# NorCell Sweden Holding 2 AB (publ)

# Annual Report 2011

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## IMPORTANT INFORMATION

In this annual report (the “Annual Report”), the terms ”we”, ”our”, ”us”, the “Company”, the “Group” and “Com Hem” for the period prior to the consummation of the Acquisition (described in “*Presentation of Financial and Other Information*”*)* refer to either Nordic Cable Acquisition Company Sub-Holding AB or Nordic Cable Acquisition Company Sub-Holding AB and its subsidiaries, as the context requires, and, for the period following the consummation of the Acquisition, NorCell Sweden Holding 2 AB (publ) or NorCell Sweden Holding 2 AB (publ) and its subsidiaries, as the context requires.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report 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 Annual Report, including, without limitation, in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and "*Business*" and include, among other things, statements relating to:

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

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

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

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

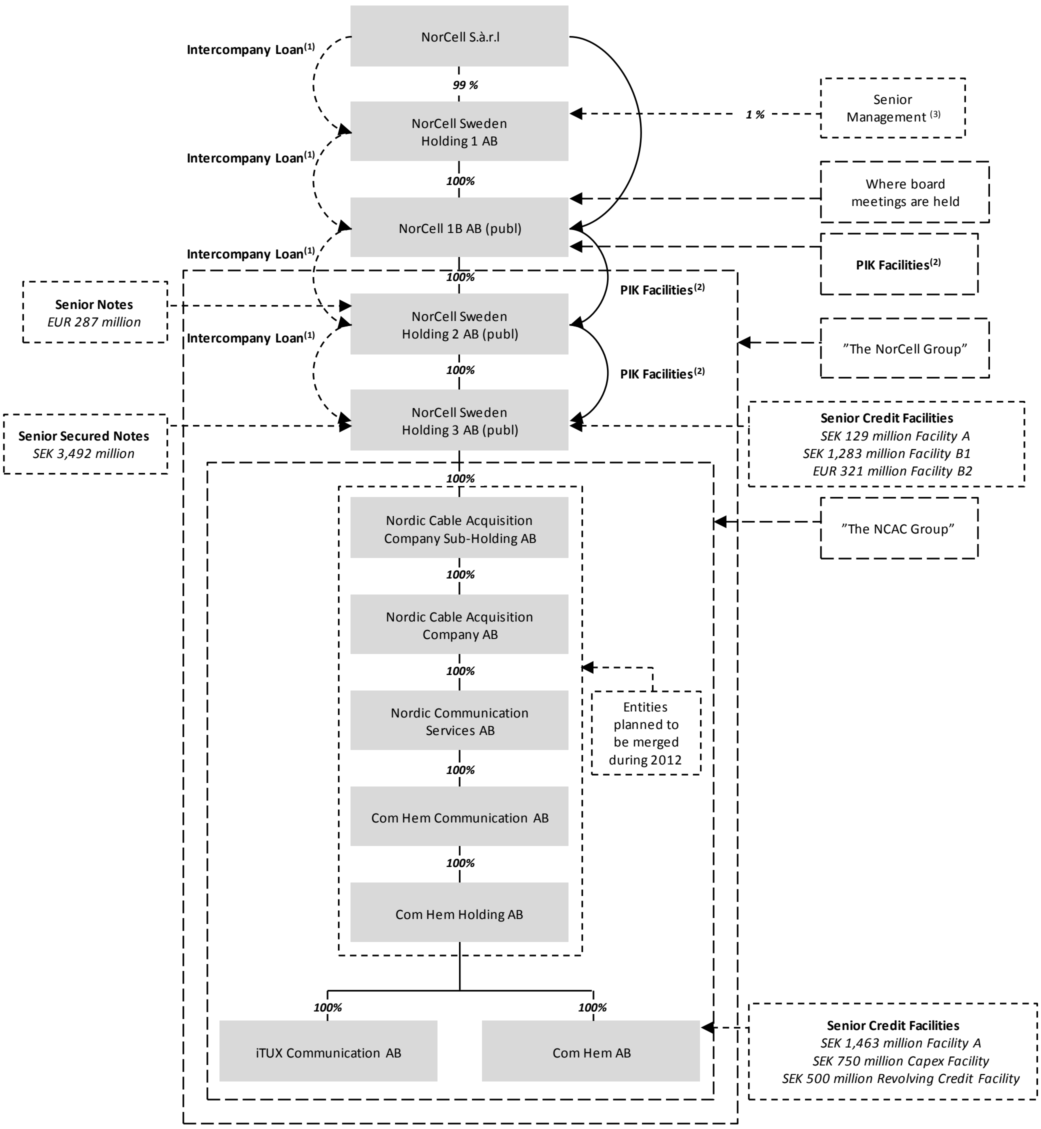
These forward-looking statements speak only as of the date of this Annual Report. Com Hem expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly,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

# PRESENTATION OF FINANCIAL AND OTHER INFORMATION

## Financial Information and Corporate Structure

On July 21, 2011, BC Partners agreed with The Carlyle Group and Providence Equity Partners on acquiring Nordic Cable Acquisition Company Sub-Holding AB and its subsidiaries, (the "NCAC Group") whereby NorCell Sweden Holding 3 AB (publ) ("NorCell 3") acquired 100 percent of the shares of the NCAC Group. The acquisition closed on September 29, 2011 (the "Acquisition").

NorCell Sweden Holding 2 AB (publ) (the "Company", and together with its subsidiaries, the "NorCell Group") is a holding company registered on July 12, 2011 and is engaged in the holding of, and ongoing funding of NorCell 3 and its subsidiaries. The Company holds 100 % of the shares of NorCell 3. The following picture shows a simplified summary of the Group's corporate and principal financing structure as of December 31, 2011. The picture does not include all of the debt obligations of the Group. Please refer to "*Capitalization*" for further information on the Group´s capitalization.




(1) NorCell S.à.r.l contributed with SEK 4,374 million (through an equity contribution of SEK 1,341 million and a subordinated shareholder loan of SEK 3,033 million) to NorCell Sweden Holding 1 AB, which replaced the former Unsecured Bridge financing and was further on-lent as intercompany loans to NorCell Sweden Holding 3 AB (publ). As of November 4, 2011 NorCell Sweden Holding 2 AB (publ) issued Senior Notes of EUR 287 million.

(2) NorCell S.à.r.l is the lender of the PIK facilities, as of December 31, 2011, the PIK Facilities amounted to SEK 1,410 Million.

(3) At present Senior Mangers owns approximately 1% of Class A and B shares and approximately 3% of all outstanding shares.

This Annual Report presents the following financial information:

- The audited consolidated financial statements of the NorCell Group for the period July 12, 2011, to December 31, 2011, including the NCAC Group as from September 29, 2011. These accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and audited by the Company's independent auditors, KPMG AB, as set forth in their audit report included elsewhere herein.
- The audited consolidated financial statements of the NCAC Group as of and for the years ended December 31, 2009 and 2010, which have been prepared in accordance with IFRS as adopted by the European Union and audited by the NCAC Group's independent auditors, KPMG AB, as set forth in their audit report included elsewhere herein.
- The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011, which has been derived from the unaudited management accounts of the NCAC Group for the period January 1, 2011 to September 28, 2011, and from the audited consolidated financial statements of the NorCell Group for the period July 12, 2011 to December 31, 2011. Between July 12, 2011 and September 28, 2011 the NorCell companies were dormant holding companies.
- The selected unaudited pro forma consolidated financial data for the years ended December 31, 2009 and 2010 have been derived from the audited consolidated financial statements of the NCAC Group.

The NorCell Group and the NCAC Group present their financial statements in Swedish kronor. For certain information regarding rates of exchange between Swedish kronor and euros and Swedish kronor and U.S. dollars, see "*Exchange Rate Information*".

The Acquisition, which gave rise to a change of control for IFRS accounting purposes, have been accounted for using the purchase method of accounting. Under IFRS 3 "Business Combinations", the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill.

**Non-IFRS Financial Measures**

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

- The selected unaudited pro forma consolidated financial data for 2009, 2010 and 2011 has been calculated using the full-year amortization based on the present customer relation values that arose in the connection with the Acquisition. In the pro forma calculations carried out, actual amortization of former customer relations value have been deducted from selling expenses in the respective year, and full-year amortization of the current customer relations value have been added to the selling expenses as if the Acquisition was consummated as of January 1, 2009. For reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement, see *"Selected Consolidated Financial, Operating and Other Data".*

- EBITDA is defined as net profit/(loss) for the period before income taxes, net financial items, write-downs, depreciation and amortization ("**EBITDA**"). Depreciation and amortization is recorded under costs 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). For a reconciliation of Pro Forma Operating Income to EBITDA, see *"Selected Consolidated Financial, Operating and Other Data"*.

- Reported Underlying EBITDA is defined as EBITDA before non-recurring costs and operating currency gain/(loss) ("**Reported Underlying EBITDA**"). For a reconciliation of EBITDA to Reported Underlying EBITDA, see "*Selected Consolidated Financial, Operating and Other Data".*

- Adjusted EBITDA is defined as Reported Underlying EBITDA less expenses associated with retail subsidies, which consists of subsidies paid to retailers for the sale of set-top boxes ("STBs"), and sales commissions that can be associated with individual subscriber agreements. In June 2010, Com Hem began capitalizing sales commissions in accordance with IAS 38 ("**Adjusted EBITDA**"). See *"Note 1—Accounting Policies—Intangible Assets—Acquisition Costs for Subscriptions"* to the audited consolidated financial statements as of and for the year ended December 31, 2010, included elsewhere in this Annual Report. Similarly, as a result of the enhancement of our support systems, we have as of January 1, 2011, reported the portion of retail subsidies paid in cash that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS. Prior to this date, these expenses were accounted for as prepaid expenses and expensed over a period of 36 months. Expenses for retail subsidies in the twelve months ended December 31, 2011 relate to retail subsidies paid in prior periods. To facilitate the comparability of the results of operations during the periods under review, the percentage of total sales commissions and retail subsidies that were capitalized in accordance with IAS 38 since June 2010 and January 2011, respectively, has been applied to the results of operations in prior periods, which has allowed us to calculate the effect of such capitalization on a consistent basis and present the uncapitalized cost of retail subsidies and sales commissions. For a reconciliation of Reported Underlying EBITDA to Adjusted EBITDA, see "*Selected Consolidated Financial, Operating and Other Data*".

- EBITDA margin, Reported Underlying EBITDA margin and Adjusted EBITDA margin are calculated as EBITDA, Reported Underlying EBITDA and Adjusted EBITDA, respectively, as a percentage of revenue.

- Pro Forma Adjusted Capital Expenditures is defined as Capital Expenditures plus uncapitalized cost of retail subsidies and sales commissions, please see the definition of Adjusted EBITDA above.

- Pro Forma Adjusted Capital Expenditures ratio is calculated as Pro Forma Adjusted Capital Expenditures as a percentage of revenue.

- Operating free cash flow is calculated as EBITDA 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, plus sales of property, plant and equipment, less acquisition of subsidiaries and related payments ("**Operating free cash flow**"). For a reconciliation of EBITDA to operating free cash flow, see "*Selected Consolidated Financial, Operating and Other Data*".

- 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.

- Adjusted depreciation and amortization consists of actual depreciation and amortization on cost of sales and services, selling expenses and administrative expenses recorded in the income statement in each of the periods, less actual amortization of the former value on customer relations recognized in selling expenses in the respective period, plus pro forma full-year amortization on current customer relation values that arose in connection with the Acquisition.

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

These non-IFRS measures have been presented in this Annual Report because they are considered to be important supplemental measures of Com Hem's 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 Group 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 Annual Report may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

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

**Certain Terms Used**
For definitions of certain terms used in the Annual Report as well as a glossary of other terms used in this Annual Report, see "*Definitions and Glossary*".

**Trademarks and Trade Names**
Com Hem owns or has rights to certain trademarks or trade names that are being used in conjunction with the operation of the businesses. Each trademark, trade name or service mark of any other company appearing in this Annual Report is the property of its respective holder.

**Currency Presentation**
In this Annual Report, unless otherwise indicated, all references to "krona", "kronor" and "SEK" are to the lawful currency of the Kingdom of Sweden, and all references to "euro", "euros", "EUR" and "€" are to the single currency of the Member States of the European Union participating in the European Monetary Union, and all references to "U.S. dollar", "U.S. dollars", "USD" and "$" are to the United States dollar, the currency of the United States of America.

**Exchange Rate Information**
The following table sets forth, for the periods indicated, certain information concerning the exchange rate for SEK based on the mid-rate quoted by the Swedish Central Bank (Sw. *Sveriges Riksbank*) expressed in SEK per €1.00 (rounded to three decimal places). The average monthly 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 SEK have been, could have been, or could be converted into these currencies, or vice versa, at the mid-rate or at any other rate. As of December 31, 2011, the mid-rate was SEK 8.945 per €1.00.

| | SEK per €1.00 | | | |
|---|---|---|---|---|
| **Year** | **Period end** | **Average** | **High** | **Low** |
| 2009 | 10.353 | 10.621 | 11.647 | 10.057 |
| 2010 | 9.002 | 9.541 | 10.274 | 8.963 |
| 2011 | 8.945 | 9.034 | 9.301 | 8.710 |

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for SEK based on the mid-rate quoted by the Swedish Central Bank (Sw. *Sveriges Riksbank*) expressed in SEK per $1.00 (rounded to three decimal places). The average monthly rate is the average of the daily mid-rates from January 1 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 SEK have been, could have been, or could be converted into these currencies, or vice versa, at the mid-rate or at any other rate. As of December 31, 2011, the mid-rate was SEK 6.923 per $1.00.

| | SEK per $1.00 | | | |
|---|---|---|---|---|
| **Year** | **Period end** | **Average** | **High** | **Low** |
| 2009 | 7.213 | 7.646 | 9.220 | 6.773 |
| 2010 | 6.803 | 7.205 | 8.065 | 6.533 |
| 2011 | 6.923 | 6.497 | 6.976 | 6.005 |

The rates in each of the foregoing tables may differ from the actual rates used in the preparation of the consolidated financial statement and other information appearing in this Annual Report. These exchange rates are provided solely for the convenience of investors and potential investors. The rates should not be constructed as a representation that SEK amounts could have been, or could be, converted into euro or U.S. dollars at the rates set forth herein or at any other rate.

# RISK FACTORS

*The occurrence of any of the events discussed below could materially adversely affect Com Hem's business, financial condition and results of operations. The risks described below are not the only ones Com Hem believes the business is exposed to. Additional risks that are not currently known to the Group, or that the Group currently, based on a regular risk assessment, consider to be immaterial, could significantly impair Com Hem's business activities and have a material adverse effect on the Group's business, financial condition and results of operations.*

## Risks Relating to Com Hem's Industry

***Com Hem operates in competitive industries and competitive pressures could have a material adverse effect on the Group's business.***

Com Hem faces significant competition in each of the industries in which the Group operates. Market participants include local, national and international competitors, and both established companies and new market entrants. Com Hem also faces competition from companies offering new products and services within each of the market segments in which the Group operates and/or from companies offering services via new technological or service platforms. In some instances, Com Hem competes against companies with greater size, easier access to financing, more comprehensive product offerings, greater financial, technical, marketing and personnel resources, larger subscriber bases, enhanced brand recognition or longer-established relationships with regulatory authorities, contract 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 Com Hem does. Public subsidies for the build-out of broadband networks also constitutes a threat to Com Hem's business, since competition in these cases may not take place on equal terms.

Com Hem's products and services are primarily delivered through our upgraded hybrid-fiber-coaxial ("**HFC**") cable network. Some of our competitors use different platforms to deliver products and services that compete with ours. 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 products and services within our cable platform, pose a threat to our competitive standing in the future.

Com Hem faces competition from fiber-based local area network ("**LAN**") and copper-based digital subscriber line ("**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 products and 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. The Group depends on the ability to maintain customer relationships with our existing landlord customers and strive to obtain new landlords as customers.

The specific nature and level of the competition Com Hem faces varies for each of the products and services being offered and new products and services are constantly being developed by Com Hem's competitors. Although the Group seeks to differentiate the services from competitors' services by focusing on providing user-friendly communication and entertainment services tailored to individual subscribers' needs, Com Hem may not be successful in delivering competitive products and services. The position in the market may be weakened if Com Hem is unable to successfully improve existing products and services and/or develop attractive new product and service offerings. In addition, competition may intensify if certain of the competitors are willing to accept lower profit margins than Com Hem is willing to accept or spend more capital to obtain or retain subscribers than Com Hem is willing to spend. If Com Hem is unsuccessful in responding to competitive pressures, the Group may lose landlord contracts, suffer a significant decline in the number of unique subscribers and/or a sustained reduction in revenue or margins, which could have a material adverse effect on Com Hem's business, financial condition and results of operations.

Com Hem is selling its television, high-speed broadband and fixed-telephony services as part of bundles. Many of the competitors, including TeliaSonera, Bredbandsbolaget and Tele2, also offer bundled services. Several of their bundles include, in addition to triple-play, mobile phone service as a part of quad-play bundle, which we do not currently offer. 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.

***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 products and services in recent years to remain competitive. Competitive price pressure in the digital television, high-speed broadband and fixed-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 contract terms and low barriers to changing providers require that we adapt our prices, services and discount policies in order to preserve the attractiveness of our products and services, and we may be unable to compensate for any resulting decrease in ARPU by selling additional higher-priced products, 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 cable and telecommunications services, in particular for digital television and bundled services.***

Our primary focus has been on convincing tenants using analog cable television services to upgrade to our digital services and to add additional products to their subscriptions. Our growth and profitability depend on a continued increase in demand for digital cable and telecommunications products in the coming years. If demand for analog cable, digital cable and telecommunications products does not increase as expected, 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. While Com Hem has not experienced this in the past, 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 products they subscribe for and their usage levels of our products, in particular our premium digital 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 could have a material adverse effect on our business, financial condition and results of operations.

## Risks Relating to Com Hem's Business

***We may not be able to successfully introduce new or modified services or respond to technological developments.***

To remain competitive, we must continue to launch new services and increase and improve the functionality, availability and features of our existing product and 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 products and services or upgrading of existing products and 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 VoIP, expanding alternative distribution platforms such as fiber LANs, alternative service platforms such as Internet-based video on-demand, expanding business models such as the Open Network Model, as well as geographical expansion and new revenue models introduced by our competitors. It is difficult to predict the impact of technical innovations and changes in business models on our business. We may be unable to successfully integrate new technologies or adapt our product and service offering to benefit from new or existing technologies within an appropriate timeframe. Moreover, we may fail to adopt new business models, either in a timely manner or at all. Any such inability or failure could have a material adverse effect on our business, financial condition and results of operations.

Costs associated with future product 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.

***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 relationship with the 1.74 million end-users connected to our network as of December 31, 2011. 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.

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 subscribers who stop subscribing for one or more of our products or services. While our existing HFC cable network, which we use for providing our services to our end-users, is upgraded and 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 if we 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.

***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 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. 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 revenues.

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 secure commercially favorable contract terms.

One of our key strategies has been to actively promote the migration of our subscribers from analog cable to digital cable, which enables us to sell additional digital services, such as video-on-demand ("**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 and 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 only produce our own content to a limited extent and are therefore dependent upon broadcasters and content providers for programming.

We currently license certain digital programs for our pay 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 high-definition ("**HD**") content are, however, already held by competing distributors and, to the extent such competitors obtain content on an exclusive basis, our ability to obtain certain content could be limited. Further, as we continue to develop our VoD and other interactive services, our ability to source content for our free VoD, subscription VoD and transaction VoD offerings 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.

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 revenues 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 or we may experience unexpected material depreciation or impairment costs, 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 Internet 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 pay television packages. We have entered into an agreement with 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.
Even though we require our conditional access system providers to provide state-of-the-art security for the conditional access systems, the security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our STBs 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 television signals. While we work diligently to reduce the effect of piracy, and work closely with both private investigators and police to investigate and ultimately prosecute persons illegally obtaining access to our television signals, there can be no assurances that we will be able to successfully eliminate the piracy we currently face. 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

basic cable 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 television network and high-speed broadband 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, including parts of our subscriber services, 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 may create technical problems, damage our reputation, result in the loss of unique 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 products and 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 products and 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 products and 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 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. We have, for example, in the past experienced malfunctioning back-up systems, which had the effect of disrupting our supply of services to many of our subscribers for several hours and led to an inquiry by the PTS, increased customer service call volumes and negative publicity. In addition, unforeseen problems may 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 products and 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 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 adversely affect our ability to provide services to our subscribers or the quality of our services, which could result in subscriber dissatisfaction and regulatory penalties, and could adversely affect 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 products or 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 adversely impact our market share, business, financial condition and 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. Although we take precautions to protect subscriber data in accordance with the applicable Swedish privacy requirements, we may fail to do so 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. Our future success will also depend on our continued ability to attract and retain highly skilled and qualified personnel. The inability to attract such 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 60% 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, 2010, to March 31, 2012, 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. While we believe that we have positive relationships with our employees and the trade unions, 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 negatively affect on our business. 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 potential infringement of trademarks or similar rights of prior holders, 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 product offerings or otherwise. The use of the name “Com Hem” for our platform 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 and results of operations. The process of integrating an acquired company, network, business or technology or information technology system may 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, Management could be required to invest significant time into such acquisitions and the resulting integration activities, and 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 revenues, which could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to the risk of subscriber migration from fixed to mobile telephony and from fixed to mobile broadband services.***
While the number of our fixed-line telephony subscribers has increased during the last three years, the subscriber base for fixed-line telephony throughout Sweden has generally been decreasing due to the migration of unique subscribers to mobile technology as mobile prices have decreased. We risk losing fixed-line telephony subscribers and revenues, and the rate of subscriber migration may increase. We may be unable to continue increasing our fixed-line telephony subscriber base and may experience subscriber migration in the future, which may adversely affect 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 product 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 product 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 broadband market is in the process of upgrading to a mobile 4G platform, which offer subscribers substantially increased speeds compared to the mobile 3G platform. 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. If we are unable to increase our mobile broadband market share, this could have an adverse effect on our business, financial condition and 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 television, high-speed broadband and fixed-telephony industries in Sweden are subject to regulation 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 revenues. Also, any acquisition, merger or corporate restructuring may increase the level of regulation and supervision by regulatory bodies. 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;
- rules and requirements on licensing and notification;
- rules 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;
- rules and regulations blocking certain types of content in our capacity as an Internet access provider;
- rules and regulations regarding significant market power and access regulation;
- 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; and
- 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.

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. The existing Swedish government has traditionally been more deregulation friendly than the opposition, and accordingly 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 may be subject to regulation by the Swedish Competition Authority (the "**SCA**"). According to general competition law, the SCA may initiate an ex-post regulation procedure and may instruct us to cease applying contractual terms and fees that the SCA finds abusive. In addition, the District Court of Stockholm (Sw. *Stockholms tingsrätt*) may, upon a claim initiated by SCA, impose on us a competition distortion fine (Sw. *Konkurrensskadeavgift*).

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 Swedish Post and Telecom Authority (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 may charge for call termination/origination. The cost for call termination is calculated according the LRIC-model (long run incremental cost, or LRIC, model) produced and updated each year by the PTS.

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. 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 revenues, 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 copyrights fees for the transmission of content on these channels may increase.***

We must, free of charge, broadcast five "must-carry" channels (public service channels). 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, we are statutorily required to broadcast five must-carry channels and content providers do not pay the copyright fees required for the transmission of these must-carry channels. Instead, we are obliged to acquire the relevant licenses and pay the copyright fees to rights holders for the transmission 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.

***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 products and 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.

***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 recently allocated licenses in the 790-862 MHz-band and it can be expected that these frequencies will be used for LTE data services, 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, interior design, etc., 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 and European 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.

The World Radio Communication ("WRC") Conference 2012 has of February 17, 2012 adopted a resolution supporting an 'extended digital dividend' at 700 MHz, with technical conditions to be agreed on at the next WRC conference 2015. This would open up for national regulators to potentially make additional frequencies available for mobile services following a potential 2015 decision.

***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. While it is at this stage uncertain whether such legislation or other legal initiatives will in fact come into place and, if so, the likely time frame for this, should it come into place, it 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 conditions or results of operations.

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

In the PTS's current 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 concluded that cable networks should not be considered 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 concluded that the geographic markets are nationwide. The PTS is expected to renew its analysis of Market 4 and Market 5 in 2013. This renewed analysis will be based on the same methodology as the one currently applied, taking changes in market conditions into account.

In the PTS's market analysis of the market for broadcasting transmission services to deliver broadcast content to subscribers on the wholesale level ("**Former Market 18**"), the PTS has concluded that Teracom AB has significant market power. In connection with this decision, the PTS 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.

The PTS is expected to renew its analysis of Former Market 18 in late 2012. The PTS is expected to concurrently renew its analysis of the market for television distribution over cable, SMATV, fiber LAN and xDSL. The renewed analysis as well as the specific analysis of wire-based television distribution will be based on the same methodology as the one used in 2010, taking changes in market conditions into account.

There can be no assurances that we will not be required to grant third-party access and apply regulated prices, which could have a material adverse effect on our business, financial conditions or 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 products.***

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 conditions or 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 December 31, 2011, we had approximately SEK 12,049 million nominal value of financial indebtedness outstanding, of which SEK 5,753 million equivalent is indebtedness under the Senior Credit Facilities, SEK 3,492 million is indebtedness under the Senior Secured Notes, SEK 2,575 million equivalent is indebtedness under the Senior Notes and SEK 274 million indebtedness under our Leasing Facilities. In addition, we have access to a SEK 500 million Revolving Credit Facility, of which Com Hem AB has used SEK 15 million on December 31, 2011, and a SEK 750 million Capex Facility, which is undrawn. We anticipate that our high leverage will continue for the foreseeable future. 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 the Senior Credit Facilities, the 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. In addition, the loans under our Senior Credit Facilities bear interest at floating rates based on STIBOR or EURIBOR, as adjusted periodically, plus a spread and any mandatory cost. As a result, an increase in market interest rates could increase our interest expense, which would exacerbate the risks associated with our capital structure and would have an adverse effect on our financial condition. As of December 31, 2011, we had 2/3 of amounts outstanding under the Term Facilities under the Senior Credit Facilities hedged for a period of three years from closing in accordance with the requirements under the Senior Facilities Agreement. Although we have manage our exposure to movements in interest rates in line with the terms of the Senior Facilities Agreement, 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.

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

Certain of our indebtedness are denominated in euro. As of December 31, 2011, euro denominated indebtedness amounted to EUR 608 million. In line with our Treasury policy, we presently hedge our exposure to euro denominated indebtedness into SEK so that interest payments are made in SEK and to limit our exposure to foreign currency exchange risk. As of December 31, 2011, 100% of the interest payments were hedged, while only EUR 226 million of the nominal loan amounts was hedged leaving the group with a translation exposure of EUR 382 million. In the event of SEK declining in value versus EUR, the conversion of unhedged euro denominated indebtedness into SEK will adversely affect our financial results. In the future, if we incur additional debt denominated in other currencies, we expect to continue with our policy to mitigate currency risk. 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. For further information see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedne*ss".

***We 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 depends 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 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 Senior Credit Facilities, 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.

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

The Senior Secured Notes Indenture, the Senior Notes Indenture and the Senior Facilities Agreement each contains 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 Senior Credit Facilities. In particular, the Senior Credit Facilities require us to maintain specified financial ratios and satisfy certain financial condition tests. For further information see ''*Description of Certain Financing Arrangements – Senior Facilities Agreement".* Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under our Senior Credit Facilities. Upon the occurrence of any event of default under the Senior Credit 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 Senior Credit 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 Senior Credit Facilities, accelerate the payment of those amounts, we cannot assure note holders 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 and to make payments to enable us to repay the Senior Secured Notes or the Senior Notes, in full or in part. 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 on certain intragroup loans.***

Sweden implemented new rules limiting the deductibility of certain intragroup interest expenses on January 1, 2009. Due to the new rules, certain of our intra-group loans were repaid in September 2009. As interest had accrued on the repaid loans during the period January to September 2009 (approximately SEK 225 million), the group companies in question made deductions for interest in the tax return even though there was a risk that the Swedish Tax Agency (Sw. *Skatteverket*) (the ''**Swedish Tax Agency**'') may deny the deductions. Hence, to avoid penalties the deduction was disclosed in the tax returns. Further, the relevant companies have set aside tax loss carry forwards in an amount sufficient to offset the current tax impact of any disallowed interest deductions on the repaid loans (approximately SEK 225 million). However, as described herein, changes in Swedish tax laws may restrict the use of those tax loss carry forwards. In light of this and the Swedish Tax Agency's focus on interest deductions in private equity owned companies, the Swedish Tax Agency has sent questions to us regarding the intra-group loans. No decision has yet been made by the Swedish Tax Agency. However, should changes in Swedish tax laws or other decisions by the Swedish Tax Agency restrict the use of our tax loss carry forwards, our overdue tax burden may increase. In March 2012 the Swedish government submitted a proposal including further limitations on deductibility of intragroup interest expenses. The amendments are proposed to be effective from January 1, 2013.

***Changes in Swedish tax law may result in a cancellation of tax loss carry forwards and current losses or otherwise increase our tax burden.***

The NorCell Group had tax losses carry forwards amounting to SEK 1,363 million (including the SEK 225 million in tax loss carry forwards discussed above) as of December 31, 2011, for which the major part, SEK 1,124 million, a deferred tax asset has been recognized. Changes in Swedish tax law may restrict the use of the tax loss carry forwards or result in a cancellation of such tax loss carry forwards. The tax losses may also be restricted or cancelled as a result of a future change of control (of more than 50% of the shares) of the Com Hem group. We can provide no assurances that further transactions will not affect our tax loss carry forwards. Changes in Swedish tax law may also otherwise increase the overall tax burden.

***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 for current and subsequent years may result in a reduction of our tax loss carry forwards or in additional taxes to be paid by any company of the Com Hem group, in particular due to the history of several reorganizations and financings, intragroup transfers of tax loss carry forwards, as well as the multi-tier holding structure of the Com Hem group. This would 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 Senior Notes

***The rights to enforce remedies with respect to the collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any senior debt is outstanding.***

The security interests in the collateral securing the Senior Notes and each Senior Notes Guarantee ranks behind the first-priority security interests in such collateral in favor of the creditors under the Senior Credit Facilities, the Senior Secured Notes and in favor of institutions with whom we have entered and may enter into certain hedging arrangements. The Intercreditor Agreement provides that a common security agent shall serve as the Security Agent for the secured parties under our Senior Credit Facilities, the Senior Secured Notes, certain hedging arrangements and the Senior Notes and (subject to certain limited exceptions) acts with respect to such collateral only at the direction of the relevant instructing group until amounts outstanding under the Senior Credit Facilities, the Senior Secured Notes and certain hedging arrangements have been paid in full and discharged. Until the expiration of a standstill period on enforcement of such security on behalf of holders of the Senior Notes, the creditors under the Senior Credit Facilities, the Senior Secured Notes and institutions who are counterparties to certain of our hedging arrangements have (subject to certain limited exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such collateral. As a result, the holders of the Senior Notes are not able to force a sale of such collateral, or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, until the expiration of the applicable standstill period for so long as any amounts under our Senior Credit Facilities, the Senior Secured Notes and certain of our hedging arrangements remain outstanding. While the Intercreditor Agreement includes provisions aimed at ensuring a fair price is received in respect of enforcement action, the creditors under our Senior Credit Facilities, the holders of the Senior Secured Notes and the institutions that are counterparties to certain of our hedging arrangements may have interests that are different from the interests of holders of the Senior Notes, and they may elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Senior Notes to do so. This may affect the ability of holders of the Senior Notes to recover under the collateral if the proceeds from the collateral, after having satisfied obligations under our Senior Credit Facilities, certain of our hedging arrangements and the Senior Secured Notes are less than the aggregate amount outstanding under the Senior Notes.

In addition, if the creditors or the agent under our Senior Credit Facilities, the counterparties to certain hedging arrangements or the holders of the Senior Secured Notes sell the shares of NorCell Sweden Holding 3 AB (publ) or the shares of another Group company through an enforcement of their first-priority security interest, in accordance with the terms of the Intercreditor Agreement, the Senior Notes Guarantees and the liens over the assets securing the Notes may be released.

***The Senior Notes Guarantees are subordinated to the Group’s existing and future senior debt.***

The Senior Notes Guarantees are the senior subordinated obligations of NorCell Sweden Holding 3 AB (publ) or other Guarantors, as applicable, and:

- are ranked *pari passu* in right of payment with any existing and future senior subordinated indebtedness of such Guarantor;
- are subordinated in right of payment to all existing and future senior indebtedness of such Guarantor (including each such Guarantor’s obligations under, or guarantee of obligations under, the Senior Credit Facilities and the Senior Secured Notes);
- are ranked senior in right of payment to any existing and future obligations of such Guarantor that is expressly subordinated to the relevant Senior Notes Guarantee; and
- are effectively subordinated to any existing and future secured indebtedness of such Guarantor, to the extent of the value of the property or assets securing such indebtedness.

In addition, no enforcement action with respect to the Senior Notes Guarantees (or any future guarantee of the Senior Notes, if any) may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to senior debt (provided the Senior Notes Trustee and holders of the Senior Notes will be limited to taking the same action); (ii) with respect to any enforcement action on a Guarantor, an insolvency event has occurred with respect to such Guarantor; (iii) there is a default on the Senior Notes outstanding after a period of 179 days from the date the agent or Senior Secured Notes Trustee with respect to senior debt received written notice of such default or (iv) the Instructing Group has given its consent to the proposed action.

Upon any distribution to the creditors of a Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Guarantor, the holders of senior debt of such Guarantor will be entitled to be paid in full before any payment may be made with respect to the Guarantor's Senior Notes Guarantees. As a result, holders of the Senior Notes may receive less, ratably, than the holders of senior debt of the Guarantors, including the lenders under our Senior Credit Facilities and holders of the Senior Secured Notes, or if the holders of senior debt are not paid in full, may not receive any amount at all.

As of December 31, 2011, the Group had an aggregate principal amount of outstanding financial liabilities that ranked senior to the Senior Notes Guarantees of SEK 9,245 million and up to SEK 1,236 million was available for borrowing under the committed and undrawn portion of the Senior Credit Facilities.

***Claims of the Group's secured creditors have priority over the claims of unsecured creditors with respect to their security, to the extent of the value of the assets securing such indebtedness.***

Claims of the Group's secured creditors have priority over the claims of holders of the Senior Notes with respect to the assets securing their indebtedness. As such, each Senior Notes Guarantee is effectively subordinated to any secured indebtedness and other secured obligations of the relevant Guarantor (including obligations with respect to the Senior Credit Facilities and the Senior Secured Notes) to the extent of the value of the assets securing such indebtedness or other obligations. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of such Guarantor that constitute their collateral. Subject to the limitations referred to under the caption ''*—Risks Relating to Our Structure—The Senior Notes Guarantees and security interest are subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*,'' the holders of the Senior Notes participate ratably with all holders of the unsecured indebtedness of the relevant Guarantor (other than indebtedness to which the Senior Notes Guarantees have been expressly subordinated), and, potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor. In the event that any of the secured indebtedness of the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Notes Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of secured indebtedness of the relevant Guarantor, or if the claims of the secured creditors are not satisfied in full, may not receive any amount at all.

As of December 31, 2011, the Group had an aggregate principal amount of outstanding financial liabilities that ranked senior to the Senior Notes Guarantees of SEK 9,245 million and up to SEK 1,236 million was available for borrowing under the committed and undrawn portion of the Senior Credit Facilities.

***The ability of holders of Senior Notes to recover under the pledge of the shares of NorCell Sweden Holding 3 AB (publ) and other security interests may be limited.***

To secure the obligations under the Senior Notes and the Senior Notes Guarantees, NorCell Sweden Holding 2 AB (publ) granted first-ranking security interests on a second-priority basis in (i) all of the issued share capital of NorCell Sweden Holding 3 AB (publ), and (ii) intercompany loans of NorCell Sweden Holding 2 AB (publ) from NorCell Sweden Holding 3 AB (publ). First-ranking security interests on a first-priority basis in the share capital of NorCell Sweden Holding 3 AB (publ) and the intercompany loans of NorCell Sweden Holding 2 AB (publ) from NorCell Sweden Holding 3 AB (publ) and certain other collateral granted for the benefit of creditors under our Senior Credit Facilities, the Senior Secured Notes and certain hedging arrangements. Holders of the Senior Notes may not be able to recover on the shares or receivables that are pledged or assigned because the creditors under the Senior Credit Facilities and Senior Secured Notes and certain hedging arrangements have a prior claim on all proceeds realized from any enforcement of such pledges and other collateral and any enforcement sale with respect to such collateral. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the amount owed under our Senior Credit Facilities, the Senior Secured Notes and the certain hedging arrangements, any excess amount of such proceeds will be ratably paid to the Senior Notes Trustee on behalf of itself and the registered holder of the Senior Notes for the benefit of the holders of the Senior Notes and any other creditors secured on a *pari passu* basis with the Senior Notes. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Notes, the holders of Senior Notes will not fully recover (if at all) under such collateral. The holders of the Senior Notes will also be required to ratably share any such excess proceeds with any other obligations secured on a *pari passu* basis with the Senior Notes, which may further reduce the amount recovered by the holders of the Senior Notes. In addition, the collateral may not be liquid, and its value to other parties may be less than its value to us. Likewise, we cannot assure you that there will be a market for the pledged shares or other collateral or that, if such market does exist, there will not be substantial delays in their liquidation. The shares of NorCell Sweden Holding 3 AB (publ) may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to NorCell Sweden Holding 3 AB (publ) because all of the obligations of NorCell Sweden Holding 3 AB (publ) (including on the Senior Notes Guarantees) (subject to the release mechanism in the Intercreditor Agreement) must be satisfied prior to distribution to NorCell Sweden Holding 3 AB (publ)'s equity holders. As a result, the creditors secured by a pledge of the shares of NorCell Sweden Holding 3 AB (publ) may not recover anything of value in the case of an enforcement sale. In addition, the value of this collateral may decline over time. Likewise, the other collateral securing the Senior Notes may not be of value to the holders of the Senior Notes.

Pursuant to the Intercreditor Agreement, until the expiration of a standstill period on enforcement of security on behalf of the holders of the Senior Notes, the Senior Notes Trustee, the Security Agent and holders of the Senior Notes will (subject to certain limited exceptions) not be able to instruct a sale of the collateral securing the Senior Notes or otherwise independently pursue the remedies of a secured creditor under the Security Documents relating to such collateral for so long as any amounts under the Senior Credit Facilities, the Senior Secured Notes and certain hedging arrangements remain outstanding. In addition, if the creditors or the agent or the Senior Secured Notes Trustee under the Senior Credit Facilities or the Senior Secured Notes (as applicable) sell NorCell Sweden Holding 3 AB (publ)'s shares through an enforcement of their first-priority security interest in accordance with the Intercreditor Agreement, the second-priority security interest over such shares securing the Senior Notes and the Senior Notes Guarantees will be automatically released.

## Risks Relating to Our Structure

***NorCell Sweden Holding 2 AB (publ) is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Senior Notes.***

NorCell Sweden Holding 2 AB is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. NorCell Sweden Holding 2 AB depends upon the receipt of sufficient funds from subsidiaries to meet its obligations. The Group intends to provide funds to NorCell Sweden Holding 2 AB in order to meet the obligations on the Senior Notes through a combination of dividends and payments in respect of intercompany loans. The obligations under the intercompany loans will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of NorCell Sweden Holding 2 AB (publ), including obligations under, or guarantees of obligations under, the Senior Credit Facilities and the Senior Notes.

If the Group's subsidiaries do not fulfill their obligations under the intercompany loans and do not distribute cash to NorCell Sweden Holding 2 AB (publ) to make scheduled payments on the Senior Notes, NorCell Sweden Holding 2 AB (publ) will not have any other source of funds that would allow it to make payments to the holders of the Senior Notes.

Various agreements governing the Group's debt may restrict and, in some cases, may actually prohibit the ability of these subsidiaries to move cash within the restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of the Group's subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of Com Hem AB to pay dividends to the NorCell Sweden Holding 2 AB (publ) will generally be limited to the amount of distributable reserves available at Com Hem AB.

The inability to transfer cash among entities within the consolidated group may mean that even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in the restricted group to another entity in the restricted group in order to make payments to the entity owing the obligations.

***There are circumstances other than repayment or discharge of the Senior Notes under which the collateral securing the Senior Notes and the Senior Notes Guarantees may be released without the consent of the note holders or the consent of the Trustee.***

Under various circumstances, collateral securing the Senior Notes and the Senior Notes Guarantees will be released automatically, including:

- in connection with any sale or other disposition of the property or assets constituting collateral, if the sale or other disposition does not violate the covenant or other provisions of the Indenture;
- in the case of a Senior Notes Guarantor that is released from its Senior Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and share capital, of such Senior Notes Guarantor;
- if NorCell Sweden Holding 2 AB (publ) designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and share capital, of such subsidiary; and
- in accordance with the Intercreditor Agreement.

Under various circumstances, the Senior Notes Guarantees will be released automatically, including:

- in connection with any sale or other disposition of all or substantially all of the assets of that Senior Notes Guarantor (including by way of merger or consolidation) or the share capital of that Senior Notes Guarantor to a person that is not (either before or after giving effect to such transaction) NorCell Sweden Holding 2 AB (publ) or a restricted subsidiary of such NorCell Sweden Holding 2 AB (publ), if the sale or other disposition is otherwise permitted by the Indenture;
- if NorCell Sweden Holding 2 AB (publ) designates any restricted subsidiary that is a Senior

Notes Guarantor to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture;

- upon defeasance or satisfaction and discharge of the Indenture;
- if the Senior Notes Guarantor is no longer a ''significant subsidiary'' so long as no event of default has occurred and is continuing and such Senior Notes Guarantor does not guarantee certain other indebtedness;
- pursuant to a transaction permitted by the covenant described in the Indenture; and
- in connection with an enforcement sale pursuant to the Intercreditor Agreement.

***Rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral.***

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The Liens on the collateral securing the Senior Notes may not be perfected with respect to the claims of the Senior Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens.

***The Senior Notes Guarantees and security interests are subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.***

NorCell Sweden Holding 3 AB (publ) and the other Senior Notes Guarantors have guaranteed the Senior Notes on a senior subordinated basis. In addition, NorCell Sweden Holding 2 AB (publ) has secured payments of the Senior Notes on a second priority basis by granting security under the relevant Security Documents. However, the Indenture provides that each Senior Notes Guarantee and each security interest granted under a Security Document is limited if required by an application of the provisions of the Swedish Companies Act (Sw. *aktiebolagslagen*) regulating transfers of values (Sw. *värdeöverföringar*). The liability of each such Senior Notes Guarantor (and NorCell Sweden Holding 2 AB (publ) as a security provider) in respect of such obligations only apply to the extent permitted by the mentioned provisions of the Swedish Companies Act. Further, enforcement of each Senior Notes Guarantee/Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

***The insolvency laws of Sweden may not be as favorable to creditors as the U.S. bankruptcy laws and may preclude holders of the Senior Notes from recovering payments due on the Senior Notes.***

Each of NorCell Sweden Holding 2 AB (publ) and NorCell Sweden Holding 3 AB (publ) are incorporated under the laws of Sweden and, in the event of an insolvency of any of these entities, insolvency proceedings may be initiated in Sweden. The insolvency laws of Sweden may not be as favorable to creditors interest as the laws of the United States or other jurisdictions with which you may be familiar.

***The Group may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Notes upon the occurrence of certain events constituting a change of control triggering event as required by the Indenture.***

Upon the occurrence of certain events constituting a ''change of control triggering event,'' 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 on the date of purchase plus accrued and unpaid interest to the date of purchase and any additional amounts. If a change of control triggering event were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to NorCell Sweden Holding 2 AB (publ) to pay the purchase price of the outstanding Senior Notes or the terms of our Senior Credit Facilities, the Senior Secured Notes, the Intercreditor Agreement or our other contractual obligations at the applicable time would allow us to make such required repurchases. A change of control triggering event may result in an event of default under, or acceleration of, our Senior Credit Facilities and other indebtedness. Further, the repurchase of the Senior Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control triggering event itself does not. The ability of NorCell Sweden Holding 2 AB (publ) to receive cash from its subsidiaries to allow it to pay cash to the holders of the Senior Notes, following the occurrence of a change of control triggering event, may be limited by our financial resources at the applicable time. In addition, under the terms of the Senior Credit Facilities, under certain circumstances, we are required to repay an equal amount of debt under our Senior Credit Facilities if we repay all or a portion of the principal under the Senior Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control triggering event occurs at a time when the Group is prohibited from providing funds to NorCell Sweden Holding 2 AB (publ) for the purpose of repurchasing the Senior Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Senior Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the NorCell Sweden Holding 2 AB (publ) will remain prohibited from repurchasing any Senior Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Senior Notes upon a change of control triggering event. We cannot assure you that the Group would be able to obtain such financing. Any failure by NorCell Sweden Holding 2 AB (publ) to offer to purchase the Senior Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Senior Credit Facilities and certain other indebtedness. The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a ''Change of Control Triggering Event'' as defined in the Indenture which requires, *inter alia*, a ''Rating Decline'' as defined in the Indenture. The Indenture does not contain provisions that require NorCell Sweden Holding 2 AB (publ) to offer to repurchase or redeem the Senior Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction. In addition, certain of such events that do not constitute a Change of Control Triggering Event under the Indenture would trigger a repayment event under the Senior Credit Facilities.

The definition of ''Change of Control'' in the Indenture include a disposition of all or substantially all of the assets of NorCell Sweden Holding 2 AB (publ) and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase ''all or substantially all,'' there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of ''all or substantially all'' of NorCell Sweden Holding 2 AB (publ)'s assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and if there has been a Rating Decline, whether NorCell Sweden Holding 2 AB (publ) is required to make an offer to repurchase the Senior Notes.

***The interests of our principal shareholder may be inconsistent with the interests of the holders of the Senior Notes.***

The interests of BC Partners Limited could conflict with note holders interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. Affiliates of BC Partners Limited may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to holders of Senior Notes. In addition, BC Partners Limited may, in the future, own businesses that directly compete with ours.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

NorCell Sweden Holding 2 AB (publ) and each of the Senior Notes Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. The directors and executive officers of NorCell Sweden Holding 2 AB (publ) and the Senior Notes Guarantors are non-residents of the United States. Although NorCell Sweden Holding 2 AB (publ) and the Senior Notes Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, claimants may be unable to effect service of process within the United States on these directors and executive officers. In addition, as all of the assets of NorCell Sweden Holding 2 AB (publ) and the Senior Notes Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, claimants may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of NorCell Sweden Holding 2 AB (publ) and the Senior Notes Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

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.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Senior Notes in the future. The ratings may not reflect the potential impact of all risks relating to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Senior Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Senior Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of such Notes.

***The transfer of the Senior Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.***

The Senior Notes and the Senior Notes Guarantees have not been registered under, and we are not obliged to register the Senior Notes or the Senior Notes Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. These restrictions may limit the ability of investors to resell the Senior Notes. It is the responsibility of investors in the Senior Notes to ensure that all offers and sales of the Senior Notes within the United States and other countries comply with applicable securities and other laws. We have not agreed to or otherwise undertaken to register the Senior Notes or the Senior Notes Guarantees, and do not have any intention to do so.

# CAPITALIZATION

*The following table sets out the consolidated capitalization and cash and cash equivalents as of December 31, 2011. You should read this table in conjunction with "Presentation of Financial and Other Information", "Selected Consolidated Financial, Operating and Other Data", "Description of Certain Financing Arrangements", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the audited consolidated financial statements and the related notes, which are included elsewhere in this Annual Report.*

**Capitalization Table(1)**

| | As of December 31, 2011 | |
|---|---|---|
| | **SEK** | **€(2)** |
| | *(in millions)* | |
| **Total cash and cash equivalents(3)** | **1,044** | **116** |
| **Current debt** | | |
| Credit facilities(3) | 322 | 36 |
| Finance leases | 129 | 14 |
| Intragroup loans(3) | 101 | 11 |
| **Total current debt** | **551** | **61** |
| **Non-current debt** | | |
| Credit facilities | 5,102 | 569 |
| Senior secured notes | 3,278 | 365 |
| Senior notes | 2,505 | 279 |
| Finance leases | 146 | 16 |
| Intragroup loans | 4,338 | 484 |
| **Non-current debt** | **15,369** | **1,713** |
| **Total debt** | **15,920** | **1,775** |
| **Total net debt** | **14,876** | **1,658** |

(1) The capitalization table set forth above includes capitalization, net after unamortized transaction costs and original issue discount.

(2) We have used the exchange rate €1.00 = SEK 8.970 (exchange rate as of December 31, 2011).

(3) In January 2012, restricted cash of SEK 402 million was used to amortize SEK 101 million of the intragroup loans and SEK 301 million of interest-bearing liabilities to credit institutions.

# SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

## Selected Financial Data

The selected actual consolidated financial data for the period July 12, 2011 to December 31, 2011, including the NCAC Group as from September 29, 2011, set forth below, has been derived from the audited consolidated financial statements of the NorCell Group, which were audited by KPMG AB. The selected actual consolidated financial data for the years ended December 31, 2009 and 2010 set forth below, has been derived from the audited consolidated financial statements of the NCAC Group, which were audited by KPMG AB. The audited consolidated financial statements as of and for the years ended December 31, 2009 and 2010 for the NCAC Group, and the audited consolidated financial statements for the period July 12, 2011 to December 31, 2011 for the NorCell Group, have each been prepared in accordance with IFRS as adopted by the European Union.

The selected unaudited pro forma consolidated financial data for January 1, 2011 to December 31, 2011, as set forth below, has been derived from the unaudited management accounts of the NCAC Group for the period January 1, 2011 to September 28, 2011, and from the audited consolidated financial statements of the NorCell Group for the period July 12, 2011 to December 31, 2011 (between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies). The selected unaudited pro forma consolidated financial data for the years ended December 31, 2009 and 2010 and have been derived from the audited consolidated financial statements of the NCAC Group.

The selected unaudited pro forma consolidated financial data for 2009, 2010 and 2011 have been calculated using the full-year amortization based on the present customer relation values that arose in connection with the Acquisition. In the pro forma calculations carried out, actual amortization of former customer relations value have been deducted from selling expenses in the respective year, and full-year amortization of the current customer relations value have been added to the selling expenses as if the Acquisition was consummated as of January 1, 2009. For a reconciliation of selected actual income statement to selected pro forma income statement, see *"-Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement"*.

As a consequence of the Acquisition in September 2011, and the following refinancing, it is not meaningful to present the selected audited actual and unaudited pro forma consolidated income statement below further than to operating income, since that data is not comparable between the years. The selected audited actual consolidated balance sheet data as of December 31, for the years 2009, 2010 and 2011, are presented in "-*Balance sheet data*".

The selected operating data set forth below has been derived from the Group's regularly maintained records and operating systems. See "*Definitions and Glossary*" for definitions and concepts of certain terms set out in the tables below.

### *Selected Audited Actual and Unaudited Pro Forma Income Statement[1]*

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | Audited Actual[2] | | Unaudited Pro Forma[3] | | |
| | **2009** | **2010** | **2009** | **2010** | **2011** |
| | *(SEK in millions)* | | *(SEK in millions)* | | |
| Revenue | 4,087 | 4,318 | 4,087 | 4,318 | 4,520 |
| Cost of sales and services | (2,171) | (2,327) | (2,171) | (2,327) | (2,310) |
| **Gross profit** | **1,916** | **1,991** | **1,916** | **1,991** | **2,211** |
| Selling expenses | (1,055) | (1,033) | (1,367) | (1,345) | (1,328) |
| Administrative expenses | (346) | (359) | (346) | (359) | (318) |
| Other operating income | 14 | 10 | 14 | 10 | 14 |
| Other operating expenses[4] | (10) | (4) | (10) | (4) | (273) |
| **Operating income** | **520** | **604** | **208** | **292** | **306** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group. The selected unaudited pro forma consolidated financial data for the period January 1, 2011 to December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies. In the pro forma calculations carried out, actual amortization of former customer relations value have been deducted from selling expenses in the respective year, and full-year amortization of the current customer relations value have been added to selling expenses, as if the Acquisition was consummated as of January 1, 2009. See **"**- *Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

(4) Other Operating expenses for 2011 include transaction costs of SEK 246 million related to the Acquisition.

### *Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*[(1)]

*Pro Forma Reconciliation for the Year ended December 31, 2009*[(1)]

| | Audited Consolidated Financial Statement | Actual Amortization of Customer Relations Value NCAC Group | Pro Forma Amortization of Customer Relations Value NorCell Group | Pro Forma |
|---|---|---|---|---|
| | **Jan 1 - Dec 31, 2009** | **Jan 1 - Dec 31, 2009** | **Jan 1 - Dec 31, 2009** | **Jan 1 - Dec 31, 2009** |
| | *(SEK in millions)* | | | |
| Revenue | 4,087 | | | 4,087 |
| Cost of sales and services | (2,171) | | | (2,171) |
| **Gross profit** | **1,916** | | | **1,916** |
| Selling expenses | (1,055) | 234 | (546) | (1,367) |
| Administrative expenses | (346) | | | (346) |
| Other operating income | 14 | | | 14 |
| Other operating expenses | (10) | | | (10) |
| **Operating income** | **520** | **234** | **(546)** | **208** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable. The selected unaudited pro forma consolidated financial data for the year ended December 31, 2009 has been derived from the audited financial statements of the NCAC Group. In the pro forma calculation carried out actual amortization of former customer relations value has been deducted from selling expenses, and full-year amortization of the current customer relations value has been added to selling expenses in order to get comparable figures.

*Pro Forma Reconciliation for the Year ended December 31, 2010*[(1)]

| | Audited Consolidated Financial Statement | Actual Amortization of Customer Relations Value NCAC Group | Pro Forma Amortization of Customer Relations Value NorCell Group | Pro Forma |
|---|---|---|---|---|
| | **Jan 1 - Dec 31, 2010** | **Jan 1 - Dec 31, 2010** | **Jan 1 - Dec 31, 2010** | **Jan 1 - Dec 31, 2010** |
| | *(SEK in millions)* | | | |
| Revenue | 4,318 | | | 4,318 |
| Cost of sales and services | (2,327) | | | (2,327) |
| **Gross profit** | **1,991** | | | **1,991** |
| Selling expenses | (1,033) | 234 | (546) | (1,345) |
| Administrative expenses | (359) | | | (359) |
| Other operating income | 10 | | | 10 |
| Other operating expenses | (4) | | | (4) |
| **Operating income** | **604** | **234** | **(546)** | **292** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable. The selected unaudited pro forma consolidated financial data for the year ended December 31, 2010 has been derived from the audited financial statements of the NCAC Group. In the pro forma calculation carried out actual amortization of former customer relations value has been deducted from selling expenses, and full-year amortization of the current customer relations value have been added to selling expenses in order to get comparable figures.

*Pro Forma Reconciliation for the Year ended December 31, 2011*[(1)]

| | Management Accounts NorCell Group | Actual Amortization of Customer Relations Value NCAC Group | Pro Forma Amortization of Customer Relations Value NorCell Group | Pro Forma |
|---|---|---|---|---|
| | **Jan 1 - Dec 31, 2011** | **Jan 1 - Sept 28, 2011** | **Jan 1 - Sept 28, 2011** | **Jan 1 - Dec 31, 2011** |
| | | *(SEK in millions)* | | |
| Revenue . . . . . . . . . . . . . . . . . . . | 4,520 | | | 4,520 |
| Cost of sales and services . . . | (2,310) | | | (2,310) |
| **Gross profit** . . . . . . . . . . . . | **2,211** | | | **2,211** |
| Selling expenses[(2)]. . . . . . . . | (1,094) | 175 | (409) | (1,328) |
| Administrative expenses . . . . . | (318) | | | (318) |
| Other operating income . . . . . . | 14 | | | 14 |
| Other operating expenses . . . . | (273) | | | (273) |
| **Operating income** . . . . . . . . | **539** | **175** | **(409)** | **306** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable. The selected unaudited financial data for 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies.

(2) In the pro forma calculation carried out, the first nine months actual amortization of former customer relations value included in the selling expenses for the NCAC Group has been deducted from selling expenses. Further on nine months of the current amortization on the current customer relations value has been added to selling expenses of the NorCell Group in order to get comparable figures.

## *Revenue by Service*

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[(1)] **2009** | Actual[(1)] **2010** | Pro Forma[(2)] **2011** |
| | | *(SEK in millions)* | |
| Pay Television . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 1,328 | 1,524 | 1,678 |
| High-Speed Broadband . . . . . . . . . . . . . . . . . . . . . . . . | 1,118 | 1,170 | 1,231 |
| Fixed-Telephony . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 545 | 569 | 564 |
| Landlord . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 922 | 892 | 884 |
| Other[(3)] . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 174 | 163 | 163 |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | **4,087** | **4,318** | **4,520** |

(1) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(2) The selected unaudited pro forma financial data for the year ended December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies.

(3) "Other" represents revenue generated primarily from billing and late payment reminder fees as well as payments in kind received from content providers for services delivered, which we classify as "barter revenue".

***Balance Sheet Data***[(1)]

| | For the year ended December 31, | | |
|---|---|---|---|
| | Audited Actual[(2)] | | |
| | **2009** | **2010** | **2011** |
| **Non-current assets** | *(SEK in millions)* | | |
| Intangible assets . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 12,605 | 12,388 | 16,993 |
| *of which goodwill* . . . . . . . . . . . . . . . . . . . . . . . . . . | *10,967* | *10,967* | *10,742* |
| *of which customer relations* . . . . . . . . . . . . . . . . . . | *1,336* | *1,102* | *5,160* |
| *of which trademark* . . . . . . . . . . . . . . . . . . . . . . . . . | - | - | *691* |
| Property, plant and equipment . . . . . . . . . . . . . . . . . | 1,952 | 1,727 | 1,460 |
| Financial non-current assets . . . . . . . . . . . . . . . . . . | 16 | 3 | - |
| Deferred tax assets . . . . . . . . . . . . . . . . . . . . . . . . . | 103 | 160 | - |
| **Total non-current assets** . . . . . . . . . . . . . . . . . . . . | **14,676** | **14,278** | **18,453** |
| Inventories. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 24 | 29 | 31 |
| Trade receivables. . . . . . . . . . . . . . . . . . . . . . . . . . . | 131 | 138 | 121 |
| Prepaid expenses and accrued income . . . . . . . . . . . . | 153 | 188 | 125 |
| Other receivables . . . . . . . . . . . . . . . . . . . . . . . . . . . | 20 | 12 | 15 |
| Cash and cash equivalents[(3)] . . . . . . . . . . . . . . . . . . | 927 | 844 | 1,044 |
| **Total current assets** . . . . . . . . . . . . . . . . . . . . . . . . | **1,255** | **1,212** | **1,336** |
| **Total assets** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | **15,931** | **15,490** | **19,789** |
| **Total equity** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | **5,578** | **5,885** | **681** |
| Non-current interest-bearing liabilities . . . . . . . . . . . . | 7,984 | 7,036 | 15,369 |
| Other non-current liabilities . . . . . . . . . . . . . . . . . . . . | 116 | 59 | 234 |
| Deferred tax liabilities . . . . . . . . . . . . . . . . . . . . . . . . | - | - | 1,183 |
| **Total non-current liabilities** . . . . . . . . . . . . . . . . . . | **8,100** | **7,095** | **16,786** |
| Current interest-bearing liabilities[(3)] . . . . . . . . . . . . . . | 817 | 975 | 550 |
| Trade payables . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 337 | 498 | 624 |
| Other current liabilities . . . . . . . . . . . . . . . . . . . . . . . | 94 | 111 | 53 |
| Accrued expenses and deferred income . . . . . . . . . . . | 1,004 | 927 | 1,095 |
| **Total current liabilities** . . . . . . . . . . . . . . . . . . . . . | **2,253** | **2,510** | **2,322** |
| **Total equity and liabilities** . . . . . . . . . . . . . . . . . . | **15,931** | **15,490** | **19,789** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group. The selected consolidated actual financial data for the year ended December 2011 has been derived from the audited financial statement of the NorCell Group.

(3) In January 2012, restricted cash of SEK 402 million was used for amortizations of SEK 101 million of the intragroup loans and SEK 301 million of interest-bearing liabilities to credit institutions.

***Selected Other Financial Data[(1)]***

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual **2009** | Actual **2010** | Pro Forma **2011** |
| | *(SEK in millions, except percentages and ratios)* | | |
| EBITDA[(2)]. . . . . . . . . . . . . . . . . . . . . . . . . . | 1,599 | 1,736 | 1,770 |
| EBTIDA margin (in %)[(3)]. . . . . . . . . . . . . . . . . | 39.1 | 40.2 | 39.2 |
| Reported Underlying EBITDA[(4)]. . . . . . . . . . . . | 1,636 | 1,854 | 2,098 |
| Reported Underlying EBITDA margin (in %)[(5)]. . | 40.0 | 42.9 | 46.4 |
| Adjusted EBITDA[(6)]. . . . . . . . . . . . . . . . . . . | 1,729 | 1,919 | 2,138 |
| Adjusted EBITDA margin (in %)[(7)]. . . . . . . . . . | 42.3 | 44.4 | 47.3 |
| Capital Expenditures[(8)]. . . . . . . . . . . . . . . . . . | 817 | 689 | 734 |
| Capital Expenditures ratio (in %)[(9)]. . . . . . . . . | 20.0 | 16.0 | 16.2 |
| Pro Forma Adjusted Capital Expenditures[(10)]. . | 935 | 786 | 734 |
| Pro Forma Adjusted Capital Expenditures ratio (in %)[(11)]. . . . . . . . . . . . . . . . . . . . . . . | 22.9 | 18.2 | 16.2 |
| Operating free cash flow[(12)]. . . . . . . . . . . . . . . | 795 | 1,383 | 1,419 |
| Operating free cash flow margin (in %)[(13)]. . . . . | 19.4 | 32.0 | 31.4 |
| Net working capital[(14)]. . . . . . . . . . . . . . . . . . | (1,001) | (1,098) | (1,356) |
| Depreciation and amortization[(15)]. . . . . . . . . . . | 1,074 | 1,126 | 1,219 |
| Adjusted depreciation and amortization[(16)]. . . . | 1,386 | 1,438 | 1,453 |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable. The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group. The selected unaudited consolidated financial data pro forma for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group. The selected unaudited pro forma financial data for the year ended December 31, 2011 has been derived from both the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies. See also "*-Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

(2) EBITDA is defined as net profit/(loss) for the period before income taxes, net financial items, write-downs, depreciation and amortization ("EBITDA"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of fixed assets related to production), selling expenses (depreciation and amortization of fixed assets related to the sales function) and administrative expenses (depreciation and amortization of fixed assets related to administrative functions). EBITDA is not a measure of liquidity or financial performance calculated in accordance with IFRS and should be viewed as a supplement to, not a substitute for, the results of operations presented in accordance with IFRS. For a reconciliation of pro forma Operating Income to EBITDA, see "*-Reconciliation of Pro Forma Operating Income to EBITDA*".

(3) EBITDA margin represents EBITDA as a percentage of revenue.

(4) Reported Underlying EBITDA is defined as EBITDA before non-recurring costs, restructuring charges and operating currency gain/(loss). Reported Underlying EBITDA is not a measure of liquidity or financial performance calculated in accordance with IFRS and should be viewed as a supplement to, not a substitute for, the results of operations presented in accordance with IFRS. For a reconciliation of EBITDA to Reported Underlying EBITDA, see "*-Reconciliation of EBITDA to Reported Underlying EBITDA"*.

(5) Reported Underlying EBITDA margin represents Reported Underlying EBITDA as a percentage of revenue.

(6) Adjusted EBITDA is defined as Reported Underlying EBITDA less expenses associated with retail subsidies, which consists of subsidies paid to retailers for the sale of set-top boxes ("STBs"), and sales commissions that can be associated with individual subscriber agreements. In June 2010, Com Hem began capitalizing sales commissions in accordance with IAS 38 ("Adjusted EBITDA"). See "Note 1—Accounting Policies—Intangible Assets—Acquisition Costs for Subscriptions" to the audited consolidated financial statements as of and for the year ended December 31, 2010, included elsewhere in this Annual Report. Similarly, as a result of the enhancement of our support systems, we have as of January 1, 2011, reported the portion of retail subsidies paid in cash that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS. Prior to this date, these expenses were accounted for as prepaid expenses and expensed over a period of 36 months. Expenses for retail subsidies in the twelve months ended December 31, 2011 relate to retail subsidies paid in prior periods. To facilitate the comparability of the results of operations during the periods under review, the percentage of total sales commissions and retail subsidies that were capitalized in accordance with IAS 38 since June 2010 and January 2011, respectively, has been applied to the results of operations in prior periods, which has allowed us to calculate the effect of such capitalization on a consistent basis and present the uncapitalized cost of retail subsidies and sales commissions. For a reconciliation of Reported Underlying EBITDA to Adjusted EBITDA,, see "*-Reconciliation of Reported Underlying EBITDA to Adjusted EBITDA*".

(7) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue.

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

(9) Capital Expenditure ratio is calculated as capital expenditures as a percentage of revenue.

(10) Pro Forma Adjusted Capital Expenditures is defined as Capital Expenditures plus uncapitalized cost of retail subsidies and sales commissions. Pro Forma Adjusted Capital Expenditures is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. For a reconciliation of Capital Expenditures to Adjusted Capital Expenditures, see "-*Reconciliation of Capital Expenditures to Adjusted Capital Expenditures*".

(11) Pro Forma Adjusted Capital Expenditure ratio is calculated as Pro Forma Adjusted Capital Expenditures as a percentage of revenue.

(12) Operating free cash flow is calculated as EBITDA plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in fixed tangible and intangible assets not funded by leasing, plus sales of property, plant and equipment, less acquisition of subsidiaries and related payments. 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. For a reconciliation of EBITDA to operating free cash flow, see "*-Reconciliation of EBITDA to Operating Free Cash Flow"*.

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

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

(15) Depreciation and amortization consists of depreciation and amortization expenses recorded on the income statement under each of cost of sales and services, selling expenses and administrative expenses.

(16) Adjusted depreciation and amortization consists of actual depreciation and amortization on cost of sales and services, selling expenses and administrative expenses recorded in the income statement in each of the periods, less actual amortization of the former value on customer relations recognized in selling expenses in the respective period, plus pro forma full-year amortization on current customer relation values that arose in connection with the Acquisition. Pro forma calculations are done in order to get comparable figures for prior periods. See also "-*Reconciliation of Pro Forma Operating Income to EBITDA*".

### *Reconciliation of Pro Forma Operating Income to EBITDA*[(1)]

| | For the year ended December 31, | | |
|---|---|---|---|
| | Pro Forma[(2)] | | |
| | **2009** | **2010** | **2011** |
| | *(SEK in millions)* | | |
| **Operating Income . . . . . . . . . . . . . . . . . . .** | **208** | **292** | **306** |
| Disposals and write-down[(3)]. . . . . . . . . . . . . . | 4 | 5 | 12 |
| Adjusted depreciation and amortization[(4)] . . . . | 1,386 | 1,438 | 1,453 |
| **EBITDA** . . . . . . . . . . . . . . . . . . . . . . . . . . . | **1,599** | **1,736** | **1,770** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected unaudited pro forma consolidated financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group. The selected unaudited pro forma consolidated financial data for the period January 1, 2011 to December 31, 2011 have been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies. In the pro forma calculations carried out, actual amortization of former customer relations value have been deducted from selling expenses in the respective year, and full-year amortization of the current customer relations value have been added to selling expenses, as if the acquisition was consummated as of January 1, 2009. See **"**- *Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

(3) Disposals in 2009, 2010 and 2011 are related to modems and STBs.

(4) Depreciation and amortization consists of depreciation and amortization expenses recorded on the income statement under each of cost of sales and services, selling expenses and administrative expenses.

### *Reconciliation of EBITDA to Reported Underlying EBITDA[1]*

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[2] | Actual[2] | Pro Forma[3] |
| | **2009** | **2010** | **2011** |
| | *(SEK in millions)* | | |
| **EBITDA** | **1,599** | **1,736** | **1,770** |
| Non-recurring costs: | | | |
| Spacenet de-installation | 10 | 68 | 5 |
| Redundancy payments | 9 | 31 | 5 |
| Lawyers and consultants | 12 | 4 | 57 |
| Transaction costs[4] | - | - | 246 |
| Other | 8 | 16 | 12 |
| **Total non-recurring costs** | **39** | **119** | **326** |
| Operating currency loss/gain | (1) | (1) | 2 |
| **Reported Underlying EBITDA** | **1,636** | **1,854** | **2,098** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies. See also "*-Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

(4) Expenses related to the Acquisition.

### *Reconciliation of Reported Underlying EBITDA to Adjusted EBITDA[1]*

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[2] | Actual[2] | Pro Forma[3] |
| | **2009** | **2010** | **2011** |
| | *(SEK in millions)* | | |
| **Reported Underlying EBITDA** | **1,636** | **1,854** | **2,098** |
| Retail subsidies | 15 | 33 | 40 |
| Sales commissions | 77 | 32 | - |
| **Adjusted EBITDA** | **1,729** | **1,919** | **2,138** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies. See also "*-Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

### *Capital Expenditures[1]*

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[2] | Actual[2] | Pro Forma[3] |
| | **2009** | **2010** | **2011** |
| | (SEK in millions) | | |
| Network and quality enhancement . . . . . . . . . . . . . . . . | 343 | 272 | 227 |
| CPE . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 274 | 240 | 203 |
| IS Development . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 159 | 96 | 130 |
| Capitalized sales costs . . . . . . . . . . . . . . . . . . . . . . . | - | 27 | 92 |
| Open networks . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 1 | 16 | 26 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 41 | 40 | 56 |
| **Capital expenditures in fixed tangible and intangible assets** . . . . . . . . . . . . . . . . . . . . . . . . . . | **817** | **689** | **734** |
| *- Of which capital expenditures funded by leasing [4]* . . . | (32) | (228) | (122) |
| **Capital expenditures in fixed tangible and intangible assets after leasing** . . . . . . . . . . . . . . . . | **786** | **461** | **612** |

(1) The above capital expenditures table has been subject to change compared to presented capital expenditure tables in the offering memorandum. A re-distribution between capital expenditures line items have been made in order to better present the capital expenditures development for the Group.

(2) The selected actual data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the period January 1, 2011 to December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies.

(4) For the periods under review certain capital expenditures have been funded through leasing facilities, which are recognized as leasing debt in the balance sheet and thus have had a limited effect on the net debt, but have provided additional cash flow flexibility. For a description of our primary leasing facility, see "*Description of Certain Financial Arrangements – Nordea Leasing Facility* ".

### *Reconciliation of Capital Expenditures to Pro Forma Adjusted Capital Expenditures[1]*

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[2] | Actual[2] | Pro Forma[3] |
| | **2009** | **2010** | **2011** |
| | *(SEK in millions)* | | |
| **Capital expenditures** . . . . . . . . . . . . . . . . . . . . . . . | **817** | **689** | **734** |
| Retail subsidies . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 40 | 65 | - |
| Sales commissions . . . . . . . . . . . . . . . . . . . . . . . . . . | 77 | 32 | - |
| **Pro forma adjusted capital expenditures** . . . . . . . . . | **935** | **786** | **734** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies. See also "*-Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

### *Reconciliation of EBITDA to Operating Free Cash Flow(1)*

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual(2) | Actual(2) | Pro Forma(3) |
| | **2009** | **2010** | **2011** |
| | *(SEK in millions)* | | |
| **EBITDA** | **1,599** | **1,736** | **1,770** |
| Adjustments for items not included in cash flow(4) | 14 | 11 | 3 |
| Change in net working capital(5) | (33) | 98 | 257 |
| Capital expenditures | (786) | (461) | (612) |
| **Operating Free Cash Flow** | **795** | **1,383** | **1,419** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected consolidated actual financial data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies. See also "-*Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

(4) Includes change in pension provisions, change in other provisions, acquisition of subsidiaries and other items not included in the cash flow.

(5) Includes for 2011 change in accounts payable of SEK 18 million and accrued costs of SEK 68 million related to the Acquisition.

## Selected Operational Data

We use several key operating measures, including number of homes connected, unique subscribers, RGUs, RGUs per subscriber, and ARPU to track the financial and operating performance of Com Hem's 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 the Group's internal operating and financial systems. As defined, these terms may not be directly comparable to similar terms used by competitors or other companies.

| | As of and for the year ended December 31, | | |
|---|---|---|---|
| | Actual | Actual | Pro Forma |
| | **2009** | **2010** | **2011** |
| | *(in thousands, expect percentages and as otherwise indicated)* | | |
| **Group Total** | | | |
| Homes connected[1] | 1,759 | 1,759 | 1,739 |
| Unique subscribers[2] | 818 | 841 | 861 |
| *- of which triple-play subscribers* | *231* | *273* | *292* |
| Unique subscribers as a percentage of homes connected | 47% | 48% | 49% |
| Total RGUs[3] | 1,445 | 1,528 | 1,585 |
| RGUs per unique subscriber (in units) | 1.77 | 1.82 | 1.84 |
| Blended ARPU[4] (SEK) | 321 | 340 | 354 |
| **RGUs[3]** | | | |
| Pay Television | 576 | 620 | 658 |
| High-Speed Broadband | 522 | 537 | 551 |
| Fixed-Telephony | 347 | 370 | 376 |
| **ARPU[5]** | | | |
| Pay Television (SEK) | 197 | 213 | 223 |
| High-Speed Broadband (SEK) | 183 | 184 | 191 |
| Fixed-Telephony (SEK) | 138 | 133 | 127 |
| Landlord (SEK) | 43 | 42 | 42 |

(1) Homes connected represent the number of residential units to which we provide an analog cable television service, primarily through long-term contracts with landlords of MDUs.

(2) Unique subscribers represent the number of individual end users who have subscribed for one or more of Com Hem's 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 ARPU is calculated by dividing all pay 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 subscribers for that period and further by the number of months in the period. The average number of total unique subscribers is calculated by aggregating the average number of unique subscribers in each month during the respective period and dividing the result by the number of months in the respective period.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the results of operations and financial condition of Com Hem, based on the audited consolidated financial statements of the NCAC Group as of and for the years ended December 31, 2009 and 2010, and the unaudited consolidated financial statements pro forma of the NCAC Group as of and for the years ended December 31, 2009 and 2010, and of the NorCell Group as of and for the year ended December 31, 2011, in each case, prepared in accordance with IFRS as adopted by the European Union.*

*You should read this discussion in conjunction with the audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report. A summary of the critical accounting estimates that have been applied to the NorCell Group's consolidated financial statements is set forth in "Note 1" to the audited consolidated financial statements as of and for the year ended December 31, 2011, included elsewhere in this Annual Report. You should also review the information in the section "Presentation of Financial and Other Data". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which 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 "Risk Factors".*

### Recent Developments

In January 2012, Com Hem launched a new TV channel - TV Com Hem. TV Com Hem is a 24-hour broadcast TV channel, with a high share of content being news and programs from TV4 News and BBC World News. For a few hours each day, TV Com Hem will also broadcast its own content, focusing on entertainment, TV and home electronics.

In March 2012, the Board of Directors approved a merger plan stating that Com Hem Holding AB, Com Hem Communications AB, Nordic Communication Services AB and Nordic Cable Acquisition Company AB will be merged with Nordic Cable Acquisition Company Sub-Holding AB.

To further improve the service to our customers, Com Hem has opened an additional Customer Service office in Örnsköldsvik. The new office will include sales and save teams, and will have approximately 200 employees.

### Selected Results of Operations for the Year Ended December 31, 2011

The table below sets forth the results of operations and the year on year percentage change.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2010 | Pro Forma[1] Change in % | 2011 |
| | | (SEK in millions) | |
| Revenue | 4,318 | 4.7 | 4,520 |
| Cost of sales and services | (2,327) | (0.7) | (2,310) |
| **Gross profit** | **1,991** | **11.0** | **2,211** |
| Selling expenses | (1,345) | (1.3) | (1,328) |
| Administrative expenses | (359) | (11.4) | (318) |
| Other operating income | 10 | 44.1 | 14 |
| Other operating expenses | (4) | n/m | (273) |
| **Operating income** | **292** | **4.6** | **306** |

(1) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2010 has been derived from the audited financial statements of the NCAC Group. The selected unaudited pro forma consolidated financial data for the period January 1, 2011 to December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies. In the pro forma calculations carried out, actual amortization of former customer relations value have been deducted from selling expenses in the respective year, and full-year amortization of the current customer relations value have been added to selling expenses, as if the acquisition was consummated as of January 1, 2009. See "*Selected Consolidated Financial, Operating and Other Data - Reconciliation of Selected Actual Income Statement to Selected Pro Forma Income Statement*".

The following is a discussion of the key income statement line items. All financial data of key income statement line items below refers to the pro forma consolidated financial data presented in the table above. For additional information, see "*Note 1*" to the audited consolidated financial statements as of and for the year ended December 31, 2011, included elsewhere in this Annual Report.

For a presentation of the total amount of depreciation and amortization during each of the periods under review, aggregate depreciation and amortization accounted for under Costs of sales and services, Selling expenses and Administrative expenses, see "*Selected Consolidated Financial, Operating and Other Data*"

***Revenue***
Revenue consists of income generated from the delivery of services to Com Hem's landlord customers and residential subscribers. Revenue is recognized when it is likely that future economic benefits will flow to the Group and these benefits can be reliably measured. Revenue is recognized at the fair value of the consideration received or receivable, less rebates given.

The revenue increased by SEK 203 million, or 4.7%, from SEK 4,318 million in the year ended December 31, 2010 to SEK 4,520 million in the year ended December 31, 2011. The increase in revenue is driven by higher revenues for pay television and broadband services.

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

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | Actual[(1)] | | Pro Forma[(2)] | | |
| | **2010** | | **2011** | | **Change** |
| | | **(in % of** | | **(in % of** | **2010/2011** |
| | **(SEK millions)** | **(revenue)** | **(SEK millions)** | **(revenue)** | **%** |
| Pay Television . . . . . . . . . . | 1,524 | 35.3 | 1,678 | 37.1 | 10.1 |
| High-Speed Broadband . . . | 1,170 | 27.1 | 1,231 | 27.2 | 5.2 |
| Fixed-Telephony . . . . . . . . | 569 | 13.2 | 564 | 12.5 | -0.9 |
| Landlord . . . . . . . . . . . . . . | 892 | 20.7 | 884 | 19.6 | -0.9 |
| Other[(3)] . . . . . . . . . . . . . . . | 163 | 3.8 | 163 | 3.6 | 0.4 |
| **Total** . . . . . . . . . . . . . . . . | **4,318** | **100.0** | **4,520** | **100.0** | **4.7** |

(1) The selected actual data for the year ended December 31, 2010 has been derived from the audited financial statements of the NCAC Group.

(2) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived from both the unaudited management accounts from the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies.

(3) "Other" represents revenue generated primarily from billing and late payment reminder fees as well as payments in kind received from content providers for services delivered, which we classify as "barter revenue".

*Pay Television*
Revenues from pay television services except from VoD and pay-per-view services, are invoiced monthly in advance, and recognized as the service is utilized. Revenues from VoD and pay-per-view services are invoiced monthly after that the services are delivered to subscribers and are recognized as the service is utilized.

Revenue from pay television services increased by SEK 154 million, or 10.1%, from SEK 1,524 million in the year ended December 31, 2010 to SEK 1,678 million in the year ended December 31, 2011. The increase was due both to an increase in ARPU and in RGU volumes. ARPU increased by SEK 10, or 4.7%, from SEK 213 in the year ended December 31, 2010 to SEK 223 in the year ended December 31, 2011. The increase in ARPU was an effect of a new TV packaging introduced during the first quarter of 2011, and the full-year effect of price increases for premium content set by the content providers in 2010, as the price increase is applied when subscribers fall out of their respective contractual periods. The revenue increase was also linked to an increase in RGUs, with pay television RGUs increasing by approximately 38,000, or 6.2%, from approximately 620,000 as of December 31, 2010 to approximately 658,000 as of December 31, 2011.

*High-Speed Broadband*
Revenues from high-speed broadband services are invoiced monthly in advance and recognized as the service is utilized.

Revenue from high-speed broadband services increased by SEK 61 million, or 5.2%, from SEK 1,170 million in the year ended December 31, 2010 to SEK 1,231 million in the year ended December 31, 2011. The increase was primarily due to increased ARPU, as we successfully introduced a new broadband portfolio in 2011, and successfully migrated subscribers from lower speed services to higher speed services. ARPU increased by SEK 7, or 3.8%, from SEK 184 in the year ended December 31, 2010 to SEK 191 in the year ended December 31, 2011. Revenue also increased due to an increase in RGUs, mainly as a result of attractive offers and successful bundling. High-speed broadband RGUs increased by approximately 14,000, or 2.6%, from approximately 537,000 as of December 31, 2010 to approximately 551,000 as of December 31, 2011.

*Fixed-Telephony*
Revenues 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. Revenues from fixed-telephony services are recognized as the service is utilized.

Revenue from fixed-telephony services decreased by SEK 5 million, or 0.9%, from SEK 569 million in the year ended December 31, 2010 to SEK 564 million in the year ended December 31, 2011. Fixed-telephony RGUs increased by approximately 6,000, or 1.6%, from approximately 370,000 as of December 31, 2010 to approximately 376,000 as of December 31, 2011. The increase in revenue linked to RGU growth was offset by a decrease in ARPU of SEK 6, or 4.6%, from SEK 133 in the year ended December 31, 2010 to SEK 127 in the year ended December 31, 2011. The decrease in ARPU was largely a result of reduced levels of fixed-telephony use, which we believe is consistent with general industry-wide trends.

*Landlord*
Revenue from landlord customers related to the delivery of analog cable television services are in general invoiced quarterly in advance and reported as they are utilized. We tailor the product mix and duration of contracts to the needs of individual landlord customers, and as contracts near expiration, we enter into proactive discussions with the landlord customers, which can result in Com Hem agreeing to new contract terms in order to maintain the long-term customer relationships.
Revenue from landlord services decreased by SEK 8 million, or 0.9%, from SEK 892 million in the year ended December 31, 2010 to SEK 884 million in the year ended December 31, 2011. The decrease in revenue was due primarily to a reduction in ARPU from landlord customers.

*Other Revenue*
Revenue generated primarily from billing and late payment reminder fees, as well as payments in kind received from content providers for services delivered, which we classify as “barter” revenue.
Other revenue remained flat at SEK 163 million across the periods indicated.

***Cost of Sales and Services***
Cost of sales and services includes the cost of content, fiber and ducting leasing costs, fixed-telephony call fees, internet capacity fees, maintenance costs as well as other production costs. Personnel costs related to field service and operations are included in cost of sales and services. Cost of sales and services also includes depreciation and amortization of tangible and intangible assets related to production.

Cost of sales and services decreased by SEK 17 million, or 0.7%, from SEK 2,327 million in the year ended December 31, 2010 to SEK 2,310 million in the year ended December 31, 2011. As a percentage of revenue, cost of sales and services decreased from 53.9% in the year ended December 31, 2010 to 51.1% in the year ended December 31, 2011. The decrease in cost of sales and services was primarily due to one-off costs in 2010 of SEK 68 million incurred in connection with the upgrade of signaling hardware in approximately 14,000 properties in Stockholm. This was the final phase of Com Hem’s investment in the modernization of the HFC cable network that we own as a result of the acquisition of UPC Sweden in 2006. The decrease in cost of sales and services was also due to lower costs for smart cards for Com Hem’s pay television service. The decrease in cost of sales and services was partly off-set by higher variable costs for content, which consist largely of license payments for programs, which is directly linked to increased RGU numbers as we generally purchase content according to volume-driven rate cards (according to which the fee per subscriber generally decreases as the number of subscribers increases) or, in the case of the premium services, on a revenue-sharing basis. In addition, depreciation expenses increased related to short-term depreciation schedules such as modems and IT systems.

***Selling Expenses***

Selling expenses relate to cost of sales, as well as product and marketing expenses, and include costs related to customer service, advertising, telemarketing, sales commissions and bad debt losses, as well as personnel costs related to sales, product and marketing. Selling expenses include depreciation and amortization of tangible and intangible assets related to the sales function.

Selling expenses decreased by SEK 17 million, or 1.3%, from SEK 1,345 million in the year ended December 31, 2010 to SEK 1,328 million in the year ended December 31, 2011. As a percentage of revenue, selling expenses decreased from 31.2% in the year ended December 31, 2010 to 29.4% in the year ended December 31, 2011. The decrease in selling expenses was primarily an effect of lower expenses of Operations regarding consultancy and outsourcing costs.

***Administrative Expenses***

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

Administrative expenses decreased by SEK 41 million, or 11.4%, from SEK 359 million in the year ended December 31, 2010 to SEK 318 million in the year ended December 31, 2011. As a percentage of revenue, administrative expenses decreased from 8.3% in the year ended December 31, 2010 to 7.0% in the year ended December 31, 2011. The decrease in administrative expenses was primarily due to lower depreciation since certain fixed assets have been fully written off at the end of their depreciation schedules.

***Other Operating Income***

Other operating income includes, among other items, operational exchange rate gains and recovered bad debt losses.

Other operating income increased from SEK 10 million in the year ended December 31, 2010 to SEK 14 million in the year ended December 31, 2011, mainly due to higher level of recovered bad debt losses.

***Other Operating Expenses***

Other operating expenses, among other items, include operational exchange rate losses and losses from disposals of non-current assets.

Operating expenses increased by SEK 269 million, from an expense of SEK 4 million in the year ended December 31, 2010 to an expense of SEK 273 million in the year ended December 31, 2011. The increase of other operating expenses was primarily due to transaction costs related to the acquisition of the NCAC Group of SEK 246 million.

***Reported Underlying EBITDA***

Reported Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. Com Hem uses this measure for many purposes in managing and directing the business. For a reconciliation of operating income to Reported Underlying EBITDA, see "*Selected Consolidated Financial, Operating and Other Dat*a".

Reported Underlying EBITDA increased by SEK 244 million, or 13.1%, from SEK 1,854 million in the year ended December 31, 2010 to SEK 2,098 million in the year ended December 31, 2011. As a percentage of revenue, Reported Underlying EBITDA increased from 42.9% in the year ended December 31, 2010 to 46.4 % in the year ended December 31, 2011. The increase in both Reported Underlying EBITDA and Reported Underlying EBITDA margin was primarily due to an increase in revenue from the residential subscribers, particularly as a result of the increase in both the number of RGUs, and ARPU generated from, pay television services, without a corresponding increase in costs. Costs for smart cards for the pay television service decreased in 2011 after renegotiation of the contract with Com Hem's supplier of smart cards. In addition, customer service costs decreased in 2011 due to a lower number of incoming calls, which is a result of the focus on improved operational excellence, as well as service and product quality.

## Capital Expenditures

We classify capital expenditures in the following categories:

- *Network and Quality Enhancement*: Investments in network capacity, improvements and enhancing quality in our network, investments in the television and fixed-telephony platforms and investments in broadband DOCSIS;
- *CPE*: Capital expenditures linked to STBs and modems, which are directly linked to RGU growth;
- *IS Development*: Investments in our business intelligence systems and IT operations;
- *Sales Costs:* The capitalization of sales commissions according to IFRS;
- *Open Networks:* The installation of fiber-optic LAN networks by Com Hem's subsidiary iTUX; and
- *Other*: Investments in other corporate and other operational development projects, including moving and refurbishing offices, investment in measuring equipment as well as certain other investments.

The table below sets forth Capital Expenditures for the year ended December 31, 2009, 2010 and 2011[(1)].

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[(2)] | Actual[(2)] | Pro Forma[(3)] |
| | **2009** | **2010** | **2011** |
| | (SEK in millions) | | |
| Network and quality enhancement . . . . . . . . . . . . . . . . | 343 | 272 | 227 |
| CPE . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 274 | 240 | 203 |
| IS Development . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 159 | 96 | 130 |
| Capitalized sales costs . . . . . . . . . . . . . . . . . . . . . . . | - | 27 | 92 |
| Open networks . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 1 | 16 | 26 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 41 | 40 | 56 |
| **Capital expenditures in fixed tangible and intangible assets** . . . . . . . . . . . . . . . . . . . . . . . . . . | **817** | **689** | **734** |
| *- Of which capital expenditures funded by leasing* [(4)] . . . | (32) | (228) | (122) |
| **Capital expenditures in fixed tangible and intangible assets after leasing** . . . . . . . . . . . . . . . . | **786** | **461** | **612** |

(1) The above capital expenditures table has been subject to change compared to the presented capital expenditure table in the offering memorandum. A re-distribution between capital expenditure line items have been made in order to better present the capital expenditures development for the Group.

(2) The selected actual data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the period January 1, 2011 to December 31, 2011 has been derived from the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, and September 28, 2011 the NorCell companies functioned as dormant holding companies.

(4) For the period under review certain capital expenditures have been funded through leasing facilities, which are recognized as leasing debt in the balance sheet and thus have had a limited effect on the net debt, but have provided additional cash flow flexibility. For a description of our primary leasing facility, see "*Description of Certain Financial Arrangements – Nordea Leasing Facility* ".

### *Capital Expenditures for the Year Ended December 31, 2011*

In the year ended December 31, 2011 total Capital Expenditures increased by SEK 45 million, from SEK 689 million in the year ended December 31, 2010 to SEK 734 million in the year ended December 31, 2011, of which SEK 122 million was financed with funds available under the leasing facility, compared to SEK 228 million in the year ended December 31, 2010. As a result of lower usage of funds from the leasing facility, the net capital expenditure increased by SEK 151 million, from SEK 461 million in the year ended December 31, 2010 to SEK 612 million in the year ended December 31, 2011. The increase in total capital expenditure was mainly due to the capitalization of third-party sales commissions related to individual contracts of twelve months or more in accordance with IFRS beginning in June 2010. The increase was offset by a decrease in network related expenditures from SEK 272 million in the year ended December 31, 2010 to SEK 227 million in the year ended December 31, 2011, which was an effect of investment in our on-demand platform and lower degree of upgraded households in 2011. Also CPE-related capital expenditure decreased, which was due to the timing of the purchase of CPEs. CPE-related capital expenditure declined by SEK 37 million, from SEK 240 million in the year ended December 31, 2010 to SEK 203 million in the year ended December 31, 2011.

## Liquidity and Capital Resources

The Group maintains cash and cash equivalents to fund the day-to-day requirements of Com Hem's business. Com Hem holds cash primarily in SEK. Historically, the Group has relied primarily on operating cash flows and drawings under the previous credit facility to provide funds required for operations.

The principal source of liquidity on an on-going basis is the operating cash flows and drawings under the "*Revolving Credit Facility"* and the "*Capex Facility*". Com Hem's ability to generate cash from operations will depend on our future operating performance, which is to some extent dependent on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Group's control.

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 (1,098) million and SEK (1,356) million in the years ended December 31, 2010 and 2011, respectively. Com Hem operates with negative net working capital, as a substantial part of the net working capital is prepaid revenue for services to be provided. Accordingly, we expect our negative net working capital to expand in line with the growth of our business.

## Cash Flow

The table below sets forth our Operating Free Cash Flow for the year ended December 2009, 2010 and 2011[(1)].

| | For the year ended December 31, | | |
|---|---|---|---|
| | Actual[(2)] | Actual[(2)] | Pro Forma[(3)] |
| | 2009 | 2010 | 2011 |
| | (SEK in millions) | | |
| **Reported Underlying EBITDA** | **1,636** | **1,854** | **2,098** |
| One-off Items[(4)] | (38) | (118) | (327) |
| **EBITDA** | **1,599** | **1,736** | **1,770** |
| Adjustments for items not included in cash flow[(5)] | 14 | 11 | 3 |
| Change in net working capital[(6)] | (33) | 98 | 257 |
| Capital expenditures | (786) | (461) | (612) |
| **Operating Free Cash Flow** | **795** | **1,383** | **1,419** |

(1) As a consequence of the Acquisition in September 2011, the financial data for 2011 and prior periods are not fully comparable.

(2) The selected actual data for the years ended December 31, 2009 and 2010 have been derived from the audited financial statements of the NCAC Group.

(3) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 have been derived from both the unaudited management accounts of the NCAC Group (January 1 – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31), between July 12, 2011 and September 28, 2011 the NorCell companies functioned as dormant holding companies.

(4) Includes non-recurring costs and operating currency loss/gains. For further information see "*Selected Consolidated Financial, Operating and Other Data – Reconciliation of EBITDA to Reported Underlying EBITDA".*

(5) Includes change in pension provisions, change in other provisions, Acquisition of subsidiaries and other items not included in the cash flow.

(6) Includes for 2011 account payables of SEK 18 million and accrued costs of SEK 68 million related to the Acquisition.

### *Operating Free Cash flow for the Year Ended December 31, 2011*

Operating free cash flow increased by SEK 36 million from SEK 1,383 million in the year ended December 31, 2010, to SEK 1,419 million in the year ended December 31, 2011.

Compared to the year ended December 31, 2010 Reported Underlying EBITDA increased by SEK 244 million in the year ended December 31, 2011, while EBITDA increased by SEK 34 million primarily as a result of a substantially higher non-recurring costs. Non-recurring costs increased by SEK 207 million from SEK 119 million the year ended December 31, 2010, to SEK 326 million in the year ended December 31, 2011. The increase is mainly due to transaction costs from the Acquisition of SEK 246 million. For further details on non-recurring costs see, "*Selected Consolidated Financial, Operating and Other Data – Reconciliation of EBITDA to Reported Underlying EBITDA"*

Change in net working capital increased by SEK 159 million from SEK 98 million in the year ended December 31, 2010, to SEK 257 million in the year ended December 31, 2011. The increase was primarily due to higher accounts payable and accrued costs from invoices and accruals related to the Acquisition.

Cash flow from capital expenditures decreased by SEK 151 million, from SEK (461) million in the year ended December 31, 2010, to SEK (612) million in the year ended 31 December, 2011. Besides what is described under the Capital Expenditure section the decrease was also due to the decrease in funding of investments from leasing facilities of SEK 106 million, from SEK 228 million in the year ended December 31, 2010, to SEK 122 million in the year ended December 31, 2011.

## Indebtedness

As of December 31, 2011 total consolidated indebtedness amounted to SEK 16,533 million. The table below sets forth the maturity of our total consolidated indebtedness:

| | Payment on Material Long-Term Indebtedness Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Nominal Value** | **2012** | **2013** | **2014** | **2015** | **2016** | **Later** |
| | (SEK in millions) | | | | | | |
| Senior Credit Facilities* . . | 5,753 | 322 | 215 | 264 | 302 | 332 | 4,319 |
| Senior Secured Notes . . . | 3,492 | - | - | - | - | - | 3,492 |
| Senior Notes* . . . . . . . . . . | 2,575 | - | - | - | - | - | 2,575 |
| Intragroup loans . . . . . . . . | 4,439 | 101 | - | - | - | - | 4,338 |
| Finance leases . . . . . . . . . | 274 | 129 | 127 | 19 | - | - | - |
| **Total** . . . . . . . . . . . . . . . . . . | **16,533** | **551** | **342** | **283** | **302** | **332** | **14,724** |

**Euro-denominated indebtedness has been converted at the exchange rate on December 31, 2011, which was SEK 8.970 per EUR 1.00.*

For a description of the material terms of the financing arrangements see "*Description of Certain Financial Arrangements*".

### *Certain Other Indebtedness*

Com Hem uses operating assets through operational lease arrangements. The Group rents access to ducts and co-location facilities, as well as optical fiber. The following table sets forth the irrevocable operating lease payments we are obligated to make as of December 31, 2011.

| | As of December 31, 2011 | | | |
|---|---|---|---|---|
| | | Due | | |
| | **Total** | **Within 1 year** | **Between 1 and 5 years** | **After 5 years** |
| | | (SEK in millions) | | |
| Operational lease payments . . . . . . . . . . . . . . . . . . | 774 | 260 | 456 | 58 |

## Financial Risks

Market risk represents the risk of loss that may result from the potential change in exchange rates and interest levels as well as refinancing and credit risks. For additional information, see *"Note 26 - Financial Risks and Finance Policies"* to the audited consolidated financial statements as of and for the period ended December 31, 2011, included elsewhere in this Annual Report.

### *Liquidity Risk*

Liquidity risk primarily concerns the ability to meet obligations to pay employees and creditors and to service debts. The Treasury policy stipulates the availability of cash and cash equivalents to ensure funding of the operating activities. The Group prepares monthly liquidity forecasts, subject to regular review, which are part of the budgeting process. In general, Com Hem bills the customers in advance, with liabilities settled at due date, which has a positive effect on liquidity. Consumers are usually billed monthly in advance and property owners usually quarterly in advance.

The Group's cash reserve consists of cash and cash equivalents and unused credit facilities. The following table sets forth the liquidity reserve as of December 31, 2011:

| **Liquidity reserve** | **SEK in million** |
|---|---|
| Cash and cash equivalents | 1,044 |
| - of which restricted | 402 |
| Unused facilities (revolver- and capex facility) | 1,236 |
| **Total liquidity reserve** | **2,280** |

### *Interest Rate Risk*

Interest rate risk is mainly affected by the 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. To decrease the interest rate risk, at least 2/3 of outstanding bank debt shall be interest rate secured during the first three years from date of signing Senior Credit Facilities Agreement. This has been made with interest rate derivatives. The following table sets forth the interest rate structure before and after the interest rate derivatives.

| **SEK million** | **Nominal Value** | **Interest Rate Derivatives** | **Net Exposure** | **Proportion %** |
|---|---|---|---|---|
| 2012 | 6,128 | (3,812) | 2,316 | 14% |
| 2013 | - | - | - | - |
| 2014 | - | - | - | - |
| 2015 | - | 2,686 | 2,686 | 16% |
| 2016 | - | - | - | - |
| 2017 | - | - | - | - |
| 2018 | 3,492 | 1,126 | 4,618 | 28% |
| 2019 | 3,961 | - | 3,961 | 24% |
| Later | 2,952 | - | 2,952 | 18% |
| **Total** | **16,533** | **-** | **16,533** | **100%** |

The Group's interest expenses would increase by some SEK 22 million annualized given a 1% increase in interest rates, given the same hedging conditions as applied on the reporting date.

***Currency Risk***
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 normally effected when the Group enters an agreement that has a minimum exposure of SEK 10 million in each currency for a maximum period of 12 months. 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. There were no transaction-related forward contracts at the end of 2011.The following table sets forth the pro forma transaction exposure by currency as of the dates indicated.

| | **1 Jan – 31 Dec 2011** | |
|---|---|---|
| **Currency, million** | **Amount** | **%** |
| EUR | (98) | 46% |
| NOK | (35) | 16% |
| USD | (78) | 37% |
| Other | (2) | 1% |
| **Total** | **(213)** | **100%** |

The Group's consolidated cash flow would be reduced by approximately SEK 11 million as of December 31, 2011 if the Swedish Krona depreciated by five percentage points against the above currencies assuming the same transaction exposure as in 2011 and assuming no hedging. We regularly assess foreign exchange risks in order to determine whether the exposure should be hedged by forward exchange contracts.

For additional information on foreign hedging contracts entered into to hedge risks related to exchange risks and to hedge future cash flows, see *"Note 26 - Financial Risks and Finance Policies"* to the audited consolidated financial statements as of and for the year ended December 31, 2011, included elsewhere in this Annual Report.

*Translation Exposure – Financial Items*

The Group's translation exposure arises due to debt obligations in EUR. As of December 31, 2011 the Group's debt obligations amounted to EUR 608 million (EUR 321 million in bank debt and EUR 287 million in Notes). See also *"Capitalization"* and *"Presentation of Financial and Other Data"*. According to both the Group's current *Treasury Policy* and *Credit Facilitiy Agreeement,* part of outstanding debt in foreign currency can be unhedged provided that all foreign currency interest payment is hedged. The following table sets forth the translation exposure before and after FX hedges.

| Debt in SEK million | Nominal Value | Currency Derivatives | Net Exposure | Proportion % |
|---|---|---|---|---|
| Credit facilities . . . . . . . . . . | 2,875 | - | 2,875 | 17% |
| Notes . . . . . . . . . . . . . . . . . | 3,492 | - | 3,492 | 21% |
| Intragroup loans. . . . . . . . . . | 4,439 | - | 4,439 | 27% |
| Finance leases . . . . . . . . . . | 274 | - | 274 | 2% |
| Derivatives . . . . . . . . . . . . . | - | 2,023 | 2,023 | 12% |
| **Total** . . . . . . . . . . . . . . . . . | **11,081** | **2,023** | **13,104** | **79%** |

| Debt in EUR million | Nominal Value | Currency Derivatives | Net Exposure | Proportion % |
|---|---|---|---|---|
| Credit facilities . . . . . . . . . . | 321 | - | 321 | 17% |
| Notes . . . . . . . . . . . . . . . . . | 287 | - | 287 | 16% |
| Derivatives . . . . . . . . . . . . . | - | (226) | (226) | -12% |
| **Total** . . . . . . . . . . . . . . . . . | **608** | **(226)** | **382** | **21%** |

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 171 million 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 Com Hem uses advance billing for consumer and landlord services. The Group performs credit worthiness checks when entering into contracts with new subscribers and makes an internal credit assessment when the Group up-sells to an existing subscriber to assess the potential credit risk. Com Hem also applies a fast debt recovery process, where the Group terminates a subscriber's service if payment is not made. Due to the size of the subscriber base, there is no specific concentration of risks due to a small number of large subscribers. General provisions for potential bad debt are made regularly, and credit losses are small in relation to Com Hem's operations. Total credit losses in the year ended December 31, 2011 were 0.5% of revenues, compared to 0.4% of revenues in the year ended December 31, 2010.

***Critical Accounting Policies***

See *"Note 1 - Accounting Policies"* to the audited consolidated financial statements as of and for the period ended December 31, 2011, included elsewhere in this Annual Report.

## BUSINESS

*Com Hem is the largest cable operator in Sweden based on the number of connected homes and the number of unique subscribers. The Group is a leading provider of analog and digital television, including on-demand and HD television, high-speed broadband and fixed-telephony services.*
*Com Hem provides services to subscribers in its footprint, which consists of the approximately 1.74 million homes that are connected to its network as of December 31, 2011 (the "**footprint**").*

### Overview

Com Hem has been able to successfully leverage the market-leading position to drive the growth of the business. From 2009 to 2011, the number of unique subscribers, the digital revenue generating units ("**RGUs**") and the blended average revenue per user ("**ARPU**") grew at Compound Annual Growth Rates ("**CAGRs**") of 2.6%, 4.7% and 5.0%, respectively. Reflecting Com Hem's operational success, the Group has grown revenues, Adjusted EBITDA and operating free cash flow at CAGRs of 5.2%, 11.2% and 33.7%, respectively, from 2009 to 2011.

As of December 31, 2011, Com Hem had approximately 861,000 unique customers subscribing for approximately 1.59 million digital services, corresponding to a ratio of RGUs per unique subscriber of 1.84 to 1. A core element of the strategy is providing services combined in triple-play bundles, which offer subscribers the convenience of receiving digital television, high-speed broadband and fixed-telephony services from a single provider at an attractive price.

As Com Hem is currently able to market digital services to the base of analog cable television subscribers, the Group believes that we will continue to have a substantial opportunity to drive digital penetration, which will allow us to generate attractive operating margins and financial growth. Our network covered approximately 39% of all homes in Sweden as of December 31, 2011 and includes all major metropolitan areas, including Stockholm, Gothenburg, Malmö and Uppsala.

### History

Com Hem was founded in 1983 by Televerket, the former Swedish state telephony monopoly and predecessor of Telia (which merged with Sonera in 2002, creating TeliaSonera), 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. We launched digital pay television in 1997, and high-speed broadband in 1999. In 2004, we launched our VoIP telephony services. The Swedish private equity firm EQT acquired Com Hem in June 2003, and The Carlyle Group and Providence Equity Partners acquired the Company from EQT in June 2006. Later that same year, Com Hem's owners at that time acquired UPC Sweden and integrated the two companies. BC Partners Limited acquired Com Hem from the Carlyle Group and Providence Equity Partners in September 2011.

### Products and Services

We are focused on continuing to convert our stable base of analog unique subscribers into subscribers of digital television and our other digital services, either on a stand-alone basis or together in our service bundles, and believe that this is a key driver of increased revenues and ARPU growth and strengthens subscriber loyalty. We typically enter into contracts with landlords of MDUs to provide analog cable television services, consisting of up to 16 analog cable television channels, to their tenants, with the cost of the service included in the tenant's rent or 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 analog cable television, we can offer individual subscribers the ability to upgrade to our full range of digital services.

We offer digital services consisting of digital pay television, including on-demand and HD television, high-speed broadband and fixed-telephony services. We enter into direct billing relationships with the tenants who subscribe for digital services and retain the contractual relationship with the landlords for the underlying analog cable television service.

In addition to providing our digital and analog services to subscribers and landlords across our advanced HFC cable network, we provide our full range of digital services to subscribers, both inside and outside of our network footprint, via LAN networks, including since May 2010 over open LAN networks through our own communications operator iTUX. As a communications operator, iTUX operates open LAN networks built by landlords or municipalities, allowing tenants to choose the service provider.

***Digital Pay Television Services***

We provide residential subscribers with the ability to select one of the following four tiers of digital television channels and the option to include premium channel packages in their subscription. Residential subscribers are required to have a subscription for service in connection with a CA-module or STB and a smart card before they can access ordered broadcasted content. Subscribers pay for a CA-module or STB at the start of their subscription, the price of which varies according to the particular subscription.

*Linear Television*

- *Small*: Our small tier is our entry level digital pay television service, which provides subscribers access to ten television channels, including two HD channels. The small tier provides subscribers with the opportunity to subscribe to our other subscription services. The small tier also provides subscribers that have an on-demand STB with access to our on-demand services.

- *Medium 8 Favorites*: Our medium tier gives subscribers the freedom to design their own package through our highly successful “Favorite” concept. In addition to the ten channels received under the small tier, subscribers may select eight favorite channels from a list of approximately 100 available digital channels, including HD channels. “Play services” are available for certain channels and require an on-demand STB. “Play services” include “Start Over” and “Catch-up TV”, which are described below. Any favorite channel may be replaced at the end of every month. An extra four favorite channels may be added for an additional fee.

- *Large*: Our large tier provides subscribers with access to approximately 41 channels, including three HD channels and “Play services” for certain channels, which require an on-demand STB.

- *Extra Large*: Our extra large tier provides subscribers with access to approximately 68 channels, including nine HD channels and “Play services” for certain channels, which require an on-demand STB.

- *Premium Channels*: Our premium channels services offering provide subscribers with access to a large number of additional channels across a range of genres, primarily sports, movies, series and adult, through add-on subscription packages from two leading Swedish premium content providers based upon revenue-sharing agreements. To provide extra value, “Play services” are included in our premium channel tier free of charge. However, “Play services” do require an on-demand STB.

We believe that flexibility is the key. All channels that are available for selection in the medium 8 favorites tier are also available on an “*à la carte*” basis. Hence, if a subscriber would like to receive a channel that is not available in their channel package, the subscriber may add that channel for an additional fee.

*On-Demand Services*
We have a comprehensive on-demand service offering of approximately 5,000 available titles, including HD titles. As of December 31, 2011, we had approximately 96,000 on-demand RGUs.
We provide residential subscribers with the ability to select from the following on-demand services:

- *Start Over*: Ability to re-start a program within its broadcast window.
- *Catch-up TV*: Ability to watch programs up to 30 days after their original broadcast. The catch-up service is divided into two tiers. We offer a seven-day catch-up service that provides access to content as broadcasted with commercials included, and a 30-day catch-up service that provides access to programming without commercials.
- *SVoD*: Subscription VoD services with unlimited viewing of pre-defined programming, which we update on a monthly basis.
- *TVoD*: Transaction VoD offers titles that are available for rent on an individual basis.

To obtain access to on-demand services, residential subscribers must have a hybrid STB capable of receiving on-demand. Our “Start Over” and seven-day “Catch-up TV” services, which we call our “Play services”, are offered free of charge on a channel-by-channel basis linked to the channels in the subscribers’ digital pay 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 extra large tier, subscribers must upgrade to the extra large tier. The 30-day Catch-up TV, SVoD and TVoD services are available for an additional fee.

As of December 31, 2011, we had approximately 658,000 digital pay television RGUs, meaning that approximately 37.9% of the homes that are connected to our network as of such date subscribed to our digital pay television services. We typically enter into standard form contracts directly with residential subscribers and are able to deliver targeted marketing materials as a result of this direct subscriber relationship. Our digital pay television services accounted for 35.3% and 37.1% of our total revenues in the year ended December 31, 2010 and the year ended December 31, 2011, respectively. In the year ended December 31, 2010 and the year ended December 31, 2011, our digital pay television services generated an ARPU of SEK 213 and SEK 223, respectively.

We plan to expand our digital television portfolio and add new functionality and content to continue to offer the most comprehensive range of services in our footprint.

***High-Speed Broadband Services***
Of the 1.74 million homes connected to our network as of December 31, 2011, 1.58 million are connected to our upgraded network, meaning that we are able to offer them our high-speed broadband services. We offer high-speed broadband services on a monthly subscription basis. As part of our standard high-speed broadband services portfolio, we currently provide fixed high-speed broadband packages with maximum download speeds of up to 10 Mbit/s, 25 Mbit/s, 100 Mbit/s and 200 Mbit/s, respectively, without any time or data volume restrictions. As of December 31, 2011, 16% of our high-speed broadband subscribers subscribed for our 100 Mbit/s or 200 Mbit/s services.
As of December 31, 2011, we had approximately 551,000 high-speed broadband RGUs. We offer our high-speed broadband services on a stand-alone basis and bundled with our other services. To access our high-speed broadband services, subscribers must have a cable modem. Subscription fees are billed in advance on a monthly basis. Our high-speed broadband services generated 27.1% and 27.2% of our total revenues in the year ended December 31, 2010 and the year ended December 31, 2011, respectively. In the year ended December 31, 2010 and the year ended December 31, 2011, our high-speed broadband services generated an ARPU of SEK 184 and SEK 191, respectively.

### *Fixed-Telephony Services*
Our fixed-telephony services use VoIP as a method of transporting voice over our cable network 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 Internet and 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 charge our fixed-telephony subscribers a low fixed monthly subscription fee and we charge additional fees for traffic consumption. Our basic fixed-telephony services further enable subscribers to choose from several usage package services which enable the subscriber to control or reduce traffic charges, including flat rate service for unlimited calls to landlines in Sweden, a discount product for foreign calls and a discount product for mobile calls. We offer these services for an additional monthly fee. Our fixed-telephony packages require a cable modem to access the service. Subscription fees are billed in advance on a monthly basis, whereas usage fees are billed retrospectively.

As of December 31, 2011, we had approximately 376,000 fixed-telephony RGUs. Our fixed-telephony operations generated 13.2% and 12.5% of our total revenues in the year ended December 31, 2010 and the year ended December 31, 2011, respectively. In the year ended December 31, 2010 and the year ended December 31, 2011, our fixed-telephony services generated an ARPU of SEK 133 and SEK 127, respectively.

### *Analog Cable Television Services*
We provide analog cable television services primarily to subscribers who reside in MDUs based on contracts that we have entered into with landlords of the MDUs. Subscribers pay for analog television access as part of their rent or as a separate charge paid directly to their respective landlord. We have entered into contracts with approximately 23,000 landlords. The duration of these contracts ranges from one to ten years, with an average contract duration of three years. These landlords include municipally-owned public housing companies, private landlords of multi-tenant buildings and tenant-owned cooperative housing (Sw. *Bostadsrättsföreningar*). We normally enter into our standard 36-month contract with landlords to secure our basic analog cable subscriber base. The standard form agreement provides for a twelve-month termination period, where the agreements automatically renew for an additional 36 months if it is not terminated within the termination period. Subscription fees under landlord contracts are normally paid quarterly in advance. We have a very low default rate in the landlord segment.

As of December 31, 2011, we provided a total of 1.74 million Swedish households with analog cable television. Our analog cable television product includes up to 16 analog cable television channels, many of which have a high standing in Sweden. Through our analog cable television product we also comply with our “must-carry” obligation. Our analog cable television services accounted for 20.7% and 19.6% of our total revenues in the year ended December 31, 2010 and the year ended December 31, 2011. Further, due to the large number of unique subscribers and the fact that we have low content costs for the analog television channels, the analog cable television services contribute an important and stable stream of revenue and profit. The importance of our analog television service is not only reflected in the revenue and profits generated by the service itself, but in the access it provides to our subscribers. We market our range of digital services to the subscribers within our connected MDUs to generate higher ARPU.

In addition to contracts with landlords, we provide analog cable television services to approximately 42,000 residential homes based on individual agreements with the homeowners.

## Brand
We market all of our services under the “Com Hem” brand, both to the landlord business and to the consumer business. Our brand is well known in the Swedish market. We launched our current marketing concept, “Judit and Judit”, in the spring of 2009 and it has been well received and contributed, we believe, to the overall improvement in our brand positioning. We co-operate with different agencies, such as 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.

## Sales

***Residential Sales***
Com Hem is dedicated to attract, develop and retain profitable subscriber relationships. This is done by developing, refining and managing competitive consumer offerings. We design and promote new services to subscribers through product management and create competitive service packages and pricing.

We focus on meeting our sales volume goals by optimizing the available sales channels, monitoring subscriber acquisition costs in an effective way, and continuously managing the strategic development of the elements of our product and service offerings, including the optimization of and changes to our channel packages. We offer our products and services through (i) retail sales channels; (ii) telemarketing sales channels; (iii) our customer service sales channel; (iv) the Internet sales channel; and (v) the door-to-door sales channel. The aim is to ensure that our product portfolio is competitive and profitable over time, and that it meets our current and prospective subscribers' expectations. We also aim to furthering our subscriber relationships by increasing subscriber value and ARPU, while working to reduce churn.

***Landlord Sales***
We target our current landlord customers through Account Managers, and through our New Sales Business team, we target new landlords that are not currently connected to our network as well as construction companies that are building new housing developments.

## Operations

***Customer Service***
Our Customer Service is located in Härnösand. Additionally, in January 2012 we opened our new offices in Örnsköldsvik located some 100 kilometers from Härnösand. Customer Service including sales and save teams, is responsible for incoming subscriber calls and other subscriber contacts, and primarily handles service and fault requests, but is also our most important sales channel.

We seek to maximize subscriber satisfaction while continuously improving efficiency. To add flexibility, we have historically had an agreement with an overflow partner to provide support when we receive high call volumes and also as a general part of normal operations. From the second half of 2012, we plan to handle incoming subscriber calls in-house. We constantly measure the performance of our Customer Service based on various key performance indicators. 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.

***Production Control***
We closely monitor the operating status of our network and production platforms. We have implemented a state-of-the-art fault and performance management system, which is designed to proactively detect network failures and assess network performance. Network data is collected from approximately 80 different types of event sources such as broadband routers, including cable modem termination systems ("**CMTS**"), other routers, switches, servers, fiber nodes and amplifiers.

***Field Service***
We perform maintenance on the HFC network, and to some extent, works on the expansion of our HFC network capacity, and make in-home visits to address technical faults and subscriber complaints. Our field service is managed through own employees and out-sourced contractors. We manage our field services by closely monitoring and analyzing various key performance indicators. We collect feedback from subscribers on a regular basis to help us measure the quality of our fault repair services.

## Our Network

***Cable Network***

Our cable network is one of the most technologically advanced in Europe. Approximately 90% of all homes connected to our network are served by our bi-directional and EuroDOCSIS 3.0-enabled network with a spectrum bandwidth capacity of 862 Mhz and can, as a result, receive our digital services. EuroDOCSIS 3.0 is an international standard that defines requirements for data transmission over cable networks.

Our network utilizes HFC cable and is fiber-rich with approximately 600 homes connected to each node, which is significantly less than most other European cable networks. HFC cable has inherent capacity and quality advantages compared to xDSL networks, and cable operators are currently able to offer more capacity for simultaneous distribution of digital television, high-speed broadband and fixed-telephony services than LANs. 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 analog or digital television programming on multiple televisions, order on-demand services, place telephone calls and use the Internet at speeds of up to 200 Mbit/s without experiencing service-quality degradation.

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 status of our network, we can focus our capital expenditure requirements on subscriber growth, usage and new product development as well as network and infrastructure maintenance.

***Internet Protocol Services Delivered via LANs***

We also deliver digital television, high-speed broadband and fixed-telephony services across an Internet-protocol platform to MDUs that are connected to fiber-based LANs. The fiber-based LANs, when present, typically run parallel to existing cable networks, both inside and outside of our footprint. In this context, we deliver services either via vertical or “closed” LANs, which we typically build and control and through which we offer services on an exclusive basis to connected households, or via open LANs, which are built and owned by third parties, primarily public municipal landlords, and operated on their behalf by communications operators who enter into agreements with various service providers (including Com Hem) on behalf of the landlords. In the open LAN context, we primarily offer our services when our separately-branded, but fully-owned, subsidiary iTUX has been appointed as the communications operator.

*iTUX*

The communications operator business is normally structured so that the communications operator pays a network fee to the network owner for the communications operator position and receives connection fees from the service providers that provide services across the fiber-based LAN. Residential subscribers enter into direct subscription relationships with the service providers. iTUX ensures that the connected households are offered the possibility to choose from a wide range of service providers, including Com Hem, and emphasizes equal treatment of the service providers. iTUX, which commenced operations in May 2010, had contracted to provide services over fiber-based LANs to approximately 110,000 subscribers as of December 31, 2011, compared to approximately 70,000 subscribers as of December 31, 2010.

# 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, 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 antitrust 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.

***The Regulatory Body***
The Swedish Post and Telecom Agency (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 its 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.

***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 indentified 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. The PTS has 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. This means that the terrestrial broadcaster, Teracom AB ("**Teracom**"), must provide access to free-to-air content to third parties and that wholesale prices may be determined by the PTS. See "—*Operators 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 on 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. 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.

The PTS has concluded that within Market 4 (wholesale (physical) network infrastructure access) and Market 5 (wholesale broadband access), TeliaSonera AB ("**TeliaSonera**") has 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 has 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 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 LRIC-model (long run incremental cost) produced and updated each year by the PTS.

The PTS has not concluded that we have significant market power in any other market than Market 3. 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.

On 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 that 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*".

*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"). 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 serious 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.

In a recent report, 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 regulation of TeliaSonera's fiber network through the imposition of access obligations on Market 4 (wholesale (physical) network infrastructure access). Since this market only covers access fiber (the last mile) it is believed that the measure will only solve part of the identified lack of competition.

*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 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.

## 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; (xi) information on how consumer disputes are initiated; and (xii) information regarding traffic management. 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 that operators providing electronic communications services to consumers must offer users the possibility to subscribe to a contract with a maximum term of twelve months. Furthermore, contracts concluded between consumers and operators providing electronic communications services must not have an initial commitment period exceeding 24 months.

***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).

***Number Portability***
Under the Electronic Communications Act, an operator must ensure that their telephone network allows for a subscriber to retain their 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 allocate 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.

***Interception and Information Requests From Law Enforcement Authorities***
The Electronic Communications Act requires network operators and service providers to pursue their operations so that court decisions to intercept telecommunications may be executed without being disclosed, and that the content of and information about the intercepted telecommunications is made available to the police and prosecuting 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***
The implementation of Directive 2006/24/EC on the retention of data (the "**Data Retention Directive**") has been delayed in Sweden. Under the Electronic Communications Act, traffic data must be erased or made anonymous when it is no longer needed for the transmission of communication or for billing purposes. The Swedish government has issued a government's bill (Sw. *proposition*), proposing an implementation of the Data Retention Directive. However, on March 6, 2011, the Swedish parliament

resolved to postpone its vote on the proposed implementation of this legislation. The proposed legislation would require 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 necessary technical adjustments in the network to allow for such collection and storage, but they will be entitled to reasonable compensation for information requests from law enforcement authorities.

We expect the Government to decide on an implementation of the Data Retention directive and we therefore prepare to implement functionality to meet legislation and regulation requirements during 2012.

***Fees***

For operations requiring notification to the PTS, the authority may charge an annual fee of 0.14% of the turnover. In addition, all operators subject to a notification requirement with an annual turnover of more than €33 million must pay a "preparedness" fee (relating to grave peacetime threats to and strains on electronic communications) corresponding to 0.15% of the annual turnover.

## 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 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. No fees are charged by the SBA for the license to broadcast the terrestrial television.

***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.

World Radio Communication ("WRC") conference 2012 has as of February 17, 2012 adopted a resolution supporting an 'extended digital dividend' at 700 MHz, with the technical conditions to be agreed on at the next WRC in 2015. This would open up for national regulators to potentially make additional frequencies available for mobile services following a potential 2015 decision.

***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, must free of charge broadcast public service channels, *i.e.*, SVT1 and SVT2, SVT24, Kunskapskanalen and Barnkanalen.

In general, the television channels acquire the relevant licenses and pay all copyright fees for the broadcasted 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 transmission of such channels.

In 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, which may impact our obligation to pay royalties to rights holders for the transmission of must-carry channels. The SBA published its report on September 30, 2011, and proposed an extended responsibility for the public service broadcaster for the clearance of royalties to rights holders for the transmission in cable and IP networks. The Government and the Parliament might decide on revised regulation on this responsibility. An operator of an electronic communications network, connecting more than 100 households, such as Com Hem, is also prohibited from charging fees for broadcasting space in its network from certain local cable broadcasters designated by the SBA.

## Competition Regulation
The electronic communications and media sector is covered by general competition law and regulated by the Swedish Competition Authority (the "**SCA**"). Among other things, the SCA is responsible for merger control. In November, 2011, the SCA filed a summons at the Stockholm District Court seeking a prohibition to Com Hem's proposed acquisition of Canal Digital Kabel-TV AB from Canal Digital Sverige AB. According to the SCA's summons, Com Hem's position in the market would, following an approved acquisition of Canal Digital Kabel-TV AB, become too dominant. The Stockholm District Court dismissed the matter in January, 2012, following Canal Digital Sverige AB's withdrawal from the Sales and Purchase Agreement between Canal Digital Sverige AB and Com Hem.

## 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 STBs). It could be expected that these requirements on complex STBs 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.

# MATERIAL CONTRACTS

## Network Agreements

We have entered into a certain agreement with Trafikverket, whereby we lease transmission capacity for a national backbone network. We have also entered into agreements with several local and regional municipalities for the lease of infrastructure e.g. dark fiber. We entered into several agreements regarding infrastructure, e.g. dark fiber, with Skanova and Stokab.

## Interconnection Agreement

We have entered into an agreement with TDC, under which TDC provides us with interconnection services for our fixed-telephony operations in addition to telephony numbers that Com Hem holds in the Swedish numbering plan.

## Technical Agreements

We have entered into an agreement with Conax for the use of Conax's conditional access system, which enables Com Hem to provide pay television services and charge fees on an individual subscriber basis.

## Agreements with Providers of and Distributors of CPE

We have entered into agreements with suppliers of STBs, CI modules and modems, as well as with distributors with regards to the distribution of CPE. The providers of CPE are Motorola, Samsung, SmarDTV, SMiT, Cisco and Netgear. With regards to the distribution, we have entered into agreements with Anovo, Bring/Citymail and Schenker.

## 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, TV4, SBS Broadcasting Networks, Eurosport and C More Entertainment. Certain of our distribution agreements require the content provider to acquire the relevant licenses and pay all copyright fees to copyright holders in relation to the transmission and distribution of the content on our network.

Fees paid by us in connection with the distribution agreements vary. Certain of our distribution agreements require us to pay fees based on the number of unique subscribers. Other agreements follow a revenue sharing model or a distribution license fee. Also other types of agreements occur.

## Facilities Agreements

Please refer to *"Description of Certain Financial Arrangements"* for a description of the NorCell Group's facilities agreements.

# BOARD OF DIRECTORS AND MANAGEMENT

## Board of Directors

Com Hem adopted a one-tier board. The address for all members of the Board of Directors is c/o Com Hem AB, Box 8093, SE-104 20 Stockholm, Sweden.

The Board of NorCell Sweden Holding 2 AB (publ) consists of six members, of which one is the Chief Executive Officer. The Board convenes in accordance with the instruction for the Board's work, which the Board approves annually. NorCell Sweden Holding 2 AB (publ) is a subsidiary of NorCell 1B AB (publ) and in accordance with common practice in Swedish groups, the Board of NorCell Sweden Holding 2 AB (publ) only deals with such matters that it at law must deal with, such as approving the annual accounts. The procedures described above also applies to NorCell Sweden Holding 3 AB (publ), a subsidiary to NorCell Sweden Holding 2 AB (publ). The Board of NorCell Sweden Holding 3 AB (publ) consists of the same Board members as NorCell Sweden Holding 2 AB (publ).

Matters of importance for the NorCell Group are primarily discussed at board meetings in the holding company NorCell 1B AB (publ). The Board of NorCell 1B AB (publ) consists of the same persons as the Board of NorCell Sweden Holding 2 AB (publ), but also includes two employee representatives. See also "*Presentation of Financial and Other Information*".

The following table set forth the name and current position of each member of the Board of NorCell Sweden Holding 2 AB (publ) and NorCell Sweden Holding 3 AB (publ) as of December 31, 2011.

| Name | Position |
|---|---|
| Nikos Stathopoulos | Chairman of the Board |
| Tomas Franzén | Chief Executive Officer and Director |
| Joachim Ogland | Director |
| Michael Wunderlich | Director |
| Mortiz von Hauenschild | Director |
| Joachim Jaginder | Director |

***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 14 years experience in private equity. He is currently Chairman of the Board of Com Hem, Gruppo Coin and Regency Entertainment and a member of the Board of Migros Turk. 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 holds an MBA from Harvard Business School and a degree in Business Administration from Athens University of Economics & Business (AUEB). Mr. Stathopoulos is a member of the Harvard Business School European Leadership Board, the European Venture Capital Association Buyout Committee, the Board of Trustees of the Private Equity Foundation and the Advisory Board of the AUEB. He is Chairman of the BC Partners Limited Foundation and a Fellow of the Royal Society of Arts.

***Tomas Franzén*** has served as Chief Executive Officer of Com Hem since May 2008. He is also Chairman of the Board of OTM Development AB, and a member of the Board of Niscayah Group AB and Ovacon AB. Mr. Franzén studied a Master of Science in Industrial Engineering and Management at Linköping University, Sweden. Previously, he served as Chief Executive Officer of Eniro AB and member of several Boards within the Eniro Group (2004-2008); Chief Executive Officer of AU-System AB (1999-2002) and Song Networks Holding AB (2002-2004); Chairman of the Board of Avisere Europa AB (2005-2007), Grin AB (2001-2007) and Trust2You AB (2004-2007); member of the Board of Avisere Europa AB (2004-2005), BTS Group AB (2001-2008), Inspecta Group OY (2007-2008) and Teligent AB (2007-2008); and deputy member of the Board of OEM International AB (1997-2008).

***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 ten years experience in private equity. Since joining BC Partners Limited more than eight years ago, Mr. Ogland has made seven investments; Teknon, BDR Thermea, Dometic, Foxtons, Office Depot, Nille and Com Hem, and is currently a member of the Board of Nille and Com Hem. Prior to joining BC Partners Limited, Mr. Ogland worked with Morgan Stanley Capital Partners on leveraged buy-outs in Europe from 2001 to 2003. Prior to Morgan Stanley, he was a management consultant with McKinsey & Co. in Oslo for nearly two years.

Mr. Ogland holds an MBA from Harvard Business School and a Bachelor in Science in Mechanical Engineering from Massachusetts Institute of Technology (MIT).

***Michael Wunderlich*** is a Partner at BC Partners in Hamburg. He joined in 2001 from Arthur Andersen where he spent five years in London and Frankfurt. As a manager in transaction support services he performed financial/tax due diligence and deal structuring focusing particularly on advising financial investors and IPO candidates. He is a certified German tax advisor and holds a degree in economics and business administration from the University of Leipzig. He speaks German, English and conversational Russian.

***Moritz von Hauenschild*** is a Partner at BC Partners Limited. He joined in early 2007 after spending nearly five years as head of Pay TV product development for News Corp in Australia. Prior to News Corp he spent over five years at the Boston Consulting Group in Germany, Brazil and Australia focusing on consulting a wide range of media clients. He is currently a Board member of ComHem and has held a Board seat at Unitymedia (Europe's third largest cable operator) for four years. He holds a degree and an MBA from University of St Gallen in Switzerland.

***Joachim Jaginder*** has served as Chief Financial Officer of Com Hem since August 2008. Mr. Jaginder holds a Master of Business Administration from Stockholm University, Sweden. Previously, he served as Chief Executive Officer of Eniro AB (2008), Chief Financial Officer of Eniro AB and member of several Boards within the Eniro Group (2005-2008), and as a member of the Board of Dacke Group Nordic AB (2007-2008). Prior to 2006, Mr. Jaginder also served as the Chief Financial Officer of Song Networks (2003-2005), Chief Financial Officer of Teleca (2002-2003), Chief Financial Officer of AU-Systems (2000-2002) and Chief Controller of McDonalds Sweden (1998-2000).

## Group Management

The Group Management is responsible for the daily operations of Com Hem. The address for all members of the Group Management is c/o Com Hem AB, Box 8093, SE-104 20 Stockholm, Sweden.

The following tables set forth the name and current position of each member of the Group Management as of December 31, 2011.

| Name | Position |
| --- | --- |
| Tomas Franzén | Chief Executive Officer (CEO) |
| Joachim Jaginder | Chief Financial Officer (CFO) |
| Christer E. Andersson | Director of the Landlord Business Unit |
| Stefan Berg | Chief Information Officer (CIO) |
| Christer Kinch | Director Strategic Development and Public Affairs |
| Martin Kull | Chief Technical Officer (CTO) |
| Daniel Ljungberg | Director of Operational Excellence and Procurement |
| Björn Nilsson | Director of Communications |
| Annika Sten Pärson | Chief Marketing and Sales Officer (CMSO) |
| Krister Tånneryd | Chief Operating Officer (COO) |
| Eva Åhgren | Director Human Resources |

The following is a summary of the business experience of our current Group Management, other than that of Mr. Franzén and Mr. Jaginder, whose business experience is described under "*—Board of Directors*".

***Christer E. Andersson*** has served as Director of the Landlord Business Unit of Com Hem since April 2007. He also currently serves as a deputy member of the Boards of Toolking AB and Ute&inne i Mellerud AB. Mr. Andersson holds a Master of Science in Industrial Engineering and Management from Linköping University, Sweden. Previously, he served as Chairman of the Board of Uppsala Stadsnät AB (2005-2006); Market Manager at TDC Song AB (2005-2007); Director of Product & Services at Song Networks AB (2000-2005); and Managing Director at Lucent Technologies AB (1998-2000).

***Stefan Berg*** has served as Chief Information Officer (CIO) of Com Hem since August 2009. He holds a Bachelor of Social Science from Uppsala University, Sweden. Previously, Mr. Berg served as Regional Manager at Strand Interconnect AB (2007-2009), and as Business Area Manager at Cybercom Group AB (2007) and Teleca AB (2005-2007).

***Christer Kinch*** joined Com Hem in February 2004 and serves as Director of Strategic Development and Public Affairs. He also serves as a member of the Board of Broadcast Text Holding AB. Mr. Kinch holds a Master of Science in Industrial Engineering and Management at the Royal Institute of Technology in Stockholm, Sweden. Previously, he served as a member of the Board of Konsumenternas Tele-, TV- & Internetbyrå, KTIB, AB (2008-2009), Investment Manager at Investor Growth Capital (2000-2003), and Engagement Manager at McKinsey & Company (1995-2000).

***Martin Kull*** has served as Chief Technical Officer (CTO) of Com Hem since September 2003. He also currently serves as a Partner of Vestacon HB, a member of the Board of Ella & Brita Ientzens Stiftelse för avkomlingar efter Anton Kull, a member of the CTO Executive Committee of Cable Europe Labs, and as a member of the Executive Committee of Cable Europe. Mr. Kull holds a Master of Science in Engineering Physics and Ph.D. in Physics from the Royal Institute of Technology in Stockholm, Sweden. Previously, he served as a Board member of Saturnicon AB (2005-2008), CTO at StjärnTV Nätet AB (1998-2000), Strategic Product Manager at Ericsson Business Networks AB (1996-1998), Turn-key Solutions Manager at Ericsson Business Networks AB (1994-1996), and Research Project Manager at Ericsson Business Networks AB (1991-1994).

***Daniel Ljungberg*** has served as Director of Operational Excellence and Procurement of Com Hem since January 2009. He holds a Master of Science in Industrial Engineering and Management from Linköping University, Sweden. Previously, Mr. Ljungberg served as a Board member of HSB Bostads-rättsförening Sunnan i Nacka (2007-2008), Director of Group Procurement at Eniro AB (2007-2008), Head of Procurement Development at SEB AB (2005-2007) and Management Consultant at Accenture AB (1999-2005).

***Björn Nilsson*** has served as Director of Communications of Com Hem since January 2010. He holds a Master of Social Sciences at Lund University, Sweden, Master of Law and Economics from Leiden University, Netherlands, and IFL Communication Executives Program at Stockholm School of Economics, Sweden. Previously, Mr. Nilsson served as Head of Communications at Solna stad (2009-2010), Nordic Communications Manager at Skanska (2003-2009), Communications Manager at SAS (2001-2003), and Communications Officer at Government Offices of Sweden (1996-2001).

***Annika Sten Pärson*** has served as Chief Marketing and Sales Officer (CMSO) of Com Hem since July 2008. She also currently serves as member of the Board of CTAM Europe, the Cable Industry Association in Europe, and until recently also served on the Board of Directors of AB Svensk Bilprovning. Ms. Pärson holds a diploma in Strategic Marketing from Berghs School of Communication, Sweden, and has studied Business Administration at Lund University, Sweden, and Stockholm University, Sweden. Previously, she was a Partner at Konceptverkstan, a Stockholm based strategy consultant. She was also a Senior Strategy Consultant at Lowe Plus (part of Lowe Brindfors) (2006-2007). Prior to her consulting years, Ms Pärson was Commercial Director of Coop Forum, the largest hyper market retailer in Sweden and a Marketing Director at Candelia.

***Krister Tånneryd*** has served as Chief Operating Officer (COO) of Com Hem since February 2007. His education includes an upper secondary economics course at Frans Schartaus Gymnasium in Stockholm, Sweden, Introduction to IT Law at Linköping University, Sweden, and Introductory Course in Law at Stockholm University, Sweden. Previously, Mr. Tånneryd has served as Chairman of the Board of SNPAC Swedish Number Portability Administrative Centre AB (2004-2005), member of the Board of Bostadsrättsföreningen Adlern Mindre (2002-2007) and SNPAC Swedish Number Portability Administrative Centre AB (2002-2004 and 2005-2006), partner of Alacrity Consulting Group HB (2000-2007), Management Consultant at Alacrity Consulting Group HB (2006-2007), Vice President and COO at Telenor AB (2002-2005), Debt CEO at Telenor Business Solutions AB (2001-2002), Vice President and CTO at 4ctrl.com (2000), and Director of IT Infrastructure and Manager IT Purchasing at SAS (1994-2000).

***Eva Åhgren*** has served as Human Resource Director of Com Hem since September 2003. She is currently also the owner of Eva Åhgren Personaluppdrag. Ms. Åhgren has completed an Economics and Administration exam at Frans Schartau Business Institute in Stockholm, Sweden. Previously, she served as Chairman of the Board of Citerus AB (2007-2010); Human Resource Director at Ericsson IS/IT AB (2003), Know IT AB (2000-2001) and Cambridge Technology Partners Skandinavien AB (1998-1999); and as Consultant Manager at Cambridge Technology Partners Skandinavien AB (1996) and Digital Equipment AB (1987-1989 and 1994-1996).

## PRINCIPAL SHAREHOLDER

NorCell Sweden Holding 2 AB (publ) is wholly owned by NorCell 1B AB (publ), which, in turn, is wholly owned by NorCell Sweden Holding 1 AB. NorCell Sweden Holding 1 AB is owned by NorCell S.à.r.l, which is owned (through one or more holding entities) by funds advised by BC Partners Limitied. Approximately 1% of the Class A and B Shares, as well as the majority of the preference shares of NorCell Sweden Holding 1 AB is owned by Senior Managers.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Group has related party relationships with the Company's owner and with Board members and Group Management. 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 have invested in ordinary shares (class A and B shares) and preference shares. At present, these Senior Managers hold a total of approximately 1% of the class A and B shares, and a majority of the preference shares.

The PIK Bridge Facilities held by NorCell 1B AB (publ), and on-lent to NorCell Sweden Holding 3 AB (publ) (via NorCell Sweden Holding 2 AB (publ)), were repaid and replaced by the PIK Facilities on December 16, 2011. The lender under the new PIK Facilities Agreement is NorCell S.à.r.l, the ultimate parent company of the NorCell Group. Interest accrued with a fixed rate of 15%. The final maturity date of the PIK Facilities is September 29, 2019.

# DESCRIPTION OF CERTAIN FINANCIAL ARRANGEMENTS

## Intercreditor Agreement Senior

To establish the relative rights of certain of our creditors under our financing arrangements, the agent under the Senior Facilities Agreement, the lenders under the Senior Facilities Agreement, NorCell Sweden Holding 3 AB (publ), NorCell Sweden Holding 2 AB (publ) as the borrower under a Senior Bridge Facility Agreement (which was repaid with the proceeds from the Senior Notes), NorCell 1B AB (publ), Nordea Bank AB (publ), as security agent, Deutsche Trustee Company Limited, as trustee under the Senior Secured Notes Indenture as defined below) and the Senior Notes Indenture (as defined below) and certain others, entered into an Intercreditor Agreement on July 21, 2011, which was amended and restated on August 3, 2011 and September 26, 2011 and further amended on September 30, 2011 and amended and restated on October 24, 2011. The Guarantors (other than NorCell Sweden Holding 2 AB (publ)) acceded to the Intercreditor Agreement when they granted their guarantees in respect of the Senior Facilities Agreement by entering into a debtor accession deed under the Intercreditor Deed (the Guarantors, NorCell Sweden Holding 3 AB (publ) and NorCell Sweden Holding 2 AB (publ), the "Debtors"). The Intercreditor Agreement sets out, among other things, the relative ranking of certain debt of the Debtors and the collateral securing such debt (the ''Transaction Security''), when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that debt, when and how the Transaction Security can be enforced, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events, turnover provisions and equalization provisions.

The above description is a summary of certain provisions contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes and is qualified by reference to the Intercreditor Agreement. This description does not restate the Intercreditor Agreement in its entirety. You should read the Intercreditor Agreement because it, and not this description, defines certain rights of the holders of the Notes.

## Senior Facilities Agreement

**Overview and Structure**

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 entered into a Senior Facilities Agreement dated as of July 21, 2011 (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, which was amended and restated on August 3, 2011 and September 26, 2011 and as amended on October 24, 2011, and further amended October 31, 2011. Further, the financial covenants in the Senior Facilities Agreement were subject to a covenant reset pursuant to clause 26.5 thereof on each of 18 November 2011 and 9 January 2012. The facilities under the Senior Facilities Agreement consist of the following:

- a SEK 1,592 million senior secured term loan A facility (the "Term Loan A Facility");
- a senior secured term loan B1 facility of SEK 1,283 million and a senior secured term loan B2 facility of EUR 321 million (the "Term Loan B Facilities" and together with the Term Loan A 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 Senior Facilities Agreement requires the Group to comply with certain financial covenants consisting of (i) a maximum adjusted leverage ratio of total net debt to adjusted EBITDA, (ii) a minimum interest cover ratio of EBITDA to net finance charges, in each case as set forth below and (iii) a maximum level of capital expenditure over the originally modeled levels in any financial year in which the ratio of total net debt to Adjusted EBITDA exceeds 4.00:1. The ratios are based on the definitions in the Senior Facilities Agreement, which may differ from similar definitions in other documents.

The adjusted leverage ratio ranges from 7.15x stepping down to 3.55x through the end of 2017; the interest cover ratio ranges from 1.45x stepping up to 2.15x through the end of 2017.

**Interest and Fees**
Loans under the Senior Facilities Agreement will initially bear interest at rates per annum equal to STIBOR or, for loans denominated in euro, EURIBOR, or, for loans denominations or other currencies, LIBOR, plus certain mandatory costs, if any, and the following applicable initial margins:

- 4.25% per annum in respect of loans under the Term Loan A Facility;
- 5.00% per annum in respect of loans under the Term Loan B Facilities;
- 4.25% per annum in respect of loans under the Capex Facility; and
- 4.25% per annum in respect of loans under the Revolving Credit Facility.

The initial margins above may be adjusted depending on our leverage ratio after an initial 12-month period provided that no event of default has occurred and is continuing.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Capex Facility and the Revolving Credit Facility until the end of the availability period applicable to each such Senior Credit Facility at a rate of 40% of the applicable margin for each such Senior Credit Facility. Commitment fees are payable quarterly in arrears and on the date the relevant Senior Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest will be calculated as an additional 1% on the defaulted amount.

**Repayments**
The Term Loan A Facility will be repaid in semi-annual instalments, with the first instalment payable in September 2012 and the final instalment payable in September 2017. The Term Loan B Facilities will be repaid in full in March 2018. The Capex Facility will be repaid in instalments equal to 16.66% of all loans outstanding under the Capex Facility at the end of the availability period for that facility, every six months starting in September 2014, with any remaining amounts payable in September 2017.

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. For further information see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness*"

**Mandatory Prepayment**
The Senior Facilities Agreement allows for voluntary prepayments (subject to de minimis amounts) and requires mandatory prepayment in full or in part in certain circumstances, including:

- on a change of control or disposal of substantially all of the business of the Group;
- on a qualifying listing;
- from net cash proceeds received by the Group from 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; and
- for each financial year, a percentage of excess cash flow in the event that excess cash flow exceeds a minimum threshold amount, which percentage decreases as the Group's leverage ratio decreases.

**Guarantees**
Each of NorCell Sweden Holding 3 AB (publ), NorCell Sweden Holding 2 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB and the other Senior Secured Notes Guarantors and Senior Notes Guarantors guarantees (to the extent they are not the primary obligors thereunder) all amounts payable to the finance parties under the Senior Credit Facilities and the hedging banks under the hedging agreements relating to the Senior Credit Facilities.

Each subsidiary of NorCell Sweden Holding 3 AB (publ) that is or becomes a material subsidiary (as defined in the Senior Facilities Agreement), is required to provide a senior guarantee of all amounts payable to the finance parties under the Senior Credit Facilities and the hedging banks under the hedging agreements relating to the Senior Term Facilities. The Senior Credit Facilities require that the guarantors provide guarantees in respect of 85% of the EBITDA of the Covenant Group (as defined in the Senior Facilities Agreement) and 85% of the consolidated gross assets of the Covenant Group (as applicable).

**Security**
The Senior Credit Facilities are secured by way of: (i) a first ranking pledge over the shares in NorCell Sweden Holding 3 AB (publ) and each guarantor; (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 and intellectual property of Com Hem AB; (iv) an assignment of certain rights under the transaction documents for the Acquisition granted by NorCell Sweden Holding 3 AB (publ); and (v) a first ranking pledge over an overfunding account relating to the potential acquisition of Canal Digital Kabel-TV from Canal Digital Sweden AB, which we no longer intend to acquire.

**Covenants**
The Senior Facilities Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of certain members of the Group to: (i) make acquisitions or investments; (ii) make loans or grant guarantees to others; (iii) incur indebtedness; (iv) create security; (v) repay, prepay or purchase any of the Notes; (vi) dispose of assets; (vii) merge with other companies; (viii) issue shares, pay dividends, redeem share capital or make payments to shareholders; (ix) change to centre of main interest; (x) enter into transactions other than arm’s length; and (xi) make a substantial change to the general nature of the business of the Group taken as a whole.

The Senior Facilities Agreement also requires certain members of the Group to observe certain affirmative covenants, including covenants relating to: (i) maintenance of relevant authorizations; (ii) maintenance of insurance; (iii) compliance with laws, including environmental laws and regulations; (iv) payment of taxes; (v) provision of financial and other information to the lenders; (vi) *pari passu* ranking; (vii) maintenance of intellectual property; and (vii) compliance with obligations relating to pension schemes.

The Senior Facilities Agreement requires the Group to comply with certain financial covenants consisting of (i) a maximum adjusted leverage ratio of total net debt to Adjusted EBITDA, (ii) a minimum interest cover ratio of EBITDA to net finance charges, in each case as set forth below and (iii) a maximum level of capital expenditure over the originally modeled levels in any financial year in which the ratio of total net debt to Adjusted EBITDA exceeds 4.00:1. The ratios are based on the definitions in the Senior Facilities Agreement, which may differ from similar definitions in the Senior Secured Notes Indenture (as defined below) and the Senior Notes Indenture (as defined below).

The adjusted leverage ratio ranges from 7.15x stepping down to 3.55x through the end of 2017; the interest cover ratio ranges from 1.45x stepping up to 2.15x through the end of 2017.

### Events of Default

The Senior Facilities Agreement contains certain events of default, the occurrence of which would allow the Majority Lenders (consisting of lenders under the Senior Facilities Agreement whose commitments aggregate more than 66.67% of the total commitments thereunder) to accelerate all outstanding loans and terminate their commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds and other qualifications): (i) non-payment of amounts due under the Senior Credit Facilities finance documents; (ii) breach of any financial covenant or non-compliance with other obligations under the Senior Credit Facilities finance documents; (iii) inaccuracy of representation or statement when made; (iv) cross defaults, including any event of default under the Senior Secured Notes or Senior Notes; (v) unlawfulness, repudiation, invalidity or unenforceability of the Senior Credit Facilities financing documents; (vi) insolvency, insolvency proceedings and commencement of certain creditors' processes, such as expropriation, attachment, sequestration, distress or execution; (vii) cessation of business; (viii) commencement or threat of material litigation; (ix) material adverse change; (x) material audit qualification; (xi) breach of the Intercreditor Agreement; and (xii) material revocation of certain cable network operations.

## 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 (the "Senior Secured Notes"). The Senior Secured Notes are senior indebtedness of NorCell Sweden Holding 3 AB (publ) and rank *pari passu* in right of payment with any existing and future indebtedness of NorCell Sweden Holding 3 AB (publ) that is not subordinated in right of payment to the Senior Secured Notes and rank senior in right of payment to any existing and future obligations of NorCell Sweden Holding 3 AB (publ) that are expressly subordinated in right of payment to the Senior Secured Notes (including NorCell Sweden Holding 3 AB's (publ) senior subordinated guarantee of the Senior Notes and the subordinated intercompany loans made to NorCell Sweden Holding 3 AB (publ) by NorCell Sweden Holding 2 AB (publ)). The proceeds of the offering of the Senior Secured Notes, together with cash on hand, were used to repay in full amounts drawn under a Senior Secured Bridge Facility and pay certain fees and expenses incurred in connection with the offering of the Senior Secured Notes.

### Guarantees and Security

The Senior Secured Notes have been guaranteed by NorCell Sweden Holding 2 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB, Nordic Cable Acquisition Company AB, Nordic Communication Services AB, Com Hem Communications AB, Com Hem Holding 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. The guarantees provided by the Senior Secured Notes Guarantors are general senior obligations, ranking *pari passu* in right of payment with any existing and future indebtedness of that Senior Secured Notes Guarantor that is not subordinated in right of payment to such guarantees (including NorCell Sweden Holding 2 AB's (publ) obligations under the Senior Notes) and ranking senior in right of payment to any existing and future obligations of that Senior Secured Notes Guarantor that is expressly subordinated in right of payment to the Senior Secured Notes including the subordinated intercompany loans made by NorCell 1B AB (publ) to NorCell Sweden Holding 2 AB (publ) and the guarantees of the Notes by the other Senior Secured Notes Guarantors.

### Change of Control

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 2 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.

### Events of Default

The indenture governing the Senior Secured Notes contains various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the indenture governing the Senior Secured Notes, a cross default in relation to certain indebtedness aggregating SEK 250 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments aggregating in excess of SEK 250 million following a 60 day grace period after the judgment becomes final, any guarantees under the Senior Secured Notes are found to be unenforceable or invalid, any security interest under the security documents securing the Senior Secured Notes cease to be in full force and effect with respect to collateral having a fair market value in excess of SEK 100 million (other than in accordance with the terms of the relevant security documents, the NorCell Sweden Holding 2 AB (publ) Intercreditor Agreement (as defined in the indenture governing the Senior Secured Notes), any additional intercreditor agreement and the indenture governing the Senior Secured Notes) and certain insolvency, winding up or related events, the occurrence of which, with respect to certain events of default, would result in the Senior Secured Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the Senior Secured Notes due and payable. 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 10¾% Senior Notes due 2019 (the "Senior Notes"). 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. The proceeds of the offering of the Senior Notes, together with cash on hand, was used to repay amounts drawn under a Senior Bridge Facility and pay certain fees and expenses incurred in connection with the offering of the Senior Notes.

### Guarantees and Security

The Senior Notes have been guaranteed by NorCell Sweden Holding 3 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB, Nordic Cable Acquisition Company AB, Nordic Communication Services AB, Com Hem Communications AB, Com Hem Holding AB, iTUX Communication AB and Com Hem AB (each a "Senior Notes Guarantor" and collectively, the "Senior Notes Guarantors") on a senior subordinated basis. The guarantees provided by the Senior Notes Guarantors are general senior subordinated obligations, ranking senior to any existing and future obligations of that Senior Notes Guarantor that is expressly subordinated in right of payment to the Senior Notes (including the subordinated intercompany loans made by NorCell 1B AB (publ) to NorCell Sweden Holding 2 AB (publ)) and ranking *pari passu* in right of payment with any existing and future subordinated indebtedness of that Senior Notes Guarantor.

### Change of Control

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.

**Events of Default**

The indenture governing the Senior Notes contains various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the indenture governing the Senior Notes, a cross default in relation to certain indebtedness aggregating SEK 250 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments aggregating in excess of SEK 250 million following a 60 day grace period after the judgment becomes final, any guarantees under the Senior Notes are found to be unenforceable or invalid, any security interest under the security documents securing the Senior Notes cease to be in full force and effect with respect to collateral having a fair market value in excess of SEK 100 million (other than in accordance with the terms of the relevant security documents, the NorCell Sweden Holding 2 AB (publ) Intercreditor Agreement (as defined in the indenture governing the Senior Secured Notes), any additional intercreditor agreement and the indenture governing the Senior Notes) and certain insolvency, winding up or related events, the occurrence of which, with respect to certain events of default, would result in the Senior Notes becoming due and payable or, with respect to certain other events of default, would allow note holders to declare the Senior Notes due and payable. The final maturity date of the Senior Notes is September 29, 2019.

## Nordea Leasing Facility

We entered into a framework agreement with Nordea Finans on January 7, 2010, under which we were entitled to lease certain telecommunication equipment under separate leasing agreements. The lease period for each separate lease agreement is 36 months and Nordea Finans remains owner of all lease objects during the whole lease period. The initial term of the agreement was twelve months including automatically renewal on a rolling basis for another twelve months unless terminated by either party with one month's notice prior to the expiry of the then current contract period. The agreement was terminated in December 2011. Notwithstanding the termination, we are still liable to pay outstanding and scheduled fees and similar in respect of each separate lease agreement until the current lease periods for all separate lease agreements have expired.

## Pay-In-Kind Facilities

On September 26, 2011, NorCell 1B AB (publ) entered into a Pay-In-Kind Facilities Agreement (the "PIK Facilities Agreement") with, among others, Goldman Sachs Bank USA, Nordea Bank AB (publ), Bank of America Securities Limited, Deutsche Bank AG, London Branch, UBS Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, Nordea Bank AB (publ) as agent and certain financial institutions listed therein as original lenders, as amended on September 29, 2011, amended and restated on October 24, 2011 and further amended and restated on December 16, 2011. The PIK Facilities were transferred to NorCell S.à r.l on December 16, 2011.

The proceeds of the PIK Facilities were lent through subordinated intercompany loans to NorCell Sweden Holding 2 AB (publ) and were used to finance the Acquisition and to repay a portion of the Senior Bridge Facility, which was fully repaid with the proceeds from the Senior Notes. None of NorCell Sweden Holding 2 AB (publ), NorCell Sweden Holding 3 AB (publ) or any of their respective subsidiaries is a party to the PIK Facilities Agreement and the lenders thereunder do not have recourse to the Group. The final maturity date of the PIK Facilities is September 29, 2019.

## INDEPENDENT AUDITORS

The statutory auditors of Com Hem are KPMG AB, Tegelbacken 4A, Box 16106, SE-103 23 Stockholm, Sweden. The IFRS consolidated financial statements of the NCAC Group as of and for the years ended December 31, 2009 and 2010, and the IFRS consolidated financial statements of the NorCell Group for the period July 12, 2011 to December 31, 2011, included in this Annual Report have been audited by KPMG AB, independent auditors, as stated in their reports appearing herein.

## DEFINITIONS AND GLOSSARY

The following terms used in this Annual Report have the meanings assigned to them below (unless the context requires otherwise):

**Definitions Relating to the Cable and Telecommunications Industries**

| | |
|---|---|
| “**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 revenue (for the service provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. |
| “**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-direction networks enable two-way communication. |
| “**Bundle**” and “**Bundling**” | Bundling is a marketing strategy that involves offering several products for sale as one combined product. |
| “**Churn**” | The voluntary or involuntary discontinuance of services by a subscriber. |
| “**CMTS**” | Cable modem termination system, a broadband router with features to enable it to communicate with an HFC 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. |
| “**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. It permits the addition of high-speed data transfer to an existing cable television system. Cable companies use the DOCSIS standard to improve speeds they can offer. |
| “**Footprint**” | Homes connected. |
| “**Free-to-air**” | Transmission of content for which television viewers are not required to pay a fee for receiving transmissions. |
| “**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 and 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 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. |
| "**LTE**" ................................... | LTE 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. |
| "**Mobile VoIP**" ..................... | Mobile Voice over IP, or the transmission of voice calls via Internet Protocol on a mobile handset. |
| "**Penetration**" ..................... | The number of RGUs or subscribers for a product as a percentage of homes connected for the product indicated. |
| "**RGU**" ................................. | Refers to each subscriber receiving analog 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. |
| "**Set-top box**" or "**STB**" ....... | The hardware required by the end customer to view digital television programming. |
| "**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. |
| "**Subscribers**" ..................... | The end-users receiving our products through our network. |
| "**Triple-play**"........................ | Offering of digital television, broadband Internet and phone services packaged in a bundle. |
| "**UMTS**"................................ | Universal Mobile Telecommunications System, a third generation or "3G" mobile technology that delivers broadband information at speeds up to 2 Mbit/s. |
| "**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. |
| "**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 Financial Report**

| | |
|---|---|
| "**Capex Facility**"............. | The SEK 750 million Senior Capital Expenditure facility pursuant to the Senior Facilities Agreement as described under "*Description Certain Financial Arrangements—Senior Facilities Agreement*." |
| "**Group**" .......................... | NorCell Sweden Holding 2 AB (publ) and its subsidiaries. |
| "**Indenture**" .................... | The indentures govering the Notes, by and among NorCell Sweden Holding 2 AB (publ) or NorCell Sweden Holding 3 AB (publ), the Trustee, Nordea Bank AB (publ) as security agent, and Deutsche Trustee Company Limited as principal paying agent. |
| "**Intercreditor Agreement**" .................. | The agreement dated as of July 21, 2011, as amended and restated on August 3, 2011 and September 26, 2011, by and among, *inter alios*, the creditors and agents under the Senior Credit Facilities and the Security Agent. |
| "**Issue Date**".................... | The date of original issuance of the Notes. |
| "**Issuer**" .......................... | NorCell Sweden Holding 3 AB (publ), a public limited company organized under the laws of Sweden. |
| "**Senior Notes Guarantees**" .................. | Guarantees issued by each of NorCell Sweden Holding 3 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB, Nordic Cable Acquisition Company AB, Nordic Communication Services AB, Com Hem Communications AB, Com Hem Holding AB, Itux Communication AB and Com Hem AB on a senior basis guaranteeing the Senior Notes. |
| "**Senior Secured Notes Guarantees**" .................. | Guarantees issued by each of NorCell Sweden Holding 2 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB, Nordic Cable Acquisition Company AB, Nordic Communication Services AB, Com Hem Communications AB, Com Hem Holding AB, Itux Communication AB and Com Hem AB on a senior basis guaranteeing the Senior Secured Notes. |
| "**Senior Notes Guarantors**".................... | NorCell Sweden Holding 3 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB, Nordic Cable Acquisition Company AB, Nordic Communication Services AB, Com Hem Communications AB, Com Hem Holding AB, Itux Communication AB and Com Hem AB as guarantors of the Senior Notes. |
| "**Senior Secured Notes Guarantors**".................... | NorCell Sweden Holding 2 AB (publ), Nordic Cable Acquisition Company Sub-Holding AB, Nordic Cable Acquisition Company AB, Nordic Communication Services AB, Com Hem Communications AB, Com Hem Holding AB, Itux Communication AB and Com Hem AB as guarantors of the Senior Secured Notes. |
| "**Security Agent**" ........... | Nordea Bank AB (publ). |

| | |
|---|---|
| "**Senior Facilities Agreement**" or "**Senior Credit Facilities**" ............ | The senior facilities agreement as amended and restated as of August 3, 2011 and September 26, 2011, by and among, *inter alios*, the NorCell Sweden Holding 3 AB (publ), NorCell Sweden Holding 2 AB (publ), the Mandated Lead Arrangers and Bookrunners named therein, Nordea Bank AB (publ) as agent and security agent and Nordea Bank Finland PLC as issuing bank. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement*." |
| "**Senior Term Facilities**" | Term Loan A Facility, Term Loan B Facility and the Capex Facility. |
| "**Term Facilities**"............ | Term Loan A Facility and Term Loan B Facility. |
| "**Term Loan A Facility**" .. | The SEK 1,592 million senior secured term loan facility available for utilization by the Issuer pursuant to the Senior Facilities Agreement as described under "*Description of Certain Financing Arrangements—Senior Facilities Agreement*." |
| "**Term Loan B Facilites**" | The senior secured term loan B1 facility and senior secured term loan B2 facility utilized by NorCell Sweden Holding 3 AB (publ) in connection with the Acquisition pursuant to the Senior Facilities Agreement, which following the re-allocation and redenomination into euro of a portion of the term loan B1 facility on November 4, 2011 are a SEK 1,283 million senior secured term loan B1 facility and a EUR 321 million senior secured term loan B2 facility as described under "*Description of Certain Financing Arrangements – Senior Facilities Agreement".* |
| "**Trustee**"......................... | Deutsche Trustee Company Limited, as trustee under the Indenture |

# INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements as of and for the period July 12, 2011 to December 31, 2011 of NorCell Sweden Holding 2 AB (publ), prepared in accordance with IFRS as adopted by the European Union



Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2010 and 2009 of Nordic Cable Acquisition Company Sub-Holding AB, prepared in accordance with IFRS as adopted by the European Union

# NORCELL SWEDEN HOLDING 2 AB (publ)

## Audited Consolidated Financial Statements as of and for the period July 12, 2011 to December 31, 2011

Unless otherwise stated, all amounts are rounded to the nearest thousand.

# INDEPENDENT AUDITORS´REPORT

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

We have audited the accompanying consolidated financial statements of NorCell Sweden Holding 2 AB (publ) and subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 12 July 2011 to 31 December 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Board of Directors’ and 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 these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors’ Responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swedish Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as 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 opinion.

*Opinion*
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2011 and of its consolidated financial performance and its consolidated cash flows for the period from 12 July 2011 to 31 December 2011 in accordance with International Financial Reporting Standards as endorsed by the EU.

Stockholm, 2 April 2012
KPMG AB

/s/ Thomas Thiel

Thomas Thiel
Authorized public accountant

# CONSOLIDATED INCOME STATEMENT

| SEK in thousand | Note | 12 Jul - 31 Dec 2011 |
|---|---|---|
| Revenue | 2 | 1,152,379 |
| Cost of sales and services | | (582,599) |
| **Gross profit** | | **569,780** |
| | | |
| Selling expenses | | (372,654) |
| Administrative expenses | | (68,670) |
| Other operating income | 4 | 8,023 |
| Other operating expenses | 5 | (269,795) |
| **Operating income** | 6,7,8,26,27 | **(133,316)** |
| | | |
| **Financial income and expenses** | | |
| Financial income | | 155,483 |
| Financial expenses | | (745,130) |
| **Net finance costs** | 9 | **(589,647)** |
| | | |
| **Profit/loss after financial items** | | **(722,963)** |
| Income taxes | 10 | 62,470 |
| **Net profit/loss for the period** | | **(660,493)** |
| | | |
| **Loss per share** | 34 | |
| Basic (SEK) | | (1,101) |
| Diluted (SEK) | | (1,101) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK in thousand | Note | 12 Jul - 31 Dec 2011 |
|---|---|---|
| Net profit/loss for the period | | (660,493) |
| Other comprehensive income | | - |
| **Other comprehensive income for the period, net of tax** | | **-** |
| **Comprehensive income/loss for the period** | | **(660,493)** |

# CONSOLIDATED BALANCE SHEET

| SEK in thousand | Note | 31 Dec 2011 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | 11 | 16,992,725 |
| Property, plant and equipment | 12 | 1,460,017 |
| **Total non-current assets** | | **18,452,742** |
| | | |
| **Current assets** | | |
| Inventories | 14 | 30,768 |
| Trade receivables | 15, 25 | 120,974 |
| Prepaid expenses and accrued income | 16, 25 | 124,731 |
| Other receivables | 13, 25 | 15,405 |
| Cash and cash equivalents | 17, 25, 26 | 1,044,202 |
| **Total current assets** | | **1,336,080** |
| **TOTAL ASSETS** | | **19,788,822** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | 18 | |
| Share capital | | 600 |
| Other paid in capital | | 1,340,937 |
| Retained earnings incl. net profit/loss for the period | | (660,493) |
| **Total equity** | | **681,044** |
| | | |
| **Non-current liabilities** | | |
| Non-current interest-bearing liabilities | 19, 25, 26 | 15,369,255 |
| Other non-current liabilities | 23, 25 | 102,450 |
| Pension provisions | 20 | 108,656 |
| Other provisions | 21 | 21,752 |
| Deferred tax liabilities | 10 | 1,183,466 |
| **Total non-current liabilities** | | **16,785,579** |
| | | |
| **Current liabilities** | | |
| Current interest-bearing liabilities | 19, 25, 26 | 550,633 |
| Trade payables | 22, 25 | 623,785 |
| Other current liabilities | 23, 25 | 52,657 |
| Accrued expenses and deferred income | 24, 25 | 1,095,124 |
| **Total current liabilities** | | **2,322,199** |
| **TOTAL EQUITY AND LIABILITIES** | | **19,788,822** |

*For information on the Group's pledged assets and contingent liabilities, see Note 29.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**Equity attributable to Equity Holders of the parent**

| SEK in thousand | Share Capital | Other Paid-in Capital | Earnings incl. Net Profit/Loss for the Period | Total Equity |
|---|---|---|---|---|
| **Opening equity as of 12 Jul 2011** | **500** | **-** | **-** | **500** |
| Comprehensive loss for the period | - | - | (660,493) | (660,493) |
| Unconditional shareholders' contribution | 100 | 1,340,937 | - | 1,341,037 |
| **Closing equity as of 31 Dec 2011** | **600** | **1,340,937** | **(660,493)** | **681,044** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| *Operating activities* | |
| Profit/loss after financial items | (722,963) |
| Adjustment for items not included in cash flow, etc.* | 677,226 |
| **Cash flow from operating activities before changes in working capital** | **(45,737)** |
| | |
| *Changes in working capital* | |
| Increase (-)/decrease (+) in inventories | 59 |
| Increase (-)/decrease (+) in operating receivables | 14,816 |
| Increase (+)/decrease (-) in operating liabilities | 247,925 |
| **Cash flow from operating activities** | **217,063** |
| | |
| *Investing activities* | |
| Acquisition of subsidiaries (see Note 3) | (8,553,151) |
| Acquisition of intangible assets | (96,938) |
| Acquisition of property, plant and equipment | (176,758) |
| **Cash flow from investing activities** | **(8,826,847)** |
| | |
| *Financing activities* | |
| New share issue | 1,341,037 |
| Borrowings from group companies | 4,384,106 |
| Borrowings** | 11,967,398 |
| Amortization of borrowings | (7,404,092) |
| Payment of transaction costs and discounts | (634,963) |
| **Cash flow from financing activities** | **9,653,486** |
| | |
| **Net change in cash and cash equivalents** | **1,043,702** |
| **Cash and cash equivalents at beginning of period** | **500** |
| **Cash and cash equivalents at end of period** | **1,044,202** |

### *Adjustment for items not included in cash flow, etc.

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| Depreciation, amortization and impairment of assets | 359,862 |
| Unrealized exchange rate differences | (147,524) |
| Unrealized change in fair value of financial liabilities | 101,146 |
| Change in capitalized loan expenses and discounts | 113,202 |
| Change in accrued interest expenses | 99,285 |
| Loss from disposal of property, plant and equipment | 11,817 |
| Pension provisions | 499 |
| Other provisions | 2,878 |
| Interest not settled with cash, group companies | 136,061 |
| **Total** | **677,226** |

** The raised and amortized bridge facilities have been reported net under Borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 Accounting Policies

*NorCell Sweden Holding 2 AB (publ) and its subsidiaries are sometimes referred to as the company or the Group. The subsidiaries are listed in note 31.*

**Compliance with Standards and Legislation**

The Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 have been approved for issuance by the Board of Directors and Chief Executive Officer on 2 April, 2012.

**Basis of Preparation Group's Financial Statements**

The company's functional currency is the Swedish krona (SEK), which is also the presentation currency of the Group. This implies that the financial statements are presented in SEK. Unless otherwise stated, all amounts are rounded to the nearest thousand (TSEK). Assets and liabilities are stated at historical cost, except that certain financial assets and liabilities are measured at fair value. The financial assets and liabilities measured at fair value comprise derivative instruments measured at fair value in profit or loss.

**Judgements and Estimates in the Financial Statements**

Preparing financial statements in accordance with IFRS requires management to make judgements and estimates, and to make 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 judgements.

Estimates and assumptions are reviewed regularly; revisions of estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The Group's accounting policies have been consistently applied on reporting and when consolidating the parent company and subsidiaries.

Management's judgement of the application of IFRS that have a material effect on the financial statements, and estimates made that may imply material restatements of the subsequent year's financial statements 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. This year's test revealed no impairment loss since the calculated recoverable amount exceeded the carrying amount at year-end 2011. In the opinion of management and the Board, no reasonable changes to the forecast of the key assumptions in the business plan could result in impairment losses. A more detailed account is given in Note 11, which also states a carrying amount for goodwill of SEK 10,742 million.

*New and Amended IFRS Not yet Applied*

A number of new or revised IFRS come into effect for the first time in the coming financial year and have not been applied in advance when preparing these financial statements. News or amendments with future application are not planned for advance adoption.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement by 2015 onwards at the latest. IASB has published the first two of at least three 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/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. The effect of the introduction of IFRS 9 has not yet been specified.

IAS 1 Presentation of Financial Statements. This amendment relates to how items in other comprehensive income should be presented. Items should be divided into two categories; firstly those that will be reversed to net profit or loss and secondly those that will not be reversed. Examples of items that will be reversed are translation differences and gains/losses on cash flow hedges. Examples of items not reversed are actuarial gains and losses. This amendment should be applied to financial years commencing on 1 July 2012 with retroactive effect. Earlier application is permitted. The amendment is scheduled for endorsement by the EU in the second quarter of 2012. For the Group, the amended standard will mean actuarial gains and losses being presented in a category in other comprehensive income with the associated tax effect.

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 obligation. The difference between fair and estimated returns on plan assets should be recognized in other comprehensive income. These amendments should be applied to financial years commencing on 1 January, 2013 or later with retroactive application. Earlier application is permitted. This amendment is scheduled for endorsement by the EU in the second quarter of 2012. This standard is expected to have some effect on the Consolidated Accounts, which includes recognition of unrecognized actuarial losses in the Balance Sheet of some SEK 3 million in other comprehensive income.

The following amendments of accounting policies with future application are not judged to have any effect on the Consolidated Accounts apart from extended disclosure requirements:

- IFRS 12 *Disclosure of Interest in Other Entities*
- IFRS 13 *Fair Value Measurement*

**Operating Segments**

The operations of the Group are integrated and constitute a single operating segment that offers the supply of TV, Broadband and 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's, who has been identified as its chief operating decision maker.

The Group's services offering (TV, Broadband and Telephony) 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 1.7 million households nationwide, and the customer offering addresses all households regardless of geographical location. Customers connect to services through a single point in their apartment. However, revenues to TV, Broadband and Telephony are recognized separately, see Note 2.

**Classification, etc.**

Essentially, Group's non-current assets and long-term liabilities comprise amounts that are expected to be recovered or settled after more than 12 months from the reporting date. Essentially, Group's current assets and short-term liabilities comprise 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 2 AB (publ). 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 takes over its liabilities. The fair value of acquired identifiable assets and liabilities taken over and potential non-controlling interests as of the acquisition date are determined in the acquisition analysis. Transaction expenses, apart from transaction expenses related to the issue of equity instruments or debt instruments that arise, are recognized directly in net profit or loss.

In business combinations where remuneration payment made, potential non-controlling interests and the fair value of previously held participations (in step acquisitions) exceeds the fair value of acquired assets and liabilities taken over that are reported separately, the difference is reported as goodwill. When the difference is negative, this is known as a bargain purchase, and is reported directly in net profit/loss.

Payments made in tandem 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 control ceases.

**Transactions Eliminated on Consolidation**

Intragroup receivables and liabilities, income or expenses and unrealized gains or losses arising from intragroup transactions, are wholly eliminated when the Consolidated Accounts are prepared.

**Foreign Currencies**

**Foreign Currency Transactions**

Transactions in foreign currency are translated into the functional currency at the exchange rate ruling on 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 exchange rate ruling on the reporting date. Exchange rate differences arising in these translations are recognized in net profit or loss. Non-monetary assets and liabilities stated at historical acquisition cost are translated at the exchange rate at the time of transaction.

**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 consumers. Invoicing is monthly in advance.

Revenue from property owners for periodic charges mainly for the analog cable television serivces are invoiced largely quarterly in advance and recognized as they are utilized.

Revenue is recognized at the fair value of the consideration received or receivable, reduced by discounts given.

**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 telephony, internet capacity, maintenance and servicing, as well as other production costs. Personnel costs related to field service and operations are also included. Cost of sales and services include depreciation and amortization of fixed assets related to production.

**Selling expenses**
Selling expenses are related 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 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 costs**
Other operating costs include exchange rate losses, losses on the sale of intangible assets and property, plant and equipment, and transaction expenses in tandem 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 tandem 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 via 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. 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. The same applies to a portion of a financial asset. A financial liability is derecognized when the contracted commitment is discharged, or otherwise expires. The same 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 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 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 applied on the asset's initial recognition. Assets with a short maturity are not discounted. Impairment losses are recognized as an expense in net 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 the sales commission to external sales people, and reseller subsidies for digiboxes, that arises in tandem with the customer entering a time-finite agreement. The condition is that the 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 specific asset to which they relate. All other costs are charged to the Income Statement when incurred.

*Amortization Principles*
Amortization is recognized in net 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. The estimated useful lives are:

| | |
|---|---|
| - Customer relations | 8-18 yrs. |

Other

| | |
|---|---|
| - Capitalized development expenses | 3 and 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/divestment. Gains or losses that arise from the divestment or disposal 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 expense.

*Subsequent Costs*
Subsequent costs are added to cost 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 judgement 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 tandem 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 yrs. |
| - Telephony equipment | 5 yrs. |

Customer equipment

| | |
|---|---|
| - Set-top-boxes and modems | 3 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 exempted from the above, carrying amounts are reviewed according to the relevant standards.

An impairment is recognized when an asset's or cash-generating unit's (group of units') carrying amount exceeds the recoverable amount. An 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 affected. Impairment of loan receivables and trade receivables is reported at amortized cost is 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 most important 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.

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.

Actuarial gains and losses may arise when determining the present value of commitments and the fair value of plan assets. These arise either because the outcome differs from the assumptions, or from changes in assumptions.

The portion of the accumulated actuarial gains and losses at the previous year-end that exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets is recognized in the Income Statement over the average expected remaining length of service for the employees participating in the plan.

Interest on pension liabilities and expected returns on the associated plan assets is reported in net finance cost. Other components are reported in operating income.

When there is a difference between how the pension expense is determined for a legal entity and a group, a provision or receivable relating to the special employer's contribution is recognized on the basis of this difference. The provision or receivable is not present valued.

Commitments for old-age and survivors' pensions for salaried employees are underwritten by an insurance policy with Alecta. Pursuant to statement UFR 6 from RFR, this is a defined-benefit multi-employer plan. For the financial year 2011, 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.

**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.

*Restructuring*
A provision for restructuring is recognized when the Group has established a detailed and formal restructuring plan, and implementation of the restructuring has either started or the plan has been publicly announced. No provisions are made for future operating expenses.

**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.

**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 significant revenue type* | **12 Jul - 31 Dec** |
|---|---|
| **SEK in thousand** | **2011** |
| **Revenue** | |
| Landlord | 220,681 |
| Pay Television | 429,156 |
| High-Speed Broadband | 318,557 |
| Fixed Telephony | 138,677 |
| Other | 45,308 |
| **Total** | **1,152,379** |

## Note 3 Business Combinations

On July 21, 2011 NorCell Sweden Holding 3 AB (publ) signed an agreement to acquire all 7,286,446 shares of Nordic Cable Acquisition Company Sub-Holding AB, which is an indirect owner of Com Hem AB. The agreement was conditional on competition regulator 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 revenues from new customers and increased revenues 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 finally 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 1 January 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 | 12 Jul - 31 Dec 2011 |
|---|---|
| Exchange gains on trade receivables/liabilities | 1,859 |
| Recovered trade receivables | 1,346 |
| Other | 4,818 |
| **Total** | **8,023** |

## Note 5 Other Operating Expenses

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| Losses from disposals of non-current assets | (11,713) |
| Exhange losses on trade receivables/liabilities | (2,486) |
| Acquisition costs | (245,596) |
| Other costs | (10,000) |
| **Total** | **(269,795)** |

## Note 6 Employees and Personnel Expenses

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| Salaries and benefits | 97,539 |
| Social security contributions | 31,859 |
| Pension expenses | 10,616 |
| Capitalization of personnel expenses | (14,694) |
| Other personnel costs | 1,530 |
| **Total** | **126,850** |

The number of employees at year-end was 792. The average number of full-time employees was 714, of which 256 were women. In the board of directors of the parent company, the portion of women at year end was 0 %, and for group management 13%.

## Salary, Other Benefits and Social Security Contributions for the Chief Executive Officer

| | 12 Jul - 31 Dec 2011 | |
|---|---|---|
| SEK in thousand | Salary Benefits | Social Security Contribution |
| **Total** | 2,089 | 1,148 |
| *- of which bonus* | 910 | 286 |
| *- of which pension expense* | - | 396 |

### Salary, Other Benefits and Social Security Contributions for the Other Senior Management

| | 12 Jul - 31 Dec 2011 | |
|---|---|---|
| **SEK in thousand** | **Salary Benefits** | **Social Security Contribution** |
| **Total** | 6,428 | 3,614 |
| *- of which bonus* | 840 | 264 |
| *- of which pension expense* | - | 1,225 |

The Group’s other Senior Management consist of 15 people, of which nine are employed by subsidiary Com Hem AB and five are employed by the subsidiary iTUX Communication AB. The Group’s Chief Executive Officer and Chief Financial Officer are employed by subsidiary NorCell Sweden Holding 3 AB (publ).

*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.

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 30% of basic salary for other Senior Management. The pension expense 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.

Remuneration to the Board of Directors amounted to SEK 36 thousand in the financial year. The fees were paid by subsidiary NorCell Sweden Holding 3 AB (publ). No Directors’ fees were paid by the parent company.

The Group’s outstanding pension obligations to the Board of Directors and Chief Executive Officer is SEK 0. In the time Group company Com Hem AB was part of TeliaSonera AB, the then Chief Executive Officers 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 outstanding obligations for these amounts to SEK 2,016 thousand at the end of the financial year.

## Note 7 Fees and Reimbursement to Auditors

No audit fees are issued to the parent company, the fees are paid by other companies in the Group.

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| *KPMG AB* | |
| Audit fees | 1,013 |
| Audit related fees | - |
| Tax Services | - |
| **Total** | **1,013** |

## Note 8 Operating Expenses by Type

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| Personnel expenses | (126,850) |
| Depreciation & amortization | (371,575) |
| Cost of sales and services | (332,881) |
| Sales and marketing expenses | (92,972) |
| Transaction costs | (245,596) |
| Other operating costs | (115,821) |
| **Total** | **(1,285,695)** |

## Note 9 Net Finance Cost

| SEK in thousand<br>Financial Income | 12 Jul - 31 Dec 2011 |
|---|---|
| Interest income | |
| *- bank balances* | 4,517 |
| *- loan receivables and trade receivables* | 434 |
| Exchange rate gains, net | 146,572 |
| Expected return on plan assets | 1,427 |
| Other financial income | 2,533 |
| **Total financial income** | **155,483** |

| SEK in thousand<br>Financial Expenses | 12 Jul - 31 Dec 2011 |
|---|---|
| Interest expenses | |
| *- financial liabilities measured at amortized cost incl. interest coupon on derivatives** | (498,120) |
| *- defined benefit pension commitments* | (2,064) |
| *- financial liabilities to group companies measured at amortized cost* | (136,061) |
| Change in fair value | |
| *- financial liabilities measured to fair value through profit or loss (derivatives)* | (100,146) |
| Other financial expenses | (8,739) |
| **Total financial expenses** | **(745,130)** |
| | |
| **Net finance costs** | **(589,647)** |

* Includes arrangement fees for bridge financing of approx. SEK 118,686 thousand

## Note 10 Income Tax

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| **Current tax** | |
| Tax expense for the period | - |
| | - |
| **Deferred tax** | |
| Deferred tax on values in loss carry-forwards utilized in the period | (3,838) |
| Deferred tax relating to temporary differences | 66,308 |
| | 62,470 |
| **Total recognized tax income in the Group** | **62,470** |

## Reconciliation of Effective Tax

| SEK in thousand | | 12 Jul - 31 Dec 2011 |
|---|---|---|
| Earnings before tax | | (722,963) |
| Tax at applicable tax rate parent company | 26.3% | 190,139 |
| Non-taxable income | | 5 |
| Non-deductable expenses | | (64,930) |
| Increase in loss carry forwards without corresponding capitalization of deferred tax | | (62,744) |
| **Recognized effective tax** | **-8.6%** | **62,470** |

## Deferred Tax Assets and Liabilities

## Reported Deferred Tax Assets and Tax Liabilities

Deferred tax assets (+) tax liabilities (-) relate to the following:

| | 31 Dec 2011 | | |
|---|---|---|---|
| SEK in thousand | Deferred tax Asset | Deferred tax Liability | Net |
| Intangible assets | - | (1,543,896) | (1,543,896) |
| Property, plant and equipment | 2,400 | (65,979) | (63,579) |
| Accounts receivable | 3,131 | - | 3,131 |
| Provisions | 28,335 | - | 28,335 |
| Financial liabilities | 72,176 | (1,914) | 70,262 |
| Derivatives | 26,339 | - | 26,339 |
| Current liabilities | 204 | - | 204 |
| Loss carry-forward | 295,738 | - | 295,738 |
| **Deferred tax assets/liabilities** | **428,323** | **(1,611,789)** | **(1,183,466)** |
| Set-off | (428,323) | 428,323 | - |
| **Deferred tax assets/liabilities, net** | **-** | **(1,183,466)** | **(1,183,466)** |

The Group judges that it will be able to utilize recognized loss carry-forward against taxable profits through the coming years.

## Change in Deferred Tax in Temporary Differences and Loss Carry-forward

| SEK in thousand | 12 Jul 2011 | Reported to Income Statement | Reported in Equity | Other* | 31 Dec 2011 |
|---|---|---|---|---|---|
| Intangible assets | - | 35,878 | - | (1,579,774) | (1,543,896) |
| Property, plant and equipment | - | 7,783 | - | (71,362) | (63,579) |
| Accounts receivable | - | 3,131 | - | - | 3,131 |
| Provisions | - | 1,401 | - | 26,934 | 28,335 |
| Financial liabilities | - | (8,026) | - | 78,288 | 70,262 |
| Derivatives | - | 26,339 | - | - | 26,339 |
| Current liabilities | - | (198) | - | 402 | 204 |
| Loss carry-forward | - | (3,838) | - | 299,576 | 295,738 |
| **Deferred tax assets/liabilities** | **-** | **62,470** | **-** | **(1,245,936)** | **(1,183,466)** |

* The amounts in the Other column above are mainly for deferred taxes relating to business combinations.

## Unrecognized Deferred Tax Assets

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| Tax-deductable temporary differences | 88 |
| Tax loss carry forward | 62,744 |
| **Total** | **62,832** |

## Note 11 Intangible Assets

| SEK in thousand | Externally acquired Goodwill | Customer Relations | Trade-mark | Other** | Total |
|---|---|---|---|---|---|
| **Accumulated acquistion values** | | | | | |
| Opening balance | - | - | - | - | - |
| Business acquisitions | 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 31 Dec 2011** | **10,742,121** | **5,296,000** | **691,000** | **1,023,207** | **17,752,328** |

| SEK in thousand | Goodwill | Customer Relations | Trade-mark | Other | Total |
|---|---|---|---|---|---|
| **Accumulated amortization and impairment losses** | | | | | |
| Opening balance | - | - | - | - | - |
| Business acquisitions | - | - | - | (614,036) | (614,036) |
| Amortization for the period | - | (136,420) | - | (54,161) | (190,581) |
| Divestments and disposals | - | - | - | 45,014 | 45,014 |
| **Closing balance 31 Dec 2011** | **-** | **(136,420)** | **-** | **(623,183)** | **(759,603)** |

| SEK in thousand | | | | | |
|---|---|---|---|---|---|
| **As of 31 Dec 2011** | **10,742,121** | **5,159,580** | **691,000** | **400,024** | **16,992,725** |

* Non-current assets funded through finance lease arrangements of SEK 19,745 thousand are included in investments, see Note 27.

** The column Other above includes investments, primarily in licenses, software and acquisition costs for subscriptions. Of total costs of SEK 1,023,207 thousand, SEK 1,008,948 thousand is externally acquired and SEK 14,259 thousand internally developed.

## Amortization

### Amortization is included in the following lines of the Income Statement:

| SEK in thousands | 12 Jul - 31 Dec 2011 |
|---|---|
| Cost of sales and services | 28,815 |
| Selling expenses | 159,252 |
| Administrative expenses | 2,514 |
| **Total** | **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, which is based on forecasts of future cash flows, where the first five years are based on the business plan 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

3%. The present value of forecast cash flows has been calculated by applying a discount rate of 10.4% after tax, which corresponds to 14.1% before tax.

The conclusion of the aforementioned impairment test is that the recoverable amount exceeded the carrying amount at year-end.

## Note 12 Property, Plant and Equipment

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Accumulated acquistion values** | | | | |
| Opening balance | - | - | - | - |
| Business acquisitions | 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 31 Dec 2011** | **6,078,377** | **1,101,539** | **472,620** | **7,652,536** |

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | |
| Opening balance | - | - | - | - |
| Business acquisitions | (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 31 Dec 2011** | **(5,073,408)** | **(751,168)** | **(367,943)** | **(6,192,519)** |

| SEK in thousand | | | | |
|---|---|---|---|---|
| **As of 31 Dec 2011** | **1,004,969** | **350,371** | **104,677** | **1,460,017** |

* Non-current assets funded through finance lease arrangements of SEK 34,323 thousand are included in investments, see Note 27.

### Depreciation

**Depreciation is included in the following lines of the Income Statement:**

| SEK in thousand | 12 Jul - 31 Dec 2011 |
|---|---|
| Cost of sales and services | 158,644 |
| Selling expenses | 1,553 |
| Administrative expenses | 9,084 |
| **Total** | **169,281** |

## Note 13 Non-current and Other Receivables

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Other receivables that are current assets** | |
| Receivables, PRI | 1,302 |
| Receivables from group companies | 1,070 |
| Other receivables | 13,033 |
| **Total** | **15,405** |

## Note 14 Inventories

Inventories consist mainly of equipment for upgrading the Group's cable network. No impairment was taken on inventories in the financial year.

## Note 15 Trade Receivables

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Invoiced receivables | 132,878 |
| Provisions for bad debt | (11,904) |
| **Total** | **120,974** |
| Invoiced receivables are due as follows: | |
| Not overdue | 22,178 |
| 1-30 days overdue | 87,728 |
| 31-60 days overdue | 5,195 |
| 61-90 days overdue | 2,219 |
| 91- days overdue | 15,558 |
| **Total** | **132,878** |

### Change in Provision for Bad Debt

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Provision for bad debt at beginning of the period | - |
| Business acquisition | (15,374) |
| New provision | (3,144) |
| Dissolution | 8,920 |
| Reversed provision | (2,306) |
| **Total** | **(11,904)** |

See Note 26 for a review of the Group's credit risks.

## Note 16 Prepaid Expenses and Accrued Income

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Prepaid support expenses | 13,649 |
| Prepaid lease payments | 23,400 |
| Accrued call income | 24,894 |
| Other prepaid expenses and accrued income | 62,788 |
| **Total** | **124,731** |

## Note 17 Cash and Cash Equivalents

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Cash and bank balances | 1,044,202 |
| **Total** | **1,044,202** |

The Group has bank overdraft facilities granted of SEK 125,000 thousand, of which SEK 0 was drawn down as of 31 December 2011. Of cash and bank balances recognized above, SEK 402,249 thousand were restricted for amortizing external borrowings and shareholders loan. The loans were repaid in January 2012.

## Note 18 Equity

**Share Capital**
As of 31 December 2011, registered share capital comprised 600,000 shares. The nominal value per share is SEK 1. According to the Articles of Association, share capital shall be a minimum of SEK 500,000 and a maximum of SEK 2,000,000.

**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 Period**
Accrued earnings in the parent company and its subsidiaries are included in retained earnings including net profit or loss for the period.

## Note 19 Interest-bearing Liabilities

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Non-current liabilities** | |
| Bonds* | 5,782,876 |
| Non-current liabilities to credit institutions* | 5,102,042 |
| Non-current intragroup liabilities | 4,338,422 |
| Finance lease liabilities** | 145,915 |
| **Total** | **15,369,255** |

* Net of deductions for transaction expenses and discounts.
** See Note 27 for information.

The Group has two outstanding bonds, of SEK 3,492 million maturing in 2018, and EUR 287 million maturing in 2019. These bonds are quoted on the Luxembourg exchange and accrue interest of 9.25% and 10.75% respectively.

Liabilities to credit institutions accrue interest at STIBOR/EURIBOR plus a margin of 4.5 - 5%.

Liabilities to Group companies are subordinated to other funding and accrue interest of 11% - 15%.

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Current liabilities** | |
| Current liabilities to credit institutions | 321,553 |
| Current intragroup liabilities | 100,562 |
| Finance lease liabilities** | 128,518 |
| **Total** | **550,633** |

** See Note 27 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, which are evaluated quarterly as follows:

- Consolidated net debt in relation to consolidated EBITDA (from 31 March, 2012 inclusive)
- Consolidated EBITDA in relation to interest expenses (from 31 March, 2012 inclusive)
- Investment levels (from 31 December, 2011 inclusive)

As of 31 December, 2011 the covenant for investment levels was 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

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Defined-benefit commitments and Fair Value of Plan Assets** | |
| *Full or partly funded commitments* | |
| Present value of defined-benefit commitments | 230,991 |
| Fair value of plan assets | (124,179) |
| **Total full or partly funded commitments** | **106,812** |
| Present value of non-funded defined-benefit commitments | 5,287 |
| Accumulated non-accounted actuarial losses | (3,443) |
| **Net amount in balance sheet (commitments +, assets -)** | **108,656** |
| *Net amount accounted in following items in balance sheet:* | |
| Pension provisions | 108,656 |
| **Net amount in balance sheet (commitments +, assets -)** | **108,656** |

Com Hem has four separate pension plans for the Group's employees:
- A defined contribution plan, with premiums paid on an ongoing basis;
- A defined benefit plan underwritten in Com Hem AB's former parent company TeliaSonera's pension fund, generating benefits based on final salary;
- Pension obligations to former senior management pursuant to TeliaSonera's management pension plan;
- Conditional right to early retirement.

| SEK in thousand | ITP/PRI | Management Pension | Conditional Early Pension | Totalt |
|---|---|---|---|---|
| **Change in pension commitments** | | | | |
| Opening Balance | - | - | - | - |
| Business acquisition | 222,566 | 1,090 | 4,072 | 227,728 |
| Expense for pensions earned in the period | 1,763 | - | 71 | 1,834 |
| Interest expense | 2,017 | 10 | 37 | 2,064 |
| Pension disbursements | (776) | - | - | (776) |
| Actuarial gain/losses | 5,421 | 10 | (3) | 5,428 |
| **Closing Balance** | **230,991** | **1,110** | **4,177** | **236,278** |

| SEK in thousand | ITP/PRI | Management Pension | Conditional Early Pension | Totalt |
|---|---|---|---|---|
| **Change in the fair value of plan assets** | | | | |
| Opening balance | - | - | - | - |
| Business acquisition | 120,766 | - | - | 120,766 |
| Expected return on plan assets | 1,427 | - | - | 1,427 |
| Actuarial gain/loss | 1,986 | - | - | 1,986 |
| **Closing balance** | **124,179** | **-** | **-** | **124,179** |

**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 FPG 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 as of 31 December, 2011.

Com Hem AB's share of the pension fund is restated at market value monthly. The market value of Com Hem AB's share of pension fund assets was SEK 124,179 thousand as of 31 December, 2011. Plan assets in the fund as of 31 December, 2011 were allocated to the asset classes shares (36%), fixed-income securities (50%) and alternative investments (hedge funds and private equity) (14%).

**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 survivors' 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 31 December, 1991 pursuant to the previous PA 91 central government collective agreement, and that remain 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 5 June, 2003 for this provisioning of additional vested conditional pension entitlements. Subsequently, Com Hem AB effects provisioning 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 partly, Com Hem AB's provisioning is utilized.

### Actuarial Gains and Losses

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Adjustment based on experience** | |
| Pension commitments | 4,920 |
| Plan assets | 1,986 |
| Total effect on adjustment based on experince | **6,906** |
| **Adjustment assumptions** | |
| Pension commitments | (10,349) |
| Total effect on adjusted assumptions | (10,349) |
| **Total non-recognized actuarial losses** | **(3,443)** |

The Group estimates that SEK 3,501 thousand will be paid to funded and unfunded (partly or wholly) defined benefit plans recognized as defined benefit plans in 2012.

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Pension Expense** | |
| *Defined benefit plans* | |
| Expense for pensions earned in the period | 1,834 |
| Interest expense | 2,063 |
| Expected return on plan assets | (1,427) |
| Recognized actuarial gains/losses | - |
| **Expected, defined benefit plans** | **2,470** |
| Expense, defined contribution plans | 6,727 |
| Special employers´ contribution | 3,091 |
| **Total expense for post-employment remuneration** | **12,288** |
| *The expense for defined benefit plans is recognized in the following Income Statement items:* | |
| Administrative expenses | 1,834 |
| Financial income/expenses | 636 |
| **Expense, defined benefit plans** | **2,470** |

Obligations for retirement and survivors' pensions for salaried employees in Sweden are underwritten by an insurance policy with Alecta. Pursuant to statement UFR 3 from RFR, this is a defined-benefit multi-employer plan. For the financial year 2011, the Company does not have access to information that would enable it to report the plan as a defined-benefit plan. Accordingly, ITP-based pension plans vested through insurance with Alecta are reported as defined contribution plans. Expenses for pension insurance with Alecta for the year amount to SEK 1.5 million. Alecta's surplus can be distributed to policyholders and/or the insured parties. At year-end 2011, Alecta's surplus expressed as its collective consolidation ratio was 113%. The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of insurance commitments calculated pursuant to Alecta's actuarial calculation assumptions, which are not consistent with IAS 19.

**Actuarial Assumptions**
The following material actuarial assumptions have been applied to calculate the following commitments

| (Weighted averages) | 31 Dec 2011 |
|---|---|
| Discount rate | 3.40% |
| Expected returns on plan assets | 4.60% |
| Increase to income base amount | 3.00% |
| Expected inflation | 2.00% |
| Future salary increase | 3.00% |
| Termination rate | 5.00% |
| Mortality | FFFS* |
| Utilization ratio, conditional pension entitlement | 70.00% |

* Used by the Swedish Financial Supervisory Authority for the legal measurement of pension liabilities FFFS 2007:31 (FFFS 2007:24).

## Note 21 Other Provisions

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Provision for Special Employer´s Contribution** | |
| Carrying amount at beginning of period | - |
| Business acquisition | 20,101 |
| Provisions in the period | 1,669 |
| Claims in the period | (18) |
| **Carrying amount at end of period** | **21,752** |

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Payments** | |
| Amount by which the provision is expected to be paid after more than twelve months | 21,752 |
| **Total** | **21,752** |

## Note 22 Trade Payables

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Outstanding trade payables | 626,128 |
| Revaluation of foreign currency liabilities | (2,343) |
| **Total** | **623,785** |
| Outstandning trade payables were due as follows: | |
| Not overdue | 432,989 |
| 1-30 days overdue | 168,576 |
| 31-60 days overdue | 416 |
| 61-90 days overdue | 1,295 |
| 91- days overdue | 22,852 |
| **Total** | **626,128** |

## Note 23 Other Liabilities

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Other non-current liabilities** | |
| Derivatives | 100,146 |
| Other non-current liabilities | 2,304 |
| **Total** | **102,450** |

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Other current liabilities** | |
| Employee withholding taxes | 9,061 |
| Value-added taxes | 32,553 |
| Other liabilities | 11,043 |
| **Total** | **52,657** |

## Note 24 Accrued Expenses and Deferred Income

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Accrued personnel expenses | 70,086 |
| Accrued content expenses | 81,411 |
| Accrued expenses for capitalized non-current assets | 73,694 |
| Other accrued expenses | 178,308 |
| Accrued interest expenses | 124,039 |
| Other deferred subscription income | 567,586 |
| **Total** | **1,095,124** |

## Note 25 Financial Assets and Liabilities by Category

Fair values and carrying amounts are measured in the Balance Sheet as follows:

**SEK in thousand**

| 31 Dec 2011 | Financial Assets at Fair Value via Profit or Loss | Financial Assets Held for Sale | Loan and Trade Receivables Measured at Amortized Cost | Financial Liabilities at Fair Value via Profit or Loss | Financial Liabilities Measured at Amortized Cost | Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|---|
| Trade receivables . . . . | - | - | 120,974 | - | - | **120,974** | 120,974 |
| Accrued call income . . | - | - | 24,894 | - | - | **24,894** | 24,894 |
| Current intragroup receivables. . . . . . . . . | - | - | 1,070 | - | - | **1,070** | 1,070 |
| Other receivables . . . . | - | - | 14,335 | - | - | **14,335** | 14,335 |
| Cash and cash equivalents. . . . . . . . . | - | - | 1,044,202 | - | - | **1,044,202** | 1,044,202 |
| Non-current interest-bearing liabilities. . . . | - | - | - | - | (11,030,833) | **(11,030,833)** | (11,030,833) |
| Non-current interest-bearing intragroup liabilities . . . . . . . . | - | - | - | - | (4,338,422) | **(4,338,422)** | (4,338,422) |
| 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 interest-bearing intragroup liabilities. . . . . . . . . . . . | - | - | - | - | (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. . . . | - | - | - | - | (527,539) | **(527,539)** | (527,539) |
| **Total financial assets and liabilities by category** . . . . . . . . | - | - | **1,205,475** | **(100,146)** | **(17,126,173)** | **(16,020,844)** | **(16,020,844)** |

### Derivative Instruments

The fair value of currency contracts is measured based on quoted prices, if available. If not available, fair value is measured by discounting the difference between the contracted forward price and the forward price available on the reporting date for the remaining contract term. Discounting is at risk-free interest based on government bonds.

The fair value of interest swaps is based on the valuation 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 on the reporting date.

When discounted cash flows are used, future cash flows are calculated on the best judgement of management. The discount rate applied is based on interest rates of similar instruments on the reporting date. Where other valuation models are applied, input data is based on market-related data on 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 on the reporting date.

**Trade Receivables and Trade Payables**
For trade receivables and trade payables with remaining economic lives of less than six months, the carrying amount is considered to reflect fair value. Trade receivables and trade payables with economic lives exceeding six months are discounted coincident with determining fair value.

**Interest Rates Applied for Determining Fair Values**
The Company uses Stibor and swap rates as of 31 December, 2011 plus a relevant yield spread when discounting financial instruments.

**Fair Value of Assets and Liabilities**
Fair values are based on market values or—if they are not available—derived from an assumed yield curve. The amounts indicated are unrealized and will not necessarily be realized. Due to the short terms of trade receivables and trade payables, carrying amounts are assumed as the best approximation of fair value.

**Valuation Methods**
Amounts of SEK (100,146) thousand regarding changes in fair value measured with the aid of a valuation technique are recognized in net profit or loss for 2011 respectively.

*Fair Value Hierarchy*
The following table illustrates financial instruments measured at fair value by measurement method. The different levels are 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 instruments are: shares, bonds, standard options that are actively traded, etc.

Level 2
Financial instruments where fair value is determined on the basis either of direct (as price) or indirect (derived from prices) observable market data that is not included in level 1. Examples of instruments are: bonds and certain OTC-traded products such as interest swaps, currency forwards, shares, etc.

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 are: unlisted shares, interests swaps with maturity exceeding ten years, options where the underlying security is not priced on an active marketplace, etc.

**Group**

| SEK in thousand | Level 1 | Level 2 | Level 3 | 31 Dec 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)** |

Value change on derivatives is included in financial expenses, hedge accounting is not applied.

## Note 26 Financial Risks and Finance Policies

Through its operating activities, the Group is exposed to various types of financial risk.

Financial risk means fluctuations in the Company's Income Statement, Balance Sheet and cash flow 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 31 December is divided as follows.

| SEK in thousand | |
|---|---|
| Cash & cash balances | 1,044,202 |
| *- of which restricted cash* | *402,249* |
| Unutilized Credit facilities | 1,235,500 |
| **Total liquidity reserve** | **2,279,702** |

Unutilized credit facilities include a SEK 500,000 thousand loan facility, of which SEK 14,500 thousand was utilized and SEK 125,000 thousand was available as an overdraft facility, and SEK 750,000 thousand 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.

For the Group's interest-bearing borrowings as of December 31, 2011, 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 at current rates of exchange ruling at the end of the reporting period. Forward rates have been used for estimated future interest payments related to instruments with variable interest. In those cases where settlement is gross (currency interest swaps and currency forwards) all amounts have been recognized gross.

Expected maturities of financial liabilities as of 31 December, 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 |
|---|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 5,752,827 | 321,553 | 214,952 | 263,976 | 301,687 | 331,856 | 4,318,803 |
| Bonds | 6,067,130 | - | - | - | - | - | 6,067,130 |
| Liabilities to group companies | 4,438,984 | 100,562 | - | - | - | - | 4,338,422 |
| Finance lease liabilities | 274,433 | 128,518 | 126,803 | 19,112 | - | - | - |
| **Total interest-bearing liabilities** | **16,533,375** | **550,633** | **341,755** | **283,088** | **301,687** | **331,856** | **14,724,355** |
| 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 | 73,370 | 70,790 | 93,585 |
| *- Receivables* | - | (229,665) | (258,926) | (272,198) | (59,843) | (58,392) | (79,065) |
| Exchange contracts | | | | | | | |
| *- Payables* | - | 167,122 | 187,426 | 187,426 | 187,426 | - | - |
| *- Receivables* | - | (162,833) | (182,874) | (182,874) | (182,874) | - | - |
| **Total Net** | **16,533,375** | **1,480,216** | **1,343,000** | **1,271,575** | **1,247,874** | **1,269,974** | **16,866,197** |

### Interest Risks

Interest risk is the risk of changes in interest rates affecting the Group's Income Statement and Balance Sheet negatively, and which could cause problems with restrictions in loan agreements. To mitigate interest risk, at least 2/3 of bank borrowings according to the agreement should be interest hedged for a period of at least three years from arrangement. Interest derivative 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 the Income Statement.

**Structure of Fixed Interest Periods before and after effects of Derivatives**

| SEK in thousand | Nominal Value | Currency Derivatives | Exposure | Proportion % |
|---|---|---|---|---|
| 2012 | 6,127,823 | (3,812,157) | 2,315,666 | 14% |
| 2013 | - | - | - | - |
| 2014 | - | - | - | - |
| 2015 | - | 2,686,100 | 2,686,100 | 16% |
| 2016 | - | - | - | - |
| 2017 | - | - | - | - |
| 2018 | 3,492,306 | 1,126,057 | 4,618,363 | 28% |
| 2019 | 3,961,363 | - | 3,961,363 | 24% |
| Later | 2,951,883 | - | 2,951,883 | 18% |
| **Total** | **16,533,375** | **-** | **16,533,375** | **100%** |

The Group's interest expenses would increase by some SEK 22 million annualized given a 1% increase in interest rates, given 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 normally effected when the Group enters an agreement that has a minimum exposure of SEK 10 million in each currency for a maximum period of 12 months. 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 of SEK 1,859 thousand and other operating costs of SEK (2,486) thousand. There were no transaction-related forward contracts at the end of 2011.

**Transaction Exposure Allocated by Currency**

| SEK in thousand | 12 Jul – 31 Dec 2011 | |
|---|---|---|
| **Currency** | **Amount** | **%** |
| EUR | (30,649) | 37% |
| NOK | (9,095) | 11% |
| USD | (43,644) | 52% |
| Other | (276) | 0% |
| **Total** | **(83,664)** | **100%** |

Consolidated cash flow would reduce by approx. SEK 4 million if the Swedish krona depreciated by 5% against the above currencies assuming the same transaction exposure as in the financial period, 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 2011, there were liabilities of EUR 320,841 thousand to credit institutions and EUR 287,058 thousand in bond loans.

**Currency Allocation of Interest-bearing Nominal Liabilities, with and without Currency Derivatives**

| 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 | 4,438,984 | - | 4,438,984 | 27% |
| Finance lease liabilities | 274,433 | - | 274,433 | 2% |
| Derivatives | - | 2,023,026 | 2,023,026 | 12% |
| **Total** | **11,080,701** | **2,023,026** | **13,103,727** | **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%** |

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 171 million 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 and property owner services. Creditworthiness checks are conducted on new customers, and the Group applies a fast debt recovery process, involving 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 and the Group's total credit losses in the financial year were 0.5% of revenues.

**Capital Structure**

The company's objective is to have an effective capital structure considering its operational and financial risks, 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.

## Note 27 Leases

**Operating Lease Arrangements where the Company is Lessee**
There are assets in operations held through operating lease arrangements. Lease payments are included in operating expenses and amounted to SEK 60,700 thousand 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 contratcts are indexed annually.

iTUX Communication AB's future obligations relate to manage services and optical fiber, according to agreement with Ericsson AB and Stokab. These agreements have terms of five to seven years.

| SEK in thousand | 31 Dec 2011 |
|---|---|
| Within 1 yr. | 260,036 |
| Between 1-5 yrs. | 455,737 |
| More than 5 yrs. | 58,418 |
| **Total** | **774,191** |

**Finance Lease Arrangements where the Company is Lessee**
There are assets in operations held through finance lease arrangements, mainly customer equipment and equipment for switching centers. On 31 December, 2011 the carrying amount of these items is SEK 270,616 thousand included in customer equipment SEK 133,389 thousand in production facilities SEK 117,077 thousand, other tangible assets of SEK 405 thousand, and other intangible assets of SEK 19,745 thousand. For all lease arrangements, the assets held can be acquired after 36 months. Future payments in these lease arrangements are due as follows.

| | 31 Dec 2011 | |
|---|---|---|
| SEK in thousand | Minimum lease payment | Nominal Value |
| Within 1 yr. | 126,966 | 133,509 |
| Between 1-5 yrs. | 147,467 | 151,496 |
| More than 5 yrs. | - | - |
| **Total loan liability** | **274,433** | **285,005** |
| Less interest portion | | (10,572) |
| **Total finance lease arrangements** | **274,433** | **274,433** |

## Note 28 Investment Commitments

The Group has reached 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 | 31 Dec 2011 |
|---|---|
| Production facilities | 62,625 |
| Customer equipment | 32,800 |
| Intangible assets | - |
| **Total** | **95,425** |

## Note 29 Pledged Assets and Contingent Liabilities

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Pledged Assets** | |
| Trademarks | 691,000 |
| Pledging of shares in subsidiaries | Negative |
| Restricted Cash | 402,249 |
| Bank guarantee PRI | 14,500 |
| **Total pledged assets** | **1,107,749** |

| SEK in thousand | 31 Dec 2011 |
|---|---|
| **Contingent liabilities** | |
| Guarantee commitment, FPG/PRI | 3,002 |
| **Total contingent liabilities** | **3,002** |

In addition to the above pledged assets, to guarantee its loan facilities and bond loans, the Group has pledged a number of trademarks and brands associated with the operations of Group company Com Hem AB.

## Note 30 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 31 December, 2011 the Group had non-current liabilities of SEK 4,338,422 thousand to the parent company. In addition to the above liabilities, the Group had current liabilities of SEK 100,562 thousand to the parent company and a current receivables of SEK 1,070 thousand.

The Group's interest expenses include SEK 136,061 thousand of interest to the parent company. All intragroup transactions are on an arm's length basis.

Agent's fees of SEK 165,600 thousand were paid to BC Partners in tandem with the acquisition. This remuneration is included in other operating expenses, see Note 5.

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 invested in ordinary shares (class A and B shares) and preference shares of the company. At present, these senior managers hold approximately 1% of the number of class A and B shares and a majority of the preference shares.

No related party transactions occurred with people in executive positions in the financial year apart from the disclosures in Note 6.

## Note 31 Subsidiaries in the Group

### Specification of the Parent Company's Direct and Indirect Holdings of Participations in Subsidiaries

| Subsidiaries / Corporate ID No./ Registered office | No. of Participations | Holding % |
|---|---|---|
| NorCell Sweden Holding 3 AB (publ), 556859-4195, Stockholm . . . . . . . . . . | 600,000 | 100 |
| Nordic Cable Acquistion Company Sub-Holding AB 556689-2104, Stockholm . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 7,286,446 | 100 |
| Nordic Cable Acquistion Company AB, 556689-2070, Stockholm . . . . . . . . . | 8,681,337 | 100 |
| Nordic Communication Services AB, 556669-4633, Stockholm . . . . . . . . . . . | 6,411,304 | 100 |
| Com Hem Communications AB, 556635-7231, Stockholm . . . . . . . . . . . . . . . | 12,634,420 | 100 |
| Com Hem Holding AB, 556469-3017, Stockholm . . . . . . . . . . . . . . . . . . . . . . . | 1,000 | 100 |
| Com Hem AB, 556181-8724, Stockholm . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 50,000 | 100 |
| iTUX Communication AB, 556699-4843, Stockholm . . . . . . . . . . . . . . . . . . . . . | 100,000 | 100 |

## Note 32 Subsequent Events

In January 2012, Com Hem launched a new TV channel—Tv Com Hem. Tv Com Hem is a 24-hour broadcast TV channel, with a high share of content being news and programs from TV4 News and BBC World News. For a few hours each day, Tv Com Hem will also broadcast its own content, focusing on entertainment, TV and home electronics.

In March 2012, the Board of Directors approved a merger plan which implies that Com Hem Holding AB, Com Hem Communications AB, Nordic Communication Services AB and Nordic Cable Acquisition Company AB will be merged with Nordic Cable Acquisition Company Sub-Holding AB.

## Note 33 Parent Company – Corporate Information

NorCell Sweden Holding 2 AB (publ) is a Swedish registered limited company with its registered office in Stockholm, Sweden. The address of the head office is Fleminggatan 18, 104 20 Stockholm, Sweden.

NorCell Sweden Holding 2 AB (publ) is a wholly owned subsidiary of NorCell 1B AB (publ), corporate identity number 556863-3472 with its registered office in Stockholm, Sweden. NorCell 1B AB (publ) is a wholly-owned subsidiary of NorCell Sweden Holding 1 AB (publ) corporate identity number 556858-6613, which prepares the Consolidated Accounts for the largest Swedish group. The Consolidated Accounts are available at NorCell Sweden Holding 2 AB (publ)'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. (corporate identity number 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 34 Earnings per Share

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.

| SEK | 12 Jul - 31 Dec 2011 |
|---|---|
| Basic | (1,101) |
| Diluted | (1,101) |

### 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 | 12 Jul - 31 Dec 2011 |
|---|---|
| Net profit or loss attributable to equity holders of the parent | (660,493) |
| Average number of outstanding shares | 600,000 |

# NORDIC CABLE ACQUISITION COMPANY SUB-HOLDING AB

**Audited Consolidated Financial Statements**
**as of and for the years ended December 31, 2010 and 2009**

Unless otherwise stated, all amounts are rounded to the nearest thousand.

# INDEPENDENT AUDITORS´REPORT

To the Board of Directors
Nordic Cable Acquisition Company Sub-Holding AB

We have audited the accompanying consolidated financial statements of Nordic Cable Acquisition Company Sub-Holding AB and subsidiaries (“the Group”), which comprise the consolidated balance sheets as at 31 December 2010 and 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the two-year period ended 31 December, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Board of Directors’ and 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 these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors’ Responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swedish Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as 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 opinion.

*Opinion*
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010 and 2009 and of its consolidated financial performance and its consolidated cash flows for the two-year period ended 31 December, 2010, in accordance with International Financial Reporting Standards as endorsed by the EU.

Stockholm, 2 April 2012
KPMG AB

/s/ Thomas Thiel

Thomas Thiel
Authorized public accountant

# CONSOLIDATED INCOME STATEMENT

| SEK in thousand | Note | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|---|
| Revenue | 2 | 4,317,643 | 4,086,870 |
| Cost of Sales and Services | | (2,326,659) | (2,170,854) |
| **Gross profit** | | **1,990,984** | **1,916,016** |
| | | | |
| Selling expenses | | (1,033,066) | (1,054,676) |
| Administrative expenses | | (359,074) | (345,972) |
| Other operating income | 4 | 9,513 | 14,392 |
| Other operating expenses | 5 | (4,241) | (9,729) |
| **Operating income** | 6,7,8,26,27 | **604,116** | **520,031** |
| | | | |
| **Financial income and expenses** | | | |
| Financial income | | 89,639 | 8,412 |
| Financial expenses | | (444,734) | (564,701) |
| **Net finance costs** | 9,26 | **(355,095)** | **(556,289)** |
| | | | |
| **Profit/loss after financial items** | | **249,021** | **(36,258)** |
| Income taxes | 10 | (107,348) | 5,019 |
| **Net profit/loss for the year** | | **141,673** | **(31,239)** |
| | | | |
| ***Earnings/loss per share*** | 34 | | |
| Basic (SEK) | | 19.44 | (4.29) |
| Diluted (SEK) | | 19.44 | (4.29) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK in thousand | Note | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|---|
| Net profit/loss for the year | | 141,673 | (31,239) |
| Other comprehensive income | | - | - |
| **Other comprehensive income for the year, net of tax** | | **-** | **-** |
| **Comprehensive income/loss for the year** | | **141,673** | **(31,239)** |

# CONSOLIDATED BALANCE SHEET

| SEK in thousand | Note | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | 12,388,043 | 12,604,514 |
| Property, plant and equipment | 12 | 1,726,626 | 1,952,204 |
| Financial non-current assets | 13 | 2,618 | 16,432 |
| Deferred tax asset | 10 | 160,259 | 102,626 |
| **Total non-current assets** | | **14,277,546** | **14,675,776** |
| **Current assets** | | | |
| Inventories | 14 | 29,303 | 24,320 |
| Trade receivables | 15, 25 | 138,302 | 131,485 |
| Prepaid expenses and accrued income | 16, 25 | 188,138 | 152,507 |
| Other receivables | 13, 25 | 12,255 | 20,149 |
| Cash and cash equivalents | 17, 25, 26 | 844,215 | 926,741 |
| **Total current assets** | | **1,212,213** | **1,255,202** |
| **TOTAL ASSETS** | | **15,489,759** | **15,930,978** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 18 | | |
| Share capital | | 232 | 232 |
| Other paid in capital | | 8,128,356 | 7,501,055 |
| Retained earnings incl. net profit/loss for the year | | (2,243,803) | (1,923,155) |
| **Total equity** | | **5,884,785** | **5,578,132** |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities | 19, 25, 26 | 7,035,884 | 7,983,604 |
| Other non-current liabilities | 23, 25, 26 | - | 68,696 |
| Pension provisions | 20 | 46,655 | 38,299 |
| Other provisions | 21 | 12,235 | 9,069 |
| **Total non-current liabilities** | | **7,094,774** | **8,099,668** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 19, 25, 26 | 974,874 | 817,410 |
| Trade payables | 22, 25 | 497,957 | 337,088 |
| Other current liabilities | 23, 25 | 110,729 | 94,426 |
| Accrued expenses and deferred income | 24, 25 | 926,640 | 1,004,254 |
| **Total current liabilities** | | **2,510,200** | **2,253,178** |
| **Total liabilities** | | **9,604,974** | **10,352,846** |
| **TOTAL EQUITY AND LIABILITIES** | | **15,489,759** | **15,930,978** |

*Information on the Group's pledged assets and contingent liabilities for the years ended December 31, 2010 and 2009 are in Note 29.*

# 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 Year | Total Equity |
|---|---|---|---|---|
| **Opening equity as of 1 jan 2009** | **232** | **5,634,846** | **(1,289,744)** | **4,345,334** |
| Comprehensive loss for the year | - | - | (31,239) | (31,239) |
| Unconditional shareholders' contribution | - | 1,866,209 | - | 1,866,209 |
| Group contribution paid | - | - | (817,058) | (817,058) |
| Tax attributable to group contribution | - | - | 214,886 | 214,886 |
| **Closing equity as of 31 Dec 2009** | **232** | **7,501,055** | **(1,923,155)** | **5,578,132** |
| **Opening equity as of 1 jan 2010** | **232** | **7,501,055** | **(1,923,155)** | **5,578,132** |
| Comprehensive loss for the year | - | - | 141,673 | 141,673 |
| Unconditional shareholders' contribution | - | 627,301 | - | 627,301 |
| Group contribution paid | - | - | (627,301) | (627,301) |
| Tax attributable to group contribution | - | - | 164,980 | 164,980 |
| **Closing equity as of 31 Dec 2010** | **232** | **8,128,356** | **(2,243,803)** | **5,884,785** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| *Operating activities* | | |
| Profit/loss after financial items | 249,021 | (36,258) |
| Adjustment for items not included in cash flow, etc.* | 1,103,394 | 1,135,091 |
| Paid (-)/received (+) income tax | - | (7) |
| **Cash flow from operating activites before changes in working capital** | **1,352,415** | **1,098,826** |
| *Changes in working capital* | | |
| Increase (-)/decrease (+) in inventories | (4,983) | 6,824 |
| Increase (-)/decrease (+) in operating receivables | (22,744) | (3,926) |
| Increase (+)/decrease (-) in operating liabilities | 125,474 | (36,066) |
| **Cash flow from operating activities** | **1,450,162** | **1,065,658** |
| *Investing activities* | | |
| Acquisition of intangible assets | (123,892) | (106,312) |
| Acquisition of property, plant and equipment | (337,467) | (679,766) |
| Investment in financial assets | (1,098) | (1,013) |
| Acquisition of subsidiaries (see Note 3) | - | (352) |
| **Cash flow from investing activities** | **(462,457)** | **(787,443)** |
| *Financing activites* | | |
| Shareholders' contribution received | - | 600,000 |
| Repayment of borrowings | (1,070,231) | (520,000) |
| Payment of arrangement fees | - | (73,986) |
| **Cash flow from financing activities** | **(1,070,231)** | **6,014** |
| **Net change in cash and cash equivalents** | **(82,526)** | **284,229** |
| **Cash and cash equivalents at beginning of year** | **926,741** | **642,512** |
| **Cash and cash equivalents at end of year** | **844,215** | **926,741** |

## Supplementary Disclosures

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Interest received | 3,277 | 4,812 |
| Interest paid | (380,187) | (529,204) |

## * Adjustment for items not included in cash flow, etc

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Depreciation, amortization and impairment of assets | 1,141,046 | 1,075,702 |
| Unrealized change in fair value of financial assets | (80,506) | 18,898 |
| Change in accured arrangement fees | 41,424 | 68,136 |
| Change in accrued interest expenses | (25,497) | (47,111) |
| Loss from the sale/disposal of property, plant and equipment | 5,482 | 4,475 |
| Pension provisions | 8,356 | 9,818 |
| Other provisions | 3,166 | 4,887 |
| Other items not included in cash flow | 9,923 | 286 |
| **Total** | **1,103,394** | **1,135,091** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## *Note 1 Accounting Policies*

*Nordic Cable Acquisition Company Sub-Holding AB and its subsidiaries are sometimes referred to as the Company or the Group. The subsidiaries are listed in note 31.*

**Compliance with Standards and Legislation**

The Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) 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 have been approved for issuance by the Board of Directors and the Chief Executive Officer on 2 April 2012.

**Basis of Preparation of the Company's and Group's Financial Statements**

The Company's functional currency is the Swedish krona (SEK), which is also the presentation currency of the Company and Group. This implies that the financial statements are presented in SEK. Unless otherwise stated, all amounts are rounded to the nearest thousand (TSEK). Assets and liabilities are stated at historical cost, except that certain financial assets and liabilities are measured at fair value. The financial assets and liabilities measured at fair value comprise derivative instruments measured at fair value through profit or loss.

**Judgments and Estimates in the Financial Statements**

Preparing financial statements in accordance with IFRS requires Management to make judgments and estimates, and to make 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 an ongoing basis; revisions of estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The Group's accounting policies have been consistently applied on reporting and when consolidating the Company and its subsidiaries.

Management's judgment of the application of IFRS that have a material effect on the financial statements, and estimates made that may imply material restatements of the subsequent year's financial statements follows.

*Goodwill*

Consolidated 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. Also assumptions of future conditions are made. For the financial years 2010 and 2009, the test revealed no impairment loss since the calculated recoverable amount exceeded the carrying amount at year-end. In the opinion of Management and the Board, no reasonable changes to the forecast of the key assumptions in the business plan could result in impairment losses. A more detailed account is given in Note 11, which states a carrying amount for goodwill of SEK 10,967 million for 2010 and 2009 respectively.

*Amended Accounting Policies*

The Group has applied the following amended accounting policies from 1 January 2010 and onwards.

*Business Combinations and Consolidated Accounts*

The Group applies the revised IFRS 3 Business Combinations and revised IAS 27 Consolidated and Separate Financial Statements from 1 January 2010 onwards. These amended accounting policies have implications including the definition of an operation being revised, transaction expenditure on a business combination being expensed, conditional purchase prices being measured at fair value on the acquisition date, and the effects of re-statements of liabilities related to conditional purchase prices being reported as a revenue or expense in net profit or loss. Other changes include that there are two alternatives for reporting non-controlling interests and goodwill, either at fair value, i.e. goodwill is included in the non-controlling interest or the non-controlling interest consists of a share of net assets. The choice between the two methods is on an individual basis for each business combination. Moreover, further acquisitions conducted after controlling interest is attained are treated as owner transactions and recognized directly in equity, which is an amendment of the Company's previous policy, which was to report excess amounts as goodwill.

These policy amendments did not have any retroactive effect on the Company's financial statements, which accordingly, means that no amounts in the financial statements have been re-stated.

*New and Amended IFRS Issued by IASB in Addition to Those Stated Above*
In addition to the amended accounting policies stated above, there are the following new and amended IFRS and IFRIC, which however, did not affect the Group's accounting policies:

- Amendments of IFRS 2 Share-based payments in respect of cash-settled intra-group payment transactions
- Amendments of IAS 39 Financial Instruments: Recognition and Measurement in respect of items qualifying for hedge accounting
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

Other new and amended IFRS did not have any effect on the Consolidated Accounts.

*New IFRS and Interpretations Not yet Applied*
A number of new or revised IFRS come into effect for the first time in the coming financial year and have not been applied in advance when preparing these financial statements. News or amendments with future application are not planned for advance adoption.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement by 2013 onwards at the latest. IASB has published the first of at least three parts, which together, will constitute IFRS 9. This 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/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 November 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.

The effect of the introduction of IFRS 9 has not yet been determined.

The following amendments of accounting policies with future application are not judged to have any effect on the Consolidated Accounts:

- Amendments of IAS 24 Related Party Disclosures, primarily in respect of disclosures for government companies, but also in respect of the definition of related parties
- Amendments of IAS 32 Financial Instruments: Presentation in respect of the presentation of new share issues
- Amendments of IFRS 7 Financial Instruments: Disclosures in respect of new disclosure requirements for transferred financial assets
- Amendments of IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in respect of advance payments to cover minimum funding requirements
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Annual improvements of IFRS that are not already applicable, primarily among those published in May 2010.

**Operating Segments**
Pursuant to IFRS 8, the Group does not present segment reporting.

**Classification**
Essentially, the Company's and Group's non-current assets and non-current liabilities comprise amounts that are expected to be recovered or settled after more than 12 months from the reporting date. Essentially, the Company's and Group's current assets and current liabilities comprise amounts expected to be recovered or settled within 12 months from the reporting date.

**Consolidation Policies**

**Subsidiaries**
A subsidiary is a company controlled by Nordic Cable Acquisition Company Sub-Holding 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.

*Business Combinations on 1 January 2010 or later*
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 takes over its liabilities. The fair value of acquired identifiable assets and liabilities taken over and potential non-controlling interests as of the acquisition date are determined in the acquisition analysis. Transaction expenses, apart from transaction expenses not related to the issue of equity instruments or debt instruments that arise, are recognized directly in net profit or loss.

In acquisitions where remuneration payment made, potential non-controlling interests and the fair value of previously held participations (in step acquisitions) exceed the fair value of acquired assets and liabilities taken over that are reported separately, the difference is reported as goodwill. When the difference is negative, this is known as a bargain purchase, and is reported directly in net profit/loss.

Payments made in tandem 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.

Conditional purchase prices are reported at fair value on the acquisition date. If the conditional purchase price is classified as an equity instrument, there is no re-statement and the settlement is taken in equity. Other conditional purchase prices are re-stated at each reporting date and the change is recognized in net profit or loss.

If the acquisition does not relate to 100% of the subsidiary, a non-controlling interest arises. There are two alternatives for reporting non-controlling interests. These two alternatives are to report of the non-controlling interest's share of proportional net assets or the non-controlling interest is reported at fair value, which means that the non-controlling interest has a share of goodwill. The choice between the two alternatives for reporting a non-controlling interest can be made acquisition by acquisition.

For step acquisitions, goodwill is determined on the date the controlling interest is obtained. Previous holdings are reported at fair value and the value change is recognized in net profit/loss. For divestments that result in controlling influence being lost, but where there is a remaining interest, the interest is reported at fair value and the value change is recognized in net profit/loss.

*Acquisitions Conducted between 1 January 2004 and 31 December 2009*
Acquisitions conducted between 1 January 2004 and 31 December 2009, where the acquisition cost exceeds the fair value of the acquired assets and liabilities taken over and contingent liabilities, are reported separately, the difference being reported as goodwill. When the difference is negative, this is recognized directly in net profit or loss.

Transaction expenses, apart from transaction expenses related to the issue of equity instruments or debt instruments that arise have been included in the acquisition cost.

Subsidiaries' financial statements are consolidated from the acquisition date until the date control ceases.

**Transactions Eliminated on Consolidation**
Intra-group receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-group transactions, are wholly eliminated when the Consolidated Accounts are prepared.

**Foreign Currencies**

**Foreign currency transactions**
Transactions in foreign currency are translated into the functional currency at the exchange rate ruling on 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 exchange rate ruling on the reporting date. Exchange rate differences arising in these translations are recognized in net profit or loss. Non-monetary assets and liabilities stated at historical acquisition cost are translated at the exchange rate at the time of transaction.

**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 billed connection fees. Revenue from broadband, digital TV and telephony is recognized as the services are utilized. These revenues relate to consumers. Invoicing is monthly.

Revenue from property owners for periodic charges mainly for the basic selection are invoiced largely quarterly in advance and recognized as they are utilized.

Revenue is recognized at the fair value of the consideration received or receivable, reduced by discounts given.

**Operating Expenses and Financial Income and Expenses**

**Operating expenses**
Operating expenses are classified according to function, as described below. Depreciation and amortization and personnel costs are stated by function.

**Cost of sales and services**
Include costs for content, fibre and ducting, call fees telephony, internet capacity, maintenance as well as other production costs. Personnel costs related to field service and operations are also included. Cost of sales and services include depreciation and amortization for fixed assets related to production.

**Selling expenses**
Selling expenses are related to costs for sales, product and marketing. Costs for customer service, advertising, telemarketing, sales commissions and bad debt losses are also included as well as personnel costs related to sales, product and marketing. Selling expenses include depreciation and amortization for 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 for premises. Administrative expenses also include depreciation and amortization for fixed assets related to administrative functions.

**Other operating income**
Other operating income includes exchange rate gains and recovered bad debt losses.

**Other operating costs**
Other operating costs include exchange rate losses.

**Leases**

**Operating Leases**
Expenses for operating lease arrangements are reported in net profit/loss on a straight-line basis over the lease term. Benefits received in tandem with signing an agreement are recognized in 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 interest fixing 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, shares 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. 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. The same applies to a portion of a financial asset. A financial liability is derecognized when the contracted commitment is discharged, or otherwise expires. The same 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 acquire or divest the asset.

The fair value of unlisted financial assets is determined by using valuation techniques, such as recently completed transactions, prices of similar instruments and discounted cash flows.

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 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 change in value recognized in profit or loss.

*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 financial liabilities held for trading and derivatives (stand-alone and embedded) not designated as hedging instruments. Liabilities in this category are measured at fair value on an ongoing basis, with changes in value 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 similar institutes.

**Derivatives**
Derivative instruments comprise forward contracts and swaps utilized to hedge risks of exchange rate changes, 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 applied on the asset's initial recognition. Assets with a short maturity are not discounted. Impairment losses are recognized as an expense in net 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.

**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 disposal/divestment. Gains or losses that arise from the divestment or disposal 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/expense.

*Subsequent Costs*
Subsequent costs are added to cost 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. The cost is capitalized if it relates to the exchange of identified components, or parts of components. The cost is also capitalized when new components are created. The carrying amount of replaced components, or parts of components, is derecognized concurrent with the replacement. Repairs and maintenance 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 and computers | 5 yrs. |
| | |
| Production facilities | |
| - Backbone network | 10 yrs. |
| - Equipment in switching centers | 5 yrs. |
| - Property networks | 5 yrs. |
| - Playout (transmission stations for TV) | 3 yrs. |
| - Telephony equipment | 5 yrs. |
| - Surplus value in technology for broadband production | 3 yrs. |

Customer equipment

| | | |
|---|---|---|
| - | Set-top-boxes and modems | 3 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.

**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.

*Acquisition Costs for Subscriptions*

Acquisition costs for subscriptions are recognized as intangible assets, and consist of the sales commission to internal or external sales people that arises in tandem with the customer entering a time-finite agreement. The condition is that the sales commission can be associated with an individual customer agreement.

Historically, the Company has not classified sales commission as an intangible asset because its support systems have not been able to provide information that associates sales commissions to unique customer agreements. Moreover, the remuneration model for sales commissions has not been linked to individual agreements historically, but rather, a defined number of agreements.

The model for sales commissions has been amended and the support system enhanced, which means that from June 2010 and onwards, the Company has reported that portion of sales commission that could be associated with individual customer agreements as an intangible asset that is amortized over the contract term, normally a period of 12-24 months.

*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.

*Other Intangible Assets*

Other intangible assets that the Group acquires are measured at cost less accumulated amortization (see below) and any 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 specific asset to which they relate. All other costs are charged to the Income Statement when incurred.

*Amortization Principles*

Amortization is recognized in net 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.

The estimated useful lives are:

| | | |
|---|---|---|
| - | Customer relations | 6-20 yrs. |

Other

| | | |
|---|---|---|
| - | Customer databases | 3 yrs. |
| - | Telephony licenses | 5 yrs. |
| - | Other licenses | 5 yrs. |
| - | Subscriber acquisition costs | 1-2 yrs. |
| - | Other intangible assets | 20 yrs. |

**Inventories**
Inventories consist of equipment for upgrading the Group's cable network. Removals from inventories mainly imply reclassification to property, plant and equipment.

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 exempted from the above, carrying amounts are reviewed according to the relevant standards.

An impairment is recognized when an asset's or cash-generating unit's (or group of units') carrying amount exceeds the recoverable amount. An 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 affected.

Impairment of loan receivables and trade receivables reported at amortized cost is 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 rate for investment-grade corporate bonds or government bonds with a maturity corresponding to the average duration of the commitments and currency. The most important 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.

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.

Actuarial gains and losses may arise when determining the present value of commitments and the fair value of plan assets. These arise either because the outcome differs from the assumptions, or from changes in assumptions.

The portion of the accumulated actuarial gains and losses at the previous year-end that exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets is recognized in the Income Statement over the average expected remaining length of service for the employees participating in the plan.

Interest on pension liabilities and expected returns on the associated plan assets is reported in net finance cost. Other components are reported in operating income.

When there is a difference between how the pension expense is determined for a legal entity and a group, a provision or receivable relating to special employer's contribution is recognized on the basis of this difference. The provision or receivable is not present valued.

Commitments for old-age and survivors' pensions for salaried employees are underwritten by an insurance policy with Alecta. Pursuant to statement UFR 6 from RFR, this is a defined-benefit multi-employer plan. For the financial years 2010, and 2009, the Company does not have access to information that would enable it to report the plan as 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.

**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.

*Restructuring*
A provision for restructuring is recognized when the Group has established a detailed and formal restructuring plan, and implementation of the restructuring has either started or the plan has been publicly announced. No provisions are made for future operating expenses.

**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 by 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 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.

**Group Contributions and Shareholders' Contributions for Legal Entities**
The Company reports group contributions and shareholders' contributions in accordance with the relevant pronouncement from RFR (UFR 2). Shareholders' contributions are recognized directly in the recipient's equity and capitalized in shares and participations of the issuer to the extent that the recognition of an impairment loss is not required. Group contributions are reported in accordance with their financial substance, meaning that group contributions provided or received with the intention of minimizing the Group's total tax burden are recognized directly in retained earnings net of the related tax effect.

## Note 2 Categories of Revenue

*Revenue by significant revenue type*

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Pay Television | 1,523,529 | 1,328,318 |
| High-Speed Broadband | 1,170,157 | 1,118,042 |
| Fixed Telephony | 569,460 | 544,609 |
| Landlord | 891,948 | 921,840 |
| Other | 162,549 | 174,061 |
| **Total** | **4,317,643** | **4,086,870** |

## Note 3 Business Combinations

*Business combinations in 2010 and 2009*

No acquisitions were conducted in 2010 or 2009, although additional purchase prices of SEK 352 thousand was paid during 2009 for Kungsbacka Kabel-TV AB, which was acquired in 2007.

Com Hem's buyout of Kungsbacka Kabel-TV resulted in the acquisition of 650 new broadband-enabled households. More agreements were signed subsequently, including one with the largest property owner in the location, Aranäs KB.

## Note 4 Other Operating Income

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Unrealized value change on derivative instruments | - | 1,802 |
| Exchange gains on trade receivables/liabilities | 4,889 | 9,220 |
| Recovered trade receivables | 4,579 | 3,032 |
| Contributions received* | - | 338 |
| Other | 45 | - |
| **Total** | **9,513** | **14,392** |

* Contribution received relates to employment subsidy from the Swedish Agency for Economic and Regional Growth and replacement support from TRR Trygghetsrådet.

## Note 5 Other Operating Expenses

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Exhange losses on trade receivables/liabilities | (4,238) | (9,729) |
| Other costs* | (3) | - |
| **Total** | **(4,241)** | **(9,729)** |

* Other costs include items such as costs relating to the integration between Com Hem AB and Com Hem Stockholm AB.

## Note 6 Employees and Personnel Expenses

*Expenses for employee benefits*

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Salary and benefits | 268,852 | 236,288 |
| Social security contributions | 152,263 | 127,735 |
| *- of which pension expense* | *43,646* | *34,395* |
| **Total** | **421,115** | **364,023** |

### Average Number of Employee

| | 1 Jan - 31 Dec 2010 | Of which men | 1 Jan - 31 Dec 2009 | Of which men |
|---|---|---|---|---|
| Parent Company | 1 | 100% | - | - |
| Subsidiaries | 594 | 70% | 537 | 70% |
| **Group total** | **595** | **70%** | **537** | **70%** |

### Women in Board and Senior Management

| | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| | Share of Women | Share of Women |
| Board of Directors | 0% | 0% |
| Other Senior Management | 13% | 18% |

**Salary, Other Benefits and Social Security Contributions for the CEO**

| SEK in thousand | 1 Jan - 31 Dec 2010 Salary Benefits | 1 Jan - 31 Dec 2010 Social Security Contribution | 1 Jan - 31 Dec 2009 Salary Benefits | 1 Jan - 31 Dec 2009 Social Security Contribution |
|---|---|---|---|---|
| **CEO** | **8,508** | **4,648** | **7,491** | **4,187** |
| *- of which bonus* | 4,145 | 1,302 | 3,179 | 999 |
| *- of which pension expense* | - | 1,589 | - | 1,476 |

**Salary, Other Benefits and Social Security Contributions for the Other Senior Management**

| SEK in thousand | 1 Jan - 31 Dec 2010 Salary Benefits | 1 Jan - 31 Dec 2010 Social Security Contribution | 1 Jan - 31 Dec 2009 Salary Benefits | 1 Jan - 31 Dec 2009 Social Security Contribution |
|---|---|---|---|---|
| **Other Senior Management** | **22,447** | **12,806** | **16,261** | **9,602** |
| *- of which bonus* | 3,706 | 1,165 | 2,949 | 927 |
| *- of which pension expense* | | 4,630 | | 3,615 |

The Group's other Senior Management consisted of 15 people in 2010 (9 for 2009), of which 9 (8 for 2009) are employed by subsidiary Com Hem AB and 5 (-) are employed by the subsidiary iTUX Communication AB.

*Principles for Remuneration of the CEO 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.

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 CEO and a maximum of 15-30% of basic salary for other Senior Management. The pension expense for other Senior Management amounts to between 15% and 35% of basic salary. Other Senior Management have 3-12 months notice periods from the Company's side and 3-6 months notice periods from the Managers' side.

Remuneration to the Board of Directors amounted to SEK 478 thousand in 2010 (SEK 469 thousand in 2009). The fees were paid by subsidiary Nordic Cable Acquisition Company AB.

## Note 7 Fees and Reimbursement to Auditors

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| *KPMG AB* | | |
| Audit fees | 2,000 | 2,100 |
| Audit related fees | 112 | 86 |
| Tax services | 6 | 5 |
| Other Services | 78 | 100 |
| **Total** | **2,196** | **2,291** |

## Note 8 Operating Expenses by Type

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Personnel expenses | (456,493) | (403,329) |
| Depreciation & Amortization | (1,126,210) | (1,074,472) |
| Disposals of non-current assets | (5,482) | (4,475) |
| Cost of sales and services | (1,401,566) | (1,316,799) |
| Consulting expenses | (297,760) | (314,946) |
| Sales and marketing expenses | (354,840) | (382,068) |
| Other operating costs | (80,689) | (85,142) |
| **Total** | **(3,723,040)** | **(3,581,231)** |

## Note 9 Net Finance Costs

| SEK in thousand<br>Financial Income | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Interest income | | |
| *- bank balances* | 1,780 | 1,953 |
| *- loan receivables and trade receivables* | 1,448 | 1,190 |
| Exchange rate gains, net | 2 | - |
| Change in fair value | | |
| *- financial assets measured at fair value through profit or loss (interest swaps)* | 80,506 | - |
| Expected return on plan assets | 5,903 | 5,269 |
| Other financial income | - | - |
| **Total financial income** | **89,639** | **8,412** |

| SEK in thousand<br>Financial expenses | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Interest expenses | | |
| *- financial liabilities measured at amortized cost incl. interest coupon on interest swap* | (405,259) | (531,858) |
| *- defined benefit pension commitments* | (7,734) | (7,119) |
| *- for other liabilities* | (1,223) | (1,010) |
| Exchange rate losses, net | - | (1,230) |
| Change in fair value | | |
| *- financial liabilities measured at fair value through profit or loss (interest swaps)* | - | (18,898) |
| Other financial expenses | (30,518) | (4,586) |
| **Total financial expenses** | **(444,734)** | **(564,701)** |
| | | |
| **Net finance costs** | **(355,095)** | **(556,289)** |

## Note 10 Income Tax

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| **Current tax** | | |
| Tax expense for the period | (164,980) | (214,892) |
| | **(164,980)** | **(214,892)** |
| **Deferred tax** | | |
| Deferred tax on values in loss carry-forward capitalized in the year | 67,024 | 328,865 |
| Deferred tax on values in loss carry-forward utilized in the year | (17,065) | (181,746) |
| Difference resulting from changed assessment of tax | (37,137) | - |
| Deferred tax relating to temporary differences | 44,810 | 72,792 |
| | **57,632** | **219,911** |
| **Total recognized tax expense/income in the Group** | **(107,348)** | **5,019** |

### Reconciliation of Effective Tax

| SEK in thousand | 1 Jan - 31 Dec 2010 | | 1 Jan - 31 Dec 2009 | |
|---|---|---|---|---|
| Earnings before tax | | 249,022 | | (36,258) |
| Tax at applicable tax rate | 26.3% | (65,493) | 26.3% | 9,536 |
| Non-taxable income | | 77 | | - |
| Non-deductible expenses | | (4,795) | | (4,982) |
| Difference resulting from changed assessment of tax | | (37,137) | | 465 |
| **Recognized effective tax** | **43.1%** | **(107,348)** | **13.8%** | **5,019** |

### Deferred Tax Assets and Liabilities

**Recognized deferred tax assets and tax liabilities**

Deferred tax assets (+)/tax liabilities (-) are attributable to the following:

| | 31 Dec 2010 | | | 31 Dec 2009 | | |
|---|---|---|---|---|---|---|
| | Deferred tax | | | Deferred tax | | |
| SEK in thousand | Asset | Liability | Net | Asset | Liability | Net |
| Property, plant and equipment | 1,562 | (63,897) | (62,335) | 982 | (8,316) | (7,334) |
| Intangible assets | - | (289,941) | (289,941) | - | (351,431) | (351,431) |
| Provisions | 13,490 | - | 13,490 | 9,746 | - | 9,746 |
| Financial liabilities | 64,066 | - | 64,066 | 8,316 | - | 8,316 |
| Derivatives | - | (3,106) | (3,106) | 18,067 | - | 18,067 |
| Loss carry-forw ard | 438,085 | - | 438,085 | 425,262 | - | 425,262 |
| **Deferred tax assets/liabilities** | **517,203** | **(356,944)** | **160,259** | **462,373** | **(359,747)** | **102,626** |
| Set-off | (356,944) | 356,944 | - | (359,747) | 359,747 | - |
| **Deferred tax assets/liabilities, net** | **160,259** | **-** | **160,259** | **102,626** | **-** | **102,626** |

The Group judges that it will be able to utilize recognized loss carry-forward against taxable profits through the coming years.

**Unrecognized Deferred Tax Assets**
All deductible temporary differences and tax loss carry-forwards have been recognized in the Income Statements and Balance Sheets.

**Change in deferred tax on temporary differences and loss carry-forward:**

| SEK in thousand | 1 Jan 2010 | Reported to Income Statement | Reported in Equity | Other | 31 Dec 2010 |
|---|---|---|---|---|---|
| Property, plant and equipment | (7,334) | 5,017 | - | (60,018) | (62,335) |
| Intangible assets | (351,431) | 61,490 | - | - | (289,941) |
| Provisions | 9,746 | 3,744 | - | - | 13,490 |
| Financial liabilities | 8,316 | (4,268) | - | 60,018 | 64,066 |
| Derivatives | 18,067 | (21,173) | - | - | (3,106) |
| Loss carry-forward | 425,262 | 12,823 | - | - | 438,085 |
| | **102,626** | **57,633** | **-** | **-** | **160,259** |

| SEK in thousand | 1 Jan 2009 | Reported to Income Statement | Reported in Equity | Other | 31 Dec 2009 |
|---|---|---|---|---|---|
| Property, plant and equipment | (381) | 1,363 | - | (8,316) | (7,334) |
| Intangible assets | (412,945) | 61,514 | - | - | (351,431) |
| Provisions | 4,297 | 5,449 | - | - | 9,746 |
| Financial liabilities | - | - | - | 8,316 | 8,316 |
| Derivatives | 13,601 | 4,466 | - | - | 18,067 |
| Loss carry-forward | 278,143 | 147,119 | - | - | 425,262 |
| | **(117,285)** | **219,911** | **-** | **-** | **102,626** |

## Note 11 Intangible Assets

| | Externally acquired | | | |
|---|---|---|---|---|
| SEK in thousand | Goodwill | Customer Relations | Other* | Total |
| **Cost** | | | | |
| **Opening balance 1 Jan 2010** | 10,967,365 | 2,228,800 | 644,751 | 13,840,916 |
| Other acquisitions | - | - | 123,892 | 123,892 |
| Divestments and disposals | - | - | (20,882) | (20,882) |
| **Closing balance 31 Dec 2010** | **10,967,365** | **2,228,800** | **747,761** | **13,943,926** |

| SEK in thousand | Goodwill | Customer Relations | Other* | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Opening balance 1 Jan 2009** | 10,967,013 | 2,228,800 | 538,439 | 13,734,252 |
| Additional purchase price | 352 | - | - | 352 |
| Other acquisitions | - | - | 106,312 | 106,312 |
| **Closing balance 31 Dec 2009** | **10,967,365** | **2,228,800** | **644,751** | **13,840,916** |

| SEK in thousand | Goodwill (Externally acquired) | Customer Relations (Externally acquired) | Other | Total |
|---|---|---|---|---|
| **Accumulated amortization and impairment losses** | | | | |
| Opening balances, 1 Jan 2010 | - | (892,501) | (343,901) | (1,236,402) |
| Amorization for the year | - | (233,800) | (105,740) | (339,540) |
| Divestments and disposals | - | - | 20,059 | 20,059 |
| **Closing balance 31 Dec 2010** | **-** | **(1,126,301)** | **(429,582)** | **(1,555,883)** |

| SEK in thousand | Goodwill | Customer Relations | Other | Total |
|---|---|---|---|---|
| **Accumulated amortization and impairment losses** | | | | |
| Opening balances, 1 Jan 2009 | - | (658,701) | (279,478) | (938,179) |
| Amorization for the year | - | (233,800) | (64,423) | (298,223) |
| **Closing balance 31 Dec 2009** | **-** | **(892,501)** | **(343,901)** | **(1,236,402)** |

| SEK in thousand | Goodwill | Customer Relations | Other* | Total |
|---|---|---|---|---|
| **Carrying Amounts** | | | | |
| As of 1 Jan 2010 | 10,967,365 | 1,336,299 | 300,850 | 12,604,514 |
| **As of 31 Dec 2010** | **10,967,365** | **1,102,499** | **318,179** | **12,388,043** |
| As of 1 Jan 2009 | 10,967,013 | 1,570,099 | 258,961 | 12,796,073 |
| **As of 31 Dec 2009** | **10,967,365** | **1,336,299** | **300,850** | **12,604,514** |

* The column Other above includes investments, primarily in licenses, software and acquisition costs for subscriptions. Of total costs of SEK 747,761 thousand 2010 (SEK 644,751 thousand for 2009), SEK 740,699 thousand (SEK 644,751 thousand for 2009) is externally acquired and SEK 7,062 thousand internally developed.

**Amortization**

Amortization is included in the following Income statement items:

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Cost of sales and services | (89,726) | (49,753) |
| Selling expenses | (249,807) | (248,470) |
| Adminstrative expenses | (7) | - |
| **Total** | **(339,540)** | **(298,223)** |

*Impairment Tests*

Concurrent with impairment tests, the Group is viewed as a single cash-generating unit and the Group's three services are based on a shared technological platform and organizational structure. The same IT system is used to invoice all Group customers and all three of the Group's services (TV, broadband and telephony) face the same risks.

The test is based on calculating value in use, which is based on forecasts of future cash flows, where the first five years are based on the business plan 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 the Company'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 3%. The present value of forecast cash flows has been calculated by applying a discount rate of 11.5 % in 2010 (11.0 % in 2009) after tax, which corresponds to 15.6 % in 2010 (15.0 % in 2009) before tax.

The conclusion of the aforementioned impairment test is that the recoverable amount exceeded the carrying amount at year-end.

## Note 12 Property, Plant & Equipment

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Opening balance 1 Jan 2010** | 5,669,276 | 919,755 | 527,303 | 7,116,334 |
| Other acquisitions* | 289,914 | 236,240 | 39,521 | 565,675 |
| Divestments and disposals | (35,198) | (56,803) | (58,278) | (150,279) |
| **Closing balance 31 Dec 2010** | **5,923,992** | **1,099,192** | **508,546** | **7,531,730** |

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Opening balance 1 Jan 2009** | 5,332,913 | 738,837 | 422,102 | 6,493,852 |
| Other acquisitions* | 336,636 | 269,549 | 105,201 | 711,386 |
| Divestments and disposals | (273) | (88,631) | - | (88,904) |
| **Closing balance 31 Dec 2009** | **5,669,276** | **919,755** | **527,303** | **7,116,334** |

* The other acquisitions item includes non-current assets held through finance lease arrangements of SEK 228,208 thousand for 2010 (SEK 31,620 thousand for 2009), see Note 27.

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | |
| Opening balances, 1 Jan 2010 | (4,259,725) | (559,978) | (344,427) | (5,164,130) |
| Depreciation for the year | (472,370) | (217,252) | (96,972) | (786,594) |
| Divestments and disposals | 35,152 | 52,405 | 58,063 | 145,620 |
| **Closing balance 31 Dec 2010** | **(4,696,943)** | **(724,825)** | **(383,336)** | **(5,805,104)** |

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | |
| Opening balances, 1 Jan 2009 | (3,776,934) | (455,939) | (239,437) | (4,472,310) |
| Depreciation for the year | (482,987) | (188,272) | (104,990) | (776,249) |
| Divestments and disposals | 196 | 84,233 | - | 84,429 |
| **Closing balance 31 Dec 2009** | **(4,259,725)** | **(559,978)** | **(344,427)** | **(5,164,130)** |

| SEK in thousand | Production Facilities | Customer Equipment | Machinery, Equipment & Computers | Total |
|---|---|---|---|---|
| **Carrying Amounts** | | | | |
| As of 1 Jan 2010 | 1,409,551 | 359,777 | 182,876 | 1,952,204 |
| **As of 31 Dec 2010** | **1,227,049** | **374,367** | **125,210** | **1,726,626** |
| As of 1 Jan 2009 | 1,555,979 | 282,898 | 182,665 | 2,021,542 |
| **As of 31 Dec 2009** | **1,409,551** | **359,777** | **182,876** | **1,952,204** |

### Depreciation

Depreciation is included in the following Income statement items:

| SEK in thousand | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Cost of sales and services | (690,867) | (673,663) |
| Selling expenses | (3,758) | (3,173) |
| Adminstrative expenses | (91,969) | (99,413) |
| **Total** | **(786,594)** | **(776,249)** |

## Note 13 Non-current and Other Receivables

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Non-current receivables that are non-current assets** | | |
| Other financial assets | - | 14,912 |
| Endowment insurance | 2,618 | 1,520 |
| **Total** | **2,618** | **16,432** |

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Other receivables that are current assets** | | |
| Receivables, PRI | 1,005 | 774 |
| Other receivables | 11,250 | 19,375 |
| **Total** | **12,255** | **20,149** |

## Note 14 Inventories

Inventories consist of equipment for upgrading the Group's cable network. No impairment was taken on inventories in 2010 and 2009.

## Note 15 Trade Receivables

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Invoiced receivables | 144,444 | 136,729 |
| Provisions for bad debt | (6,142) | (5,244) |
| **Total** | **138,302** | **131,485** |
| Invoiced receivables are due as follows: | | |
| Not overdue | 18,946 | 15,265 |
| 1-30 days overdue | 94,844 | 96,293 |
| 31-60 days overdue | 5,289 | 7,253 |
| 61-90 days overdue | 2,010 | 2,949 |
| 91- days overdue | 23,355 | 14,969 |
| **Total** | **144,444** | **136,729** |

### Change in Provision for Bad Debt

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Provision for bad debt at beginning of year | (5,244) | (7,981) |
| Dissolution | 5,244 | 7,981 |
| New provision | (6,142) | (5,244) |
| **Total** | **(6,142)** | **(5,244)** |

See Note 26 for a review of the Group's credit risks.
Bad debt of SEK 13,415 thousand was reported for 2010 (SEK 16,932 thousand for 2009), net of recovered bad debt.

## Note 16 Prepaid Expenses and Accrued Income

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Prepaid subsidies to resellers | 75,694 | 43,832 |
| Prepaid support expenses | 17,992 | 23,110 |
| Prepaid lease payments | 20,853 | 23,035 |
| Accrued call income | 28,508 | 28,520 |
| Derivatives | 11,810 | - |
| Other prepaid expenses and accured income | 33,281 | 34,010 |
| **Total** | **188,138** | **152,507** |

## Note 17 Cash and Cash Equivalents

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| The following components are included in cash and cash equivalents: | | |
| Cash and cash balances | 844,215 | 926,741 |
| **Total** | **844,215** | **926,741** |

The Group had bank overdraft facilities granted of SEK 410,000 thousand, of which SEK 0 was drawn down as of 31 December 2010 (SEK 0 as of 31 December 2009). Of the bank overdraft facilities, SEK 12,000 thousand were provisioned for a bank guarantee to suppliers in 2009, see Note 29.

## Note 18 Equity

**Share Capital**
As of 31 December 2010, registered share capital comprised 7,286,446 shares. The nominal value per share is SEK 0.032. According to the Articles of Association, share capital shall be a minimum of SEK 100,000 and a maximum of SEK 400,000.

**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**
Accrued earnings in the Parent Company and its subsidiaries are included in retained earnings including net profit or loss for the year.

*Dividends*
The Board proposes that no dividends be paid for 2010 and 2009 respectively.

## Note 19 Interest-bearing liabilities

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Non-current liabilities** | | |
| Non-current portion of bank loans* | 6,871,161 | 7,959,394 |
| Finance lease liabilities** | 164,723 | 24,210 |
| **Total** | **7,035,884** | **7,983,604** |

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Current liabilities** | | |
| Current portion of bank loans | 896,000 | 810,000 |
| Finance lease liabilities** | 78,874 | 7,410 |
| **Total** | **974,874** | **817,410** |

* Net of deductions for arrangement fees.
** See note 27 for information.

**Loan Covenants**
The loan facilities are conditional on the Group continually satisfying a number of predetermined financial key ratios, covenants, which are evaluated quarterly.

- Consolidated net debt in relation to consolidated EBITDA
- Consolidated EBITDA in relation to interest expenses
- Consolidated cash flow in relation to interest expenses and amortization
- Investment levels

In addition, there are provisions and limitations in the agreement regarding further debt gearing, guarantee commitments and pledging, material changes to operating activities, as well as acquisitions and divestments. As of 31 December 2010 and 2009, all covenants were satisfied.

## Note 20 Pension Provisions

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Provisions to FPG/PRI pensions | 154,101 | 140,938 |
| Less trust assets | (113,787) | (107,884) |
| Provisions for other pension commitments | 1,222 | 1,230 |
| Pension commitments pursuant to transition rules | 5,119 | 4,015 |
| **Total pension provisions** | **46,655** | **38,299** |

Com Hem has four separate pension plans for the Group's employees:

- A defined contribution plan, with premiums paid on an ongoing basis;
- A defined benefit plan underwritten in Com Hem AB's former Parent Company TeliaSonera's pension fund, generating benefits based on final salary;
- Pension commitments to former Senior Management pursuant to TeliaSonera's management pension plan;
- Conditional right to early retirement.

### Provisions for FPG/PRI Pensions

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Provisions at the beginning of period | 140,938 | 126,410 |
| Provisions in the period | 15,789 | 17,032 |
| Utilized in the period | (2,626) | (2,504) |
| **Provisions at the end of period** | **154,101** | **140,938** |

For companies utilizing the FPG/PRI system, the Company's commitment for the ITP (Supplementary Pensions for Salaried Employees) old-age pension plan is recognized as a liability in the Balance Sheet. PRI Pensionstjänst AB's main task 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 FPG to be able to utilize the FPG/PRI system.

### Less Trust Assets

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Plan assets at beginning of period | (107,884) | (102,615) |
| Expected returns on plan assets | (5,903) | (5,269) |
| **Plan assets at end of period** | **(113,787)** | **(107,884)** |

Expected returns are based on the whole portfolio and not the total of returns on individual assets. Returns are based on historical figures without adjustment.

One alternative to provisioning in income statements and balance sheets is to incorporate a fund for pension commitments. Com Hem'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 were SEK 73,558 thousand in 2010 (SEK 73,558 thousand in 2009) as of 31 December.

Com Hem AB's share of the pension fund is recalculated at market value monthly. The market value of Com Hem AB's share of pension fund assets was SEK 122,532 thousand in 2010 (SEK 112,811 thousand in 2009) as of 31 December.

Plan assets in the fund as of 31 December 2010 were allocated to the asset classes equities 38% (39% in 2009), fixed-income securities 49% (51% in 2009) and alternative investments (hedge funds and private equity) 13% (10% in 2009).

### Provisions for Other Pension Commitments

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Provisions at beginning of period | 1,230 | 1,046 |
| Provisions in the period | (8) | 184 |
| **Provisions at end of period** | **1,222** | **1,230** |

The previous Deputy and two previous CEOs of Com Hem AB had during the time the company was included in the Telia Sonera Group pension plans in addition to the ITP plan, for the portion of salary exceeding 30 price base amounts, covering old-age and survivors' pensions. Provisioning for commitments in addition to the ITP plan is recognized as non-deductible expenses.

**Pension Commitments Pursuant to Transition Rules**

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Provisions at beginning of period | 4,015 | 3,640 |
| Provisions in the period | 1,104 | 375 |
| **Provisions at end of period** | **5,119** | **4,015** |

Some employees have the right to pension before age 65, pursuant to transition rules. This applies to staff who had this right as of 31 December 1991 pursuant to the previous PA 91 central government collective agreement, and that remain 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 5 June 2003 for this provisioning of additional vested conditional pension entitlements. Subsequently, Com Hem AB effects provisioning 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 partly, Com Hem AB's provisioning is utilized.

**Defined Benefit Commitments and the Value of Plan Assets**

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| *Wholly or partly funded commitments* | | |
| Present value of defined benefit commitments | 162,567 | 187,735 |
| Fair value of plan assets | (122,532) | (112,811) |
| **Total wholly or partly funded commitments** | **40,035** | **74,924** |
| Present value of unfunded defined benefit commitments | 4,452 | 4,138 |
| Accumulated non-disclosed actuarial losses | 2,168 | (40,763) |
| **Net amount in the Balance Sheet (commitments +, asset -)** | **46,655** | **38,299** |
| *The net amount is recognized in the following Balance Sheet items:* | | |
| Pension provision | 46,655 | 38,299 |
| **Net amount in the Balance Sheet (commitments +, asset -)** | **46,655** | **38,299** |

**Pension Expense**

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| *Defined benefit plans* | | |
| Expenses for pensions vested in the year | 7,757 | 6,577 |
| Interest expense | 7,734 | 7,119 |
| Expected returns on plan assets | (5,904) | (5,269) |
| Insured pension liability | (263) | - |
| Recognized actuarial gains/losses | 1,658 | 3,895 |
| **Expense, defined benefit plans** | **10,982** | **12,322** |
| Expense, defined contribution plans | 32,664 | 22,073 |
| Special employers´ contribution | 10,301 | 8,181 |
| **Total expense for post-employment remuneration** | **53,947** | **42,576** |
| *The expense for defined benefit plan is recognized in the following Income Statement items:* | | |
| Administrative expenses | 9,152 | 10,472 |
| Financial income/expenses | 1,830 | 1,850 |
| **Expense, defined benefit plans** | **10,982** | **12,322** |

Commitments for old-age and survivors' pensions for salaried employees in Sweden are underwritten by an insurance policy with Alecta. Pursuant to statement UFR 3 from RFR, this is a defined-benefit multi-employer plan. For the financial years 2010 and 2009, the Company does not have access to information that would enable it to report the plan as a defined-benefit plan. Accordingly, ITP-based pension plans vested through insurance with Alecta are reported as defined contribution plans. Expenses for pension insurance with Alecta for 2010 amounted to SEK 5.6 million (SEK 4.5 million for 2009). Alecta's surplus can be distributed to policyholders and/or the insured parties. At year-end 2010, Alecta's surplus expressed as its collective consolidation ratio was 146 % (141 % for 2009). The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of insurance commitments calculated pursuant to Alecta's actuarial calculation assumptions, which are not consistent with IAS 19.

**Reconciliation of Net Amount for Pensions in the Balance Sheet**
The following table illustrates how the net amount in the Balance Sheet changed in the period:

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Opening net amount in Balance Sheet** | **38,299** | **28,481** |
| Expense, defined benefit plans* | 10,982 | 12,322 |
| Disbursement of benefits | (2,626) | (2,504) |
| **Closing net amount in Balance Sheet** | **46,655** | **38,299** |

* See Pension expense table above.

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Return on plan assets** | | |
| Actual return on plan assets | 9,721 | 12,125 |
| Expected return on plan assets | (5,904) | (5,269) |
| **Actuarial earnings on plan assets in the period** | **3,817** | **6,856** |

**Change in the Fair Value of Plan Assets**

| 31 Dec 2010 | ITP/PRI | Management Pension | Conditional Early Pension | Totalt |
|---|---|---|---|---|
| OB plan assets | 112,811 | - | - | 112,811 |
| Expected returns | 5,904 | - | - | 5,904 |
| Actuarial gains/losses | 3,817 | - | - | 3,817 |
| **CB Plan assets** | **122,532** | **-** | **-** | **122,532** |

| 31 Dec 2009 | ITP/PRI | Management Pension | Conditional Early Pension | Totalt |
|---|---|---|---|---|
| OB plan assets | 100,686 | - | - | 100,686 |
| Expected returns | 5,269 | - | - | 5,269 |
| Actuarial gains/losses | 6,856 | - | - | 6,856 |
| **CB Plan assets** | **112,811** | **-** | **-** | **112,811** |

### Change in Pension Commitments

| 31 Dec 2010 | ITP/PRI | Management Pension | Conditional Early Pension | Totalt |
|---|---|---|---|---|
| OB commitment | 187,735 | 1,073 | 3,065 | 191,873 |
| Expense vested benefits in the period | 6,440 | - | 1,317 | 7,757 |
| Interest expense | 7,544 | 42 | 148 | 7,734 |
| Pension disbursements | (2,626) | - | - | (2,626) |
| Insured pension liability | - | - | (263) | (263) |
| Actuarial gains/losses | (36,527) | (148) | (780) | (37,455) |
| **CB commitment** | **162,567** | **967** | **3,487** | **167,020** |

| 31 Dec 2009 | ITP/PRI | Management Pension | Conditional Early Pension | Totalt |
|---|---|---|---|---|
| OB commitment | 193,340 | 1,314 | 3,153 | 197,807 |
| Expense vested benefits in the period | 6,296 | - | 281 | 6,577 |
| Interest expense | 6,955 | 47 | 117 | 7,119 |
| Pension disbursements | (2,504) | - | - | (2,504) |
| Actuarial gains/losses | (16,352) | (288) | (486) | (17,126) |
| **CB commitment** | **187,735** | **1,073** | **3,065** | **191,873** |

### Historical Information

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 | 31 Dec 2008 | 31 Dec 2007 | 31 Dec 2006 |
|---|---|---|---|---|---|
| Present value of defined benefit commitment | 162,567 | 187,735 | 193,340 | 153,878 | 135,968 |
| Fair value of plan assets | (122,532) | (112,811) | (100,686) | (108,407) | (104,897) |
| **Surplus/deficit in plan** | **40,035** | **74,924** | **92,654** | **45,471** | **31,071** |
| Adjustment of plan assets based on experience | 3,817 | 6,856 | (13,394) | (1,980) | (161) |
| Adjustment of defined benefit commitments, based on experience | 2,906 | 5,786 | (17,744) | (2,065) | 7,368 |

The Group estimates that SEK 2,768 thousand will be paid in 2011 to funded and unfunded defined benefit plans accounted for as defined benefit plans.

### Actuarial Assumptions

*The following significant actuarial assumptions were used for calculating commitments:*

| (Weighted averages) | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Discount rate | 4.80% | 3.90% |
| Expected returns on plan assets | 5.10% | 5.10% |
| Increase to income base amount | 3.00% | 3.00% |
| Expected inflation | 2.00% | 2.00% |
| Future salary increase | 3.00% | 3.00% |
| Termination rate | 5.00% | 5.00% |
| Mortality | FFFS* | FFFS* |
| Utilization ratio, conditional pension entitlement | 70.00% | 70.00% |

* Used by the Swedish Financial Supervisory Authority for the legal valuation of pension liabilities FFFS 2007:31 (FFFS 2007:31)

## Note 21 Other Provisions

### Provisions That are Non-current Liabilities

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Provision for special employers' contribution | 9,617 | 7,549 |
| Provision for pension commitments/endowment insurance | 2,618 | 1,520 |
| | **12,235** | **9,069** |

### Provisions for Special Employer´s Contribution

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Carrying amount at beginning of period | 7,549 | 3,675 |
| Provisions in the period | 2,068 | 3,874 |
| **Carrying amount at end of period** | **9,617** | **7,549** |

### Provisions for Pension Commitments/Endowment Insurance

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Carrying amount at beginning of period | 1,520 | 507 |
| Provisions in the period | 1,098 | 1,013 |
| **Carrying amount at end of period** | **2,618** | **1,520** |

### Payments

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Amount by which the provision is expected to be paid after more than twelve months | 12,235 | 9,069 |
| **Total** | **12,235** | **9,069** |

## Note 22 Trade Payables

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Outstanding trade payables | 498,376 | 335,858 |
| Revaluation for foreign currency liabilities | (419) | 1,230 |
| **Total** | **497,957** | **337,088** |
| Outstandning trade payables were due as follows: | | |
| Not overdue | 311,660 | 234,743 |
| 1-30 Days overdue | 168,883 | 71,418 |
| 31-60 Days overdue | 609 | 7,904 |
| 61-90 Days overdue | 101 | 7,058 |
| 91- days overdue | 17,123 | 14,735 |
| **Total** | **498,376** | **335,858** |

## Note 23 Other liabilities

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Other non-current liabilities** | | |
| Derivatives | - | 68,696 |
| **Total** | **-** | **68,696** |

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Other current liabilities** | | |
| Employee withholding taxes | 8,007 | 7,665 |
| Value-added taxes | 86,595 | 70,690 |
| Other liabilities | 16,127 | 16,071 |
| **Total** | **110,729** | **94,426** |

## Note 24 Accrued Expenses and Deferred Income

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Accrued personnel expenses | 68,196 | 56,197 |
| Accrued content expenses | 79,896 | 75,226 |
| Accrued expenses for capitalized non-current assets | 41,432 | 46,831 |
| Other accrued expenses | 112,933 | 202,280 |
| Accrued interest expenses | 80,678 | 106,175 |
| Other deferred subscription income | 543,505 | 517,545 |
| **Total** | **926,640** | **1,004,254** |

## Note 25 Financial Assets and Liabilities by Category

Fair values and carrying amounts are measured in the Balance Sheet as follows:

**SEK in thousand**

| **31 Dec 2010** | Financial Assets at Fair Value via Profit or Loss | Financial Assets Held for Sale | Loan and Trade Receivables Measured at Amortized Cost | Financial Liabilities at Fair Value via Profit or Loss | Financial Liabilities Measured at Amortized Cost | **Carrying Amount** | Fair Value |
|---|---|---|---|---|---|---|---|
| Trade receivables . . . | - | - | 138,302 | - | - | **138,302** | 138,302 |
| Accrued call income . | - | - | 28,508 | - | - | **28,508** | 28,508 |
| Derivatives . . . . . . . . . | 11,810 | - | - | - | - | **11,810** | 11,810 |
| Other receivables . . . | - | - | 12,255 | - | - | **12,255** | 12,255 |
| Cash and cash equivalents. . . . . . . . | - | - | 844,215 | - | - | **844,215** | 844,215 |
| Non-current interest-bearing liabilities. . . . | - | - | - | - | (7,035,884) | **(7,035,884)** | (7,035,884) |
| Current interest-bearing liabilities. . . . | - | - | - | - | (974,874) | **(974,874)** | (974,874) |
| Trade payables . . . . . | - | - | - | - | (497,957) | **(497,957)** | (497,957) |
| Other current liabilities. . . . . . . . . . . | - | - | - | - | (110,729) | **(110,729)** | (110,729) |
| Accrued expenses. . . | - | - | - | - | (383,135) | **(383,135)** | (383,135) |
| **Total financial assets and liabilities by category** . . . . . . . . . | **11,810** | - | **1,023,280** | **-** | **(9,002,579)** | **(7,967,489)** | **(7,967,489)** |

**SEK in thousand**

| **31 Dec 2009** | Financial Assets at Fair Value via Profit or Loss | Financial Assets Held for Sale | Loan and Trade Receivables Measured at Amortized Cost | Financial Liabilities at Fair Value via Profit or Loss | Financial Liabilities Measured at Amortized Cost | **Carrying Amount** | Fair Value |
|---|---|---|---|---|---|---|---|
| Trade receivables . . . | - | - | 131,485 | - | - | **131,485** | 131,485 |
| Accrued call income . | - | - | 28,520 | - | - | **28,520** | 28,520 |
| Other receivables . . . | - | - | 20,149 | - | - | **20,149** | 20,149 |
| Cash and cash equivalents. . . . . . . . | - | - | 926,741 | - | - | **926,741** | 926,741 |
| Non-current interest-bearing liabilities. . . . | - | - | - | - | (7,983,604) | **(7,983,604)** | (7,983,604) |
| Derivatives . . . . . . . . . | - | - | - | (68,696) | - | **(68,696)** | (68,696) |
| Current interest-bearing liabilities. . . . | - | - | - | - | (817,410) | **(817,410)** | (817,410) |
| Trade payables . . . . . | - | - | - | - | (337,088) | **(337,088)** | (337,088) |
| Other current liabilities. . . . . . . . . . . | - | - | - | - | (94,426) | **(94,426)** | (94,426) |
| Accrued expenses. . . | - | - | - | - | (486,709) | **(486,709)** | (486,709) |
| **Total financial assets and liabilities by category** . . . . . . . . . | **-** | - | **1,106,895** | **(68,696)** | **(9,719,237)** | **(8,681,038)** | **(8,681,038)** |

**Derivative Instruments**
The fair value of currency contracts is measured based on quoted prices, if available. If not available, fair value is measured by discounting the difference between the contracted forward price and the forward price available on the reporting date for the remaining contract term. Discounting is at risk-free interest based on government bonds.

The fair value of interest swaps is based on the valuation conducted by intermediary credit institutions, with accuracy tested by discounting estimated future cash flows pursuant to contract terms and maturity dates, and proceeding from interest rates for similar instruments on the reporting date.

When discounted cash flows are used, future cash flows are calculated on the best judgment of Management. The discount rate applied is based on interest rates of similar instruments on the reporting date. Where other valuation models are applied, input data is based on market-related data on 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 on the reporting date.

**Trade Receivables and Trade Payables**
For trade receivables and trade payables with remaining economic lives of less than six months, the carrying amount is considered to reflect fair value. Trade receivables and trade payables with economic lives exceeding six months are discounted coincident with determining fair value.

**Interest Rates Applied for Determining Fair Values**
The Company uses government bond yields (Stibor) as of 31 December for the year plus a relevant yield spread when discounting financial instruments.

**Fair Value of Assets and Liabilities**
Fair values are based on market values or - if they are not available - derived from an assumed yield curve. The amounts indicated are unrealized and will not necessarily be realized. Due to the short terms of trade receivables and trade payables, carrying amounts are assumed as the best approximation of fair value.

**Valuation Methods**
Amounts of SEK -80,506 thousand and SEK 17,096 thousand regarding changes in fair value measured with the aid of a valuation technique are recognized in net profit or loss for 2010 and 2009 respectively.

*Fair Value Hierarchy*
The following table illustrates financial instruments measured at fair value by measurement method. The different levels are 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 instruments are: shares, bonds, standard options that are actively traded, etc.

Level 2
Financial instruments where fair value is determined on the basis either of direct (as price) or indirect (derived from prices) observable market data that is not included in level 1. Examples of instruments are: bonds and certain OTC-traded products such as interest swaps, currency forwards, shares, etc.

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 are: unlisted shares, interest swaps with very long maturities, options where the underlying security is not priced on an active marketplace, etc.

| SEK in thousand | Level 1 | Level 2 | Level 3 | 31 Dec 2010 |
|---|---|---|---|---|
| Derivatives (interest swaps) . . . . . . . . . . . . . . . | - | 11,810 | - | 11,810 |
| Currency forward contracts . . . . . . . . . . . . . . . . | - | - | - | - |
| **Financial assets** . . . . . . . . . . . . . . . . . . . . . . . . | **-** | **11,810** | **-** | **11,810** |

| SEK in thousand | Level 1 | Level 2 | Level 3 | 31 Dec 2009 |
|---|---|---|---|---|
| Derivatives (interest swaps) . . . . . . . . . . . . . . . | - | (68,696) | - | (68,696) |
| Currency forward contracts . . . . . . . . . . . . . . . . | - | - | - | - |
| **Financial liabilities** . . . . . . . . . . . . . . . . . . . . . . | **-** | **(68,696)** | **-** | **(68,696)** |

## Note 26 Financial Risks and Finance Policies

Through its operating activities, the Group is exposed to various types of financial risk. Financial risk means fluctuations in the Company's earnings and cash flow resulting from variations in exchange rates, interest levels, refinancing and credit risks. The Board of Directors has formulated the Group's finance policy for managing financial risks, which forms a framework of guidelines and regulations, formulated as risk authorizations and limits for financing activities. The Group's Chief Financial Officer has the responsibility for the Group's financial transactions and risks centrally. The overarching objective of the Finance function is to provide cost-efficient funding and to minimize negative effects on consolidated earnings resulting from market fluctuations.

The Group's overarching risk management focuses on the unpredictability of the financial markets, and endeavors to minimize potential unfavorable effects on consolidated financial earnings. Risk management is formalized in the Group's finance policy.

### Liquidity Risks

Liquidity risk is the risk of the Group encountering difficulties in the commitments relating to financial liabilities. The finance policy stipulates the availability of cash and cash equivalents to ensure funding of the Group's operating activities. Monthly liquidity forecasts, subject to regular review, are prepared as part of the Group's budgeting process. Advance billing is utilized, with liabilities 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. The Group's overdraft facility of SEK 410,000,000 (see Note 17) functions as a liquidity reserve, and is also intended for short-term funding. Moreover, the maturity of financial liabilities is diversified over time to limit liquidity risk. The facilities are to be repaid in 2009-2015. The Group has signed agreements on credit facilities of SEK 10,647,000,000. As of 31 December 2010, SEK 7,892,625,000 had been drawn down (SEK 8,936,282,000 for 2009).

Expected and contracted maturity of interest-bearing financial liabilities including accrued interest expenses.

*31 Dec 2010*

| SEK in thousand | 2011 | 2012 | 2013 | 2014 | 2015 | Later |
|---|---|---|---|---|---|---|
| Liabilities to credit institutions . . . | 896,000 | 485,000 | 485,000 | 2,800,000 | 3,226,625 | - |
| Finance lease liabilities . . . . . . . . . | 78,874 | 79,101 | 85,621 | - | - | - |
| Accrued interest expenses . . . . . . | 78,169 | - | - | - | 2,509 | - |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . | **1,053,043** | **564,101** | **570,621** | **2,800,000** | **3,229,134** | **-** |

*31 Dec 2009*

| SEK in thousand | 2010 | 2011 | 2012 | 2013 | 2014 | Later |
|---|---|---|---|---|---|---|
| Liabilities to credit institutions . . . | 810,000 | 940,000 | 485,000 | 485,000 | 3,000,000 | 3,216,282 |
| Finance lease liabilities . . . . . . . . . | 7,410 | 10,074 | 10,303 | 3,833 | - | - |
| Accrued interest expenses . . . . . . | 103,691 | - | - | - | - | 2,484 |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . | **921,101** | **950,074** | **495,303** | **488,833** | **3,000,000** | **3,218,766** |

Financial liabilities that are due on demand have not been recognized at an amount less than that payable on demand, discounted from the first date payment of this amount could be demanded.

In the above table, the expected maturity of financial liabilities is consistent with contracted maturity apart from liabilities to Group companies, which become due on demand, according to contract.

**Interest Risks**

Interest risk is the risk of the value of a financial instrument varying because of changes in market interest rates. Interest risk can partly comprise variations in fair value, price risk, and partly changes in cash flow, cash flow risk. 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.

The finance policy stipulates an objective of a portion of long-term funding being hedged. Derivative instruments such as swap contracts are used to manage interest risks. These contracts are measured at fair value in the Balance Sheet, with value changes recognized in the Income Statement.

An interest swap contract was entered on 23 February 2006 and was valid until 5 April 2010. This contract implied that from 5 April 2006 onwards, interest relating to an amount of SEK 4,050,000,000 of borrowings under the credit facility was originally hedged.

As of 26 Jun 2006, the Group raised new senior debt amounting to SEK 2,000,000,000 in order to complete the acquisition of the UPC group. Another interest swap contract was entered on 7 July 2006, which was valid until 5 April 2010. From 5 October 2006 onwards, interest relating to an amount of SEK 1,200,000,000 of borrowings under the new credit facility was originally hedged.

In tandem with the renegotiation of funding facilities that occurred in 2009, the Board decided to increase the portion of interest expenses hedged with interest swap contracts from 50% to 75% of the outstanding loan portfolio. In July 2009, the Group entered hedging agreements, which hedge interest until 5 July 2011 inclusive.

**The Group's Interest Risks Exposure**

*31 Dec 2010*

| SEK in thousand | Loan Amount | Interest | Hedged period |
|---|---|---|---|
| Senior facility (SEK) . . . . . . . . . . . . . . . . | 7,892,625 | 3 mth. STIBOR +1.125-5.25% | |
| *- of which hedged with interest swaps . .* | 6,094,500 | Swap of 3 mth.STIBOR against fixed interest 1.59-1.64% | Until 5 April 2011 inclusive |
| *- of which hedged with interest swaps . .* | 5,682,000 | Swap of 3 mth.STIBOR against fixed interest 1.59-1.64% | 6 April 2011 to 5 July 2011, both dates inclusive |

*31 Dec 2009*

| SEK in thousand | Loan Amount | Interest | Hedged period |
|---|---|---|---|
| Senior facility (SEK) . . . . . . . . . . . . . . . . | 8,936,282 | 3 mth. STIBOR +2.125-5.25% | |
| *- of which hedged with interest swaps . .* | 4,573,500 | Swap of 3 mth.STIBOR against fixed interest 3.325-4.12% | Until 5 April 2010 inclusive |
| *- of which hedged with interest swaps . .* | 2,128,500 | Swap of 3 mth.STIBOR against fixed interest 1.59-1.64% | Until 5 April 2010 inclusive |
| *- of which hedged with interest swaps . .* | 6,338,250 | Swap of 3 mth.STIBOR against fixed interest 1.59-1.64% | 6 April 2011 to 5 October 2010, both dates inclusive |
| *- of which hedged with interest swaps . .* | 6,094,500 | Swap of 3 mth.STIBOR against fixed interest 1.59-1.64% | 6 October 2010 to 5 April 2011, both dates inclusive |
| *- of which hedged with interest swaps . .* | 5,682,000 | Swap of 3 mth.STIBOR against fixed interest 1.59-1.64% | 6 April 2011 to 5 July 2011, both dates inclusive |

The Group's contractual maturities on interest swaps entered are stated below (underlying nominal amounts).

*31 Dec 2010*

| SEK in thousand | 2011 | 2012 | 2013 | 2014 | 2015 | Later |
|---|---|---|---|---|---|---|
| Interest swaps (variable to fixed) | 6,094,500 | - | - | - | - | - |
| **Total** | **6,094,500** | **-** | **-** | **-** | **-** | **-** |

*31 Dec 2009*

| SEK in thousand | 2010 | 2011 | 2012 | 2013 | 2014 | Later |
|---|---|---|---|---|---|---|
| Interest swaps (variable to fixed) | 607,500 | 6,094,500 | - | - | - | - |
| **Total** | **607,500** | **6,094,500** | **-** | **-** | **-** | **-** |

For 2010, the Group's interest expenses would have increased by some SEK 49 million if interest rates increased by 1%. For 2009, the group's interest expenses would have increased by some SEK 22 million if interest rates increased by 1%.

**Currency Risks**

Currency risk is the risk that the Group's profitability is negatively affected by fluctuations in exchange rates. 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 hedges contracted currency flows in these currencies using forward contracts. Currency hedging is effected when the Group enters an agreement that has a minimum exposure of SEK 10 million in each currency for a maximum period of 12 months. 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 of SEK 3,571 thousand for 2010 (SEK 9,220 thousand for 2009) and other operating costs of SEK -4,238 thousand for 2010 (SEK -9,729 thousand for 2009). There were no outstanding forward contracts at the end of 2010 or 2009.

**Transaction Exposure**

The Group's transaction exposure is divided between the following currencies:

| | 1 Jan - 31 Dec 2010 | | 1 Jan - 31 Dec 2009 | |
|---|---|---|---|---|
| SEK in thousand | Amount | % | Amount | % |
| **Currency** | | | | |
| EUR | 96,989 | 35.1% | 164,088 | 38.4% |
| DKK | 2 | 0.0% | 7 | 0.0% |
| GBP | 560 | 0.2% | 2,816 | 0.7% |
| NOK | 46,470 | 16.9% | 42,095 | 9.9% |
| USD | 131,929 | 47.8% | 217,281 | 51.0% |
| | **275,950** | **100.0%** | **426,287** | **100.0%** |

Consolidated cash flow would reduce by approx. SEK 14,000,000 if the Swedish krona depreciated by 5 percentage points against the above currencies assuming the same transaction exposure as in 2010, assuming no hedging.

**Credit Risk**

Credit risk is the risk that the Group incurs losses due to a counterparty not paying. The Group's exposure to credit risk is limited because advance billing is used for consumer and property owner services. Creditworthiness checks are conducted on new customers, and the Group applies a fast debt recovery process, involving 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 2010 were 0.4% of revenues (0.6% in 2009).

**Capital Structure**

The company’s objective is to have an effective capital structure considering its operational and financial risks, 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.

At the end of 2010, interest-bearing net debt in relation to EBITDA, conforming to the computation model for covenants, was 3.8 (4.6 for 2009).

The Board of Directors was proposing no dividends for 2010 and 2009 respectively.

## Note 27 Leases

**Operating Lease Arrangements where the Company is Lessee**

There are assets in operations held through operating lease arrangements. Lease payments are included in operating expenses and amounted to SEK 270,614 thousand in 2010 (SEK 244,900 thousand in 2009).

Ducting, colocation and optical fiber are rented from Swedish network wholesaler Skanova, rail network authority Banverket and Stockholm regional ICT network provider Stokab with contract periods ranging from 3 to 25 years. The contracts relating to ducting and colocation can be terminated by the Company with a 12-month notice period and for optical fiber, 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 ducting contract contains a fixed cost for current connected households and a variable component for new connections of households. The costs relating to ducting and colocation are indexed annually.

Irrevocable lease payments amount to:

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Within 1 yr. | 165,951 | 208,173 |
| Between 1-5 yrs. | 360,963 | 416,011 |
| More than 5 yrs. | 96,425 | 93,121 |
| **Total** | **623,339** | **717,305** |

**Financing Lease Arrangements where the Company is Lessee**

There are assets in operations held through finance lease arrangements, mainly customer equipment and equipment for switching centers. On 31 December 2010, the carrying amount of these items is SEK 242,955 thousand (SEK 31,620 thousand in 2009), included in customer equipment SEK 130,041 thousand (SEK 0 in 2009), in production facilities SEK 112,315 thousand (SEK 31,620 thousand in 2009), and other SEK 600 thousand (SEK 0 in 2009). For all lease arrangements, the assets held can be acquired after 36 months. Future payments in these lease arrangements are due as follows:

| SEK in thousand | 31 Dec 2010 Minimum lease payment | 31 Dec 2010 Nominal Value | 31 Dec 2009 Minimum lease payment | 31 Dec 2009 Nominal Value |
|---|---|---|---|---|
| Within 1 yr. | 78,874 | 85,830 | 7,410 | 7,862 |
| Between 1-5 yrs. | 164,722 | 170,670 | 24,210 | 24,809 |
| More than 5 yrs. | - | - | - | - |
| **Total loan liability** | **243,596** | **256,500** | **31,620** | **32,671** |
| Less interest portion | | (12,904) | | (1,051) |
| **Total finance lease arrangements** | | **243,596** | | **31,620** |

## Note 28 Investment Commitments

The Group has reached an agreement 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 | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| Production facilities | 2,159 | 6,184 |
| Customer equipment | 21,513 | 79,685 |
| Intangible assets | - | 3,800 |
| **Total** | **23,672** | **89,669** |

## Note 29 Pledged Assets and Contingent Liabilities

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Pledged assets** | | |
| Bank guarantees to suppliers | - | 12,000 |
| Pledging of endowment insurance | 2,618 | 1,520 |
| Pledging of shares in subsidiaries | Negative | Negative |
| **Total pledged assets** | **2,618** | **13,520** |

In addition to the above pledged assets, to guarantee its loan facilities, the Group has pledged the brands associated with Group company Com Hem AB's operations.

| SEK in thousand | 31 Dec 2010 | 31 Dec 2009 |
|---|---|---|
| **Contingent liabilities** | | |
| Guarantee commitment, FPG/PRI | 2,642 | 2,474 |
| **Total contingent liabilities** | **2,642** | **2,474** |

## Note 30 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.

The Group had transactions with the owner in the form of a monitoring fee of SEK 2,923 thousand in 2010 (SEK 0 in 2009), as well as group contributions paid and shareholders' contributions received, and outstanding balances encompassing liabilities to the owner of SEK 2,923 thousand (SEK 0 in 2009).

Group contributions of SEK 627,301 thousand in 2010 (SEK 817,058 thousand in 2009) were paid to the shareholder. Unconditional shareholders' contributions received from the shareholder in 2010 amount to SEK 627,301 thousand (SEK 1,866,209 thousand in 2009).

No related party transactions occurred with people in executive positions in 2010 and 2009 apart from the disclosures in Note 6.

## Note 31 Subsidiaries in the Group

### Specification of Parent Company's Direct and Indirect Holdings of Participations in Subsidiaries

| Subsidiaries / Corporate ID No./ Registered office | No. of Participations | Holding % |
|---|---|---|
| Nordic Cable Acquistion Company AB, 556689-2070, Stockholm . . . . . . . . . . . | 8,681,337 | 100 |
| Nordic Communication Services AB, 556669-4633, Stockholm . . . . . . . . . . . . . | 6,411,304 | 100 |
| Com Hem Communications AB, 556635-7231, Stockholm . . . . . . . . . . . . . . . . | 12,634,420 | 100 |
| Com Hem Holding AB, 556469-3017, Stockholm . . . . . . . . . . . . . . . . . . . . . . . . . | 1,000 | 100 |
| Com Hem AB, 556181-8724, Stockholm . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 50,000 | 100 |
| iTUX Communication AB, 556699-4843, Stockholm . . . . . . . . . . . . . . . . . . . . . . | 100,000 | 100 |

## Note 32 Subsequent Events

**2010**

In February 2011, Com Hem launched 200 Mbit/s broadband to approximately 400,000 households. Com Hem is the first operator to make such super fast broadband available to so many households. In the year, Com Hem expects most of its households to gain access to this service.

## Note 33 Parent Company — Corporate Information

Nordic Cable Acquisition Company Sub-Holding AB is a Swedish registered limited company with its registered office in Stockholm, Sweden. The address of the head office is Fleminggatan 18, 112 26 Stockholm, Sweden.

Nordic Cable Acquisition Company Sub-Holding AB is a wholly owned subsidiary of Nordic Cable Acquisition Company Holding AB, corporate identity number 556689-2096 with its registered office in Stockholm, Sweden. Nordic Cable Acquisition Company Holding AB prepares the Consolidated Accounts for the Swedish Group in which Nordic Cable Acquisition Company Sub-Holding AB is a subsidiary. The Consolidated Accounts are available at Nordic Cable Acquisition Company Sub-Holding AB's head office at Fleminggatan 18, 112 26 Stockholm, Sweden.

## Not 34 Earnings per Share

| SEK | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Basic . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 19.44 | (4.29) |
| Diluted . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 19.44 | (4.29) |

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 | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
|---|---|---|
| Net profit or loss attributable to equity holders of the parent | 141,673 | (31,239) |
| Average number of outstanding shares | 7,286,446 | 7,286,446 |