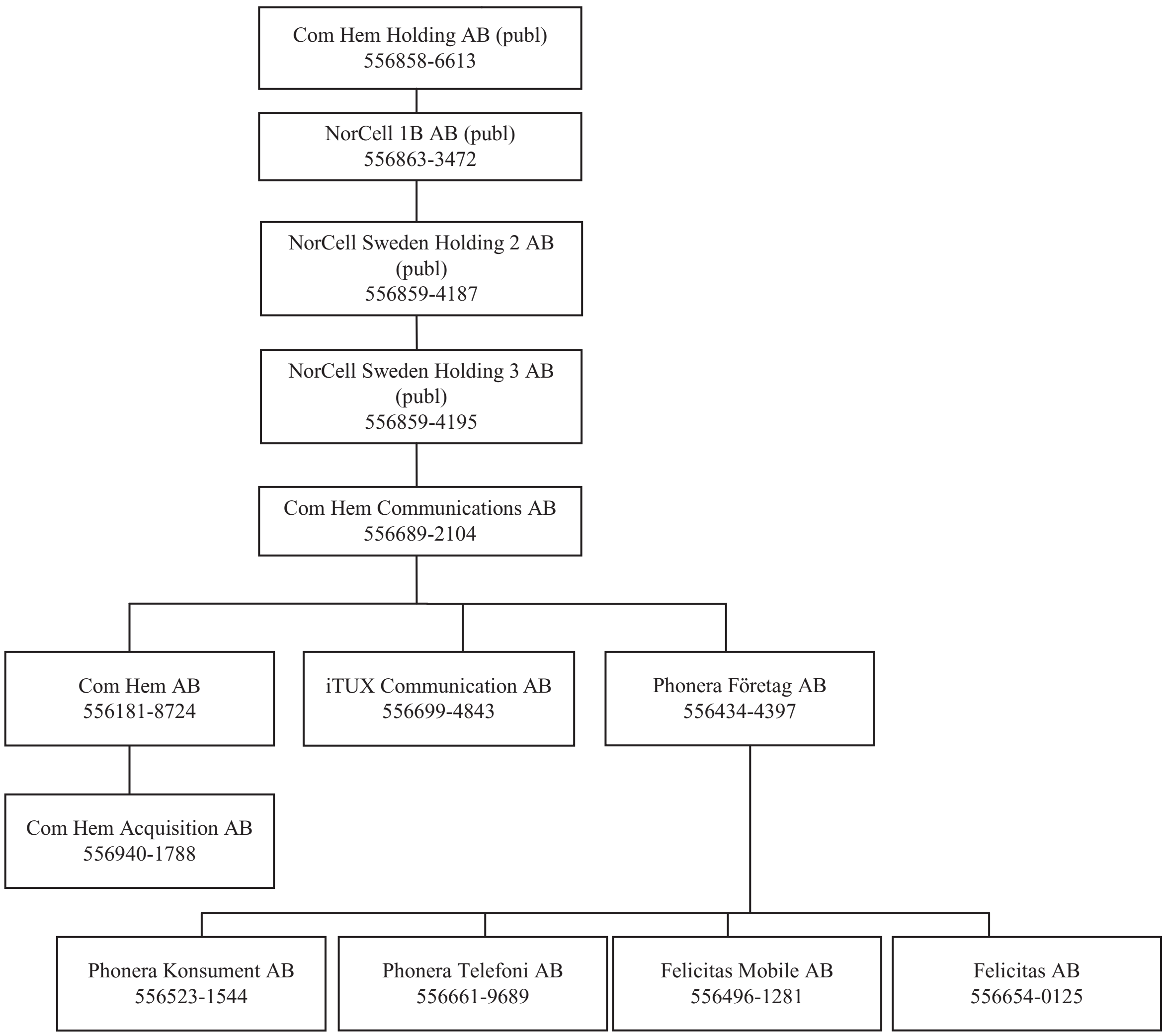
For the purposes of this provision, the expression an "offer" in relation to any of the Offer Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

Corporate Structure

The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) incorporated on June 28, 2011 and registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on July 5, 2011. The Company's current name, Com Hem Holding AB (publ), was registered on May 14, 2014. The Company's corporate identity number is 556858-6613. The business is conducted in accordance with the Swedish Companies Act (Sw. *aktiebolagslagen* (2005:551). The Company's registered office is situated in Stockholm, Sweden.

Com Hem Holding AB (publ) is currently the parent company of 12 subsidiaries. All subsidiaries are wholly-owned and incorporated in Sweden. The chart below illustrates the entire Group's legal structure. The Group's operations are conducted via three operating subsidiaries, Com Hem AB, iTUX Communication AB, and Phonera Företag AB.



Material Contracts

We provide analog and digital television, high-speed broadband and fixed-telephony services to residential subscribers, landlords and B2B customers via our HFC cable network and LANs.

We lease a part of our network through long-term lease agreements, including national backbone capacity, fiber, ducting and our co-location of head-end facilities. We own all of our street cabinets, all active equipment in the network as well as a portion of the fiber and ducting of the network. In addition to providing services across our own networks, we also deliver digital television, high-speed broadband and fixed-telephony services across an IP platform to customers that are connected to open LANs. For a description of material agreements relating to our network, see "*—Network Agreements*" below.

Our fixed-telephony services use VoIP as a method of transporting voice over the HFC cable network and LANs. Interconnection fees are paid to other fixed-telephony providers when our subscribers terminate a call with subscribers in other networks and interconnection fees are received when call through interconnection points from subscribers in other networks are terminated in our network. We have entered into an agreement with TDC for the provision of these interconnection services. For a description of the agreements, see "*—Interconnection Agreement*" below.

All digitally distributed television channels are first received by the television production platform located at our playout centers. The channels are encrypted via Verimatrix and Conax systems and then fed to multiplexers for delivery to end consumers. For a description of the agreements with Verimatrix and Conax, see *"—Conditional Access Systems*" below.

We have commercially launched our TiVo service. For a description of the material agreement relating to TiVo, see "*—TiVo Platform Agreement*" below.

In order to deliver our television distribution services, we have entered into agreements with program companies who package the content produced by production companies into channels. We then combine the channels into channel packages that are sold to the end consumers. For a description of the material distribution agreements, see *"—Agreements for the Distribution of Television Channels*" below.

Network Agreements

Network Backbone—Agreement with Trafikverket

We entered into a framework agreement with Trafikverket on December 22, 2005 (the "**Framework Agreement**"). Pursuant to the Framework Agreement, we lease transmission capacity for a national backbone network, which allows exchange of information between our local access networks. The Framework Agreement is valid until further notice and may be terminated by either party with twelve months' notice.

We also entered into a call-off agreement on June 7, 2012 with Trafikverket for the use of certain circuits for the national backbone. The call-off agreement is valid until August 31, 2017 and either party may, with effect as from August 31, 2017 at the earliest, terminate the call-off agreement with three months' notice.

The Network in Regional and Metropolitan Areas

We have entered into agreements with several parties regarding the lease of fiber, duct space and the co-location of equipment in regional and metropolitan areas. Our main contractual counterparties to these agreements are Skanova (owned by TeliaSonera) and Stokab (owned by the City of Stockholm).

Agreements with Skanova

In connection with Telia AB's intended divestiture of Com Hem during 2000, we entered into a lease agreement for duct space with Telia AB's network division at the time, Skanova, on April 25, 2000, which has subsequently been amended on several occasions (the "**Skanova Duct Lease**"). The Skanova Duct Lease is subject to a 25-year term and may be extended at our request for additional terms of five years, provided that the cable television network is still in use by us. The terms of the Skanova Duct Lease provide us with the option to lease additional duct space in Skanova's network, to the extent additional duct space is available. If Skanova loses its right to maintain ducts in a specific area, we will lose our right to use that duct space. We are permitted to surrender and terminate the use of certain duct space under the Skanova Duct Lease on the condition that we provide three months' notice.

We entered into a framework agreement with TeliaSonera Network Sales AB, a subsidiary of TeliaSonera AB, on May 2, 2006, under which we are entitled to purchase fixed network products, now provided by TeliaSonera Skanova Access AB (the "**Skanova Framework Agreement**"). The initial term of the Skanova Framework Agreement was twelve months, however the Skanova Framework Agreement automatically renews and is in force until either party terminates the agreement with three months' notice.

Pursuant to the Skanova Framework Agreement, we are party to several separate call-off agreements with Skanova, in which we purchase transport fiber, access fiber and coaxial cable products. Skanova updates its product offerings on a regular basis and, as a result, the type and design of the products, the terms and conditions of the transactions and product pricing vary from time to time.

We entered into a framework agreement with TeliaSonera Skanova Access AB, a subsidiary of TeliaSonera AB, on January 3, 2011 for the co-location of equipment (the "**Skanova Co-location Agreement**"). The Skanova Co-location Agreement is valid until further notice and may be terminated by either party by providing twelve months' notice. However, Skanova may not terminate the Skanova Co-location Agreement before April 24, 2025.

Agreements with Stokab

On January 31, 1994 StjärnTVnätet AB ("**StjärnTV**") entered into a lease agreement with Stokab, previously Birka Kraft AB, for duct space in the Stockholm area (the "**StjärnTV Lease**"). StjärnTV later assigned its interest under the StjärnTV Lease to us. The StjärnTV Lease terminates on January 31, 2019.

We entered into a separate agreement with Stokab on April 25, 2008 for the purpose of phasing out the use of coaxial cable in Stokab's duct space and replacing the coaxial cables with Stokab's fiber products. However, because a limited number of fiber products were ordered under this agreement, we entered into a supplementary agreement on June 21, 2011, effective as of December 31, 2012, and replaces the previous agreement from April 2008, as far as it relates to the ordering of additional fiber products. The underlying duct space leases may be terminated with three months' notice prior to the expiration of the contract period and will, unless terminated, be automatically renewed on an annual basis.

We entered into a framework agreement with Stokab on April 25, 2008 for the purchase and use of network products (the "**Stokab Framework Agreement**"). The initial term of the Stokab Framework Agreement expired on April 25, 2010, however the agreement is automatically renewed on an annual basis and may be terminated by either party with six months' notice. Pursuant to the Stokab Framework Agreement, we are party to several separate call-off agreements with Stokab for the purchase of Stokab's network products. According to Stokab's standard terms, call-off agreements may be terminated with three months' notice prior to the expiration of the contract period and, unless terminated, the agreements automatically renew on an annual basis. In connection with the renewal of an agreement, Stokab is entitled to change the price and certain other terms of the agreement. If Stokab exercises this right within four months prior to the expiration of the contract period, we may, within one month of Stokab's notice, submit notice to terminate the agreement upon the expiration of the contract period.

Interconnection Agreement

We entered into an agreement with TDC Sverige AB ("**TDC**") on April 5, 2013, under which TDC provides us with the interconnection services required for our fixed-telephony operations and hosts the telephony numbers that we hold in the Swedish numbering plan. (the "**TDC Agreement**"). The TDC Agreement, which replaces the prior agreement entered into on December 17, 2009, is valid for an initial period of two years from November 30, 2013 and then until terminated by either party with six months' notice. The TDC Agreement contains provisions which entitle TDC to retroactively adjust the price based on decisions related to interconnection fees by the PTS.

Conditional Access Systems

Conax

We entered into an agreement with Conax on July 14, 2003 for the use of Conax's conditional access system (the "**Conax Agreement**"). The conditional access system encrypts transmitted signals sent to subscribers and subscribers decrypt the signals using a set-top box and a smart card. This system enables us to provide pay television services and charge fees on an individual subscriber basis. The Conax Agreement was valid for an initial five-year period and includes the option to extend the agreement for an additional term of five years, an option which we exercised in 2008. Unless terminated by either party with at least six months' notice prior to the expiration of the current contract period or any subsequent extension period, the agreement will automatically renew for successive twelve-month periods. We may terminate the agreement immediately if a security audit reveals unsatisfactory results on Conax's behalf.

Verimatrix

We entered into an agreement with Verimatrix on January 31, 2013, to provide, maintain and develop a two way conditional access system used to encrypt and decrypt digital TV-signals (the "**Verimatrix Agreement**"). The Verimatrix Agreement is valid for an initial period of five years, with an option for us to extend the agreement for an additional five years subject to at least six months notification before expiration of the initial period. The Verimatrix Agreement will automatically renew for successive 12 month periods unless terminated by either party with six months' notice prior to the end of the extension period, exercise of the option or any subsequent extension period.

TiVo Platform Agreement

The agreement with TiVo Inc. regarding the digital pay television platform TiVo (the "**TiVo Agreement**") is mutually exclusive in Sweden.

The initial term of the agreement is five years from the commercial launch (which occurred on January 15, 2014). In addition, we may unilaterally extend the term by two years at a time (maximum of six years) under certain conditions, including that we must have at least 200,000 subscribers for TiVo products.

We paid certain initial milestone fees relating to the development of the products and are also required to pay license fees per subscriber on a monthly basis. The license fee per subscriber decreases with increasing volumes of subscribers. During the initial term of five years, there are certain minimum guaranteed license fees, which increase annually, and during any extended term, the minimum guaranteed license fee of the fifth year of the initial term will apply. The license fees for the current subscribers for TiVo products exceed the minimum guaranteed license fees for the second year. Payment must be made within 60 days from invoice date.

Agreements for the Distribution of Television Channels

We distribute television channels, or content therefrom, according to distribution agreements entered into with various broadcasters and content providers, including for example Viasat AB ("**Viasat**"), TV4 AB ("**TV4**"), SBS Discovery Media UK Limited and Discovery Communications Europe Limited (jointly referred to as "**SBS Discovery**"), Eurosport S.A. ("**Eurosport**") and C More Entertainment AB ("**C More**").

Agreement with SBS Discovery

We entered into a term sheet regarding distribution of SBS Discovery's channels effective from October 1, 2013 until December 31, 2016. We distribute the following channels under the term sheet with SBS Discovery: Kanal 5, Kanal 5 HD, Kanal 9, Kanal 11, TLC, Animal Planet, Animal Planet HD, Discovery Channel, Discovery HD Showcase, ID Investigation Discovery, Discovery Science, Discovery World. Pursuant to the agreed terms, we will pay SBS Discovery a distribution license fee for each channel per month, which varies according to a tiered fee schedule based on the number of unique residential subscribers. For distribution of TLC and Kanal 11 in "Startutbudet" (analog) SBS Discovery shall pay a fixed annual fee to us.

Agreement with C More

Our subsidiaries Com Hem and Com Hem Stockholm AB (which have been merged into iTUX Communication AB) and C More agreed to certain terms on December 12, 2007 (the "**Deal Terms**"). The Deal Terms (as amended) were prolonged through addendum dated July 2, 2012 and amended through an HD agreement and addendum dated January 20, 2012 while negotiating a new agreement until September 15, 2012 at the latest. The parties have thereafter continued to apply the Deal Terms including the abovementioned HD agreement and addendum.

We distribute the following channels under the Deal Terms with C More: C More Fotboll, C More Tennis, C More Extreme, C More Live HD, C More Kids, C More Live, C More Live 2, C More Live 3, C More Live 4, C More Series, C More Series HD, SF-Kanalen, C More First HD, C More Emotion, C More First, C More Hits, C More Hits HD, C More Action, C More Hockey, C More Sport and C More Sport HD.

We pay fees in accordance with a revenue sharing model, which is based on the number of unique residential subscribers. C More recommends certain pre-determined retail prices for the various C More packages; however, we are allowed to offer lower prices to our subscribers.

Agreement with TV4

On December 18, 2013, we entered into a distribution agreement with TV4, effective as of December 18, 2013, for an initial period up to and including September 30, 2015. By agreement between the parties prior to March 30, 2015, the agreement may be extended for one additional year (with a CPI-adjustment applicable to the fees). We distribute the following channels under the distribution agreement with TV4: TV4, Sjuan, TV12, TV4 Sport, TV4 Film, TV4 Fakta, TV4 Guld, TV4 Komedi, TV4 Fakta XL and TV4 HD.

We pay a distribution license for each channel per month, which varies according to a tiered fee schedule, based on the number of unique residential subscribers. Additionally, a revenue sharing model is applied when we offer TV4's channels on an á la carte basis.

Agreement with Viasat

We have recently signed a new distribution agreement with Viasat. We distribute the following channels under the distribution agreement: TV3, TV3 HD, TV6, TV6 HD, TV8, TV10, Nature/Crime, History, Explorer, Playboy, Viasat Film, Viasat Film HD, Viasat Action, Viasat Action HD, Viasat Family, Viasat Family HD, Viasat Comedy, Viasat Comedy HD, Viasat Drama, Viasat Classic, Penthouse 1, Penthouse HD1, Penthouse 2, Penthouse HD2, Blue Hustler, Viasat Sport, Viasat Sport HD, Viasat Fotboll, Viasat Fotboll HD, Viasat Motor, Viasat Motor HD, Viasat Hockey, Viasat Hockey HD, Viasat Golf, Viasat Golf HD and Viasat 14 HD. The channels are distributed to cable and IPTV subscribers on a non-exclusive basis. The cable and IPTV subscribers can also access the channels via linear and simultaneous distribution over the internet.

We pay Viasat a monthly fee for the distribution of the channels. The fee varies between the channels and the payments are a combination of a fee per channel, a revenue share and a fixed fee.

Agreement with Disney

We have entered into a distribution agreement with Disney, effective as of January 1, 2014. The initial terms runs until December 31, 2016. Thereafter the agreement is automatically renewed for successive periods of one year, unless terminated with three months prior notice to the date of expiration of the relevant term. Under the distribution agreement, we distribute the following channels: Disney Channel SD, Disney Channel HD, Disney XD and Disney Junior.

We pay Disney a monthly distribution license fee for each channel, which varies according to a tiered fee schedule, based on the number of unique subscribers. However, when we offer Disney's channels or packages on an à la carte basis, a revenue sharing model is applied.

Agreement with Eurosport

We have entered into a distribution agreement with Eurosport, effective as of January 1, 2014. The initial term runs until December 31, 2015. The agreement will be automatically renewed, unless terminated upon six months' notice prior to the date of expiration. We distribute the following channels under the distribution agreement with Eurosport: Eurosport SD, Eurosport HD, Eurosport 2 SD and Eurosport 2 HD. We pay Eurosport a monthly distribution license fee for each channel, which varies according to a tiered fee schedule, based on the number of unique subscribers. We pay monthly fees according to a "Public Viewing and Institutions" rate card which is based on the number of TV-sets for commercial subscribers and per room for hotels, for the distribution of channels to commercial subscribers and hotels. However, a revenue sharing model is applied when we offer Eurosport's channels or packages on an *à la carte* basis.

Facilities Agreements

Please refer to "*Operating and Financial Review—Liquidity and Capital Resources—Certain Other Indebtedness*" for a description of Com Hem's facilities agreements.

Underwriting Agreement

Please refer to "*Plan of Distribution*" for a description of the information on the underwriting agreement among the Company, the Principal Shareholder and the Managers.

Interests of Advisors

Please refer to "*Plan of Distribution*" for a description of interests of advisors in connection with the Offering.

Costs Relating to the Offering

Please refer to "*Plan of Distribution*" for a description of costs relating to the Offering.

Documents on Display

Copies of the following documents will be on display during the offer period during ordinary office hours on weekdays at the Company's offices at Fleminggatan 18, SE-106 20 Stockholm, Sweden:

- Com Hem's Articles of Association; and
- Com Hem's Annual Reports for the financial years 2011, 2012 and 2013; and

The documents will also be available electronically on the Company's website, www.comhem.se.

Legal and Other Matters

Please refer to "*Business*" for a description of material legal proceedings, matters relating to intellectual property, environmental matters and our insurance coverage.

ARTICLES OF ASSOCIATION

for
Com Hem Holding AB (publ)
(Reg. No. 556858-6613)

Adopted at the extraordinary general meeting on June 3, 2014.[1]

1 § Name

The name of the company is Com Hem Holding AB. The company is a public limited liability company (publ).

2 § Registered office

The company's registered office shall be situated in Stockholm.

3 § Object of the company's business

The company shall—directly or indirectly—work for appropriate coordination and development of the business carried on in subsidiaries, principally regarding distribution of audio broadcasting and television programs, providing of electronic communications services and also conduct other business activity that is compatible therewith.

4 § Share capital and number of shares

The share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000. The number of shares shall be not less than 100,000,000 and not more than 400,000,000.

5 § Euroclear company

The company's shares shall be registered in a CSD-register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

6 § Financial year

The company's financial year shall be the calendar year.

7 § Board of directors

The board of directors elected by the general meeting shall consist of not less than three (3) members and not more than ten (10) members with no deputy members.

8 § Auditor

The company shall have not less than one (1) and not more than two (2) auditors and not more than two (2) deputy auditors. As auditor and, when applicable, deputy auditor, shall an authorized public accountant or a registered public accounting firm be elected.

9 § Notice of general meeting

Notice of general meeting shall be published in the Swedish Official Gazette and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

10 § Participation in general meeting

A shareholder, who wants to participate in a general meeting must be registered as shareholder in such a transcription or report of the entire share register as referred to in Chapter 7 Section 28 third paragraph of the Swedish Companies Act (2005:551), as regards the fact five weekdays prior to the meeting, and notify the company not later than on the day specified in the notice of the meeting. The aforementioned day must not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and must not fall earlier than the fifth weekday prior to the meeting. If a shareholder wishes to be joined by

[1] The general meeting's resolution to adopt the articles of association is conditional upon completion of the Offering.

counsel (not more than two counsels) at the general meeting, the number of counsels must be stated in the notice of participation.

11 § Business at annual general meetings

The following business shall be addressed at annual general meetings:

1) election of a chairman of the meeting;
2) preparation and approval of the voting list;
3) approval of the agenda;
4) election of one or two persons to approve the minutes;
5) determination as to whether the meeting was duly convened;
6) presentation of the annual report and the auditors' report and, where applicable, the consolidated accounts and the auditors' report on the consolidated accounts;
7) resolutions regarding the adoption of the income statement and the balance sheet and, where applicable, the consolidated income statement and the consolidated balance sheet;
8) resolutions regarding appropriation of the company's profits or losses;
9) resolutions regarding discharge of the members of the board of directors and the managing director from liability;
10) resolutions regarding the number of members, and deputy members, of the board of directors and, where applicable, the number of auditors and deputy auditors;
11) determination on the compensation to the members of the board of directors and fees to the auditor;
12) election of the members of the board of directors and, where applicable, auditors and deputy auditors;
13) other matters which rest upon the meeting according to the Swedish Companies Act or the company's articles of association.

DEFINITIONS AND GLOSSARY

The following terms used in this Offering Memorandum have the meanings assigned to them below (unless the context requires otherwise):

Definitions Relating to the Cable and Telecommunications Industries

"**ADSL2+**"	An asymmetric digital subscriber line is a system for high-speed data transmission over existing telephone cables. In the ADSL system, the telephone cable is effectively divided into three bands: the downstream band from the service provider to the subscriber; the upstream band from the subscriber to the service provider; and a voice band through which (using a splitter) telephone calls (analog or via ISDN) can be made. ADSL2+ extends the capacity of the underlying ADSL system by further utilizing the frequency spectrum and extending transfer speeds for the downstream band to up to 25 Mbit/s.
"**analog**"	Derived from the word "analogous," which means "similar to" in phone transmission, the signal being transmitted (phone, video or image) is "analogous" to the original signal.
"**ARPU**"	Average monthly revenue per user for the referenced period. ARPU is calculated by dividing the monthly revenue (for the service provided, in each case including the proportional allocation of the Com Bo discount) for the respective period by the average number of unique residential subscribers for that period. The average number of unique residential subscribers is calculated as the number of unique residential subscribers on the first day in the respective period plus the number of unique residential subscribers on the last day of the respective period, divided by two.
"**backbone**"	A backbone refers to the principal data routes between large, interconnected networks.
"**bandwidth**"	The transmission capacity of a communication line or transmission link at any given time. The bandwidth is generally indicated in bits per second.
"**bi-directional**"	Bi-directional networks enable two-way communication.
"**bundle**" and "**bundling**" .	Bundling is a marketing strategy that involves offering several services for sale as one combined service.
"**CAS**"	A conditional access system.
"**CA-module**"	A conditional-access module which allows a piece of hardware to view content that has been encrypted using a conditional access system.
"**CDN**"	Content distribution network
"**churn**"	The voluntary or involuntary discontinuance of services by a subscriber.
"**CI Module**"	Common interface module.
"**CMTS**"	Cable modem termination system, a broadband router with features to enable it to communicate with an HFC cable network.
"**customer premises equipment**" or "**CPE**" . .	Telecommunications hardware, such as set-top boxes, xDSL or other broadband Internet routers, VoIP base stations, phone headsets, etc., which is located at the home or business of a customer.

“**digital**”	The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as phone or music, are encoded digitally by sampling the phone or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: First, digital signals can be reproduced more precisely so digital transmission is “cleaner” than analog transmission and the electronic circuitry necessary to handle digital is becoming cheaper and more powerful; and second, digital signals require less transmission capacity than analog signals.
“**DOCSIS**”	Data Over Cable Interface Specification is an international standard that defines the communications and operation support interface requirements for a data over cable system. It permits the addition of high-speed data transfer to an existing cable television system.
“**DVB**”	Digital video broadcast, cable, or the broadcast transmission of digital television.
“**DVB-C**”	Digital video broadcast, cable, or the broadcast transmission of digital television over cable.
“**DVB-S**”	Digital video broadcast, terrestrial, or the digital broadcasting of television signals via satellites.
“**DVB-T**”	Digital video broadcast, terrestrial, or the digital broadcasting of television signals over terrestrial antennas and other terrestrial circuits without the use of satellites.
“**EMTA**”	Embedded Multimedia Terminal Adapter, a combination cable modem and telephone adapter.
“**EQAM**”	Edge Quadrature Amplitude Modulation, which is employed in a modulator used to feed television channels into our local HFC cable network.
“**EuroDOCSIS**”	European Data Over Cable Service Interface Specification (DOCSIS) is an international standard that defines the communications and operation support interface requirements for a data over cable system that has been modified for use in Europe.
“**footprint**”	Units to which the Company can deliver digital services through its HFC cable network, vertical LAN and open LAN.
“**free-to-air**”	Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.
“**FTTB**”	Refers to a broadband network architecture where the optical fiber reaches the boundary of the building, such as the outer wall of a multi-dwelling unit building.
“**FTTH**”	Refers to a broadband network architecture where the optical fiber reaches the boundary of the living space.
“**FTTx**”	A generic term for any broadband network architecture where optical fiber comprises all or part of the local loop.
“**HD**”	High definition.
“**headend**”	A facility for receiving television signals for processing and distribution over a cable television system.
“**HFC**”	Hybrid fiber-coaxial is a technology used by the cable television industry to provide a variety of services, including analog television, digital television (both standard an high definition), VoD, telephony and high-speed data access using a combination of fiber optics and traditional coaxial cable.

“**IP**” Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the Internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.

“**IP-Centrex**” An internet protocol system that provides switching at a central location instead of at the customer’s premises.

“**IP Television**” or “**IPTV**” Internet Protocol Television is the transmission of television content using IP over a network infrastructure, such as a broadband Internet connection.

“**LAN**” Local Area Network based on Ethernet-based access technology.

“**LTE**” Long Term Evolution is the project name of a new high performance air interface for cellular mobile communication systems. It is the step toward the fourth generation of radio technologies designed to increase the capacity and speed of mobile telephone networks. The LTE specification provides downlink peak rates of at least 100 Mbit/s and uplink of at least 50 Mbit/s.

“**Mbit/s**” Megabits per second; a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband Internet networks are often indicated in Mbit/s.

“**MDU**” Refers to multi-dwelling unit buildings.

“**Mbit/s**” Megabits per second; a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband Internet networks are often indicated in Mbit/s.

“**MDU**” Refers to multi-dwelling unit buildings.

“**Mobile VoIP**” Mobile Voice over IP, or the transmission of voice calls via Internet Protocol on a mobile handset.

“**MPEG**” An international standard for encoding and compressing video images.

“**MVNO/MVNE**” Refers to a mobile virtual network operator or mobile virtual network enabler.

“**NOC**” Network Operation Center

“**open LAN**” A LAN, which is most commonly managed by a communications operator and characterized by third party ownership and by various service providers. The service providers offer their services directly to end customers.

“**OSS**” Operating support system.

“**OTT**” Refers to internet-based over the top video and linear TV services.

“**PBX**” A system that connects telephone extensions of a company to an outside public telephone network as well as to mobile networks.

“**penetration**” The number of RGUs or subscribers for a service as a percentage of homes connected for the service indicated.

“**PVR**” Personal video recorder.

“**PSTN**” Public switched telephone network.

“**RGU**” Revenue generating units, which refer to each subscriber receiving basic or digital cable television, Internet access or telephony services over our network. Thus, one subscriber who receives all three services would be counted as three RGUs.

“**SDU**” Refers to single dwelling units, such as standalone houses and villas.

“**set-top box**” or “**STB**” The hardware required by the end customer to view digital television programming.

"**SIP trunk**"	A Voice over Internet Protocol (VoIP) and streaming media service based on the Session Initiation Protocol.
"**smart card**"	A smart card is any pocket-sized card with embedded integrated circuits which can process data.
"**SMATV**"	Satellite Master Antenna Television; refers to a system that uses multiple satellite and broadcast signals to create a single integrated cable signal for distribution to a cable network.
"**Single Office/Home Office**" or "**SoHo**"	Refers to offices that consisted of between one and nine employees.
"**Small and Medium Enterprises**" or "**SME**" .	Refers to offices that consist of between 10-99 employees.
"**SOC**"	Service Operation Center
"**subscribers**"	The end-users receiving our services through our network.
"**SVOD**"	Subscription-based video-on-demand service
"**triple-play**"	Offering of digital television, broadband Internet and phone services packaged in a bundle.
"**TV Everywhere**" or "**TVE**"	Refers to a concept whereby certain television content (*e.g.*, movies and television shows) is accessible online via a variety of display devices, including personal computers, smartphones, tablets and televisions. TV Everywhere solutions often require that the customer/user prove (or "authenticate") that he/she has a subscription to a multiservice operator.
"**TVoD**"	Transaction video-on-demand offers titles that are available to rent on an individual basis.
"**UMTS**"	Universal Mobile Telecommunications System, a third generation or "3G" mobile technology that delivers broadband information at speeds up to 2 Mbit/s.
"**Unbundled Local Loop**" or "**ULL**"	A connection from the telephone exchange to the customer's premises that may be accessed by multiple telecommunications operators.
"**VDSL**"	Very high bit rate xDSL.
"**vertical LAN**"	A LAN that is usually built and controlled by a single operator, which has an exclusive right of providing their services to end customers.
"**VoD**"	Video-on-demand is the transmission of digital video data on demand, by either streaming data or allowing data to be downloaded. The data is transmitted to the subscriber via broadband connection.
"**VoIP**"	Voice over IP, or the transmission of voice calls via Internet Protocol.
"**WiFi**"	Wireless local area network.
"**WiMax**"	Worldwide Interoperability for Microwave Access is a telecommunications protocol that provides fixed and mobile Internet access.
"**xDSL**"	Digital Subscriber Line is a generic name for a range of digital technologies relating to the transmission of Internet and data signals from the telecommunication service provider's central office to the end customer's premises over the standard copper wire used for voice services.

Definitions Relating to the Offering

"**2014 Facilities**"	the 2014 Revolving Credit Facility and 2014 Term Loan A Facility.
"**2014 Senior Facilities Agreement**"	The facilities agreement, dated May 22, 2014 with, among others, Nordea Bank AB (publ) as agent and security agent.
"**2014 Term Loan A Facility**"	SEK 3,500 million term facility dated May 22, 2014.
"**Acquisition**"	The acquisition of Com Hem Communications by NorCell Sweden Holding 3 AB (publ), an indirect subsidiary of the Company, closed on September 29, 2011.
"**Articles of Association**"	the articles of association of the Company.
"**Board**" and "**Board of Directors**"	the Board of Directors of the Company.
"**Bonus Issue**"	The issue of Shares to be carried out subsequent to the Share Conversion in order for the Company to have 100,000,000 Shares prior to the Offering.
"**CAGR**"	The compound annual growth rate is the average annual growth rate calculated over a given period.
"**Code**"	Swedish Corporate Governance Code
"**Company**" or "**Com Hem**"	Com Hem Holding AB (publ).
"**CDK Acquisition Overfunding Account**"	An account established in connection with the withdrawn CDK Acquisition and credited with SEK 400 million in connection with the acquisition to fund payment of an additional purchase price under the acquisition agreement. As a result of the withdrawal of the proposed acquisition, SEK 101 million (including accrued interest of SEK 1 million) was returned to NorCell S.à r.l. and SEK 303 million (including accrued interest of SEK 3 million) was used to prepay amounts under the Senior Credit Facilities.
"**equity free cash flow**"	Equity free cash flow is Underlying EBITDA less capital expenditures, less interest paid, less taxes paid, less change in net working capital.
"**EU**"	the European Union.
"**Euroclear Sweden**"	Euroclear Sweden AB, the Swedish central securities depository and clearing organization.
"**EURIBOR**"	Euro Interbank Offered Rate.
"**Financial Advisor**"	N M Rothschild & Sons Limited.
"**Group**"	the group of companies in which Com Hem Holding AB (publ) is the parent company.
"**IFRS**"	International Financial Reporting Standards, as adopted by the European Union.
"**IMF**"	International Monetary Fund.
"**Joint Global Coordinators**"	J.P. Morgan Securities plc, Morgan Stanley & Co. International plc. And Nordea Bank AB (publ)
"**LTM**"	last twelve months.
"**LIBOR**"	London Interbank Offered Rate.
"**Managers**"	J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Nordea Bank AB (publ) and Carnegie Investment Bank AB.

"**NASDAQ OMX Stockholm**"	NASDAQ OMX Stockholm AB.
"**Over-allotment option**"	An option to purchase Additional Shares at the Offer Price (less agreed commissions) to cover potential over-allotments or other short positions, if any, in connection with the Offering.
"**PD Amending Directive**"	Directive 2010/73/EU of the European Parliament and of the Council.
"**Phonera Företag**"	Phonera Företag AB.
"**Principal Shareholder**"	NorCell S.à r.l.
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council.
"**PTS**"	the Swedish Post and Telecom Authority
"**Regulation S**"	Regulation S under the U.S. Securities Act.
"**Rule 144A**"	Rule 144A under the U.S. Securities Act.
"**SEK**"	Swedish kronor.
"**Senior Notes**"	€287,058,000 aggregate principal amount of 10¾% Senior Notes due 2019.
"**Senior PIK Notes**"	€250,000,000 aggregate initial principal amount of 12.4% Senior PIK Notes due 2019.
"**Senior Secured Notes**"	SEK 3,492,306,000 aggregate principal amount of 9¼% Senior Secured Notes due 2018.
"**SFSA**"	the Swedish Financial Supervisory Authority (*Finansinspektionen*).
"**shares**"	Ordinary shares in the Company, each with a quota value of SEK 1.
"**Share Conversion**"	The conversion of shares whereby all class B ordinary shares and preference shares are converted into class A ordinary shares.
"**STIBOR**"	Stockholm Interbank Offered Rate.
"**Swedish Companies Act**"	the Swedish Companies Act of 2005 (*aktiebolagslagen 2005:551*).
"**Trading Act**"	the Swedish Financial Instruments Trading Act of 1991 (*lagen (1991:980) om handel med finansiella instrument*).
"**U.S. Exchange Act**"	the United States Securities Exchange Act of 1934, as amended.
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended.

INDEX TO FINANCIAL STATEMENTS*

* NorCell Sweden Holding 1 AB has changed its name to Com Hem Holding AB (publ). Nordic Cable Acquisition Company Sub-Holding AB has changed its name to Com Hem Communications AB.

NORCELL SWEDEN HOLDING 1 AB

Unaudited Interim Consolidated Financial Statements as of and for the three months ended March 31, 2014 and 2013

Unless otherwise stated, all amounts are rounded to the nearest thousand.

Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of NorCell Sweden Holding 1 AB, Corporate Id No 556858-6613

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of NorCell Sweden Holding 1 AB and subsidiaries ("the Group") as of March 31, 2014 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and notes to the interim financial information (the condensed consolidated interim financial information). The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at March 31, 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Stockholm, May 5, 2014

KPMG AB

Thomas Thiel
Authorized public accountant

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK in thousand	Note	Jan 1 – Mar 31 2014	Jan 1 – Mar 31 2013
Revenue	2	1,123,862	1,122,728
Cost of sales and services	3	(548,233)	(573,677)
Gross profit		**575,629**	**549,051**
Selling expenses	3	(360,652)	(333,630)
Administrative expenses	3	(63,516)	(58,041)
Other operating income and expenses		(4,504)	4,499
Operating profit		**146,957**	**161,879**
Net financial income and expenses	4	(349,108)	(158,427)
Profit/loss after financial items		**(202,151)**	**3,452**
Income taxes	5	25,997	8,014
Net profit/loss for the period	6	**(176,154)**	**11,466**
Profit/loss per share			
Basic (SEK)		(4.18)	0.27
Diluted (SEK)		(4.18)	0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK in thousand	Jan 1 – Mar 31 2014	Jan 1 – Mar 31 2013
Net profit/loss for the period	**(176,154)**	**11,466**
Other comprehensive income		
Items that will not be reclassified to net profit or loss		
Revaluation of pension obligations	—	—
Tax on items that will not be reclassified to profit or loss	—	—
Other comprehensive income for the period, net of tax	—	—
Total comprehensive profit or loss for the period	**(176,154)**	**11,466**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK in thousand	Note	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
ASSETS				
Non-current assets				
Intangible assets		16,353,287	16,400,847	16,154,338
—of which goodwill		*10,894,963*	*10,742,121*	*10,742,121*
Property, plant and equipment	7	1,464,605	1,373,778	1,463,409
Other non-current assets		6,378	6,138	6,320
Total non-current assets		**17,824,270**	**17,780,763**	**17,624,067**
Current assets				
Other current assets		322,725	258,241	274,465
Cash and cash equivalents	9	788,936	741,750	1,122,232
Total current assets		**1,111,661**	**999,991**	**1,396,697**
TOTAL ASSETS		**18,935,931**	**18,780,754**	**19,020,764**
EQUITY AND LIABILITIES				
Total equity		**2,035,452**	**2,948,016**	**2,211,607**
Non-current liabilities				
Non-current interest-bearing liabilities		13,812,591	12,394,419	13,857,321
Other non-current liabilities		216,932	488,447	234,944
Deferred tax liabilities		680,190	758,498	670,810
Total non-current liabilities		**14,709,713**	**13,641,364**	**14,763,075**
Current liabilities				
Current interest-bearing liabilities		330,838	359,770	307,848
Other current liabilities		1,859,928	1,831,604	1,738,234
Total current liabilities		**2,190,766**	**2,191,374**	**2,046,082**
TOTAL EQUITY AND LIABILITIES		**18,935,931**	**18,780,754**	**19,020,764**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to Equity Holders of the Parent

SEK in thousand	Mar 31, 2014	Mar 31, 2013
Equity at beginning of period	**2,211,607**	**2,936,549**
Total comprehensive income for the period		
Net profit/loss of the period	(176,154)	11,466
Other comprehensive income for the period	—	—
Total comprehensive income for the period	**(176,154)**	**11,466**
Equity at end of period	**2,035,452**	**2,948,016**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEK in thousand	Note	Jan 1 – Mar 31 2014	Jan 1 – Mar 31 2013
Operating activities			
Profit/Loss after financial items		(202,151)	3,452
Adjustment for items not included in cash flow		596,188	448,289
Change in working capital		(73,232)	(63,748)
Cash flow from operating activities		**320,805**	**387,993**
Investing activities			
Acquisition of intangible assets	7	(76,056)	(61,264)
Acquisition of property, plant and equipment	7	(139,407)	(99,470)
Acquisition of subsidiaries	8	(291,076)	(6,800)
Cash flow from investing activities		**(506,539)**	**(167,534)**
Financing activities			
Amortization of borrowings		(147,267)	(140,079)
Payment of transaction costs		(295)	(602)
Cash flow from financing activities		**(147,562)**	**(140,681)**
Net cash flow for the period		**(333,296)**	**79,778**
Cash and cash equivalents at beginning of period		**1,122,232**	**661,972**
Cash and cash equivalents at end of period		**788,936**	**741,750**

Adjustment for items not included in cash flow

SEK in thousand	Jan 1 – Mar 31 2014	Jan 1 – Mar 31 2013
Depreciation, amortization and impairment of assets	340,850	341,274
Unrealized exchange rate differences	4,890	(248,430)
Unrealized change in fair value of financial liabilities	(20,099)	60,251
Change in accrued arrangement fees and accrued interest expenses	190,036	228,771
Interest not settled with cash, notes	78,483	63,601
Other	2,028	2,822
Total	**596,188**	**448,289**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Preparation

The consolidated accounts of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the EU and disclosed in the Group's annual report for 2013 and presented in thousand Swedish kronor (SEK) which is also the Group's functional currency.

The new or amended IFRS, which became effective on January 1, 2014, have had no material effect on the Consolidated Financial Statements.

The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Report has been approved for issuance by the Board of Directors and Chief Executive Officer on May 5, 2014.

Operating Segments

The operations of the Group are integrated and constitute a single operating segment that offers the supply of digital-television, high-speed broadband and fixed-telephony 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. However, information on revenue from digital-television, high-speed broadband, fixed-telephony and landlord is disclosed in Note 2.

Note 2 Revenue

Revenue by Service

SEK in thousand	Jan 1 – Mar 31 2014	% change	Reclassified* Jan 1 – Mar 31 2013	Jan 1 – Mar 31** 2013
Digital-Television	431,389	0.9%	427,560	420,865
High-Speed Broadband	343,944	5.8%	324,991	319,262
Fixed-Telephony	90,488	(20.0%)	113,132	112,666
Landlord	200,753	(1.0%)	202,696	215,586
Other	57,289	5.4%	54,349	54,349
Total	**1,123,862**	**0.1%**	**1,122,728**	**1,122,728**

* 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.

** Historically reported Revenue by Service.

Total revenue amounted to SEK 1,123,862 thousand (SEK 1,122,728 thousand) in the three months ended March 31, 2014.

Revenue from digital-television services increased by SEK 3,829 thousand, or 0.9%, from SEK 427,560 thousand in the three months ended March 31, 2013, to SEK 431,389 thousand in the three months ended March 31, 2014.

Revenue from high-speed broadband services increased by SEK 18,953 thousand, or 5.8%, from SEK 324,991 thousand in the three months ended March 31, 2013 to SEK 343,944 thousand in the three months ended March 31, 2014. The revenue increase was due to the demand for higher broadband speeds as well as growth in sales.

Revenue from fixed-telephony services decreased by SEK 22,644 thousand, or 20.0%, from SEK 113,132 thousand in the three months ended March 31, 2013, to SEK 90,488 thousand in the three months ended March 31, 2014. The decrease in revenue was largely a result of lower usage of fixed-telephony services as an effect of the fixed to mobile substitution.

Revenue from landlord services decreased by SEK 1,943 thousand, or 1.0%, from SEK 202,696 thousand in the three months ended March 31, 2013, to SEK 200,753 thousand in the three months ended March 31, 2014. The slight decrease in revenue was due to lower prices, as a result of contract re-negotiations, partly offset by one-off connection fees from connecting new households.

Other revenue increased by SEK 2,940 thousand, from SEK 54,349 thousand or 5.4% in the three months ended March 31, 2013, to SEK 57,289 thousand in the three months ended March 31, 2014. The increase in revenue is mainly explained by higher revenue in iTUX Communication AB.

Note 3 Operating Expenses

Cost of sales and services decreased by SEK 25,444 thousand, or 4.4%, from SEK 573,677 thousand in the three months ended March 31, 2013, to SEK 548,233 thousand in the three months ended March 31, 2014. As a percentage of revenue, cost of sales and services decreased from 51.1% in the three months ended March 31, 2013, to 48.8% in the three months ended March 31, 2014. The decrease in cost of sales and service was mainly due to lower non-recurring personnel costs attributable to the 2013 redundancy program, lower content costs and lower fixed-telephony call fees. The decrease was partly offset by higher costs for fiber and ducting due to index increases of existing connections.

Selling expenses increased by SEK 27,022 thousand, or 8.1%, from SEK 333,630 thousand in the three months ended March 31, 2013, to SEK 360,652 thousand in the three months ended March 31, 2014. As a percentage of revenue, selling expenses increased from 29.7% in the three months ended March 31, 2013, to 32.1% in the three months ended March 31, 2014. The increase in selling expenses was mainly due to increased non-recurring marketing costs regarding the launch of TiVo and increased amortization of capitalized sales costs, partly offset by lower barter costs.

Administrative expenses increased by SEK 5,475 thousand, or 9.4%, from SEK 58,041 thousand in the three months ended March 31, 2013, to SEK 63,516 thousand in the three months ended March 31, 2014. As a percentage of revenue, administrative expenses increased from 5.2% in the three months ended March 31, 2013, to 5.6% in the three months ended March 31, 2014. The increase in administrative expenses was mainly due to non-recurring costs for consultants and lawyers, partly offset by lower depreciation and amortization.

Other operating items amounted to a net income of SEK 4,499 thousand in the three months ended March 31, 2013, and a net expense of SEK 4,504 thousand in the three months ended March 31, 2014. The change refers primarily to operating currency gains and losses as well as transaction costs in the first quarter 2014 for the acquisition of Phonera Företag AB of SEK 5,290 thousand.

Note 4 Financial Income and Expense

Net financial expenses increased by SEK 190,681 thousand, from a net expense of SEK 158,427 thousand in the three months ended March 31, 2013, to a net expense of SEK 349,108 thousand in the three months ended March 31, 2014.

The increase was mainly due to currency gains on the EUR denominated debt of SEK 248,679 thousand partly offset by a negative change in fair value of derivative instruments of SEK 60,181 thousand in the three months ended March 31, 2013, compared to currency losses on the EUR denominated debt of SEK 4,525 thousand offset by a positive change in fair value of derivative instruments of SEK 19,630 thousand in the three months ended March 31, 2014. Interest expense amounted to SEK 362,144 thousand (SEK 342,750 thousand) for the three months ended March 31, 2014.

Note 5 Income Taxes

The Group recognized deferred tax income for the three months ended March 31, 2014 of SEK 25,997 thousand (SEK 8,014 thousand), of which SEK 25,997 thousand (SEK 28,754 thousand) related to changes in temporary differences and 0 (SEK −20,740 thousand) related to changes in the deferred tax asset due to tax losses carried forward. No deferred tax income was recognized for the taxable net loss for the three months ended March 31, 2014 which is based on the assessment of how the group will be able to utilize recognized loss carry-forward against taxable profits through subsequent years.

Note 6 Net Profit/loss for the Period

The Group recognized a net loss of SEK 176,154 thousand (net profit of SEK 11,466 thousand) in the three months ended March 31, 2014.

Note 7 Capital Expenditures

Capital expenditures net after financial leases for the three months ended March 31, 2014 amounted to SEK 215,463 thousand (SEK 160,734 thousand) or 19.2% (14.3%) of total revenue. Capital expenditures funded by financial leases amounted to SEK nil (SEK 9,740 thousand). Of the capital expenditures net after financial leases, SEK 139,407 thousand (SEK 99,470 thousand) related to investments in fixed tangible assets and SEK 76,056 thousand (SEK 61,264 thousand) related to investments in fixed intangible assets.

The increase in Capital expenditures was mainly due to increased investments in TiVo STB's and increased capitalized sales costs, partly offset by less investment in broadband access network.

Note 8 Acquisition of Subsidiaries

On December 20, 2013 Com Hem Holding AB announced the acquisition of Phonera Företag AB including its subsidiaries (Business segment "Phonera Telefoni") from Phonera AB (publ). The acquisition was completed on March 31, 2014, which is also the date control exists and from when the entity is consolidated. The preliminary purchase price amounted to SEK 305,200 thousand of which SEK 300,200 thousand was paid in cash and SEK 5,000 thousand was withheld for subsequent payment. The preliminary recognized intangible assets amounted to SEK 313,642 thousand of which customer relationships amounted to SEK 160,800 thousand and goodwill amounted to SEK 152,842 thousand.

SEK in thousand	Recognized value in the Group
Intangible assets	160,800
Other intangible assets	9,879
Property, plant and equipment	2,803
Other current assets	68,790
Cash and cash equivalents	9,124
Deferred tax liabilities	(35,376)
Non-current liabilities	(248)
Current liabilities	(63,414)
Recognized assets, net	**152,358**
Goodwill	152,842
Preliminary purchase price	**305,200**

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 amounted to SEK 12,703 thousand, as described in Group's annual report for 2013.

Note 9 Liquidity

As of March 31, 2014 the Group held SEK 788,936 thousand (SEK 741,750 thousand) of cash and cash equivalents. Under the Senior Facilities Agreement, the Group has access to an additional committed Capex Facility of SEK 450,000 thousand, and additionally committed SEK 445,345 thousand under the Revolving Credit Facility.

Note 10 Fair Value of Derivative Instruments

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 19,630 thousand (SEK −60,181 thousand) regarding changes in fair value of the derivatives have been recognized in the financial net and SEK 469 thousand (SEK −70 thousand) have been recognized in other operating income in the three months ending March 31, 2014.

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

SEK in thousand	Mar 31, 2014	Mar 31, 2013
Derivative (Collar)	(6,206)	(5,461)
Derivative (CIRS)	(78,470)	(263,413)
Derivative (FX contracts)	(14,387)	(50,407)
Financial liabilities	**(99,063)**	**(319,281)**

Note 11 Related Parties

The Group has related party relationships with the Company's owner and with Board Members and Group Management as described in the Group's annual report for 2013.

The Group's Chief Executive Officer Tomas Franzén left his assignment in the beginning of March 2014. In February 2014 it was announced that Anders Nilsson had been appointed as the Group's Chief Executive Officer and he started in early April 2014.

Note 12 Risks and Uncertainty Factors

The Group's operations are influenced by a number of exogenous factors. The risk factors considered to be most important to the Group's future progress are, but may not be limited to, operating risks, such as increased competition, the ability to attract and retain customers, mobile telephony replacing fixed-telephony, altered legislation and regulation of cable TV, broadband and telephony services, technological progress and risks in existing non-current assets, as well as financial risks, such as liquidity risks, interest risks, currency risks and credit risks. For a more detailed description of these risks, see the Group's annual report 2013. The Group believes that the risk environment has not materially changed from the one described in the annual report 2013.

Note 13 Subsequent Events

At an extraordinary shareholders' meeting on April 30, 2014 it was resolved to increase the company's share capital by issuance of 10,469 new ordinary shares of class A, 7,784 new ordinary shares of class B and 5,248 new preference shares, with deviation from the shareholders' pre-emption rights. The share issue amounted to SEK 2,442 thousand and the shares were issued to management at fair value.

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

NORCELL SWEDEN HOLDING 1 AB

Audited Consolidated Financial Statements
as of and for the years ended December 31, 2013 and 2012 and as of
December 31, 2011 and for the period from July 5, 2011 to December 31, 2011

Unless otherwise stated, all amounts are rounded to the nearest thousand.

Independent Auditors' Report on Historical Financial Information

To the Board of Directors of NorCell Sweden Holding 1 AB, Corporate Id No 556858-6613

We have audited the financial statements of NorCell Sweden Holding 1 AB and its subsidiaries on pages F-13–F-58, comprising the consolidated balance sheets at December 31, 2013, 2012 and 2011, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012 and for the period July 5, 2011 to December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the Chief Executive Officer's responsibility for the financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the financial statements to provide a fair view of the financial position, financial performance, changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the Swedish Institute of Authorized Public Accountants, FAR, recommendation Rev R 5, *Examination of financial information in prospectuses*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit in accordance with FAR's recommendation RevR 5 *Examination of financial information in prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Chief Executive Officer and evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of NorCell Sweden Holding 1 AB as at December 31, 2013, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013 and 2012 and for the period July 5, 2011 to December 31, 2011, in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act and additional applicable framework.

Stockholm, April 30, 2014

KPMG AB

Thomas Thiel
Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT

SEK in thousand	Note	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Revenue	2	4,447,902	4,562,020	1,152,379
Cost of sales and services		(2,190,390)	(2,243,749)	(582,599)
Gross profit		**2,257,512**	**2,318,271**	**569,780**
Selling expenses		(1,377,639)	(1,310,187)	(372,654)
Administrative expenses		(220,259)	(248,717)	(69,007)
Other operating income	4	25,325	17,792	8,023
Other operating expenses	5	(27,897)	(28,675)	(269,795)
Operating income	6,7,8,25,26	**657,042**	**748,484**	**(133,653)**
Financial income and expenses				
Financial income		149,446	206,765	155,486
Financial expenses		(1,686,679)	(1,965,297)	(745,521)
Net finance expenses	9	**(1,537,233)**	**(1,758,532)**	**(590,035)**
Loss after financial items		**(880,191)**	**(1,010,048)**	**(723,688)**
Income taxes	10	108,801	413,403	62,470
Net loss for the period		**(771,390)**	**(596,645)**	**(661,218)**
Loss per share	33			
Basic (SEK)		(18)	(44)	(49)
Diluted (SEK)		(18)	(44)	(49)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Net loss for the period	**(771,390)**	**(596,645)**	**(661,218)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of pension obligations	59,548	(24,464)	(4 278)
Tax on items that will not be reclassified to profit or loss	(13,100)	5,382	942
Other comprehensive income for the period, net of tax	**46,448**	**(19,082)**	**(3,336)**
Total comprehensive loss for the period	**(724,942)**	**(615,727)**	**(664,554)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

SEK in thousand	Note	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
ASSETS				
Non-current assets				
Intangible assets	11	16,154,338	16,512,776	16,992,725
Property, plant and equipment	12	1,463,409	1,421,134	1,460,017
Financial assets	13,24	6,320	6,066	—
Total non-current assets		**17,624,067**	**17,939,976**	**18,452,742**
Current assets				
Inventories	14	33,391	25,302	30,768
Trade receivables	15,24	120,910	132,988	120,974
Prepaid expenses and accrued income	16,24	104,386	124,941	124,731
Other receivables	13,24	15,778	15,328	14,335
Cash and cash equivalents	17,24,25	1,122,232	661,972	1,044,825
Total current assets		**1,396,697**	**960,531**	**1,335,633**
TOTAL ASSETS		**19,020,764**	**18,900,507**	**19,788,375**
EQUITY AND LIABILITIES				
Equity	18			
Share capital		42,172	13,415	13,415
Other paid in capital		4,174,658	4,203,415	1,327,672
Retained earnings incl. Net profit/loss for the period		(2,005,223)	(1,280,281)	(664,554)
Total equity		**2,211,607**	**2,936,549**	**676,533**
Non-current liabilities				
Non-current interest-bearing liabilities	19,24,25	13,857,321	12,688,969	15,369,646
Other non-current liabilities	22,24	119,162	261,268	102,450
Pension provisions	20	114,361	163,642	133,786
Other provisions		1,421	1,171	900
Deferred tax liabilities	10	670,810	763,739	1,182,524
Total non-current liabilities		**14,763,075**	**13,878,789**	**16,789,306**
Current liabilities				
Current interest-bearing liabilities	19,24,25	307,848	353,979	550,633
Trade payables	21,24	542,280	502,609	623,785
Other current liabilities	22,24	67,721	65,135	52,657
Accrued expenses and deferred income	23,24	1,128,233	1,163,446	1,095,461
Total current liabilities		**2,046,082**	**2,085,169**	**2,322,536**
TOTAL EQUITY AND LIABILITIES		**19,020,764**	**18,900,507**	**19,788,375**

For information on the Group's pledged assets and contingent liabilities, see Note 28.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to Equity Holders of the Parent

SEK in thousand	Share capital	Other Paid-in Capital	Retained Earnings incl. Net Profit/Loss for the Period	Total Equity
Opening equity as of Jul 5, 2011	**50**	**—**	**—**	**50**
Issue of shares	13,365	1,327,672	—	1,341,037
Total comprehensive income for the period				
Net loss for the period	—	—	(661,218)	(661,218)
Other comprehensive income for the period	—	—	(3,336)	(3,336)
Total comprehensive income for the period	**—**	**—**	**(664,554)**	**(664,554)**
Closing equity as of Dec 31, 2011	**13,415**	**1,327,672**	**(664,554)**	**676,533**

SEK in thousand	Share capital	Other Paid-in Capital	Retained Earnings incl. Net Profit/Loss for the Period	Total Equity
Opening equity as of Jan 1, 2012	**13,415**	**1,327,672**	**(664,554)**	**676,533**
Issue of shares, paid	—	2,875,743	—	2,875,743
Total comprehensive income for the period				
Net loss for the period	—	—	(596,645)	(596,645)
Other comprehensive income for the period	—	—	(19,082)	(19,082)
Total comprehensive income for the period	**—**	**—**	**(615,727)**	**(615,727)**
Closing equity as of Dec 31, 2012	**13,415**	**4,203,415**	**(1,280,281)**	**2,936,549**

SEK in thousand	Share capital	Other Paid-in Capital	Retained Earnings incl. Net Profit/Loss for the Period	Total Equity
Opening equity as of Jan 1, 2013	**13,415**	**4,203,415**	**(1,280,281)**	**2,936,549**
Issue of shares, registered	28,757	(28,757)	—	—
Total comprehensive income for the period				
Net loss for the period	—	—	(771,390)	(771,390)
Other comprehensive income for the period	—	—	46,448	46,448
Total comprehensive income for the period	**—**	**—**	**(724,942)**	**(724,942)**
Closing equity as of Dec 31, 2013	**42,172**	**4,174,658**	**(2,005,223)**	**2,211,607**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Operating activities			
Profit/loss after financial items	(880,191)	(1,010,048)	(723,688)
Adjustment for items not included in cash flows	1,930,976	1,695,140	663,494
Cash flow from operating activities before changes in working capital	**1,050,785**	**685,092**	**(60,194)**
Changes in working capital			
Increase (−)/decrease (+) in inventories	(8,089)	5,466	59
Increase (−)/decrease (+) in operating receivables	36,174	(13,216)	15,886
Increase (+)/decrease (−) in operating liabilities	(43,438)	(108,641)	248,262
Cash flow from operating activities	**1,035,432**	**568,701**	**204,013**
Investing activities			
Acquisition of subsidiaries (see note 3)	(8,103)	—	(8,553,151)
Acquisition of intangible assets	(383,128)	(249,526)	(96,938)
Acquisition of property, plant and equipment	(613,580)	(624,780)	(176,758)
Investment in financial assets	—	(6,000)	—
Divestment of financial assets	4	—	—
Cash flow from investing activities	**(1,004,807)**	**(880,306)**	**(8,826,847)**
Financing activities			
New issue of shares	—	414,904	1,341,037
Borrowings from group companies	—	—	4,408,063
Borrowings	800,000	2,120,076	11,967,398
Repayment of borrowings from group companies	—	(2,069,555)	—
Amortization of borrowings	(354,115)	(457,272)	(7,322,431)
Payment of transaction costs and discounts	(16,250)	(79,401)	(726,458)
Cash flow from financing activities	**429,635**	**(71,248)**	**9,667,609**
Net change in cash and cash equivalents	**460,260**	**(382,853)**	**1,044,775**
Cash and cash equivalents at beginning of year	**661,972**	**1,044,825**	**50**
Cash and cash equivalents at end of year	**1,122,232**	**661,972**	**1,044,825**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Adjustment for items not included in cash flow

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Depreciation, amortization and impairment of assets	1,351,666	1,412,551	359,862
Unrealized exchange rate differences	252,893	(190,768)	(147,524)
Unrealized change in fair value of financial liabilities	(139,868)	158,883	101,146
Change in capitalized loan expenses and discounts	113,185	193,333	113,202
Change in accrued interest expenses	44,792	66,137	99,285
Profit/loss from disposal of property, plant and equipment	15,200	18,940	11,817
Profit/loss from divestment of financial assets	4	—	—
Pension provisions	10,267	6,505	499
Other provisions	248	(842)	2,878
Interest not settled in cash, bonds	285,082	29,021	—
Interest not settled in cash, group companies	(254)	(66)	122,329
Other items not included in cash flow	(2,239)	1,446	—
Total	**1,930,976**	**1,695,140**	**663,494**

Interest paid and received amounted to SEK 966,179 thousand (SEK 969,081 thousand in 2012 and SEK 432,525 thousand in 2011) and SEK 5,058 thousand (SEK 6,167 thousand in 2012 and SEK 6,155 thousand in 2011), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Accounting Policies

Throughout the notes to the consolidated financial statements, the terms "the Company", "the Group" and "Com Hem" are used with reference to NorCell Sweden Holding 1 AB, or NorCell Sweden Holding 1 AB and its subsidiaries. The subsidiaries are listed in Note 30. NorCell Sweden Holding 1 AB was incorporated on July 5, 2011. Between July 5, 2011 and September 28, 2011, the Company functioned as a dormant holding company, except for certain financing-related activities in connection with the acquisition of the Com Hem group on September 29, 2011. Accordingly, the financial information for 2011 is not comparable to the information presented for 2012 and 2013.

Compliance with Standards and Legislation

The Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee as endorsed by the EU. Additionally, the Swedish Financial Reporting Board's (RFR) standard RFR 1 *Supplementary Accounting Rules for Groups* has been applied.

These consolidated financial statements were authorized for issue by the Board of Directors and Chief Executive Officer on April 30, 2014.

Basis of Preparation Group's Financial Statements

These consolidated financial statements are presented in Swedish kronor (SEK), which is the Company's functional currency. Unless otherwise stated, all amounts are rounded to the nearest thousand. The consolidated financial statements have been prepared on a historical cost basis with the exception of derivative financial instruments, which are measured at fair value through profit and loss.

Judgments and Estimates in the Financial Statements

Preparing financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of other factors which are considered reasonable in current circumstances. The result of these estimates and assumptions are then used to assess the carrying amounts of those assets and liabilities that are not otherwise clearly evident from other sources. Actual results may differ from these estimates and judgments.

Estimates and assumptions are reviewed on a periodic basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Group's accounting policies have been consistently applied to all periods presented in these consolidated financial statements and when consolidating the parent Company and subsidiaries.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Goodwill

Goodwill is subject to annual impairment tests by determining the recoverable amounts of cash-generating units to which goodwill is allocated by calculating the value in use. When calculating the value in use, future cash flows are discounted, which includes assumptions of future circumstances. For the financial years 2013, 2012 and 2011 the test revealed no impairment losses as the calculated recoverable amounts exceeded the carrying amount at each year end. In the opinion of management and the Board, no reasonably possible changes to any one of the relevant key assumptions listed, holding other assumptions constant, would reduce the recoverable amount to a value that is lower than the carrying amount. A more detailed account is given in Note 11, which also states a carrying amount for goodwill of SEK 10,742,121 thousand.

Changed Accounting Policies Due to New or Amended IFRS

IAS 1 Presentation of Financial Statements. As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly. Examples of items that will be reclassified are translation differences and gains/losses on cash flows hedges. Examples of items not to be reclassified are re-measurements of defined-benefit Pension Plans. The comparative figures are presented according to the new disposition.

IFRS 7 Financial Instruments: New disclosure requirements exist for offsetting financial assets and liabilities. There has been no offsetting and no agreement exists in the Group that allows for financial netting.

IFRS 13 Fair Value Measurement. New coherent standard for fair value measurement and improved disclosures. When IFRS 13 was published, a requirement in IAS 36 was added regarding disclosure of the recoverable amount of the yearly goodwill impairment test. This requirement has been discarded from IAS 36 from 2014 and this will be adopted in advance.

IAS 19 Employee Benefits. This amendment means that the corridor approach is eliminated. Actuarial gains and losses should be reported in other comprehensive income. Returns measured on plan assets should be based on the discount rate applied when measuring the pension commitment. Consequently, the net interest on the net pension commitment now comprises interest cost on the defined benefit commitments and interest income on plan asset. The difference between fair value and estimated returns on plan assets should be recognized in other comprehensive income. This amendment means that special employer's contribution has been reclassified from *Other Provisions* to *Pension Provisions* in the Balance Sheet.

The amendment has been applied retrospectively in accordance with IAS 8 and affected the financial statements for the current period and the previous periods as follows:

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Net loss for the period	**(771,390)**	**(596,645)**	**(661,218)**
Revaluation of pension obligations	59,548	(24,464)	(4,278)
Tax attributable to revaluation of pension obligations	(13,100)	5,382	942
Total comprehensive loss for the period	**(724,942)**	**(615,727)**	**(664,554)**

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Pension provisions (incl. special employer's contribution)	(59,548)	43,365	25,968
Other provisions (special employer's contribution)	—	(18,901)	(21,690)
Deferred tax liabilities	13,100	(5,382)	(942)
Retained earnings	**(46,448)**	**19,082**	**3,336**

New and Amended IFRS not yet Applied

A number of new or revised IFRS come into effect for annual periods commencing after January 1, 2014 and have not been applied in advance when preparing these consolidated financial statements. Those which may be relevant to the Group are set out below and are not planned for advance adoption.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. IASB has published the first two parts, which together, will constitute IFRS 9. The first part deals with the presentation and measurement of financial assets. The categories of financial assets in IAS 39 are replaced by two categories, where measurement is at fair value or amortized cost. Amortized cost is used for instruments held in a business model whose objective is to receive contractual cash flows; which will be payments of principal and interest on the principal at a specified date. Other financial assets are reported at fair value and the option to apply the fair value option as in IAS 39 is retained. Changes in fair value shall be reported in profit or loss, apart from value changes on equity instruments not held for trading, and for which an initial choice is made to report value changes in other comprehensive income. Value changes on derivatives in hedge accounting are not affected by this part of IFRS 9, but for the time being, are reported pursuant to IAS 39. In October 2010, the IASB also published those parts of IFRS 9 affecting the classification and measurement of financial liabilities. The majority is consistent with the previous stipulations of IAS 39, apart from financial liabilities voluntarily measured at fair value using the fair value option. For these liabilities, value changes should be divided between changes attributable to the Company's own credit worthiness, and changes in reference interest rates respectively. In November 2013 rules regarding hedge accounting were published. In the current situation there is no set date when IFRS 9 should be adopted. According to IASB the earliest adoption will be January 1, 2017. The effect of the introduction of IFRS 9 has not yet been specified.

Other published standards that will be effective from 2014 or later are not expected to affect the Group's consolidated financial statements significantly with the exception of disclosure requirements.

Operating Segments

The operations of the Group are integrated and constitute a single operating segment that offers the supply of TV, Telephony and Broadband to a single domestic market in Sweden. This operating segment also forms the basis for the Group's management structure and structure for internal reporting, which is controlled by the Group's Chief Executive Officer, who has been identified as its chief operating decision maker.

The Group's services offering (TV, Telephony and Broadband) can be purchased individually or on a packaged basis with different bundled discounts. The infrastructure that is the base for enabling delivery of services to customers is the same for all services. Expenses for distribution (fiber, ducting, etc.) and for operation and servicing of services is collective. The customer base is 1.8 million households nationwide and a small number of companies nationwide and the customer offering addresses all households and companies regardless of geographical location. Customers connect to services through a single point in their household. Revenues to TV, Telephony and Broadband are recognized separately. See Note 2.

Classification

The Group's non-current assets and long-term liabilities comprise primarily of amounts that are expected to be recovered or settled subsequent to 12 months from the reporting date. The Group's current assets and short-term liabilities comprise primarily of amounts expected to be recovered or settled within 12 months from the reporting date.

Consolidation Policies

Subsidiaries

A subsidiary is a Company controlled by NorCell Sweden Holding 1 AB. Control means the direct or indirect right to govern a Company's financial and operating policies so as to obtain economic benefits from its activities. In assessing control, potential voting rights currently exercisable or convertible are taken into account.

Subsidiaries are reported in accordance with the purchase method, implying that the acquisition of a subsidiary is considered a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The fair value of acquired identifiable assets and liabilities assumed and any identified non-controlling interests as of the acquisition date are determined in the acquisition analysis. Transaction expenses, except for those related to the associated issue of equity instruments or debt instruments, are recognized directly in profit or loss.

In business combinations where remuneration payments are made to potential non-controlling interests and the fair value of previously held participations (in step acquisitions) exceeds the fair value of acquired assets and liabilities assumed that are reported separately, the difference is reported as goodwill. When the difference is negative, a bargain purchase gain is recognized immediately in profit or loss.

Payments made in conjunction with the acquisition do not include payments relating to the settlement of previous business relationships. This type of settlement is recognized in profit or loss.

Subsidiaries' financial statements are consolidated from the acquisition date until the date that control ceases.

Transactions Eliminated on Consolidation

Intragroup receivables, liabilities, income and expenses and unrealized gains or losses arising from intragroup transactions are eliminated when the consolidated financial statements are prepared.

Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency at the respective exchange rate applicable at the transaction date. Functional currency is the currency in the primary economic environments in which the Company operates. Foreign currency monetary assets and liabilities are translated into the functional currency at the respective exchange rate applicable at the reporting date. Exchange rate differences arising from these translations are recognized in profit or loss. Non-monetary assets and liabilities stated at historical acquisition cost are translated at the exchange rate applicable at the time of transaction. Exchange rate differences on operating receivables and liabilities are included in operating income and differences in financial receivables and liabilities are included in financial items. The Group uses forward exchange contracts to reduce its exposure to fluctuations in various exchange rates. Forward exchange contracts are recorded at fair value.

Revenue

Revenue is recognized when it is likely that future economic benefits will flow to the Company, and these benefits can be reliably measured. Revenue only includes the gross inflows of economic benefits received or receivable by the Company on its own account.

Primarily, the Group's revenue consists of Digital TV services, Broadband, Telephony and periodic charges from property owners. Revenue from Digital TV, Broadband and Telephony is recognized as the services are utilized. These revenues relate to private consumers. Invoicing is monthly and in advance.

Revenue from property owners relates to periodic charges predominantly for analog cable television services are invoiced largely quarterly in advance and recognized as it is utilized. Revenue is recognized at the fair value of the consideration received or receivable, net of any discounts given.

Start-up fees and other one-time fees are recognized at the time of sales when the fee relates to costs incurred when a customer signs an agreement. If one-time fees exceed the related costs incurred regarding a customer signing an agreement, the exceeding amount is deferred over the duration of the associated subscription.

Operating Expenses and Financial Income and Expenses

Operating expenses

Operating expenses are classified according to function, as described below. Depreciation, amortization and personnel costs are stated by function.

Cost of sales and services

Cost of sales and services includes content expenses, costs for fiber and ducting, call fees for telephony, internet capacity, maintenance and servicing, as well as other production costs. Personnel costs related to field service and other units related to production are also included. Cost of sales and services include depreciation and amortization of fixed assets related to production.

Selling expenses

Selling expenses relate to costs for sales, product and marketing. Costs for customer service, advertising, telemarketing, sales commissions, bad debt losses and other sales related costs are also included as well as personnel costs related to sales, product and marketing. Selling expenses include depreciation and amortization of fixed assets related to sales functions.

Administrative expenses

Administrative expenses are related to supporting functions such as procurement, human resources and other joint functions as well as cost of the premises. Administration expenses also include depreciation and amortization of fixed assets related to administrative functions.

Other operating income

Other operating income includes exchange rate gains and recovered bad debt losses.

Other operating expenses

Other operating expenses include exchange rate losses, losses on the sale of intangible assets and property, plant and equipment, and transaction expenses in conjunction with business combinations.

Leases

Operating Leases

Expenses for operating lease arrangements are reported in net profit or loss on a straight-line basis over the lease term. Benefits received in conjunction with signing an agreement are recognized in net profit or loss for the period as a reduction in lease payments on a straight-line basis over the term of the lease. Variable expenses are expensed in the period they arise.

Finance Leases

Minimum lease payments are allocated between interest expense and amortization of the outstanding liability. Interest expenses are allocated over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability reported in the relevant period. Variable expenses are expensed in the period they arise.

Financial Income and Expenses

Financial income and expenses comprise interest income on bank balances and receivables, dividend income, exchange rate differences, interest expenses on borrowings, unrealized and realized gains and losses on derivative instruments used in financing activities.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the interest rate that makes the present value of all estimated future payments made and received over the expected fixed interest period equal to the carrying amount of the receivable or liability. Interest income includes allocated amounts of transaction expenses and potential discounts, premiums and other differences between the original value of the receivable and the amount received at maturity. Interest expenses include allocated amounts of issue expenses and similar direct transaction expenses to raise borrowings.

Financial Instruments

Financial instruments recognized in the Balance Sheet include cash and cash equivalents, trade receivables, loans receivable and derivatives on the asset side. The liabilities side includes trade payables, borrowings and derivatives.

Initially, all financial instruments that are not derivatives are recognized at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments, except those in the category of financial assets and liabilities measured at fair value through profit or loss reported at fair value excluding transaction costs. The classification of a financial instrument determines how it is measured after initial recognition as described below.

A financial asset or financial liability is recognized in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. A receivable is recognized when the Company performed and a contractual obligation exists for the counter party to pay, even if the invoice has not been sent. Trade receivables are recognized in the Balance Sheet when an invoice is sent. Liabilities are recognized when the counterparty has performed under the agreement and the Company is contractually obliged to settle the obligation, even if the invoice has not yet been received. Trade payables are recognized when an invoice is received.

A financial asset is derecognized when the contracted rights are realized, expire, or when control of the contractual rights is lost. This also applies to a portion of a financial asset. A financial liability is derecognized when the contracted commitment is discharged, or otherwise expires. This also applies to a portion of a financial liability.

A financial asset and a financial liability are offset and recognized at a net amount in the Balance Sheet only when there is a legal right to offset the amount and there is an intention to settle the items with a net amount or simultaneously realize the asset and settle the liability.

Acquisitions and divestments of financial assets are reported on the transaction date, which is the date the Company undertakes to purchase or sell the asset.

The Company evaluates whether there are objective indications that a financial asset or group of financial assets is impaired at each reporting date.

For measurement purposes, financial instruments are allocated to categories pursuant to IAS 39. The category an asset or liability belongs to depends on the purpose of holding and is determined on initial recognition.

The categories are as follows:

Financial Assets at Fair Value through Profit or Loss

This category comprises two sub-groups: held-for-trading financial assets and other financial assets that the Company has initially chosen to classify in this category (according to what is termed the Fair Value Option). Financial instruments in this category are measured at fair value on an ongoing basis, with any change in value recognized in profit or loss. Derivatives with a positive fair value are included in the first sub-group.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise when the Company supplies funds, goods and services directly to the borrower without the intention of trading in the claim. This category also includes acquired receivables. Assets in this category are measured at amortized cost. Amortized cost is based on the effective interest calculated at the time of acquisition. Trade receivables are reported at the amount expected to be received, i.e. after deducting for doubtful debt.

Financial Liabilities at Fair Value through Profit or Loss

This category consists of two sub-categories, financial liabilities held for trading and other financial liabilities that the Company has recognized this category (the Fair Value Option). For further information see above "Financial assets at Fair Value through Profit or Loss". Derivatives with negative fair value are included in the first category. Changes in fair value are recognized in net profit or loss.

Other Financial Liabilities

Financial liabilities not held for trading are measured at amortized cost. Amortized cost is based on the effective interest calculated when the liability was assumed. This means that surplus and deficit values and other direct issue costs are allocated over the term of the liability.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions.

Derivatives

Derivative instruments comprise forward contracts and swaps utilized to hedge risks of exchange rate fluctuations, and for exposure to interest rate risks. Terms embedded in other contracts are also derivatives. The embedded derivatives should be recognized separately unless they are closely related to the host contract.

Derivative instruments are initially reported at fair value, which means that transaction expenses reduce net profit. After initial reporting, derivative instruments are reported in the manner described below. Hedge accounting is not applied. Increases or decreases in the value of derivatives are recognized as income or expenses in operating income or in net finance cost on the basis of the purpose of the use of the derivative and whether such use relates to an operating item or a financial item. When using interest swaps, interest coupons are reported as an interest expense and other value changes on the interest swap are reported as a financial income or financial expense.

Foreign Currency Receivables and Liabilities

Foreign exchange contracts are used to hedge assets or liabilities against currency risk. Both the hedged item and the hedging instrument are measured at fair value, with value changes recognized in net profit or loss as exchange rate differences. The value changes relating to trade receivables and liabilities are recognized in operating income, while value changes relating to financial receivables and liabilities are recognized in net finance costs.

Impairment of Financial Assets

At each reporting date, the Company evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence consists of observable circumstances that have occurred and have a negative impact on the prospects of recovering the cost.

The recoverable value of assets in the loan receivables and trade receivables categories that are reported at amortized cost is calculated as the present value of future cash flows discounted by the effective interest that is applied on the asset's initial recognition. Assets with a short maturity are not discounted. Impairment losses are recognized as an expense in profit or loss. Trade receivables are classified as doubtful from a collective assessment based on age and potential recovery attempts via debt collection agencies.

Reversal of Impairment Losses

Impairment losses for loan receivables and trade receivables that are measured at amortized cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment loss was recognized.

Intangible Assets

Intangible assets are recognized only when the asset is identifiable, there is control over the asset and it is expected to generate future economic benefits.

Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is subject to an annual impairment test.

Acquisition Costs for Subscriptions

Acquisition costs for subscriptions are recognized as intangible assets, and consist of sales commissions and reseller subsidies for boxes that arise in conjunction with the customer entering a time-finite agreement. The key condition for this treatment is that the relevant sales commission or subsidy can be associated with an individual customer agreement.

Other Intangible Assets

Other intangible assets that the Group acquires are measured at cost less accumulated amortization (see below) and impairment losses.

Subsequent Costs

Subsequent costs for capitalized intangible assets are recognized as assets in the Balance Sheet only when they increase the future economic benefits of the asset to which they relate. All other costs are charged to the Income Statement when incurred.

Amortization Principles

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is subject to impairment tests annually, or whenever there is an indication that the asset is impaired. Intangible assets with finite useful lives are amortized from the date they are available for use.

Estimated useful lives:	
—Customer relations	8-18 yrs.
Other	
—Capitalized development expenses	3-5 yrs.
—Licenses	3 yrs.
—Acquisition costs for subscriptions	1-2 yrs.
—Other intangible assets	20 yrs.

Property, Plant and Equipment

Property, plant and equipment are recognized in the Group at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price and expenses directly attributable to bringing the asset to the location and condition for use pursuant to the purpose of the acquisition. Borrowing costs that relate directly to the purchase, construction or production of assets that take significant time to complete for intended use or sale are included in cost. The accounting policies for impairment are stated below.

Property, plant and equipment that comprise components with varying useful lives are considered as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or divestment, or when no future economic benefits are expected from its use or disposal or divestment. Gains or losses that arise from the disposal or divestment of an asset comprise the difference between selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognized as other operating income or other operating expenses.

Subsequent Costs

Subsequent costs are added to the cost base of the asset only if it is likely that the future economic benefits associated with the asset will flow to the Company, and the cost can be measured reliably. All other subsequent costs are recognized as expense in the period they arise. Whether a charge relates to the exchange of identified components, or parts thereof, is decisive to the judgment of whether an additional charge is added to costs, whereupon such charges are capitalized. The charge is also added to cost in cases where new components are created. The cost is also capitalized when new components are created. Potential un-depreciated carrying amounts of exchanged components, or parts of components, are retired and expensed in conjunction with replacement. Repairs are expensed when incurred.

Depreciation Principles

Depreciation is provided on a straight-line basis over the asset's estimated useful life. Component depreciation is applied, which means that the estimated useful lives of components form the basis for depreciation.

Estimated useful lives:	
—Machinery, equipment	5 yrs.
—Computers	3 yrs.
Production facilities	
—Backbone network	10 yrs.
—Equipment in switching centers	5 yrs.
—Property networks	5 yrs.
—PlayOut (transmission stations for TV)	3-5 yrs.
—Telephony equipment	5 yrs.
Customer equipment	
—Modems	3 yrs.
—Set-top-boxes	3-5 yrs.

Capitalized conversion expenses on rented premises are amortized over the rental contract term including a supplement for exercise of extension options. The residual value, depreciation method and useful life of assets are reviewed annually.

Inventories

Inventories consist mainly of equipment for upgrading the Group's cable network.

Inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is calculated by applying the first in first out (FIFO) formula, and includes costs from the acquisition of inventory items and transportation to their current place and condition.

Impairment

The Group's recognized assets are reviewed at each reporting date to decide whether there is an indication of impairment. IAS 36 is applied for the impairment of assets other than financial assets (which are recognized according to IAS 39), inventories, plan assets for financing employee benefits and deferred tax assets. For assets exempt from the above, carrying amounts are reviewed according to the relevant standards.

Impairment is recognized when an asset's or cash-generating unit's (group of units) carrying amount exceeds the recoverable amount. Impairment is recognized as an expense in net profit or loss. When an impairment is identified for a cash-generating unit (group of units), the impaired amount is primarily assigned to goodwill and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit (group of units).

The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, future cash flows are discounted by a discount factor that considers risk-free interest and the risk associated with the specific asset.

Reversal of Impairment

An impairment of assets included in the application segment of IAS 36 is reversed if there is both an indication that the impairment no longer exists and the assumptions that formed the basis of the calculation of the recoverable amount have changed. However, goodwill impairment is never reversed. Reversals are only conducted to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been reported, with a deduction for the depreciation or amortization where relevant, if no impairment was applied. Impairment of loan receivables and trade receivables are reported at amortized cost and are reversed if the previous reasons for impairment no longer apply, and full payment is expected from the customer.

Earnings per Share

Computation of earnings per share is based on the net profit or loss of the Group attributable to equity holders of the parent and the weighted average number of shares outstanding in the year. There are no potential diluting ordinary shares.

Employee Benefits

Defined-contribution Pension Plans

In defined-contribution plans, the Company pays fixed fees to a separate legal entity and has no commitment for additional fees. Expenses are charged to the Income Statement as the benefits accrue.

Defined-benefit Pension Plans

In the Group, the pension expense and pension commitment for defined-benefit pension plans is computed using the Projected Unit Credit Method individually for each plan. This method allocates the expense for the pension as employees render services for the Company that increase their entitlement to future benefits. The Company's commitment is computed annually by independent actuaries. The commitment consists of the present value of expected future disbursements. The discount rate applied corresponds to the yield on special mortgage bonds with a maturity corresponding to the average duration of the commitments and currency. The key actuarial assumptions are stated in Note 20. The net of the computed value of the commitments and the fair value of the plan assets is recognized in the Balance

Sheet as a provision. Special employer's contributions form part of the actuarial assumptions and are recognized in the net pension provision.

Defined-benefit pension plans may be unfunded or (partly or wholly) funded. In funded plans, assets are separated, mainly in pension funds. These plan assets may only be used to pay benefits pursuant to pension agreements.

Interest on pension liabilities and interest on the associated plan assets are recognized in financial income and expenses. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net benefit commitment, i.e. interest on the benefit liability, interest on associated plan assets and interest as an effect of asset ceiling (if any). Other components are recognized in operating income.

Re-measurement of the defined benefit liability, which comprises of actuarial gains and losses, the return on associated plan assets (excluding interest recognized in net finance) and the effect of the asset ceiling (excluding interest recognized in net finance), is recognized in other comprehensive income.

When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Commitments for old-age and family pensions for salaried employees are underwritten by an insurance policy with Alecta. Pursuant to statement UFR 6 from RFR "Rådet för finansiell rapportering", this is a defined-benefit multi-employer plan. For the financial year 2013, the Company does not have access to information that would enable it to report the plan as a defined-benefit plan.

Termination of Employment Remuneration

Costs associated with termination of employment are only recognized if the Company is proven to be under obligation to terminate employment before the normal time through a formal and detailed plan, without any realistic possibility of withdrawal. When remuneration is offered as an incentive to voluntary termination of employment, a cost is posted to accounts if it is probable that the offer will be accepted and the number of employees that are likely to accept the offer can be reliably estimated.

Short-term Remuneration

Short-term remuneration to employees is calculated without discounting and reported as an expense when the related services are received.

A provision is reported for the expected expense of bonus payments when the Group has a prevailing legal or informal commitment to make such payment resulting from services being received from employees and the commitment can be reliably estimated.

Staff information

According to the Swedish Annual Accounts Act, which stipulates additional information compared to IFRS, includes information regarding the gender differences within the board of directors and management. Information on gender statistics is presented based on the Group's gender profile at year end.

Provisions

A provision is recognized in the Balance Sheet when the Group has an existing legal or informal obligation resulting from a past event, and it is probable that a cash outflow will be necessary to settle the obligation, and the amount can be reliably measured. Provisioning is an amount that is the best estimate of what is necessary to settle the existing commitments on the reporting date. When the effect of the timing of the payment is significant, provisions are calculated by discounting expected future cash flows using an interest rate before tax that reflects current market estimates of the time value of money, and if applicable, the risks specific to the liability.

Taxes

Income taxes comprise current tax and deferred tax. Income tax is recognized in net profit or loss except when the underlying transaction is recognized in other comprehensive income whereupon the associated tax effect is also recognized in other comprehensive income or in equity.

Current tax is tax to be paid or recoverable for the current year, using tax rates enacted or substantively enacted as of the reporting date, which also includes adjustments of current tax attributable to earlier periods.

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amounts and taxable values of assets and liabilities. The following temporary differences are not considered: the temporary differences arising from the initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither reported, nor taxable earnings, moreover, temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the near future. The measurement of deferred tax depends on how the carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates or tax regulations enacted or substantively enacted by the reporting date.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are only recognized to the extent that it is probable that they can be utilized. The carrying amount of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Contingent Liabilities

A contingent liability is recognized whenever there is a possible obligation originating from past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation not reported as a liability or provision because it is not probable that an outflow of resources will be necessary.

Statement of Cash flows

When preparing the cash flows analysis, the indirect method is applied in accordance with the IAS 7 statement of cash flows with addition to the cash and bank flows, cash equivalents including short-term investments with a maturity of less than three months from the date of acquisition, and where the conversion of bank deposits can be known in advance.

Definitions of Key Financial Ratios

Net debt

Interest-bearing liabilities less cash and bank balances.

Equity asset ratio

Total equity as a percentage of total assets.

Debt/equity ratio

Interest-bearing liabilities divided by total equity.

Note 2 Categories of Revenue

Operations are integrated and cover one operating segment. TV, Broadband and Fixed Telephony are delivered to customers in Sweden.

Revenue by Service

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Digital Television	1,653,239	1,720,854	429,156
High-Speed Broadband	1,295,606	1,277,016	318,557
Fixed Telephony	415,028	505,693	138,677
Landlord	855,632	856,164	220,681
Other	228,397	202,293	45,308
Total	**4,447,902**	**4,562,020**	**1,152,379**

Note 3 Business Combinations

Business Combinations 2013

Phonera Företag AB

On December 20, 2013 Com Hem Holding AB announced the acquisition of Phonera Företag AB including its subsidiaries (Business segment "Phonera Telefoni") from Phonera AB (publ). The revenue for the acquired business was approximately SEK 260 million during the financial year 2012, generated from approximately 58,000 customers. The acquisition was completed on March 31, 2014, which is also the date control exists and from when the entity is consolidated. The preliminary purchase price amounted to SEK 305,200 thousand of which SEK 300,200 thousand was paid in cash and SEK 5,000 thousand was withheld for subsequent payment. The preliminary recognized intangible assets amounted to SEK 313,642 thousand of which customer relationships amounted to SEK 160,800 thousand and goodwill amounted to SEK 152,842 thousand. The goodwill recognized for the acquisition relates 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 amount is expected to be tax deductible.

Örnsat, Örnsköldsviks Satellit- och kabel- TV AB

Com Hem AB signed an agreement with Övik Energi AB in December 2012, to acquire Örnsat, Örnsköldsviks Satellit och Kabel TV AB, a local network operator in Örnsköldsvik. Örnsat had approximately 6,000 connected households. The acquisition of all 3,000 shares in Örnsat was completed on March 1, 2013. The acquisition has been recognized by applying the purchase method, and the below table states the acquired fair values. The acquisition was funded through the purchaser's own cash and cash equivalents.

SEK in thousand	Recognized value in the Group
Intangible assets, customer relationships	12,266
Financial investment, non-current assets	8
Other current assets	3,994
Cash and cash equivalents	4,600
Deferred tax liabilities	(2,772)
Current liabilities	(5,393)
Recognized assets, net	**12,703**
Goodwill	—
Purchase price (Paid in cash)	**12,703**

The acquired Company contributed with SEK 4,708 thousand to revenue and SEK −243 thousand excluding depreciation and amortization in operating income from the acquisition date.

If the acquisition had been conducted January 1, 2013 management estimates that the contribution to the Group's consolidated revenue would have been SEK 7,271 thousand and the contribution to operating income would have been SEK 318 thousand excluding depreciation and amortization, during 2013.

On June 26, 2013 Com Hem AB acquired all customer agreements from Örnsat. In December 2013 Örnsat was merged with its fellow subsidiary Com Hem Acquisition AB.

Business Combinations 2012

No business combinations were completed during the financial year 2012.

Business Combinations 2011

On July 21, 2011 NorCell Sweden Holding 3 AB (publ) signed an agreement to acquire all 7,286,446 shares of Com Hem Holding AB (corp. ID no. 556689-2104) former Nordic Cable Acquisition Company Sub-Holding AB, which was an indirect owner of Com Hem AB. Due to mergers, Com Hem AB is directly owned by Com Hem Holding AB as of June 20, 2012. The agreement was conditional on competition regulatory approval, which was received in September. The acquisition was consummated on September 29, 2011 and controlling influence over operations was obtained. The acquisition has been recognized by applying the purchase method, and the table below states the acquired fair values. The acquisition was funded through external borrowings, shareholders' loans and the purchaser's own cash and cash equivalents. No equity instruments were issued in tandem with the acquisition.

SEK in thousand	Recognized value in the Group
Intangible assets	6,333,324
Property, plant and equipment	1,421,210
Other current assets	306,755
Cash and cash equivalents	1,046,849
Non-current liabilities	(7,575,907)
Deferred tax liabilities	(1,245,938)
Current liabilities	(1,428,414)
Recognized assets, net	**(1,142,121)**
Goodwill	10,742,121
Purchase price (paid in cash)	**9,600,000**

The goodwill recognized for the acquisition relates 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 amount is expected to be tax deductible.

For the acquisition, the total cash outflow was SEK 8,553 million after deducting for acquired cash and cash equivalents of SEK 1,047 million. The agreement included potential additional remuneration for the operations of Canal Digital Kabel-TV, which Com Hem signed a purchase agreement for in June 2011. However, the acquisition was withdrawn after a statement of opinion from the Swedish Competition Authority in December 2011, and accordingly, no remuneration was paid.

Acquisition-related expenses were SEK 246 million and have been recognized as other operating expenses in the Income Statement. The acquired group contributed with SEK 1,152 million to revenue and SEK 112 million in, operating income from the acquisition date. If the acquisition had been conducted on January 1, 2011, management estimates that the contribution to consolidated revenue would have been SEK 4,520 million and the contribution to operating income would have been SEK 551 million.

Note 4 Other Operating Income

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Exchange gains on trade receivables/liabilities	8,175	8,640	1,859
Recovered trade receivables	5,874	6,002	1,346
Other	11,276	3,150	4,818
Total	**25,325**	**17,792**	**8,023**

Note 5 Other Operating Expenses

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Losses from disposals of non-current assets	(15,200)	(18,940)	(11,713)
Exchange losses on trade receivables/liabilities	(5,826)	(9,124)	(2,486)
Acquisition costs	(4,633)	(611)	(245,596)
Other costs	(2,238)	—	(10,000)
Total	**(27,897)**	**(28,675)**	**(269,795)**

Note 6 Employees and Personnel Expenses

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Salaries and benefits	436,831	385,065	97,539
Social security contributions	145,722	124,617	31,859
Pension expenses	61,865	41,582	10,616
Capitalized work by employees	(88,922)	(70,649)	(14,694)
Other personnel costs	27,033	22,779	1,530
Total	**582,529**	**503,394**	**126,850**

The number of employees at year-end was 967 (960 in 2012 and 792 in 2011). The average number of full-time employees was 817 (791 in 2012 and 714 in 2011), of which 272 (260 in 2012 and 256 in 2011) were women. In the board of directors of the parent Company, the portion of women at year end was 0% (0% in 2012 and 0% in 2011), and for group management 7% (12% in 2012 and 13% in 2011).

Salary, Other Benefits and Social Security Contributions for the Chief Executive Officer and other Senior Management

	Jan 1 – Dec 31, 2013		Jan 1 – Dec 31, 2012		5 Jul – Dec 31, 2011	
SEK in thousand	Salary Benefits	Social Security Contribution	Salary Benefits	Social Security Contribution	Salary Benefits	Social Security Contribution
CEO	7,879	4,488	7,456	4,345	2,089	1,148
—of which bonus	*3,294*	*1,035*	*2,855*	*897*	*910*	*286*
—of which pension expenses	—	*1,620*	—	*1,612*	—	*396*
Other Senior Management	28,908	15,442	26,160	15,003	6,428	3,614
—of which bonus	*4,792*	*1,506*	*4,025*	*1,265*	*840*	*264*
—of which pension expenses	—	*7,363*	—	*5,459*	—	*1,225*
Total	**36,787**	**19,930**	**33,616**	**19,348**	**8,517**	**4,762**

The Group's other Senior Management consist of 15 (16 in 2012 and 15 in 2011) people, of which nine (ten in 2012 and nine in 2011), are employed by the subsidiary Com Hem AB and four (five in 2012 and five in 2011), are employed by the subsidiary iTUX Communication AB. The Group's Chief Executive Officer is employed by the subsidiary NorCell Sweden Holding 3 AB (publ) and the Chief Financial Officer is employed by the subsidiary Com Hem Holding AB. 12 members of the Group's Senior Management are included in the Group Management team 2013 (11 in 2012 and 10 in 2011).

Principles for Remuneration of the Chief Executive Officer and Other Senior Management

Remuneration to the Chief Executive Officer consists of basic salary, pension and other benefits, and in certain cases, performance-related pay. The performance-related pay is based on the results of the Group's operations.

The Chief Executive Officer's pensionable age is 62. Until the agreed pensionable age, the Company shall provision an amount corresponding to 35% of basic salary monthly. The Company and Chief Executive Officer have a 12-month mutual notice period. In November 2013, it was announced that the Group's Chief Executive Officer Tomas Franzén will leave Com Hem. Tomas Franzén left his assignment in the beginning of March 2014. In February 2014 it was announced that Anders Nilsson has been appointed as the Group's Chief Executive Officer, starting in early April 2014.

Remuneration to other Senior Management consists of basic salary, pension and other benefits, and in some cases, performance-related pay. The performance-related pay is based on the achievement of certain quantitative and qualitative targets and can amount to a maximum of 100% of basic salary for the Chief Executive Officer and a maximum of 25% to 50% of basic salary for other Senior Management. The pension expenses for other Senior Management amounts to between 15% and 35% of basic salary. Other Senior Management have 3-12 month notice periods from the Company's side and 3-6 month notice periods from the Manager's side.

With the exception of a preparation fee for employee representatives to the sum of SEK 150 thousand (SEK 168 thousand in 2012 and SEK 36 thousand in 2011), no Directors' fees were paid to the Board members for 2013. The preparation fees were paid by subsidiary NorCell Sweden Holding 3 AB (publ). No Directors' fees were paid by the parent Company.

The Group's pension obligations to the Board of Directors and Chief Executive Officer are nil for the years 2013, 2012 and 2011 respectively. When the subsidiary Com Hem AB was part of TeliaSonera AB, the Chief Executive Officer had pension agreements in addition to the ITP plan (supplementary pensions for salaried employees) for the portion of salary exceeding 30 basic amounts, in relation to retirement pensions and family pension. The Group's pension obligations for these two individuals, amounts to SEK 2,178 thousand (SEK 2,072 thousand in 2012 and SEK 2,016 thousand in 2011).

Note 7 Fees and Reimbursement to Auditors

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
KPMG AB			
Audit fees	2,500	2,900	1,013
Audit related fees	89	367	—
Tax Services	30	25	—
Other fees	183	459	—
Total	**2,802**	**3,751**	**1,013**

Note 8 Operating Expenses by Type

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Personnel expenses	(582,529)	(503,395)	(126,850)
Depreciation and amortization	(1,351,666)	(1,412,551)	(371,575)
Cost of sales and services	(1,245,646)	(1,274,197)	(332,881)
Sales and marketing expenses	(267,676)	(238,049)	(92,972)
Acquisition costs	(4,633)	(611)	(245 596)
Other operating costs	(338,710)	(384,733)	(116,158)
Total	**(3,790,860)**	**(3,813,536)**	**(1,286,032)**

Other operating costs include consulting fees and IT costs.

Note 9 Net Finance Cost

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Financial Income			
Interest income			
—*bank balances*	2,768	4,274	4,519
—*loan receivables and trade receivables*	2,008	1,893	434
—*loan receivables from group companies*	254	66	—
—*plan assets*	4,050	5,847	1,427
Foreign exchange gains, net	—	194,652	146,572
Change in fair value			
—*financial liabilities measured to fair value through profit or loss (derivatives)*	140,337	—	—
Other financial income	29	33	2,534
Total financial income	**149,446**	**206,765**	**155,486**

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Financial Expenses			
Interest expenses			
—*financial liabilities measured at amortized cost*	(1,308,140)	(1,166,417)	(532,734)
—*interest coupon on derivatives*	(100,399)	(88,398)	(5,660)
—*defined benefit pension commitments*	(9,093)	(8,241)	(2,064)
—*financial liabilities to group companies measured at amortized cost**	—	(529,256)	(96,178)
Foreign exchange loss, net	(252,593)	—	—
Change in fair value			
—*financial liabilities measured to fair value through profit or loss (derivatives)*	—	(158,883)	(100,146)
Other financial expenses	(16,454)	(14,102)	(8,739)
Total financial expenses	**(1,686,679)**	**(1,965,297)**	**(745,521)**
Net finance expenses	**(1,537,233)**	**(1,758,532)**	**(590,035)**

Other financial expenses mainly include expenses related to financial transactions.

* Interest expenses from financial liabilities to group companies measured at amortized cost for financial year 2012 includes accrued arrangement fees relating to refinancing of SEK 81,488 thousand.

Note 10 Income Tax

Income Tax

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Current tax			
Tax for the period	—	—	—
Deferred tax			
Deferred tax on capitalized loss carry-forwards	6,620	24,000	(3,838)
Deferred tax relating to temporary differences	102,181	389,403	66,308
Total recognized tax income in the Group	**108,801**	**413,403**	**62,470**

Reconciliation of Effective Tax

SEK in thousand	Jan 1 – Dec 31 %	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 %	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 %	Jul 5 – Dec 31 2011
Earnings before tax		(880,191)		(1,010,048)		(723,688)
Tax at applicable tax rate parent company	22.0%	193,642	26.3%	265,643	26.3%	190,330
Non-taxable income		4		3		5
Non-deductable expenses		(2,891)		(1,541)		(64,930)
Increase in loss carry forward without corresponding capitalization of deferred tax		(81,664)		190		(62,935)
Deferred tax relating to previous years		(290)		(1,404)		—
Deferred tax due to reduced corporate tax rate		—		150,512		—
Recognized effective tax	**12.4%**	**108,801**	**40.9%**	**413,403**	**(8.6%)**	**62,470**

The Swedish corporate tax rate was reduced from 26.3% to 22.0% as from January 1, 2013, which has affected the Group's deferred taxes in 2012. Deferred tax has only been reported for a minor portion of the tax loss incurred during 2013, which is based on the assessment of how the group will be able to utilize recognized loss carry-forward against taxable profits through subsequent years.

Tax attributable to other comprehensive income

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Actuarial gain/loss, before tax	59,548	(24,464)	(4,278)
Tax attributable to actuarial gain/loss	(13,100)	5,382	942
Other comprehensive income, net of tax	**46,448**	**(19,082)**	**(3,336)**

Deferred Tax Assets and Liabilities

Reported Deferred Tax Assets and Tax Liabilities

Deferred tax assets (+) tax liabilities (−) relate to the following:

SEK in thousand	Dec 31, 2013 Deferred tax Asset	Dec 31, 2013 Deferred tax Liability	Dec 31, 2013 Net	Dec 31, 2012 Deferred tax Asset	Dec 31, 2012 Deferred tax Liability	Dec 31, 2012 Net	Dec 31, 2011 Deferred tax Asset	Dec 31, 2011 Deferred tax Liability	Dec 31, 2011 Net
Intangible assets	—	(1,053,412)	(1,053,412)	—	(1,173,094)	(1,173,094)	—	(1,543,896)	(1,543,896)
Property, plant and equipment	3,518	(11,267)	(7,749)	2,762	(32,164)	(29,402)	2,400	(65,979)	(63,579)
Trade receivables	941	—	941	1,422	—	1,422	3,131	—	3,131
Provisions	21,034	—	21,034	31,657	—	31,657	29,277	—	29,277
Financial liabilities	17,851	(2,339)	15,512	39,329	(10,664)	28,665	72,176	(1,914)	70,262
Derivatives	26,216	—	26,216	56,987	—	56,987	26,339	—	26,339
Current liabilities	290	—	290	288	—	288	204	—	204
Loss carry-forward	326,358	—	326,358	319,738	—	319,738	295,738	—	295,738
Deferred tax assets/liabilities	**396,208**	**(1,067,018)**	**(670,810)**	**452,183**	**(1,215,922)**	**(763,739)**	**429,265**	**(1,611,789)**	**(1,182,524)**
Set-off	(396,208)	396,208	—	(452,183)	452,183	—	(429,265)	429,265	—
Deferred tax assets/liabilities, net	**—**	**(670,810)**	**(670,810)**	**—**	**(763,739)**	**(763,739)**	**—**	**(1,182,524)**	**(1,182,524)**

The Group expects to utilize recognized loss carry-forward against taxable profits in the foreseeable future.

Change in Deferred Tax in Temporary Differences and Loss Carry-forward

SEK in thousand	Jul 5, 2011	Reported to Income Statement	Reported in Other Comprehensive Income	Other*	Dec 31, 2011
Intangible assets	—	35,878	—	(1,579,774)	(1,543,896)
Property, plant and equipment	—	7,783	—	(71,362)	(63,579)
Trade receivables	—	3,131	—	—	3,131
Provisions	—	1,401	942	26,934	29,277
Financial liabilities	—	(8,026)	—	78,288	70,262
Derivatives	—	26,339	—	—	26,339
Current liabilities	—	(198)	—	402	204
Loss carry-forwards	—	(3,838)	—	299,576	295,738
Deferred tax assets/liabilities	**—**	**62,470**	**942**	**(1,245,936)**	**(1,182,524)**

* Amounts in the column Other above are mainly associated with deferred taxes relating to business combinations.

SEK in thousand	Jan 1, 2012	Reported to Income Statement	Reported in Other Comprehensive Income	Other	Dec 31, 2012
Intangible assets	(1,543,896)	375,478	—	(4,676)	(1,173,094)
Property, plant and equipment	(63,579)	39,587	—	(5,410)	(29,402)
Trade receivables	3,131	(1,709)	—	—	1,422
Provisions	29,277	(3,002)	5,382	—	31,657
Financial liabilities	70,262	(51,683)	—	10,086	28,665
Derivatives	26,339	30,648	—	—	56,987
Current liabilities	204	84	—	—	288
Loss carry-forwards	295,738	24,000	—	—	319,738
Deferred tax assets/liabilities	**(1,182,524)**	**413,403**	**5,382**	**—**	**(763,739)**

SEK in thousand	Jan 1, 2013	Reported to Income Statement	Reported in Other Comprehensive Income	Other	Dec 31, 2013
Intangible assets	(1,173,094)	126,127	—	(6,445)	(1,053,412)
Property, plant and equipment	(29,402)	27,087	—	(5,434)	(7,749)
Trade receivables	1,422	(481)	—	—	941
Provisions	31,657	2,477	(13,100)	—	21,034
Financial liabilities	28,665	(22,333)	—	9,180	15,512
Derivatives	56,987	(30,771)	—	—	26,216
Current liabilities	288	2	—	—	290
Untaxed reserves	—	73	—	(73)	—
Loss carry-forwards	319,738	6,620	—	—	326,358
Deferred tax assets/liabilities	**(763,739)**	**108,801**	**(13,100)**	**(2,772)**	**(670,810)**

Unrecognized Deferred Tax Assets

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Tax-deductable temporary differences	—	—	88
Tax loss carry forward	134,151	52,486	62,935
Total	**134,151**	**52,486**	**63,023**

Note 11 Intangible Assets

SEK in thousand	Goodwill (Externally acquired)	Customer Relationships* (Externally acquired)	Trademark (Externally acquired)	Other***	Total
Accumulated acquisition values					
Opening balance	—	—	—	—	—
Business acquisition	10,742,121	5,296,000	691,000	960,360	17,689,481
Investments**	—	—	—	116,682	116,682
Divestments and disposals	—	—	—	(53,835)	(53,835)
Closing balance Dec 31, 2011	**10,742,121**	**5,296,000**	**691,000**	**1,023,207**	**17,752,328**
Accumulated acquisition values					
Opening balance	10,742,121	5,296,000	691,000	1,023,207	17,752,328
Investments**	—	—	—	267,306	267,306
Divestments and disposals	—	—	—	(21,380)	(21,380)
Closing balance Dec 31, 2012	**10,742,121**	**5,296,000**	**691,000**	**1,269,133**	**17,998,254**
Accumulated acquisition values					
Opening balance	10,742,121	5,296,000	691,000	1,269,133	17,998,254
Investments**	—	—	—	412,394	412,394
Divestments and disposals	—	—	—	(91,776)	(91,776)
Closing balance Dec 31, 2013	**10,742,121**	**5,296,000**	**691,000**	**1,589,751**	**18,318,872**

SEK in thousand	Goodwill	Customer Relationships*	Trademark	Other***	Total
Accumulated amortization and impairment losses					
Opening balance	—	—	—	—	—
Business acquisition	—	—	—	(614,036)	(614,036)
Amortization for the period	—	(136,420)	—	(54,161)	(190,581)
Divestments and disposals	—	—	—	45,014	45,014
Closing balance Dec 31, 2011	**—**	**(136,420)**	**—**	**(623,183)**	**(759,603)**
Accumulated amortization and impairment losses					
Opening balance	—	(136,420)	—	(623,183)	(759,603)
Amortization for the period	—	(545,681)	—	(192,696)	(738,377)
Divestments and disposals	—	—	—	12,502	12,502
Closing balance Dec 31, 2012	**—**	**(682,101)**	**—**	**(803,377)**	**(1,485,478)**
Accumulated amortization and impairment losses					
Opening balance	—	(682,101)	—	(803,377)	(1,485,478)
Amortization for the period	—	(545,682)	—	(218,058)	(763,740)
Divestments and disposals	—	—	—	84,684	84,684
Closing balance Dec 31, 2013	**—**	**(1,227,783)**	**—**	**(936,751)**	**(2,164,534)**
At Dec 31, 2011	**10,742,121**	**5,159,580**	**691,000**	**400,024**	**16,992,725**
At Dec 31, 2012	**10,742,121**	**4,613,899**	**691,000**	**465,756**	**16,512,776**
At Dec 31, 2013	**10,742,121**	**4,068,217**	**691,000**	**653,000**	**16,154,338**

* The remaining amortization period of the customer relationships is considered to be approximately 6-16 years.

** Non-current assets funded through finance lease arrangements of SEK 17,026 thousand (SEK 17,780 thousand in 2012 and SEK 19,745 thousand in 2011) are included in investments, see Note 26.

*** Other intangibles primarily comprise capitalized development expenses, SEK 436,859 thousand (SEK 261,908 thousand in 2012 and SEK 188,673 thousand in 2011) and investments in licenses, software and acquisition costs for subscriptions totaling SEK 216,141 thousand (SEK 203,848 thousand in 2012 and SEK 211,351 thousand in 2011).

Of total costs of SEK 1,589,751 thousand (SEK 1,269,133 thousand in 2012 and SEK 1,023,207 thousand in 2011), SEK 1,534,690 thousand (SEK 1,241,254 thousand in 2012 and SEK 1,008,948 thousand in 2011) is externally acquired and SEK 55,061 thousand (SEK 27,879 thousand in 2012 and SEK 14,259 thousand in 2011) internally developed. Other intangibles also includes customer relationships to a value of SEK 12,266 thousand, attributable to the acquisition of Örnsat, Örnsköldsviks Satellit- och kabel- TV AB, for further information see Note 3.

All Intangible assets, except Goodwill and Trademarks with indefinite useful lives, are amortized. For further information see Note 1.

Amortization

Amortization is included in the following lines of the Income Statement:

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Cost of sales and services	139,970	108,219	28,815
Selling expenses	623,662	630,128	159,252
Adminstrative expenses	108	30	2,514
Total	**763,740**	**738,377**	**190,581**

Impairment Tests

Concurrent with impairment tests, the Group is viewed as a single cash-generating unit. The infrastructure that is the base for supplying the services (TV, broadband and telephony) is common for all services. The cost for distribution, operation and service as well as the organization in place for the delivery is collective for all the services.

The test is based on calculating value in use. The key assumptions are sales growth, changes in EBITDA-margin, the discount rate (Weighted Average Cost of Capital) and the growth in terminal value in free cash flows. The value is based on forecasts of future cash flows, where the first five years are based on a yearly budget and a business plan of five years prepared by management.

The forecasts of progress of the subscriber base are based on estimates of market penetration of the various services and estimated market shares over time. This is based partly on external and internal market research and partly on comparisons with other cable TV operators. Estimated ARPU (average revenue per unit) is based partly on Com Hem's product strategies and partly on external information as outlined above. The number of forecast periods is assumed to perpetuity, where cash flows further out than five years are assigned an annual growth rate of 2% (2% in 2012 and 3% in 2011). The present value of forecast cash flows has been calculated by applying a discount rate of 11.29% (11.38% in 2012 and 10.4% in 2011) after tax, which corresponds to 14.47% (14.59% in 2012 and 14.1% in 2011) before tax.

The conclusion of the aforementioned impairment test is that the recoverable amount exceeded the carrying amount at year-end. In the opinion of management and the Board no reasonably possible changes of one of the relevant key assumptions listed, holding other assumptions constant would reduce the recoverable amount to a value that is lower than the carrying amount.

Note 12 Property, Plant and Equipment

SEK in thousand	Production Facilities	Customer Equipment	Machinery Equipment & Computers	Total
Accumulated acquisition values				
Opening balance	—	—	—	—
Business acquisition	5,973,404	1,234,958	465,274	7,673,636
Investments*	109,957	66,203	34,922	211,082
Divestments and disposals	(4,984)	(199,622)	(27,576)	(232,182)
Closing balance Dec 31, 2011	**6,078,377**	**1,101,539**	**472,620**	**7,652,536**
Accumulated acquisition values				
Opening balance	6,078,377	1,101,539	472,620	7,652,536
Investments*	407,641	203,935	33,775	645,351
Divestments and disposals	(27,220)	(285,522)	(31,857)	(334,599)
Closing balance Dec 31, 2012	**6,458,798**	**1,019,952**	**474,538**	**7,953,288**
Accumulated acquisition values				
Opening balance	6,458,798	1,019,952	474,538	7,953,288
Investments*	280,625	334,499	23,186	638,310
Divestments and disposals	(149,160)	(197,216)	(59,773)	(406,149)
Closing balance Dec 31, 2013	**6,590,263**	**1,157,235**	**437,951**	**8,185,449**

SEK in thousand	Production Facilities	Customer Equipment	Machinery Equipment & Computers	Total
Accumulated depreciation and impairment losses				
Opening balance	—	—	—	—
Business acquisition	(4,974,811)	(893,225)	(384,390)	(6,252,426)
Depreciation for the period	(102,280)	(56,030)	(10,971)	(169,281)
Divestments and disposals	3,683	198,087	27,418	229,188
Closing balance Dec 31, 2011	**(5,073,408)**	**(751,168)**	**(367,943)**	**(6,192,519)**
Accumulated depreciation and impairment losses				
Opening balance	(5,073,408)	(751,168)	(367,943)	(6,192,519)
Depreciation for the period	(407,978)	(217,971)	(48,225)	(674,174)
Divestments and disposals	19,715	283,271	31,553	334,539
Closing balance Dec 31, 2012	**(5,461,671)**	**(685,868)**	**(384,615)**	**(6,532,154)**
Accumulated depreciation and impairment losses				
Opening balance	(5,461,671)	(685,868)	(384,615)	(6,532,154)
Depreciation for the period	(350,992)	(189,133)	(47,802)	(587,927)
Divestments and disposals	143,493	195,287	59,261	398,041
Closing balance Dec 31, 2013	**(5,669,170)**	**(679,714)**	**(373,156)**	**(6,722,040)**
At Dec 31, 2011	**1,004,969**	**350,371**	**104,677**	**1,460,017**
At Dec 31, 2012	**997,127**	**334,084**	**89,923**	**1,421,134**
At Dec 31, 2013	**921,093**	**477,521**	**64,795**	**1,463,409**

* Non-current assets funded through finance lease arrangements of SEK 24,704 thousand (SEK 20,572 thousand in 2012 and SEK 34,323 thousand in 2011) thousand are included in investments, see Note 26.

Depreciation

Depreciation is included in the following lines of the Income Statement:

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Cost of sales and services	540,686	625,949	158,644
Selling expenses	4,693	4,676	1,553
Adminstrative expenses	42,548	43,549	9,084
Total	**587,927**	**674,174**	**169,281**

Note 13 Non-current and Other Receivables

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Other receivables that are non-current assets			
Receivables from group companies	6,320	6,066	—
Total	**6,320**	**6,066**	**—**

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Other receivables that are current assets			
Receivables, PRI	1,776	1,498	1,302
Other receivables	14,002	13,830	13,033
Total	**15,778**	**15,328**	**14,335**

Other receivables primarily comprises of prepaid taxes.

Note 14 Inventories

Inventories consist primarily of equipment for upgrading the Group's cable network. Impairment of inventories during financial year 2013 amounts to SEK nil (SEK 4,000 thousand in 2012 and SEK nil in 2011).

Note 15 Trade Receivables

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Invoiced receivables	125,185	139,456	132,878
Provision for doubtful debts	(4,275)	(6,468)	(11,904)
Total	**120,910**	**132,988**	**120,974**
Invoiced receivables are due as follows:			
Not overdue	20,449	15,417	22,178
1-30 days overdue	89,633	107,151	87,728
31-60 days overdue	5,844	7,219	5,195
61-90 days overdue	2,404	2,836	2,219
91-days overdue	6,855	6,833	15,558
Total	**125,185**	**139,456**	**132,878**

Change in Provision for doubtful debts

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Provision for doubtful debts at beginning of the year	(6,468)	(11,904)	—
Business acquisition	—	—	(15,374)
Increases to provision	(2,373)	(2,756)	(3,144)
Utilization of provision	5,368	9,826	8,920
Reversal of provision	(802)	(1,634)	(2,306)
Provision for doubtful debts at end of year	**(4,275)**	**(6,468)**	**(11,904)**

See Note 25 for a review of the Group's credit risks.

Note 16 Prepaid Expenses and Accrued Income

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Prepaid support expenses	34,546	24,592	13,649
Prepaid leases	26,366	34,982	23,400
Accrued income telephony	14,494	19,594	24,894
Other prepaid expenses and accrued income	28,980	45,773	62,788
Total	**104,386**	**124,941**	**124,731**

Note 17 Cash and Cash Equivalents

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Cash and bank balances	1,122,232	661,972	1,044,825
Total	**1,122,232**	**661,972**	**1,044,825**

The Group has bank overdraft facilities granted of SEK 125,000 thousand (SEK 125,000 thousand in 2012 and SEK 125,000 thousand in 2011), of which SEK nil (SEK nil in 2012 and SEK nil in 2011) was drawn down as of December 31, 2013. For information on other available credit facilities, see Note 25, Financial risks and financial policies.

The cash and bank balances as at December 31, 2013 include SEK 500,000 thousand held in bank accounts which can only be used for the purposes of financing acquisitions and investment in fixed assets. A part of these funds have been used to finance the acquisition of Phonera Företag AB in late March 2014.

Note 18 Equity

At an Extraordinary General Meeting on December 28, 2012 it was decided to raise the share capital by issuing 28,757,463 new preference shares. Payments for the shares were made by way of set off against a shareholder loan of SEK 2,461 million as well as with cash of SEK 415 million. The issue of new shares was registered at Bolagsverket on January 16, 2013.

As at December 31, 2013, registered share capital comprised 42,172,125 shares of which 13,110,717 class A ordinary shares, 73,490 class B ordinary shares and 28,987,918 preference shares. The nominal value per share is SEK 1. Each share equals one vote. According to the Articles of Association, share capital shall be a minimum of SEK 13,000,000 and a maximum of SEK 52,000,000.

A ordinary shares and preference shares are redeemable upon the holder's request. The redeemable amount equals the nominal value of the shares and by redemption the redeemed amount is added to the company's statutory reserve. The holder of A ordinary shares and preference shares receives accordingly no compensation from the company if the redemption is made at the holder's request. Preference shares have a preferential right to A ordinary and B ordinary shares to a yearly dividend equivalent to 11% per share of the average amount paid when subscribed for the shares ("Preference dividend"). If there is no dividend during a financial year or the dividend is lower than the Preference dividend ("Actual dividend"), each preference share in addition to the Preference dividend shall be entitled to future dividends, comprising of the difference between Preference dividend and Actual dividend for each financial year ("The Difference") and an amount equal to 11% of The Difference for each financial year. The excess of the dividend shall be divided to A ordinary and B ordinary shares in equal portions.

Other Paid-in Capital

Equity contributed by the owners. This includes premiums paid in connection with new issues.

Retained Earnings including Net Profit or Loss for the Year

Retained earnings in the parent Company and its subsidiaries include net profit or loss for the period.

Note 19 Interest-bearing Liabilities

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Non-current liabilities			
Bonds	8,316,685	7,812,123	5,782,876
Non-current liabilities to credit institutions	5,503,363	4,837,296	5,102,042
Non-current liabilities group companies	—	—	4,338,813
Finance lease liabilities*	37,273	39,550	145,915
Total	**13,857,321**	**12,688,969**	**15,369,646**

* See Note 26 for information.

The Group has two outstanding bonds with issuance in 2011, one bond loan of SEK 3,492 million maturing in 2018 and one bond loan of EUR 287 million maturing in 2019. In 2012 the Group issued a third bond of EUR 283 (250) million maturing in 2019. During the financial year the Company has elected to pay interest on the bond loan of EUR 283 (250) million by increasing the aggregated principal bond amount equal to the amount of interest.

These bonds are registered on the Luxembourg exchange and accrue interest of 9.25%, 10.75% and 12.40% respectively.

Liabilities to credit institutions accrue interest at STIBOR/EURIBOR plus a margin of 4-5%.

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Current liabilities			
Current liabilities to credit institutions	263,976	214,952	321,553
Current liabilities group companies	—	—	100,562
Finance lease liabilities*	43,872	139,027	128,518
Total	**307,848**	**353,979**	**550,633**

* See Note 26 for information.

Loan Covenants

The loan facilities with credit institutions are conditional on the Group continually satisfying a number of predetermined financial key ratios, covenants, as follows:

- Consolidated net debt in relation to consolidated EBITDA, evaluated quarterly.
- Consolidated EBITDA in relation to interest expenses, evaluated quarterly.
- Investment levels, evaluated annually.

As of December 31, 2013, 2012 and 2011 all covenants were satisfied.

In addition, there are provisions and limitations in loan agreements for the credit facilities with credit institutions and bond loans regarding further debt gearing, guarantee commitments and pledging, material changes to operating activities, as well as acquisitions and divestments.

Note 20 Pension Provisions

Defined benefit plans

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Defined-benefit commitments and Fair Value of Plan Assets			
Full or partly funded commitments			
Present value of defined-benefit commitments	247,370	289,154	250,611
Fair value of plan assets	(140,192)	(132,983)	(124,179)
Total full or partly funded commitments	**107,178**	**156,171**	**126,432**
Present value of non-funded defined-benefit commitments	7,183	7,471	7,354
Net amount in balance sheet (commitments +, assets −)	**114,361**	**163,642**	**133,786**
Net amount are recognized in the following items in the balance sheet:			
Pension provisions	114,361	163,642	133,786
Net amount in balance sheet (commitments +, assets −)	**114,361**	**163,642**	**133,786**

Overview of defined benefit plans

Com Hem has four separate pension plans for the Group's employees. Three of which are defined benefit plans, outlined as follows:

- *ITP/PRI:* A defined benefit plan underwritten in Com Hem AB's former parent Company TeliaSonera's pension fund, generating benefits based on final salary (funded).
- *Management Pension:* Pension obligations to former senior management pursuant to TeliaSonera's management pension plan (non-funded).
- *Conditional Early Retirement Pension:* Conditional right to early retirement (non-funded).

In addition to defined benefit plans Com Hem has defined contribution plans where premiums are paid on an ongoing basis. The defined benefit pension plans are exposed to actuarial risks such as longevity risk, currency risk, interest rate risk, and investment risk.

ITP/PRI

For companies utilizing the FPG/PRI system, the Company's obligation for the ITP (Supplementary Pensions for Salaried Employees) retirement pension plan is recognized as a liability in the Balance Sheet. PRI Pensionstjänst AB's main duty is to calculate the value of pension commitments to be recognized in the Balance Sheet and to calculate and manage pension disbursements. Companies must take credit insurance with PRI Pensionsgaranti to be able to utilize the FPG/PRI system.

One alternative to provisioning in income statements and balance sheets is to incorporate a fund for pension commitments. Com Hem AB's trust assets are invested in TeliaSonera AB's pension fund, which was incorporated in 1998. Com Hem AB's total deposits to the fund are SEK 73,558 thousand (SEK 73,558 thousand in 2012 and SEK 73,558 thousand in 2011) as of December 31, 2013.

Management Pension

In the time operations were part of TeliaSonera AB, the then CEOs of Com Hem AB had pension agreements over and above the ITP plan for that portion of salary exceeding 30 basic amounts, for retirement pensions and family pensions. Provisioning for obligations over and above the ITP plan is recognized as non-deductible expenses.

Conditional Early Retirement Pension

Some employees have the right to pension before age 65, pursuant to transition rules. This applies to staff who had this right as of December 31, 1991 pursuant to the previous PA 91 central government collective agreement, and that have remained in the same employment as when the transition rules came into effect. TeliaSonera AB has effected provisioning for this expense, and invoiced Com Hem AB quarterly up to and including June 5, 2003 for the associated provisioning of additional vested conditional pension entitlements. Subsequently, Com Hem AB recognizes a provision for this expense. The expense is viewed as non-deductible for tax purposes. When early pension is exercised, funds are partly returned from TeliaSonera AB to Com Hem AB, and the remaining is utilized from Com Hem AB's provision.

Movement in the present value of defined benefit commitments

Dec 31, 2011	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in pension commitments				
Opening balance	—	—	—	—
Business acquisition	241,034	1,378	5,498	247,910
Expense for pensions earned in the period	2,080	(18)	442	2,504
Interest expense	2,016	10	37	2,063
Pension disbursements	(776)	—	—	(776)
Actuarial gain/losses	6,257	10	(3)	6,264
Closing balance	**250,611**	**1,380**	**5,974**	**257,965**

Dec 31, 2012	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in pension commitments				
Opening balance	250,611	1,380	5,974	257,965
Expense for pensions earned in the period	7,250	—	288	7,538
Interest expense	8,055	37	149	8,241
Pension disbursements	(3,429)	—	—	(3,429)
Actuarial gain/loss from financial assumptions	28,901	59	121	29,081
Experience adjustment	(2,234)	(71)	(466)	(2,771)
Closing balance	**289,154**	**1,405**	**6,066**	**296,625**

Dec 31, 2013	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in pension commitments				
Opening balance	289,154	1,405	6,066	296,625
Expense for pensions earned in the period	9,417	(14)	(92)	9,311
Interest expense	8,863	42	188	9,093
Pension disbursements	(4,033)	(54)	—	(4,087)
Actuarial gain/loss from financial assumptions	(72,238)	(162)	(399)	(72,799)
Experience adjustment	16,207	77	126	16,410
Closing balance	**247,370**	**1,294**	**5,889**	**254,553**

The present values of the commitments are distributed to members of the plans as follows:

- Active members 44% (47% in 2012 and 48% in 2011)
- Former employees 36% (36% in 2012 and 37% in 2011)
- Pensioners 20% (17% in 2012 and 15% in 2011)

Movement in fair value of plan assets

Dec 31, 2011	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in the fair value of plan assets				
Opening balance	—	—	—	—
Business acquisition	120,766	—	—	120,766
Interest income reported in the income statement	1,427	—	—	1,427
Actuarial gain/loss	1,986	—	—	1,986
Closing balance	**124,179**	**—**	**—**	**124,179**

Dec 31, 2012	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in the fair value of plan assets				
Opening balance	124,179	—	—	124,179
Interest income reported in the income statement	4,295	—	—	4,295
Actuarial gain/loss	4,509	—	—	4,509
Closing balance	**132,983**	**—**	**—**	**132,983**

Dec 31, 2013	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in the fair value of plan assets				
Opening balance	132,983	—	—	132,983
Interest income reported in the income statement	4,050	—	—	4,050
Actuarial gain/loss	3,159	—	—	3,159
Closing balance	**140,192**	**—**	**—**	**140,192**

Com Hem AB's trust assets are invested in TeliaSonera AB's pension fund. The management of the pension fund, except from index-linked bonds, has been provided to trustee. Any change in the real interest portfolio is decided by the board or investment committee of the pension fund. Com Hem AB's share of the pension fund is revalued monthly to market value. The market value of Com Hem AB's share of the assets in the pension fund at December 31, 2013 amounted to SEK 140,192 thousand (SEK 132,983 thousand in 2012 and SEK 124,179 thousand in 2011). The assets in the pension fund are as follows:

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Equity securities			
Swedish shares	8.2%	12.9%	10.5%
Global shares	24.6%	24.0%	25.4%
Interest bearing securities			
Index-linked bonds	22.2%	26.4%	33.9%
Other Swedish fixed-interest securities	30.1%	23.2%	15.8%
Alternative investments			
Private equity	0.8%	1.1%	1.5%
Hedge funds	14.1%	12.4%	12.9%
Total	**100%**	**100%**	**100%**

Expenses recognized in net profit/loss for the period

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Pension Expense			
Defined benefit plans			
Expense for pensions earned in the period	9,311	7,538	2,504
Interest expense	9,093	8,242	2,063
Interest income	(4,050)	(5,847)	(1,427)
Expense, defined benefit plans	**14,354**	**9,933**	**3,140**
Expense, defined contribution plans	52,608	34,215	6,727
Special employer's contribution	13,089	7,191	3,091
Total expense for post-employment remuneration	**80,051**	**51,339**	**12,958**
Expenses for defined benefit plans are recognized in the Income Statement as stated below:			
Administrative expenses	9,311	7,538	2,504
Financial income	(4,050)	(5,847)	(1,427)
Financial expenses	9,093	8,242	2,063
Expense, defined benefit plans	**14,354**	**9,933**	**3,140**
Actual return on plan assets	**7,210**	**8,804**	**3,413**
Expenses recognized in other comprehensive income			
Revaluations			
Actuarial gain (+) /loss (−)	56,389	(28,973)	(6,264)
Difference between actual yield and yield under the discount rate on plan assets	3,159	4,509	1,986
Recognized in other comprehensive income, net	**59,548**	**(24,464)**	**(4,278)**

Actuarial Assumptions

The following material actuarial assumptions have been applied to calculate the following commitments:

(Weighted averages)	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Discount rate	4.00%	3.00%	3.40%
Expected returns on plan assets	4.00%	3.00%	4.60%
Increase to income base amount	3.00%	3.00%	3.00%
Expected inflation	2.00%	2.00%	2.00%
Future salary increase	3.00%	3.00%	3.00%
Termination rate	5.00%	5.00%	5.00%
Mortality	FFFS*	FFFS*	FFFS*
Utilization ratio, conditional pension entitlement	70.00%	70.00%	70.00%

* Used by the Swedish Financial Supervisory Authority for the legal measurement of pension liabilities FFFS 2007:31.

Longevity assumptions are based on published statistics and mortality. Commitments are calculated based on the longevity assumptions in the table below:

Dec 31, 2011	ITP/PRI	Management Pension	Conditional Early Pension
Longevity at age 65 for current pensioners			
Males	19.6	19.6	19.6
Females	22.8	22.8	22.8
Longevity at age 65 for current members aged 45			
Males	21.6	21.6	21.6
Females	24.1	24.1	24.1

Dec 31, 2012	ITP/PRI	Management Pension	Conditional Early Pension
Longevity at age 65 for current pensioners			
Males	19.6	19.6	19.6
Females	22.8	22.8	22.8
Longevity at age 65 for current members aged 45			
Males	21.6	21.6	21.6
Females	24.1	24.1	24.1

Dec 31, 2013	ITP/PRI	Management Pension	Conditional Early Pension
Longevity at age 65 for current pensioners			
Males	19.6	19.6	19.6
Females	22.8	22.8	22.8
Longevity at age 65 for current members aged 45			
Males	21.6	21.6	21.6
Females	24.1	24.1	24.1

Sensitivity analysis 2013

Reasonably possible changes at the reporting date to isolated relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit commitment by the amounts shown below.

SEK in thousand	Increase	Decrease
Discount rate (1% change)	(43,620)	58,602
Expected inflation assumption (1% change)	58,153	(43,990)

Financing

At December 31, 2013, the weighted-average duration of the defined benefit commitment was 21.6 years (23.4 years in 2012 and 22.7 years in 2011). The Group's assumption is that SEK 4,454 thousand (SEK 3,870 thousand) will be paid during 2014 to funded and non-funded defined benefit plans which are recognized as defined benefit plans.

Obligations associated with the ITP 2 plan for retirement and family pensions for salaried employees in are underwritten with insurance provided by Alecta. Pursuant to statement UFR 3 from the Financial Reporting Board, the classification of the ITP-plans underwritten by Alecta is a defined benefit multi-employer plan. For the 2013 financial period, the Company has had no access to information regarding its proportionate share of the plan's obligations, assets and costs. Consequently it was not feasible to account for the plan as a defined benefit plan. The pension plan ITP 2, which is secured through insurance with Alecta, was therefore recognized as a defined contribution plan. The premiums associated with this defined benefit retirement and family pension are calculated individually and are dependent upon each individual's salary, previously earned pension, expected remaining service and assumptions regarding interest rates, longevity, operating costs and returns. Annual fees paid to Alecta amounted to SEK 12.9 million (SEK 12.7 million in 2012 and SEK 2.4 million in 2011). For 2014, the fee is estimated to SEK 14.6 million.

The collective funding ratio is the market value of Alecta assets as a percentage of insurance commitments and is calculated according to Alecta actuarial methods and assumptions. These are noted to not comply with IAS 19. The collective consolidation level is typically permissible to vary between 125-155%. If the Alecta collective consolidation level is less than 125% or greater than 155%, measures shall be taken in order to create the conditions for the consolidation level to return to a normal range. A low consolidation level can serve as an indication to raise the agreed price for new, and/or the expansion of existing benefits. A high consolidation level can serve as an indication to introduce premium reductions. At the end of 2013, Alecta's surplus in the form of the collective funding ratio was 148% (129% in 2012 and 113% in 2011). There is currently no framework in place to handle any deficit that should arise. In the first instance, losses will be borne by Alecta's collective capital and thus will not lead to increased costs through higher contractual premiums. There are no guidelines stipulating the number of surpluses or deficits shall be distributed in the settlement of the plan or the corporate withdrawal from the plan.

Note 21 Trade Payables

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Outstanding trade payables	542,532	503,161	626,128
Revaluation of foreign currency liabilities	(252)	(552)	(2,343)
Total	**542,280**	**502,609**	**623,785**
Outstandning trade payables were due as follows:			
Not overdue	321,606	334,410	432,989
1-30 days overdue	193,009	137,475	168,576
31-60 days overdue	3,370	15,758	416
61-90 days overdue	410	525	1,295
91-days overdue	24,137	14,993	22,852
Total	**542,532**	**503,161**	**626,128**

Note 22 Other Liabilities

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Other non-current liabilities			
Derivatives	119,162	259,030	100,146
Other non-current liabilities	—	2,238	2,304
Total	**119,162**	**261,268**	**102,450**

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Other current liabilities			
Employee withholding taxes	11,694	10,035	9,061
Value-added taxes	46,523	51,300	32,553
Other current liabilities	9,504	3,800	11,043
Total	**67,721**	**65,135**	**52,657**

Note 23 Accrued Expenses and Deferred Income

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Deferred income	506,239	526,095	567,586
Accrued personnel expenses	92,461	70,920	70,086
Accrued content expenses	66,879	64,735	81,411
Accrued expenses for capitalized non-current assets	115,278	145,860	73,694
Accrued interest expenses	234,968	190,176	124,039
Other accrued expenses	112,408	165,660	178,645
Total	**1,128,233**	**1,163,446**	**1,095,461**

Other accrued expenses consist primarily of production costs and copyright fees.

Note 24 Financial Assets and Liabilities by Category

Fair values and carrying amounts are measured in the Balance Sheet as follows:

SEK in thousand

Dec 31, 2011	**Financial Assets at Fair Value through Profit or Loss**	**Loan and Trade Receivables Measured at Amortized Cost**	**Financial Liabilities at Fair Value through Profit or Loss**	**Financial Liabilities Measured at Amortized Cost**	**Carrying Amount**	**Fair Value**
Trade receivables	—	120,974	—	—	**120,974**	120,974
Accrued income telephony	—	24,894	—	—	**24,894**	24,894
Other receivables	—	14,335	—	—	**14,335**	14,335
Cash and cash equivalents	—	1,044,825	—	—	**1,044,825**	1044,825
Non-current interest bearing liabilities bonds	—	—	—	(5,782,876)	**(5,782,876)**	(5,782,876)
Non-current interest bearing liabilities credit institutions	—	—	—	(5,247,957)	**(5,247,957)**	(5,247,957)
Non-current interest bearing liabilities group companies	—	—	—	(4,338,813)	**(4,338,813)**	(4,338,813)
Derivatives	—	—	(100,146)	—	**(100,146)**	(100,146)
Other non-current liabilities	—	—	—	(2,304)	**(2,304)**	(2,304)
Current interest bearing liabilities	—	—	—	(450,071)	**(450,071)**	(450,071)
Current liabilities group companies	—	—	—	(100,562)	**(100,562)**	(100,562)
Trade payables	—	—	—	(623,785)	**(623,785)**	(623,785)
Other current liabilities	—	—	—	(52,657)	**(52,657)**	(52,657)
Accrued expenses	—	—	—	(527,875)	**(527,875)**	(527,875)
Total financial assets and liabilities by category	**—**	**1,205,028**	**(100,146)**	**(17,126,900)**	**(16,022,018)**	**(16,022,018)**

Dec 31, 2012	**Financial Assets at Fair Value through Profit or Loss**	**Loan and Trade Receivables Measured at Amortized Cost**	**Financial Liabilities at Fair Value through Profit or Loss**	**Financial Liabilities Measured at Amortized Cost**	**Carrying Amount**	**Fair Value**
Non-current receivables group companies	—	6,066	—	—	**6,066**	6,066
Trade receivables	—	132,988	—	—	**132,988**	132,988
Accrued income telephony	—	19,594	—	—	**19,594**	19,594
Other receivables	—	15,328	—	—	**15,328**	15,328
Cash and cash equivalents	—	661,972	—	—	**661,972**	661,972
Non-current interest bearing liabilities bonds.	—	—	—	(7,812,123)	**(7,812,123)**	(8,311,492)
Non-current interest bearing liabilities credit institutions	—	—	—	(4,876,846)	**(4,876,846)**	(4,876,846)
Derivatives	—	—	(259,030)	—	**(259,030)**	(259,030)
Other non-current liabilities	—	—	—	(2,238)	**(2,238)**	(2,238)
Current interest bearing liabilities	—	—		(353,979)	**(353,979)**	(353,979)
Trade payables	—	—	—	(502,609)	**(502,609)**	(502,609)
Other current liabilities	—	—	—	(3,800)	**(3,800)**	(3,800)
Accrued expenses	—	—	—	(606,686)	**(606,686)**	(606,686)
Total financial assets and liabilities by category	**—**	**835,948**	**(259,030)**	**(14,158,281)**	**(13,581,363)**	**(14,080,732)**

Dec 31, 2013	Financial Assets at Fair Value through Profit or Loss	Loan and Trade Receivables Measured at Amortized Cost	Financial Liabilities at Fair Value through Profit or Loss	Financial Liabilities Measured at Amortized Cost	Carrying Amount	Fair Value
Non-current receivables group companies	—	6,320	—	—	**6,320**	6,320
Trade receivables	—	120,910	—	—	**120,910**	120,910
Accrued income telephony	—	14,494	—	—	**14,494**	14,494
Other receivables	—	15,778	—	—	**15,778**	15,778
Cash and cash equivalents	—	1,122,232	—	—	**1,122,232**	1,122,232
Non-current interest bearing liabilities bonds	—	—	—	(8,316,685)	**(8,316,685)**	(8,912,859)
Non-current interest bearing liabilities credit institutions	—	—	—	(5,540,636)	**(5,540,636)**	(5,540,636)
Derivatives	—	—	(119,162)	—	**(119,162)**	(119,162)
Current interest bearing liabilities	—	—		(307,848)	**(307,848)**	(307,848)
Trade payables	—	—	—	(542,280)	**(542,280)**	(542,280)
Other current liabilities	—	—	—	(9,504)	**(9,504)**	(9,504)
Accrued expenses	—	—	—	(583,156)	**(583,156)**	(583,156)
Total financial assets and liabilities by category	**—**	**1,279,734**	**(119,162)**	**(15,300,109)**	**(14,139,537)**	**(14,735,711)**

Derivative Instruments

The fair value of collars, interest/currency swaps and FX contracts are based on valuations conducted by intermediary credit institutions, with accuracy tested by discounting estimated future cash flows pursuant to contract terms and maturity dates, and proceeding from market interest rates for similar instruments at the reporting date. The discount rate applied is based at interest rates of similar instruments at the reporting date.

Interest-bearing Liabilities

The fair value of financial liabilities that are not derivative instruments is calculated based on future cash flows of the principal and interest discounted to current market interest rates at the reporting date.

Trade Receivables and Trade Payables

Due to the short terms of trade receivables and trade payables, carrying amounts are assumed to be the best approximation of fair value.

Fair Value of Assets and Liabilities

Fair values are based on market values or, in the absence of an active market, derived from an assumed yield curve. The amounts indicated are unrealized and will not necessarily be realized.

Valuation Methods

Amounts of SEK 139,868 thousand (SEK −158,883 thousand in 2012 and SEK −100,146 thousand in 2011) regarding changes in fair value for derivatives are recognized in the income statement for financial year 2013, of which SEK 140,337 thousand (SEK −158,883 thousand in 2012 and SEK −100,146 thousand in 2011) is recognized in the finance net and SEK −469 thousand (SEK nil in 2012 and SEK nil in 2011) is recognized in other operating expenses. Fair value is measured using valuation techniques.

Fair Value Hierarchy

The following table illustrates financial instruments measured at fair value by measurement method. Each level is defined as follows:

Level 1

Financial instruments where fair value is determined according to prices quoted on an active marketplace for the same instrument. Examples of such instruments include shares, bonds and standard options that are actively traded.

Level 2

Financial instruments where fair value is determined on the basis of either direct (as price) or indirect (derived from prices) observable market data that is not included in level 1. Examples of instruments include bonds and certain OTC-traded products such as interest swaps, currency forwards and shares. The Group has only level 2 instruments including Collar, CIRS and FX contracts derivatives. See table below.

Level 3

Financial instruments where fair value is determined on the basis of input data that is not observable on the market. Examples of instruments include unlisted shares and options where the underlying security is not priced on an active marketplace.

SEK in thousand	Level 1	Level 2	Level 3	Dec 31, 2011
Derivatives (Collar)	—	(2,209)	—	(2,209)
Derivatives (CIRS)	—	(86,340)	—	(86,340)
Derivatives (FX Contracts)	—	(11,597)	—	(11,597)
Financial liabilities	**—**	**(100,146)**	**—**	**(100,146)**

SEK in thousand	Level 1	Level 2	Level 3	Dec 31, 2012
Derivatives (Collar)	—	(7,881)	—	(7,881)
Derivatives (CIRS)	—	(216,003)	—	(216,003)
Derivatives (FX Contracts)	—	(35,146)	—	(35,146)
Financial liabilities	**—**	**(259,030)**	**—**	**(259,030)**

SEK in thousand	Level 1	Level 2	Level 3	Dec 31, 2013
Derivatives (Collar)	—	(6,212)	—	(6,212)
Derivatives (CIRS)	—	(96,774)	—	(96,774)
Derivatives (FX Contracts)	—	(16,176)	—	(16,176)
Financial liabilities	**—**	**(119,162)**	**—**	**(119,162)**

Changes in the fair value of derivatives is included in financial expenses, hedge accounting is not applied.

Note 25 Financial Risks and Finance Policies

The Group is exposed to various types of financial risk through its daily operating activities.

Financial risk refers to fluctuations in the Company's Income Statement, Balance Sheet and Cash flows resulting from variations in exchange rates, interest levels and credit margins. The Board of Directors has formulated the Group's treasury policy for managing financial risks, which sets a framework of guidelines and regulations for financing activities.

Refinancing Risk and Cash Management

Refinancing risk is defined as the risk of existing lenders being unwilling to renew their outstanding loans or the Group's loans and credit facilities not being sufficient to satisfy the Company's need for capital. The policy stipulates that there should be a liquidity reserve as a buffer for unforeseen events. This liquidity reserve consists of cash and cash equivalents, potential short-term financial assets and unutilized, confirmed credit facilities. The liquidity reserve as of December 31, 2013, 2012 and 2011 is divided as follows:

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Cash & bank balances	1,122,232	661,972	1,044,825
Unutilized Credit facilities	895,345	1,195,500	1,235,500
Total liquidity reserve	**2,017,577**	**1,857,472**	**2,280,325**

The cash and bank balances as at December 31, 2013 include SEK 500,000 thousand held in bank accounts which can only be used for the purposes of financing acquisitions and investment in fixed assets. These funds have primarily been used to finance the acquisition of Phonera Företag AB in late March 2014. Unutilized credit facilities include a SEK 500,000 thousand (SEK 500,000 thousand in 2012 and SEK 500,000 thousand in 2011) loan facility, of which SEK 54,655 thousand (SEK 54,500 thousand in 2012 and SEK 14,500 thousand in 2011) was utilized and SEK 125,000 thousand (SEK 125,000 thousand in 2012 and SEK 125,000 thousand in 2011) was available as an overdraft facility, and SEK 450,000 thousand (SEK 750,000 thousand in 2012 and SEK 750,000 thousand in 2011) in the form of a capex facility for investments.

Liquidity forecasts are prepared regularly as part of the Group's budgeting process. Advance billing is usually utilized, with liabilities normally settled at due date, which has a positive effect on the Group's liquidity. Consumers are usually billed one month in advance and property owners usually quarterly in advance.

In 2013, the Group has raised external bank loans amounting to SEK 800,000 thousand, of which SEK 300,000 thousand is related to an unutilized "capex facility" and SEK 500,000 thousand which can only be used for the purposes of financing acquisitions and investment in fixed assets. Amortization of the Group's liabilities to credit institutions has been performed according to plan. Amortizations amounted to SEK 354,115 thousand (SEK 457,272 thousand in 2012 and SEK 7,322,431 thousand in 2011).

For the Group's interest-bearing borrowings as of December 31, 2013, contracted undiscounted cash flows corresponded to the following expected maturity structure, including repayments, estimated interest payments and derivatives. Translations to SEK of foreign currency amounts have been calculated at current rates of exchange applicable at the end of the reporting period. Forward rates have been used for estimated future interest payments related to instruments with variable interest. In cases where settlement is made on a gross basis (currency interest swaps and currency forwards), all amounts have been recognized as gross values.

Expected maturities of financial liabilities as of December 31, 2011

SEK in thousand	Nominal Value	Within 0-1 year	Within 1-2 year	Within 2-3 year	Within 3-4 year	Within 4-5 year	Later	Maturity
Liabilities to credit institutions	5,752,827	321,553	214,952	263,976	301,687	331,856	4,318,803	2017-2018
Bonds	6,067,130	—	—	—	—	—	6,067,130	2018-2019
Liabilites to group companies	4,530,395	100,562	—	—	—	—	4,429,832	2019-later
Finance lease liabilities	274,433	128,518	126,803	19,112	—	—	—	—
Total interest-bearing liabilities	**16,624,784**	**550,633**	**341,755**	**283,088**	**301,687**	**331,856**	**14,815,765**	
Interest payments		867,417	929,724	929,657	928,108	925,720	2,127,322	
Cross-Currency Interest Swaps								
—*Payables*		287,542	325,895	326,476	153,635	70,790	93,585	
—*Receivables*		(229,665)	(258,926)	(272,198)	(130,687)	(58,392)	(79,065)	
FX contracts								
—*Payables*		167,122	187,426	187,426	187,426	—	—	
—*Receivables*		(162,833)	(182,874)	(182,874)	(182 874)	—	—	
Total expected interest payments		**929,583**	**1,001,245**	**988,487**	**955,608**	**938,118**	**2,141,842**	
Total Net	**16,624,784**	**1,480,216**	**1,343,000**	**1,271,575**	**1,257,295**	**1,269,974**	**16,957,607**	

Expected maturities of financial liabilities as of December 31, 2012

SEK in thousand	Nominal Value	Within 0-1 year	Within 1-2 year	Within 2-3 year	Within 3-4 year	Within 4-5 year	Later	Maturity
Liabilities to credit institutions	5,331,563	214,951	263,976	301,687	331,856	377,109	3,841,983	2017-2018
Bonds	8,133,346	—	—	—	—	—	8,133,346	2018-2019
Liabilites to group companies	178,578	139,027	30,538	9,013	—	—	—	—
Total interest-bearing liabilities	**13,643,487**	**353,979**	**294,514**	**310,700**	**331,856**	**377,109**	**11,975,329**	
Interest payments		841,769	882,527	879,149	877,123	870,853	3,781,583	
Collars								
—*Payables*		1,637	178	—	—	—	—	
—*Receivables*		—	—	—	—	—	—	
Cross-Currency Interest Swaps								
—*Payables*		323,243	326,476	141,492	64,850	68,535	17,649	
—*Receivables*		(233,828)	(238,555)	(101,458)	(37,061)	(41,580)	(11,195)	
FX contracts								
—*Payables*		187,426	187,426	187,426	—	—	—	
—*Receivables*		(182,874)	(182,874)	(182,874)	—	—	—	
Total expected interest payments		**937,373**	**975,178**	**923,735**	**904,912**	**897,808**	**3,788,037**	
Total Net	**13,643,487**	**1,291,352**	**1,269,692**	**1,234,435**	**1,236,768**	**1,274,917**	**15,763,366**	

Expected maturities of financial liabilities as of December 31, 2013

SEK in thousand	Nominal Value	Within 0-1 year	Within 1-2 year	Within 2-3 year	Within 3-4 year	Within 4-5 year	Later	Maturity
Liabilities to credit institutions	6,008,209	263,977	401,687	431,856	477,109	4,433,580	—	2017-2018
Bonds	8,589,130	—	—	—	—	3,492,306	5,096,824	2018-2019
Finance lease liabilities	81,145	43,872	22,325	12,660	2,015	273	—	—
Total interest-bearing liabilities	**14,678,484**	**307,849**	**424,012**	**444,516**	**479,124**	**7,926,159**	**5,096,824**	
Interest payments		930,971	924,184	925,940	924,760	674,247	2,956,556	
Collars								
—*Payables*		3,848	676	—	—	—	—	
—*Receivables*		—	—	—	—	—	—	
Cross-Currency Interest Swaps								
—*Payables*		314,975	136,385	63,354	69,830	18,233	—	
—*Receivables*		(241,964)	(101,328)	(35,025)	(41,209)	(11,238)	—	
FX contracts								
—*Payables*		187,426	187,426	—	—	—	—	
—*Receivables*		(182,330)	(182,330)	—	—	—	—	
Total expected interest payments		**1,012,926**	**965,013**	**954,269**	**953,381**	**681,242**	**2,956,556**	
Total Net	**14,678,484**	**1,320,775**	**1,389,025**	**1,398,785**	**1,432,505**	**8,607,401**	**8,053,380**	

Current liabilities (short-term interest bearing liabilities, trade payables, other current liabilities and accrued expenses) are due within 1 year.

Interest Rate Risks

Interest risk is the risk of changes in interest rates affecting the Group's Income Statement and Balance Sheet negatively, which could cause problems with restrictions in loan agreements. To mitigate interest rate risk, at least ⅔ of bank borrowings should be interest hedged for a period of at least three years from arrangement. Interest derivatives instruments have been used to alter the fixed interest periods (see structure of fixed interest periods in the table below). Interest derivatives are recognized at fair value in the Balance Sheet and value changes are recognized in profit or loss.

In 2012 the Group issued a bond of EUR 283 (250) million maturing in 2019. During the financial year the company has elected to pay interest on the bond loan by increasing the aggregated principal bond amount equal to the amount of interest.

Structure of Fixed Interest Periods before and after effects of Derivatives

SEK in thousand	Nominal Value	Interest Rate Derivatives	Exposure	Proportion %
2014	6,089,354	(3,654,832)	2,434,522	16%
2015	—	3,654,832	3,654,832	25%
2016	—	—	—	—
2017	—	—	—	—
2018	3,492,306	—	3,492,306	24%
2019	5,096,824	—	5,096,824	35%
Later	—	—	—	—
Total	**14,678,484**	**—**	**14,678,484**	**100%**

The Group's interest expenses would increase by approximately SEK 24 million (SEK 19 million in 2012 and SEK 22 million in 2011) annualized given a 1% increase in interest rates and the same hedging conditions as applied on the reporting date.

Currency Risks

Currency risk is the risk that the Group's Income Statement and Balance Sheet are negatively affected by fluctuations in exchange rates.

Transaction Exposure—Operational Flows

All the Group's billing is in SEK, as are the majority of the Group's expenses. However, some procurement of materials is denominated in other currencies, and accordingly, to reduce the earnings effect of exchange rates, the Group may hedge contracted currency flows in these currencies using forward contracts. Currency hedging is typically initiated when the Group enters an agreement that has a minimum exposure of SEK 10 million in a foreign currency which must be met in a maximum period of 12 months. Currency hedges are reported at fair value in the Balance Sheet with value changes recognized in profit or loss. At year end 2013 there were three transaction-related FX contracts with a fair value of SEK −469 thousand (SEK nil in 2012 and SEK nil in 2011).

Exchange rate differences arising in operations are reported in profit or loss and have been allocated between other operating income of SEK 8,175 thousand (SEK 8,475 thousand in 2012 and SEK 1,859 thousand in 2011) and other operating costs of SEK −5,826 thousand (SEK −9,124 thousand in 2012 and SEK −2,486 thousand in 2011).

Transaction Exposure Allocated by Currency

SEK in thousand	Jan 1 – Dec 31, 2013		Jan 1 – Dec 31, 2012		Jul 5 – Dec 31, 2011	
Currency	Amount	%	Amount	%	Amount	%
EUR	(114,039)	19%	(135,731)	35%	(30,649)	37%
NOK	(21,695)	4%	(30,933)	8%	(9,095)	11%
USD	(444,353)	76%	(211,523)	55%	(43,644)	52%
Other	(5,793)	1%	(4,675)	2%	(276)	0%
Total	**(585,880)**	**100%**	**(382,862)**	**100%**	**(83,664)**	**100%**

Consolidated cash flows would reduce by approx. SEK 29 million (SEK 19 million in 2012 and SEK 4 million in 2011) if the Swedish krona depreciated by 5% against the above currencies assuming the same transaction exposure as in the financial period and assuming no hedging.

Translation Exposure—Financial Items

The Group's translation exposure arises as a result of portions of its financial liabilities being denominated in EUR. At year-end 2013, there were liabilities of EUR 303,906 thousand (EUR 303,906 thousand in 2012 and EUR 320,841 thousand in 2011) to credit institutions and EUR 569,934 thousand (EUR 537,058 thousand in 2012 and EUR 287,058 thousand in 2011) in bond loans.

Currency Allocation of Interest-bearing Nominal Liabilities, with and without Currency Derivatives

Dec 31, 2011 **Liabilities in SEK thousand**	**Nominal Value**	**Currency Derivatives**	**Exposure**	**Proportion %**
Liabilities to credit institutions	2,874,978	—	2,874,978	17%
Bonds	3,492,306	—	3,492,306	21%
Liabilities to group companies	4,530,395	—	4,530,395	27%
Finance lease liabilities	274,433	—	274,433	2%
Derivatives	—	2,023,026	2,023,026	12%
Total	**11,172,112**	**2,023,026**	**13,195,138**	**79%**

Liabilities in EUR thousand	**Nominal Value**	**Currency Derivatives**	**Exposure**	**Proportion %**
Liabilities to credit institutions	320,841	—	320,841	17%
Bonds	287,058	—	287,058	16%
Derivatives	—	(225,540)	(225,540)	(12%)
Total	**607,899**	**(225,540)**	**382,359**	**21%**

Dec 31, 2012 **Liabilities in SEK thousand**	**Nominal Value**	**Currency Derivatives**	**Exposure**	**Proportion %**
Liabilities to credit institutions	2,705,327	—	2,705,327	20%
Bonds	3,492,306	—	3,492,306	26%
Finance lease liabilities	178,578	—	178,578	1%
Derivatives	—	1,949,026	1,949,026	14%
Total	**6,376,211**	**1,949,026**	**8,325,237**	**61%**

Liabilities in EUR thousand	**Nominal Value**	**Currency Derivatives**	**Exposure**	**Proportion %**
Liabilities to credit institutions	303,906	—	303,906	19%
Bonds	537,058	—	537,058	34%
Derivatives	—	(225,540)	(225,540)	(14%)
Total	**840,964**	**(225,540)**	**615,424**	**39%**

Dec 31, 2013 **Liabilities in SEK thousand**	**Nominal Value**	**Currency Derivatives**	**Exposure**	**Proportion %**
Liabilities to credit institutions	3,290,375	—	3,290,375	22%
Bonds	3,492,306	—	3,492,306	24%
Finance lease liabilities	81,145	—	81,145	1%
Derivatives	—	2,017,015	2,017,015	14%
Total	**6,863,826**	**2,017,015**	**8,880,841**	**61%**

Liabilities in EUR thousand	**Nominal Value**	**Currency Derivatives**	**Exposure**	**Proportion %**
Liabilities to credit institutions	303,906	—	303,906	18%
Bonds	569,934	—	569,934	35%
Derivatives	—	(225,540)	(225,540)	(14%)
Total	**873,840**	**(225,540)**	**648,300**	**39%**

If the Swedish krona had appreciated/depreciated by 5% versus the Euro on the reporting date, with all other variables constant, net finance cost for the period would have been SEK 290 million (SEK 266 million in 2012 and SEK 171 million in 2011) higher/lower as a result of gain/loss when translating monetary liabilities.

Credit Risk

Credit risk is the risk that the Group incurs losses due to a counterparty not fulfilling their obligations. The Group's exposure to credit risk is limited because advance billing is used for consumer, business to business and property owner services. Creditworthiness checks are conducted on new customers, and the Group applies an active debt recovery process, which includes the termination of the customer's service if payments are not made. Due to the size of the Group's customer base, there is no concentration of risks on a small number of large customers. Trade receivables are classified as doubtful based on a collective assessment of age and potential collection attempts. Credit losses are small in relation to the Group's operations. The Group's total credit losses in the financial year were 0.5% (0.5% in 2012 and 0.5% in 2011) of revenue.

Capital Structure

The Company's objective is to have an effective capital structure considering its operational and financial risks, and to enable sustainable development of the Company, simultaneous with shareholders receiving satisfactory returns. The key ratio management and external stakeholders mainly judge capital structure by, is interest-bearing net debt in relation to EBITDA. Based on a balance between high return on equity, which increase with a low equity share, and the need for financial stability, which is obtained by a large equity share, the objective is to gradually increase the equity share. Loan facilities with credit institutions held by the Group are conditional on the Group continually satisfying a number of predetermined financial key ratios and covenants. A key ratio pertaining to the facilities is the aforementioned interest-bearing net debt (excluding shareholder loan) in relation to EBITDA. Other key ratios are described in Note 19. Management regularly monitors and analyses the key ratios, which ultimately maintains the framework for the Group's capital structure.

Note 26 Leases

Operating Lease Arrangements where the Company is the Lessee

There are assets used in operations held through operating lease arrangements. Lease payments are included in operating expenses and amounted to SEK 258,565 thousand (SEK 257,771 thousand in 2012 and SEK 60,700 thousand in 2011) in the financial year.

Com Hem AB's future commitments comprise ducting, colocation and optical fiber which are rented from Swedish network wholesaler Skanova, rail network authority Banverket and Stockholm regional ICT network provider Stokab with contract periods ranging from three to 25 years. Some contracts can be terminated by a 12-month notice period and other contracts could be terminated, after the initial contract period, with a three-month notice period. None of these contracts imply the transfer of ownership rights at termination of contracts. The contracts contain a fixed cost for current connected households and a variable component for new connections of households. The contracts are indexed annually.

iTUX Communication AB's future obligations relate to manage services and optical fiber, according to agreements with Ericsson AB and Stokab. These agreements have terms of five to seven years.

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Within 1 yr	189,092	171,747	260,036
Between 1-5 yrs	466,742	397,835	455,737
More than 5 yrs	8,312	9,782	58,418
Total	**664,146**	**579,364**	**774,191**

Finance Lease Arrangements where the Company is the Lessee

There are assets in operations held through finance lease arrangements, which are primarily associated with customer equipment and equipment for switching centers. At December 31, 2013 the carrying amount of these items is SEK 80,232 thousand (SEK 173,548 thousand in 2012 and SEK 270,616 thousand in 2011), of which SEK 13,566 thousand (SEK 74,763 thousand in 2012 and SEK 133,389 thousand in 2011) is included in customer equipment, SEK 37,647 thousand (SEK 71,227 thousand in 2012 and SEK 117,077 thousand in 2011) in production facilities, SEK nil (SEK 211 thousand in 2012 and SEK 405 thousand in 2011) in other tangible assets and SEK 29,019 thousand (SEK 27,347 thousand in 2012 and SEK 19,745 thousand in 2011) in other intangible assets. For most of the lease arrangements, the assets held can be acquired after 36 months. Future payments in these lease arrangements are due as follows.

	Dec 31, 2013		Dec 31, 2012		Dec 31, 2011	
SEK in thousand	**Minimum lease payment**	**Nominal Value**	**Minimum lease payment**	**Nominal Value**	**Minimum lease payment**	**Nominal Value**
Within 1 yr	43,872	46,247	139,027	143,980	126,966	133,509
Between 1-5 yrs	37,273	39,004	39,551	41,301	147,467	151,496
More than 5 yrs	—	—	—	—	—	—
Total finance lease liabilities	**81,145**	**85,251**	**178,578**	**185,281**	**274,433**	**285,005**
Less interest portion		(4,106)		(6,703)		(10,572)
Total finance lease arrangements	**81,145**	**81,145**	**178,578**	**178,578**	**274,433**	**274,433**

Note 27 Investment Commitments

The Group has signed agreements to acquire property, plant and equipment pursuant to the following table; these commitments are expected to be settled in the next financial year.

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Production facilities	—	40,153	62,625
Customer equipment	66,000	—	32,800
Intangible assets	210	8,100	—
Total	**66,210**	**48,253**	**95,425**

Note 28 Pledged Assets and Contingent Liabilities

SEK in thousand	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Pledged assets			
Trademarks	691,000	691,000	691,000
Pledging of shares in subsidiaries	neg.	84,173	680,819
Blocked bank account	—	—	402,249
Bank guarantee PRI	54,655	54,500	14,500
Total pledged assets	**745,655**	**829,673**	**1,788,568**
Contingent liabilities			
Guarantee commitment, FPG/PRI	3,324	3,175	3,002
Total contingent liabilities	**3,324**	**3,175**	**3,002**

To guarantee its loan facilities and bond loans, the Group has pledged a number of trademarks and brands associated with the operations in the subsidiary Com Hem AB.

Note 29 Related Parties

Related Party Relationships and related Party Transactions

The Group has related party relationships with the Company's owner and with Board members and Group management.

As of December 31, 2013 the Group had non-current receivables of SEK 6,320 thousand (SEK 6,066 thousand in 2012 and SEK nil in 2011) owing from the parent company. As of December 31, 2013 the Group had non-current liabilities to the Parent Company of SEK nil (SEK nil in 2012 and SEK 4,338,813 thousand in 2011).

In addition to the above liabilities, the Group had current liabilities of SEK 100,562 thousand to the parent company in 2011.

The Group's interest income for 2013 includes interest from the parent company with an amount of SEK 254 thousand (SEK 66 thousand in 2012 and SEK nil in 2011). The Group's interest expenses in 2013 include SEK nil (SEK 529,256 thousand in 2012 and SEK 96,178 thousand in 2011) of interest paid to the parent company. All intragroup transactions are on an arm's length basis.

Group management and a limited number of other senior managers have invested in shares of the Swedish parent Company NorCell Sweden Holding 1 AB. A total of some 30 senior managers hold investments in the form of ordinary shares (class A and B shares) and preference shares in the Company. At present, these senior managers hold approximately 1% of the number of class A and B shares and approximately 1% of the preference shares.

The Company's administrative expenses include monitoring fee of SEK 1,290 thousand (SEK 1,300 thousand in 2012 and SEK 336 thousand in 2011).

Note 30 Subsidiaries in the Group

Specification of the Parent Company's Direct and Indirect Holdings of Participations in Subsidiaries, Dec 31, 2013

Subsidiaries/Corporate ID No./Registered office	No. of Participations	Holding %	Dec 31, 2013 Carrying Value
NorCell 1B AB (publ), 556863-3472, Stockholm	600,000	100	1,342,037
NorCell Sweden Holding 2 AB (publ), 556859-4187, Stockholm	600,000	100	—
NorCell Sweden Holding 3 AB (publ), 556859-4195, Stockholm	600,000	100	—
Com Hem Holding AB, 556689-2104, Stockholm	7,286,446	100	—
Com Hem AB, 556181-8724, Stockholm	50,000	100	—
iTUX Communication AB, 556699-4843, Stockholm	100,000	100	—
Com Hem Acquisition, 556940-1788, Stockholm	500	100	—
Total			**1,342,037**

In December 2013, Örnsat, Örnsköldsviks Satellit och Kabel-TV AB (Corp. ID no. 556422-9440) was merged with its fellow subsidiary Com Hem Acquisition AB (Corp. ID no. 556940-1788).

Note 31 Subsequent Events

Com Hem is continuing to focus on the business market and introduced a new broadband service, Bredband Pro, for larger businesses in January. This means that speeds up to 500 Mbit/s with upstream speeds of up to 50 Mbit/s are now available to all businesses in Com Hem's network. The service can be offered to the 180,000 or so businesses located in properties connected to Com Hem's network. Since Com Hem's initiative for business customers was introduced, the main focus has been on smaller businesses. The offering has now been increased to include higher broadband speeds, which means that Com Hem's offering will now also target larger business customers. The business services offering will be expanded gradually and the acquisition of Phonera Företag AB on March 31, 2014 (for more information, see note 3) increases the possibility of collaborations that could offer more attractive services to Com Hem's customers.

At the beginning of May 2014, Com Hem will be opening a new customer service center in Sundsvall in northern Sweden. Com Hem's customer service function currently employs some 700 employees in offices in Härnösand and Örnsköldsvik in the northern part of Sweden.

In February 2014, Com Hem announced the appointment of Anders Nilsson as Chief Executive Officer at Com Hem. Anders Nilsson started his assignment in April 2014, replacing former Chief Executive Officer, Tomas Franzén. Jon James has been appointed as the Company's Chief Operating Officer.

Note 32 Parent Company—Corporate Information

NorCell Sweden Holding 1 AB is a Swedish registered limited Company, (Corp. ID no. 556858-6613) with its registered office in Stockholm, Sweden. The address of the head office is Fleminggatan 18, 104 20 Stockholm, Sweden.

NorCell Sweden Holding 1 AB is a wholly owned subsidiary of NorCell S.à.r.l (Corp. ID no. B162416) with its registered office in Luxembourg. The Consolidated Accounts are available at NorCell Sweden Holding 1 AB's head office at Fleminggatan 18, 104 20 Stockholm, Sweden.

The accounts of NorCell Sweden Holding 1 AB's parent Company, NorCell S.à.r.l. (Corp. ID no. B162416), with registered office in Luxembourg, are available at the head office of NorCell S.à.r.l., Avenue de la Porte-Neuve L −2227 Luxembourg.

Note 33 Earnings per Share

SEK	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Basic	(18)	(44)	(49)
Diluted	(18)	(44)	(49)

The above computation of earnings per share is based on profit or loss and the number of shares as stated below. The Company has no outstanding option plans or other instruments with potential dilutive effect.

Basic and Diluted Earnings per Share

Basic and diluted earnings per share are measured based on the net profit or loss for the year attributable to equity holders of the parent and the weighted average number of outstanding shares.

SEK in thousand	Jan 1 – Dec 31 2013	Jan 1 – Dec 31 2012	Jul 5 – Dec 31 2011
Net profit or loss attributable to equity holders of the parent	(771,390)	(596,645)	(661,218)
Average number of outstanding shares	42,172,125	13,414,662	13,414,662

NORDIC CABLE ACQUISITION COMPANY SUB-HOLDING AB

Unaudited Interim Consolidated Financial Statements
as of and for the nine months ended September 30, 2011 and 2010

Unless otherwise stated, all amounts are rounded to the nearest thousand.

Independent Auditors' Report on Review of Interim Financial Statements

To the Board of Directors
Nordic Cable Acquisition Company Sub-Holding AB

Introduction

We have reviewed the accompanying consolidated balance sheet of Nordic Cable Acquisition Company Sub-Holding AB and subsidiaries ("the Group") as at 30 September 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Stockholm, 24 October 2011

KPMG AB

Thomas Thiel
Authorized public accountant

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK in thousand	Note	Jan 1 – Sep 30 2011	Jan 1 – Sep 30 2010
Revenue	2	3,367,845	3,210,841
Cost of sales and services	3	(1,756,752)	(1,803,268)
Gross profit		**1,611,093**	**1,407,573**
Selling expenses	3	(690,566)	(737,999)
Administrative expenses	3	(250,393)	(239,898)
Other operating income		6,433	7,548
Other operating expenses		(3,770)	(3,767)
Operating income		**672,796**	**433,458**
Financial income and expenses			
Financial income		12,027	74,629
Financial expenses	4	(424,583)	(342,613)
Net finance costs		**(412,556)**	**(267,984)**
Profit after financial items		**260,240**	**165,474**
Income taxes	5	(68,443)	(43,520)
Net profit for the period		**191,797**	**121,954**
Earnings per share			
Basic (SEK)		26,32	16,74
Diluted (SEK)		26,32	16,74

Consolidated Statement of Comprehensive Income

SEK in thousand	Jan 1 – Sep 30 2011	Jan 1 – Sep 30 2010
Net profit for the period	191,797	121,954
Other comprehensive income	—	—
Other comprehensive income for the period, net of tax	**—**	**—**
Comprehensive income for the period	**191,797**	**121,954**

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CONSOLIDATED BALANCE SHEET

SEK in thousand	Note	Sep 30, 2011	Sep 30, 2010
ASSETS			
Non-current assets			
Intangible assets		12,233,534	12,413,435
of which goodwill		*10,967,365*	*10,967,365*
Property, plant and equipment	6	1,428,516	1,659,274
Financial non-current assets		13,419	2,364
Deferred tax asset		91,815	59,107
Total non-current assets		**13,767,284**	**14,134,180**
Current assets			
Inventories		30,827	29,452
Trade receivables		106,707	125,599
Prepaid expenses and accrued income		139,300	154,773
Other receivables		19,919	14,650
Cash and cash equivalents	8	386,849	792,323
Total current assets		**683,602**	**1,116,797**
TOTAL ASSETS		**14,450,886**	**15,250,977**
EQUITY AND LIABILITIES			
Equity			
Share capital		232	232
Other paid in-capital		8,128,356	7,501,055
Retained earnings incl. Net profit for the period		(2,052,005)	(1,801,201)
Total equity	8	**6,076,583**	**5,700,086**
Non-current liabilities			
Non-current interest-bearing liabilities	8	6,637,968	7,114,767
Other non-current liabilities		—	2,243
Pension provisions		49,383	45,025
Other provisions		9,272	11,371
Total non-current liabilities		**6,696,623**	**7,173,406**
Current liabilities			
Current interest-bearing liabilities	8	270,588	965,191
Trade payables		318,018	314,273
Other current liabilities		107,087	111,701
Accrued expenses and deferred income		981,987	986,320
Total current liabilities		**1,677,680**	**2,377,485**
Total liabilities		**8,374,303**	**9,550,891**
TOTAL EQUITY AND LIABILITIES		**14,450,886**	**15,250,977**

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to Equity Holders of the Parent

SEK in thousand	Share capital	Other Paid-in Capital	Retained Earnings incl. Net Profit for the Period	Total Equity
Opening equity as of Jan 1, 2011	**232**	**8,128,356**	**(2,243,803)**	**5,884,785**
Comprehensive income for the period		—	191,797	191,797
Closing equity as of Sep 30, 2011	**232**	**8,128,356**	**(2,052,005)**	**6,076,583**
Opening equity as of Jan 1, 2010	**232**	**7,501,055**	**(1,923,155)**	**5,578,132**
Comprehensive income for the period		—	121,954	121,954
Closing equity as of Sep 30, 2010	**232**	**7,501,055**	**(1,801,201)**	**5,700,086**

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK in thousand	Note	Jan 1 – Sep 30 2011	Jan 1 – Sep 30 2010
Operating activities			
Profit after financial items		260,240	165,474
Adjustment for items not included in cash flow, etc		930,192	807,747
Paid (−)/received (+) income tax		—	—
Cash flow from operating activities before changes in working capital		**1,190,432**	**973,221**
Changes in working capital			
Increase (−)/decrease (+) in inventories		(1,524)	(5,132)
Increase (−)/decrease (+) in operating receivables		60,959	9,119
Increase (+)/decrease (−) in operating liabilities		(52,473)	6,969
Cash flow from operating activities		**1,197,394**	**984,177**
Investing activities			
Acquisition of intangible assets		(152,260)	(57,264)
Acquisition of property, plant and equipment		(186,569)	(242,663)
Investments in financial assets		(10,801)	(844)
Cash flow from investing activities		**(349,630)**	**(300,771)**
Financing activities			
Borrowings	8	6,709,048	—
Repayment of borrowings	8	(7,966,625)	(817,824)
Payment of arrangement fees	8	(47,553)	—
Cash flow from financing activities		**(1,305,130)**	**(817,824)**
Net change in cash and cash equivalents		**(457,366)**	**(134,418)**
Cash and cash equivalents at beginning of period		**844,215**	**926 741**
Cash and cash equivalents at end of period		**386,849**	**792,323**

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Unless otherwise stated, all comparisons of financial and operating statistics are to the first nine months of 2010.

Note 1 Basis of Preparation

The Group's interim consolidated financial statements as of and for the first nine months ended September 30, 2011, have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. This report for the consolidated accounts has been prepared in accordance with IAS 34 Interim Financial Reporting.

The new or amended IFRSs and IFRIC interpretations, which became effective January 1, 2011, have had no material effect on the consolidated financial statements. In all other respects, the Group has presented its interim consolidated financial statements in accordance with the accounting principles and calculation methods used in the Annual Report for 2010.

These consolidated financial statements have been approved for issuance by the Board of Directors and the Chief Executive Officer on October 24, 2011.

Note 2 Revenue

Total revenue increased by 4.9% to SEK 3,367,845 thousand in the period ended September 30, 2011, compared to SEK 3,210,841 thousand in the period ended September 30, 2010.

Revenue by Service

SEK in thousand	Jan 1 – Sep 30 2011	% change	Jan 1 – Sep 30 2010
Pay Television	1,248,352	11.2%	1,122,901
High-Speed Broadband	912,836	4.9%	870,571
Fixed-Telephony	425,744	0.6%	423,311
Landlord	663,043	(1.5%)	672,974
Other	117,870	(2.7%)	121,084
Total	**3,367,845**	**4.9%**	**3,210,841**

Pay Television revenue increased by 11.2% to SEK 1,248,352 thousand (SEK 1,122,901 thousand) as customers increasingly demand the Group's pay television service offering. Revenue was positively affected by the increase of card fee, repackaging of the television offer with subsequent price increases, and a full year effect of premium price increases.

High-Speed Broadband services generated revenue of SEK 912,836 thousand (SEK 870,571 thousand), an increase by 4.9%, which was a result from growing demand for increased broadband speeds combined with the growth in the customer base.

Fixed-Telephony revenue increased by 0.6% to SEK 425,744 thousand (SEK 423,311 thousand).

The Group's landlord customers generated revenue of SEK 663,043 thousand (SEK 672,974 thousand), a decrease by 1.5%, which primarily was an effect of renegotiation of contracts, where price is one of the parameters, in order to maintain long-term customer relationships.

Other revenue, including invoicing and late payment reminder fees, were SEK 117,870 thousand (SEK 121,084 thousand).

Note 3 Operating Expenses

The Group's cost of sales and services decreased by 2.6% during the period to SEK 1,756,752 thousand (SEK 1,803,268 thousand). As a percentage of revenue, cost of sales and services decreased from 56.2% to 52.2%, reflecting the relatively fixed nature of costs for network leasing and maintenance. Furthermore, costs for call fees decreased as a result of a new telephony partner.

Selling expenses decreased by 6.4%, from SEK 737,999 thousand to SEK 690,566 thousand. As a percentage of revenue, selling expenses decreased from 23.0% to 20.5%. The decrease was primarily due to the fact that from June 2010, we have reported the portion of sales commissions that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS. Also, cost for Customer Service decreased as a result of fewer incoming calls and lower average handling time per call.

The Group's administrative expenses increased by 4.4% to SEK 250,393 thousand (SEK 239,898 thousand). As a percentage of revenue, administrative expenses decreased from 7.5% to 7.4%. The amounts for 2011 were affected by financial and legal advisory expenses in relation to the sale of the Group to BC Partners Limited and the amounts for 2010 were affected by non-recurring costs for redundancy payments as a result of a restructuring program.

Note 4 Financial Expenses

Due to the change in ownership, as described in note 9, the previous credit facilities were repaid on September 29, 2011. The repayment resulted in the related capitalized borrowing costs totaling SEK 94,396 thousand being expensed, which was the primary reason for the increase in financial expenses in 2011 compared to 2010.

Note 5 Income Taxes

Income taxes were SEK 68,443 thousand in the first three quarters of 2011 (SEK 43,520 thousand). The increased tax expense was an effect of the increase in earnings before tax.

Note 6 Capital Expenditures

Capital expenditures for the first nine months of 2011 were SEK 406,705 thousand, or 12.1% of revenue, which can be compared to SEK 357,901 thousand, or 11.1% of revenue, for the same period in 2010. Of the total amount, SEK 254,445 thousand (SEK 300,637 thousand) relates to investments in tangible assets and SEK 152,260 thousand (SEK 57,264 thousand) relates to investments in intangible assets.

The increase in investments in intangible assets was primarily due to the fact that from June 2010 we have reported the portion of sales commissions that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS as described in the annual report 2010. Similarly, as a result of the enhancement of our support systems, we have from January 2011 also reported the portion of retail subsidies paid in cash that can be associated with individual subscriber agreements as intangible assets.

Note 7 Business Combinations

On June 20, 2011, we announced our acquisition of Canal Digital Kabel-TV AB ("CDK") from Canal Digital Sweden AB for SEK 85 million. CDK provides HFC cable and broadband (IPTV) based television services to approximately 220,000 households in Sweden. We intend to divest the IPTV-based portion of CDK's operations, which as of June 20, 2011 had approximately 22,000 active customers, and expect to divest certain other portions of CDK's operations. Following the divestments, we expect that the transaction, which remains subject to regulatory approvals, will give us the possibility to expand our network footprint by approximately 142,000 households, including approximately 30,000 digital television subscribers. Consistent with our strategy, we continue to evaluate further acquisition opportunities.

Note 8 Liquidity and Financial Position

The repayment of borrowings in the amount of SEK 7,296,213 thousand on September 29, 2011 was financed through new credit facilities from banks and shareholder loans from the new parent company in a total aggregate amount of SEK 6,709,048 thousand as well as own cash. We paid arrangement fees related to the new credit facilities in the amount of SEK 47,553 thousand, which will be amortized over the credit term of six years. Ordinary repayment of borrowings and finance lease facilities in 2011 amounted to SEK 606,000 thousand (SEK 810,000 thousand) and SEK 64,412 thousand (SEK 7,824 thousand) respectively.

As of September 30, 2011, the Group had SEK 386,849 thousand in cash and cash equivalents (SEK 792,323 thousand). The decrease was primarily related to the repayment of borrowings as described above. The net debt, net of arrangement fees, was SEK 6,524,578 thousand at the end of the period (SEK 7,287,635 thousand). The net debt/equity ratio was 1.1x as of September 30, 2011 (1.3x).

Note 9 Related Parties

On September 29, 2011 NorCell Sweden Holding 3 AB (publ) acquired all of the capital stock and voting rights of Nordic Cable Acquisition Company Sub-Holding AB pursuant to an acquisition agreement entered into on July 21,2011 between NorCell Sweden Holding 3 AB (publ), an entity ultimately beneficially owned by funds advised by BC Partners Limited, and Nordic Cable Acquisition Company Holding AB.

Due to the change in ownership the previous credit facilities were repaid and replaced by credit facilities with banks and shareholder loans from NorCell Sweden Holding 3 AB (publ).

Note 10 Risks and Uncertainty Factors

The Group's operations are influenced by a number of exogenous factors. The risk factors considered to be most important to the Group's future progress are, but may not be limited to, operating risks, such as increased competition, the ability to attract and retain customers, mobile telephony replacing fixed-telephony, altered legislation and regulation of cable TV, broadband and telephony services, technological progress and risks in existing non-current assets, as well as financial risks, such as liquidity risks, interest risks, currency risks and credit risks. For a more detailed description of these risks, see the Group's Annual Report 2010. The Group believes that the risk environment has not materially changed from the one described in the Annual Report 2010.

Note 11 Subsequent Events

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

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