Annual Report 2012

NorCell Sweden Holding 2 AB (publ) Group

IMPORTANT INFORMATION

For investors in the Senior Secured Notes (the “Senior Secured Notes”) issued by NorCell Sweden Holding 3 AB (publ) (the “Senior Secured Notes Issuer”), the Senior Notes (the “Senior Notes”) issued by NorCell Sweden Holding 2 AB (publ) (the “Senior Notes Issuer”) and the Senior PIK Notes (the “Senior PIK Notes” and together with the Senior Secured Notes and Senior Notes, collectively, the “Notes”) issued by NorCell 1B AB (publ) (the “Senior PIK Notes Issuer” and together with the Senior Secured Notes Issuer and Senior Notes Issuer, collectively, the “Issuers”), please refer to this annual report (the “Annual Report”) presenting the consolidated financial statements for NorCell Sweden Holding 2 AB (publ) and its subsidiaries as of and for the year ended December 31, 2012.

In this Annual Report, the terms ”we”, ”our”, ”us”, the “Group” and the “Company” for the period following the consummation of the Acquisition (as described in the Annual Report 2011), refer to either NorCell Sweden Holding 2 AB (publ), or NorCell Sweden Holding 2 AB (publ) and its subsidiaries, as the context requires, and for the period prior to the consummation of the Acquisition, refer to either Com Hem Holding AB, or Com Hem Holding AB and its subsidiaries, as the context requires.

NorCell 1B AB (publ) is the parent company of NorCell Sweden Holding 2 AB (publ) and is a holding company with no independent business operations and has not engaged in any activities other than those related to its formation, the Acquisition and the financing of the Acquisition. NorCell 1B AB (publ)’s only material assets and liabilities are its interest in the issued and outstanding shares of its wholly owned subsidiary, NorCell Sweden Holding 2 AB (publ), and intercompany loans owed to NorCell 1B AB (publ) by NorCell Sweden Holding 2 AB (publ) and its outstanding indebtedness incurred in connection with the Senior PIK Notes offering, which was primarily on-lent to NorCell Sweden Holding 2 AB (publ). There are no material differences between the consolidated financial statements of NorCell 1B AB (publ) and NorCell Sweden Holding 2 AB (publ). As a result, NorCell 1B AB (publ) does not currently produce consolidated financial statements. For further information see *“Presentation of Financial and Other Information – Pro Forma Capitalization Table NorCell 1B Group”*.

The term “NorCell 1B Group” refers to NorCell 1B AB (publ) and its subsidiaries, the term “NorCell Group” refers to NorCell Sweden 2 AB (publ) and its subsidiaries, the term “NCAC Group” refers to Com Hem Holding AB and its subsidiaries, the term “Com Hem” refers to Com Hem AB and the term “iTUX” refers to iTUX Communication AB. For further information see “*Presentation of Financial and Other Information – Corporate and Financing Structure*”.

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”.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains various forward-looking statements that reflect management's current view with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words ''believe'', ''expect'', ''anticipate'', ''intend'', ''may'', ''plan'', ''estimate'', ''will'', ''should'', ''could'', ''aim'' or ''might'', or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this 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 expenditures;
- the Group's planned investments;
- the expectations as to future growth in demand for the Group's products and services;
- general economic trends and trends in the 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 management believes that the expectations reflected in these forward-looking statements are reasonable, the Company can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of, among others:

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

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

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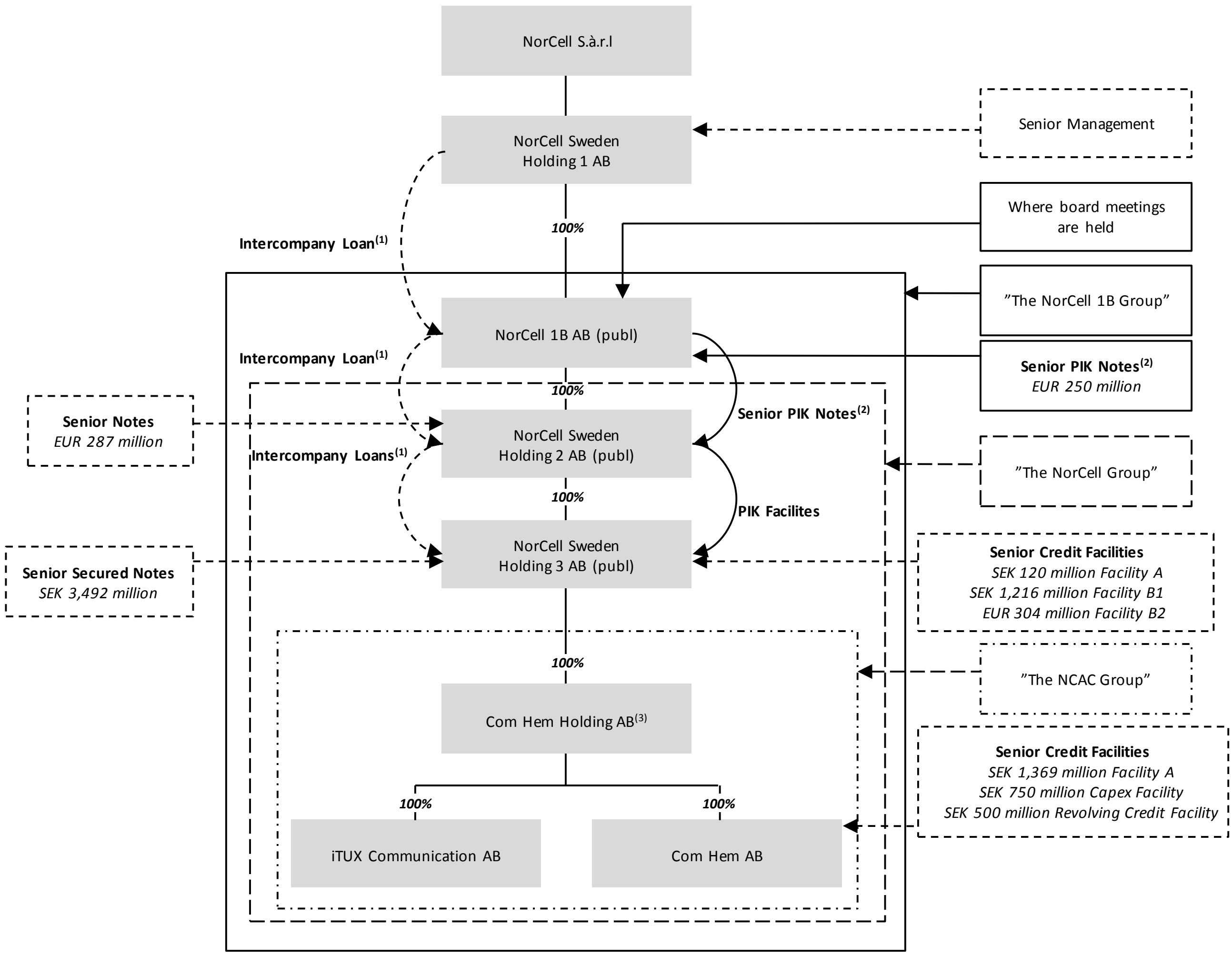
PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Corporate and Financing Structure

The following picture shows a simplified summary of the Group's corporate and financing structure as of December 31, 2012. The following picture does not include all of the debt obligations of the Group. For further information on the Group's capitalization and debt obligations, see ''Capitalization''.



(1) In connection with the Acquisition in September 2011, 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 and was further on-lent as intercompany loans through to NorCell Sweden Holding 3 AB (publ). In January 2012, funds of the amount of SEK 101 million (including accrued interest of SEK 1 million) were returned to NorCell S.à r.l. from the CDK Overfunding Account as a result of the cancellation of the CDK Acquisition. Furthermore, part of the loan was returned to NorCell S.à r.l. in connection with the issuance of the Senior PIK Notes as described in note 3 below. As of December 31, 2012, the shareholder loan from NorCell S.à r.l. to NorCell Sweden Holding 1 AB was converted into preference shares.

(2) As of November 21, 2012 NorCell 1B AB (publ) issued Senior PIK Notes of EUR 250 million. The net proceeds of EUR 245 million were on-lent as a subordinated intercompany loan to NorCell Sweden Holding 2 AB (publ). The amount of EUR 245 million was concurrently repaid to NorCell 1B AB (publ) through the repayment of subordinated intercompany loans. NorCell 1B AB (publ) used the proceeds to fully repay the amounts outstanding under the previous PIK Loan (including accrued interest) and to partially repay the existing intercompany loan owed to NorCell Sweden Holding 1 AB.

(3) In June 2012, the four wholly owned subsidiaries Nordic Cable Acquisition Company AB, corporate identity number 556689-2070, Nordic Communication Services AB, corporate identity number 556669-4633, Com Hem Communications AB, corporate identity number 556635-7231 and Com Hem Holding AB corporate identity number 556469-3017, were merged with Nordic Cable Acquisition Company Sub-Holding AB, corporate identity number 556689-2104. Subsequently to the merger, Nordic Cable Acquisition Company Sub-Holding was renamed to Com Hem Holding AB.

Pro Forma Capitalization Table NorCell 1B Group

The following table sets out the consolidated capitalization and cash and cash equivalents for the NorCell Group and NorCell 1B Group as of December 31, 2012, and is included to fulfill the indenture for the Senior PIK Notes Issuer. The indebtedness of NorCell 1B Group has primarily been on-lent to the NorCell Group (as described in the table below). Accordingly, there are no material differences between the consolidated financial statements of NorCell 1B Group and NorCell Group. As a result, NorCell 1B AB (publ) does not produce or present any consolidated financial statements.

Pro Forma Capitalization Table(1)

	As of December 31, 2012			
	NorCell Group(2)	NorCell 1B AB(2)	Adjustments	Pro Forma(2)
	(SEK in millions)			
Total cash and cash equivalents	**661**	**1**	**-**	**662**
Current debt				
Credit facilities	215	-	-	215
Finance leases	139	-	-	139
Total current debt	**354**	**-**	**-**	**354**
Non-current debt				
Credit facilities	4,837	-	-	4,837
Senior secured notes	3,279	-	-	3,279
Senior notes	2,425	-	-	2,425
Senior PIK notes	-	2,109	-	2,109
Finance leases	40	-	-	40
Intercompany loans	4,973	2,876	(4,973)	2,876
Non-current debt	**15,553**	**4,985**	**(4,973)**	**15,565**
Total debt	**15,907**	**4,985**	**(4,973)**	**15,919**
Total net debt	**15,246**	**4,984**	**(4,973)**	**15,257**

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

(2) EUR denominated indebtedness has been converted at the exchange rate of SEK 8.642 per EUR 1.00, as of December 31, 2012.

This Annual Report presents the following financial information:

- The audited consolidated financial statements of the NorCell Group as of and for the year ended December 31, 2012, as of and 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 NorCell Group'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 year ended December 31, 2010, which has 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 by the mathematical addition of unaudited management accounts of the NCAC Group (1 January – 28 September) and the audited financial statements of the NorCell Group (July 12 – December 31).
- The selected unaudited pro forma consolidated financial data for the year ended December 31, 2010, which has 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*''.

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 2010 and 2011 have 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, 2010. For a 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, disposals, depreciation and amortization (''EBITDA''). Depreciation and amortization is recorded under costs of sales and services (depreciation and amortization of fixed tangible and intangible assets related to production), selling expenses (depreciation and amortization of fixed tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of fixed tangible and intangible assets related to administrative functions). For a reconciliation of Operating Profit 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 (''Adjusted EBITDA''). In June 2010, Com Hem began capitalizing sales commissions in accordance with IAS 38. 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. Due to the enhancement of Com Hem's support systems, the Group 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 and 2012, relates to retail subsidies paid in prior periods. For a reconciliation of Reported Underlying EBITDA to Adjusted EBITDA, see ''*–Reconciliation of Reported Underlying EBITDA to Adjusted EBITDA*''.

- 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, see 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 the Group'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 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.

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
The Group 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, 2012, the mid-rate was SEK 8.617 per €1.00.

	SEK per €1.00			
Year	Period end	Average	High	Low
2010	9.002	9.541	10.274	8.963
2011	8.945	9.034	9.301	8.710
2012	8.617	8.705	9.158	8.207

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, 2012, the mid-rate was SEK 6.516 per $1.00.

	SEK per $1.00			
Year	Period end	Average	High	Low
2010	6.803	7.205	8.065	6.533
2011	6.923	6.497	6.976	6.005
2012	6.516	6.775	7.285	6.501

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 only for the convenience of the reader. 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 the Group's business, financial condition and results of operations. The risks described below are not the only ones the Company 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 the Group's business activities and having a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to Our Industry

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

We face significant competition in each of the industries in which we operate. Market participants including local, national and international competitors, and both established companies and new market entrants. We also face competition from companies offering new products and services within each of the market segments in which we operate and/or from companies offering services via new technological or service platforms. In some instances, we compete against companies 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 we do. Public subsidies for the build-out of broadband networks also constitutes a threat to our business, since competition in these cases may not take place on equal terms.

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

We face competition from LAN and xDSL providers who offer their services in parallel to our existing HFC cable network through fiber LANs or the existing telephony infrastructure, which allows these Service Providers to offer their 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. We depend on our 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 we face varies for each of the products and services we offer and new products and services are constantly being developed by our competitors. Although we seek to differentiate our services from our competitors by focusing on providing user-friendly communication and entertainment services tailored to our individual subscribers' needs, we may not be successful in delivering competitive products and services. Our position in the market may be weakened if we are unable to successfully improve our existing products and services and/or develop attractive new product and service offerings. In addition, competition may intensify if certain of our competitors are willing to accept lower profit margins than we are willing to accept or spend more capital to obtain or retain subscribers than we are willing to spend. If we are unsuccessful in responding to competitive pressures, we 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 our business, results of operations or financial condition.

We are increasingly selling our television, high-speed broadband and fixed-telephony services as part of bundles. Many of our 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 television, high-speed broadband and fixed-line telephony markets may increase in the future, in particular as access to alternative distribution platforms and technological progress may empower subscribers to demand sharply reduced prices for cable and telecommunications services. Further, short term contracts and low barriers to changing providers require that we adapt our prices, services and discount policies in order to preserve the attractiveness of our 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, high-speed broadband and telecommunications services, in particular for digital-television and bundled services.

Our primary focus has been on convincing tenants using basic television services to upgrade to our digital-services and enter into a subscription with us. Our growth and profitability depend on a continued increase in demand for digital-television, high-speed broadband and telecommunications products in the coming years. If demand for television, high-speed broadband 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. Swedish real GDP grew at a rate of 0.9% in 2012. However, 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 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 Our Business

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

To remain competitive, we must continue to launch new services and increase and improve the functionality, availability and features of our existing product and service offerings and network, in particular, by ensuring that our bandwidth capacity keeps up with increasing demand for bandwidthintensive 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, VoD, expanding alternative distribution platforms such as fiber LANs, alternative service platforms such as Internet-based over the top (''OTT'') video and linear TV services, expanding business models such as the open network model, geographical expansion and new revenue models introduced by our competitors. It is difficult to predict the impact of technical innovations and changes in business models on our business. In June 2012, we signed an exclusive agreement with TiVo to develop our next generation TV offering (the ''TiVo Offering''), which is expected to launch in the second quarter of 2013. We may be unable to successfully integrate our new digital-television offering or other 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 successfully launch our new digital-television offering or 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.

In addition, our success will depend on, among other things, our ability to increase the penetration of our digital-television offering and the market share of our digital service offerings, including our bundled offerings, and to maintain our position in our Footprint. If we are unable to achieve these objectives, this 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 1.75 million end-users within our footprint as of December 31, 2012. 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.

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

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

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

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

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

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

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

We currently license certain digital programs for our pay television offering. We intend to negotiate additional access to programming to expand our digital-television offering beyond our current digital-television packages and to enhance existing programming. Rights with respect to a significant amount of premium and/or HD content are, however, already held by competing distributors and, to the extent such competitors obtain content on an exclusive basis, our ability to obtain certain content could be limited. Further, as we continue to develop our TiVo Offering, which is intended to include traditional television content, VoD libraries, OTT content and applications, our ability to source content for the new TiVo Offering 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. In addition, as we continue to develop our new TiVo offering, we may incur additional licensing and/or other fees for content distributed over those platforms. 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.

Our next generation TV platform (the ‘‘TiVo Plattform’’) intend to deliver content over multiple platforms including traditional HFC, IPTV and multiscreen (such as smartphones and tablets). In order to use only one conditional access system, the new TV platform needs to be based on digital rights management (‘‘DRM’’) without smartcards. Therefore, we have chosen to use a two way conditional access system from Verimatrix to handle any risks in the same secure manner as our current Conax system. For broadcast television services, we intend to use a method that allows the simultaneous broadcast of a transmission signal via both the Conax and Verimatrix 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 and CI Modules require smart cards before subscribers can receive programming, and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our broadcasted television signals. While we work diligently to reduce the effect of piracy, and work closely with both private investigators and police to investigate and ultimately prosecute people illegally obtaining access to our television signals, there can be no assurances that we will be able to successfully eliminate the piracy that we are currently facing or may face in the future. In addition, there can be no assurances that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased television subscriber churn or otherwise have a material adverse effect on our business, financial condition and results of operations.

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

We have important relationships with several suppliers of hardware, software and related services that we use to operate our cable and LAN networks and fixed-telephony systems. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. In the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. We also outsource some of our support services, such as IT support, field services and maintenance operations. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to our operations and could result in us incurring additional costs, including if the outsourcing counterparty increases pricing or if we are required to locate alternative Service Providers or in-source previously outsourced services. The occurrence of any of these risks could create technical problems, damage our reputation, result in the loss of unique 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 lightning strike, flood, fire or other natural disaster, a power outage or equipment and system failures, including those caused by terrorism, sabotage and other criminal acts, our operations and subscriber relations could be materially adversely affected. Disaster recovery, security and service continuity protection measures that we or other parties have or may in the future undertake, and our or other parties' monitoring of network performance, may be insufficient to prevent losses. While we have property damage insurance coverage for our network operation center (''NOC''), our playout center, our office locations, hubs and headends as well as our technical and office equipment and stock, this insurance only covers property damage within an insured location and therefore, the high-speed broadband cable network in the ducts is not insured. Any catastrophe or other damage that affects the network could result in substantial uninsured losses. If uninsured network elements were disrupted as described above, we may not have sufficient resources to make necessary repairs or replacements, and such repair or replacement work may cause us to incur significant costs. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time.

In addition, our business is dependent on certain sophisticated business-critical systems, including our NOC, playout center and billing and subscriber service systems. The hardware supporting these businesscritical systems is housed at relatively few locations, and if any of those locations were to be damaged or if those systems were to develop other problems, our business, financial condition and results of operations could be adversely affected. Despite the presence of back-up systems, including regional mobile units that can be used to restore regional portions of the network, we can provide no assurances that our servers and network may not be damaged by physical or electronic break-downs, computer viruses or similar disruptions. In addition, unforeseen problems could create disruptions in our IT systems. There can be no assurances that our existing security system, IT security policy, back-up systems, physical access security and access protection, administration and IT emergency plans will be sufficient to prevent data loss or minimize network downtime. Sustained or repeated disruptions or damage to the network and technical systems which prevent, interrupt, delay or make it more difficult for us to provide 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 have an adverse effect on our ability to provide services to our subscribers and/or the quality of our services, which could result in subscriber dissatisfaction and regulatory penalties and have a material adverse effect on our business, financial condition and results of operations.

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

Our information technology system consists of numerous intra-linked systems that are periodically updated, upgraded, enhanced and integrated with new systems. If these systems are not able to be maintained adequately, or if the systems are not able to provide a basis to support new or expanded 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 could have a material adverse effect on our market share, business, financial condition or results of operations.

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

We accumulate, store and use data in the ordinary course of our operations that is protected by data protection laws. 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 55% 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 Telekomföretagen, Ledarna, Jusek, Unionen, Civilekonomerna, SEKO and Sveriges Ingenjörer, which is in force from April 1, 2012 to March 31, 2013, 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 result in delays in the maintenance of ducts, in our ability to access ducts to perform network upgrades and in the delivery of necessary hardware. 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 or results of operations. The process of integrating an acquired company, network, business or technology or information technology system could create unforeseen operating difficulties and expenditures, and we may not realize any or all of the benefits we anticipated at the time of the acquisition. Further, our management could be required to invest significant time into such acquisitions and the resulting integration activities, and our management may change as a result of future corporate transactions. Future acquisitions or divestitures could result in potentially dilutive issuances of equity securities, debt incurrence, contingent liabilities or amortization expenses, write-offs of goodwill or integration expenses, any of which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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 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 could have a material adverse effect on our subscriber base, business, financial condition and results of operations.

The introduction of mobile handsets with VoIP functionality may adversely affect the prices we can charge and our fixed-telephony market share. Distribution of VoIP via mobile telephony networks is an emerging technology influenced by large, global companies, some of which have greater resources than we do, such as Apple, Google, Microsoft and Skype, and there can be no assurances that we will be able to develop 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 can offer subscribers substantially increased speeds compared to the mobile 3G platform, though the impact on our business from the uptake of mobile 4G services has been limited to date. 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 wireline 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;
- rules and regulations regarding management of internet data traffic;
- 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 a competition distortion fine (Sw. *Konkurrensskadeavgift*) on us. Following Com Hem’s notification of a proposed acquisition of Canal Digital Kabel (‘‘CDK’’) on July 21, 2011, the SCA initiated a concentration control inquiry. As a result of this inquiry, the SCA claimed that the acquisition would create or strengthen a dominant position for Com Hem in the Swedish market for the distribution of TV services to MDUs via collective agreements with landlords. On November 24, 2011, the SCA demanded that the District Court of Stockholm prohibit the acquisition. Com Hem revoked the notification on December 16, 2011, whereby the SCA withdrew its demand on December 16, 2011. On January 24, 2012, the District Court of Stockholm dismissed the case. It should be noted that the market definition used by the SCA in the CDK concentration control inquiry deviated from the market definitions applied both by the PTS in its 2010 analysis of the market for television distribution over wireline networks, and by the European Commission in its 2006 concentration control inquiry of the acquisition by the previous owners of Com Hem, Carlyle Europe Partners II L. P. and Providence Equity Offshore Partners V LP of Swedish cable operator NBS Nordic Broadband Services AB, also known as ‘‘UPC Sweden’’.

Fees that we charge for the termination of calls on individual public telephone networks provided at a fixed location are subject to regulation by the PTS. The PTS exercises *ex-ante* regulation and requires us to apply a fair and reasonable price for call termination. The PTS has stated that the price will be deemed fair and reasonable where it is not higher than the cost-oriented price that TeliaSonera may charge for call termination/origination. The cost for call termination is calculated according to the long-run incremental cost, or LRIC, model, which is produced and updated each year by the PTS.

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

In general, content providers acquire the relevant licenses and pay all copyright fees to the copyright holders in relation to the transmission of the content providers’ channels on our network. However, 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 allocated licenses in the 790-862 MHz-band that are 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, European and international authorities are over time considering the use of different frequency bands in connection with various telecommunication technologies. As a result, additional frequencies may be allocated to mobile broadband, television, telephony and other telecommunications platforms, which may cause interference with CPE connected to cable networks and within the allocated frequency bands. Such interference could adversely affect our services, which in turn could also negatively impact our ability to attract and retain subscribers.

On February 17, 2012, the World Radio Communication Conference (''WRC'') adopted a resolution which opens up the possibility for national regulators to make additional frequencies available for mobile services in the 700 MHz band (preliminarily 694-790 MHz) following a potential decision at the next WRC in 2015.

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. During the spring of 2012, a competitor attempted to gain access to the in-building wiring of two housing cooperatives to which we had the exclusive right of use under the expanded obligations of the Electronic Communications Act. However, in June 2012, this competitor discontinued these efforts.

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, results of operations or financial conditions.

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 at the end of 2013 or at the beginning of 2014. 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 during 2013. 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.

While we expect that the PTS will not, in the upcoming reviews of the above-mentioned markets, determine that we have significant market power and therefore should be subject to access regulation, 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, results of operations or financial conditions. Furthermore, there can be no assurances that the PTS will not take the SCA's concentration control inquiry into consideration with respect to the previously proposed CDK acquisition and adopt the view that Com Hem has or might gain a dominant position on the Swedish market for the distribution of TV services to MDUs via collective agreements with landlords. However, it should be noted that the market definition used by the SCA in the CDK concentration control inquiry deviated from the market definitions applied both by the PTS in its 2010 analysis of the market for television distribution over wireline networks, and the European Commission in its 2006 concentration control inquiry of the acquisition by the previous owners of Com Hem, Carlyle Europe Partners II L. P. and Providence Equity Offshore Partners V LP of Swedish cable operator NBS Nordic Broadband Services AB, also known as ''UPC Sweden''.

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 condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant.

Risks Relating to Our Financial Profile

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

NorCell 1B Group is highly leveraged and has significant debt service obligations. As of December 31, 2012 we had approximately SEK 13,465 million nominal value of interest-bearing indebtedness outstanding, of which SEK 5,332 million equivalent is indebtedness under the Senior Credit Facilities, SEK 3,492 million is indebtedness under the Senior Secured Notes, SEK 2,481 million equivalent is indebtedness under the Senior Notes and SEK 2,160 million equivalent is indebtedness under the Senior PIK Notes. In addition, we have access to a SEK 500 million Revolving Credit Facility, of which Com Hem has SEK 55 million restricted for a bank guarantee as of December 31, 2012, 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 Facilities Agreement and the respective indentures for the Senior Secured Notes, the Senior Notes and the Senior PIK 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 and our debt service obligations, which would exacerbate the risks associated with our capital structure and would have an adverse effect on our business, financial conditions and results of operation.

In accordance with the requirements under the Senior Credit Facilities Agreement, we have interest rate hedging in place for at least 2/3 of amounts outstanding, at the date of signing the Senior Facilities Agreement, under the Term Facilities under the Senior Credit Facilities through October 2014. Although we 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. In accordance with our hedging policy we presently hedge our exposure to euro denominated indebtedness into SEK so that interest payments may effectively be made in SEK and to limit our exposure to foreign currency exchange risk. In the future, if we incur additional debt denominated in other currencies, we expect to continue hedging foreign denominated indebtedness in accordance with our policy to mitigate currency risk. As of December 31, 2012, 100% of our interest payments on our euro denominated Term Loan B2 under the Senior Credit Facilities and Senior Notes was hedged through October 2014 and October 2015, respectively, while only EUR 226 million of the nominal loan amounts was hedged through January 2018, which left us with a currency translation exposure of EUR 554 million. In the event the SEK declines in value versus the euro, the conversion of unhedged euro denominated indebtedness into SEK will adversely affect our financial results. There can be no assurances that currency hedging will continue to be available on commercially reasonable terms and, as such, we could incur additional hedging costs which could adversely affect our financial results.

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

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

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

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

We 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

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

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

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

In addition, we are subject to the affirmative and negative covenants contained in the 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, the Senior PIK 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, the Senior PIK 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 you 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 the us to repay the 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 for the period January to September 2009 on certain intra group loans.

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

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

The Group had tax loss carry forwards amounting to SEK 1,718 million as of December 31, 2012. A government committee is currently reviewing the Swedish corporate tax regime and, *inter alia*, the tax loss carry forward regime is included in that review. Consequently, changes in Swedish tax law may restrict the use of historical tax loss carry forwards or result in a cancellation of such tax loss carry forwards. Tax losses may also be restricted or cancelled as a result of a future change of control (of more than 50% of the votes) of the Group under the current rules. The cancellation or restriction on the use of our tax loss carry forwards may have a significant impact on our tax burden.

The government committee is also assessing whether withholding tax should be introduced on interest payments from Sweden to foreign entities, including with respect to intercompany loans. We are uncertain whether such withholding tax will in fact be introduced or to what types of indebtedness withholding tax will apply.

Our tax liabilities may change due to tax audits.

NorCell Group is 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 Group, in particular due to the history of several reorganizations and financings, intra group transfers of tax loss carry forwards, as well as the multi-tier holding structure of the 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.

Risk Related to Our Structure

The Issuers are holding companies dependent upon cash flow from subsidiaries to meet their respective obligations on the Senior Secured Notes, Senior Notes and Senior PIK Notes.

The Issuers are holding companies with no independent business operations or significant assets other than investments in their respective subsidiaries. The Issuers depend upon the receipt of sufficient funds from their respective subsidiaries to meet their respective obligations. In addition, the subsidiaries of NorCell 1B AB (publ) have no obligation to make any payments with respect to the Senior PIK Notes. None of the subsidiaries of NorCell 1B AB (publ) guarantee the Senior PIK Notes. The Group intends to provide funds to the Issuers in order to meet the cash payment obligations on under the respective Notes through a combination of dividends and payments in respect of intercompany loans.

If the Issuers' subsidiaries do not fulfill their obligations under the respective intercompany loans and do not distribute cash to the Issuers to make scheduled cash payments on the respective Notes, the Issuers will not have any other source of funds that would allow them to make payments to the holders of the respective Notes.

Various agreements governing the Group's debt restrict and, in some cases, actually prohibit the ability of these subsidiaries to move cash to the Issuers. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of these 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 and each other direct or indirect subsidiary of the Issuers to pay dividends will generally be limited to the amount of distributable reserves available in each respective company.

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 respective restricted group to another entity in the respective restricted group in order to make payments to the entity owing the obligations. In addition, even if the Issuers have sufficient cash (received as dividends, repayments of intercompany loans or otherwise) at any time to satisfy their respective obligations under the respective Notes at that time, the Issuers may, subject to the satisfaction of certain conditions, make investments in and make other distributions to their respective subsidiaries and third parties.

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

The Issuers are incorporated under the laws of Sweden and, in the event of an insolvency of the Issuers, insolvency proceedings may be initiated in Sweden. The insolvency laws of Sweden may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

Insolvency proceedings under Swedish law

Under Swedish law, a Swedish debtor company may be subject to one of two types of Swedish insolvency proceedings, bankruptcy pursuant to the Swedish Bankruptcy Act (1987:672), as amended (the ''**Swedish Bankruptcy Act**''), and reorganization pursuant to the Swedish Company Reorganization Act (1996:764), as amended (the ''**Swedish Reorganization Act**''). A Swedish company may also under certain circumstances be subject to insolvency proceedings in other countries, for example as set out in the EU regulation on insolvency proceedings.

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

The interests of BC Partners could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. Affiliates of BC Partners 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 you as a holder of the respective Notes. In addition, BC Partners may, in the future, own businesses that directly compete with ours.

CAPITALIZATION

The following table sets out the consolidated capitalization and cash and cash equivalents for the NorCell Group as of December 31, 2012. This following table should be read 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, 2012	
	SEK	€[2]
	(million)	
Total cash and cash equivalents	**661**	**76**
Current debt		
Credit facilities	215	25
Finance leases	139	16
Total current debt	**354**	**41**
Non-current debt		
Credit facilities	4,837	560
Senior secured notes	3,279	379
Senior notes	2,425	281
Finance leases	40	5
Intercompany loans	4,973	575
Non-current debt	**15,553**	**1,800**
Total debt	**15,907**	**1,841**
Total net debt	**15,246**	**1,764**

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

(2) Convenience translation into EUR based on an exchange rate of SEK 8.642 per EUR 1.00, as of December 31, 2012

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

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

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 profit, since that data is not comparable between the years. The selected audited actual consolidated balance sheet data as of December 31, for the years 2010, 2011 and 2012, are presented in "–*Balance sheet data*".

Condensed Consolidated Actual and Pro Forma Income Statement

	For the year ended December 31,		
	Pro Forma(1)	Pro Forma(2)	Actual(3)
	2010	**2011**	**2012**
		(SEK in millions)	
Revenue	4,318	4,520	4,562
Cost of sales and services	(2,327)	(2,310)	(2,244)
Gross profit	**1,991**	**2,211**	**2,318**
Selling expenses	(1,345)	(1,328)	(1,310)
Administrative expenses	(359)	(318)	(249)
Other operating income	10	14	18
Other operating expenses(4)	(4)	(273)	(29)
Operating Profit	**292**	**306**	**748**

(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. For further information, see "*–Pro Forma Reconciliation for the Year ended December 31, 2010*".

(2) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(4) As a consequence of the Acquisition in September 2011, the financial data for 2011 and other periods under review are not fully comparable.

Revenue by Service

	For the year ended December 31,		
	Actual(1)	Pro Forma(2)	Actual(3)
	2010	**2011**	**2012**
		(SEK in millions)	
Pay Television	1,524	1,678	1,721
High-Speed Broadband	1,170	1,231	1,277
Fixed-Telephony	569	564	506
Landlord	892	884	856
Other(4)	163	163	202
Total	**4,318**	**4,520**	**4,562**

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(4) Other represents revenue generated primarily from billing and reminder fees as well as payments in kind received from content providers for services delivered, which is classified as "barter revenue".

Balance Sheet Data[(1)]

	For the year ended December 31,		
	2010[(2)]	2011[(3)]	2012[(3)]
	(SEK in millions)		
Non-current assets			
Intangible assets	12,388	16,993	16,513
of which goodwill	*10,967*	*10,742*	*10,742*
of which customer relations	*1,102*	*5,160*	*4,614*
of which trademark	-	*691*	*691*
Property, plant and equipment	1,727	1,460	1,421
Financial assets	3	-	6
Deferred tax assets	160	-	-
Total non-current assets	**14,278**	**18,453**	**17,940**
Inventories	29	31	25
Trade receivables	138	121	133
Prepaid expenses and accrued income	188	125	125
Other receivables	12	15	16
Cash and cash equivalents	844	1,044	661
Total current assets	**1,212**	**1,336**	**961**
Total assets	**15,490**	**19,789**	**18,901**
Total equity	**5,885**	**681**	**93**
Non-current interest-bearing liabilities	7,036	15,369	15,553
Other non-current liabilities	59	234	397
Deferred tax liabilities	-	1,183	773
Total non-current liabilities	**7,095**	**16,786**	**16,723**
Current interest-bearing liabilities	975	550	354
Trade payables	498	624	503
Other current liabilities	111	53	65
Accrued expenses and deferred income	927	1,095	1,163
Total current liabilities	**2,510**	**2,322**	**2,085**
Total equity and liabilities	**15,490**	**19,789**	**18,901**

(1) As a consequence of the Acquisition in September 2011, the financial data as of December 31, 2010 is not fully comparable to the other periods under review.

(2) The selected consolidated actual financial data as of December 2010 has been derived from the audited financial statements of the NCAC Group.

(3) The selected consolidated actual financial data as of December 2011 and 2012 have been derived from the audited financial statement of the NorCell Group.

Selected Other Financial Data

	For the year ended December 31,		
	Actual[1]	Pro Forma[2]	Actual[3]
	2010	2011	2012
	(SEK in millions, except percentages and ratios)		
EBITDA[4,5]	1,736	1,770	2,179
EBTIDA margin (in %)[4,6]	40.2	39.2	47.8
Reported Underlying EBITDA[7]	1,854	2,098	2,232
Reported Underlying EBITDA margin (in %)[8]	42.9	46.4	48.9
Adjusted EBITDA[9]	1,919	2,138	2,262
Adjusted EBITDA margin (in %)[10]	44.4	47.3	49.6
Capital Expenditures[11]	689	734	913
Capital Expenditures ratio (in %)[12]	16.0	16.2	20.0
Pro Forma Adjusted Capital Expenditures[13]	786	734	913
Pro Forma Adjusted Capital Expenditures ratio (in %)[14]	18.2	16.2	20.0
Operating free cash flow[1,15]	1,383	1,419	1,196
Operating free cash flow margin (in %)[4,16]	32.0	31.4	26.2
Net working capital[4,17]	(1,098)	(1,356)	(1,241)
Depreciation and amortization[4,18]	1,126	1,219	1,413
Adjusted depreciation and amortization[19]	1,438	1,453	1,413

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(4) As a consequence of the Acquisition in September 2011, the financial data for 2011 and other periods under review are not fully comparable.

(5) EBITDA is defined as net profit/(loss) for the period before income taxes, net financial items, disposals, depreciation and amortization (''EBITDA''). Depreciation and amortization is recorded under cost of sales and services (depreciation and amortization of fixed tangible and intangible assets related to production), selling expenses (depreciation and amortization of fixed tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of fixed tangible and intangible assets related to administrative functions). 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 Operating Profit to EBITDA, see ''*-Reconciliation of Operating Profit to EBITDA*''.

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

(7) Reported Underlying EBITDA is defined as EBITDA before non-recurring costs 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''*.

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

(9) 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 (''Adjusted EBITDA''). In June 2010, Com Hem began capitalizing sales commissions in accordance with IAS 38. 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. Due to the enhancement of Com Hem's support systems, the Group 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 and 2012, relates to retail subsidies paid in prior periods. For a reconciliation of Reported Underlying EBITDA to Adjusted EBITDA, see ''*-Reconciliation of Reported Underlying EBITDA to Adjusted EBITDA*''.

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

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

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

(13) 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*''.

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

(15) 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. 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''*.

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

(17) 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.

(18) 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.

(19) 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 Profit to EBITDA*''.

Pro Forma Income Statement 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 Profit	**604**	**234**	**(546)**	**292**

(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. 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 Income Statement 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 Profit	**539**	**175**	**(409)**	**306**

(1) 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 calculations 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, and nine moths amortization of the current customer relations value has been added to selling expenses in order to get comparable figures.

Reconciliation of Operating Profit to EBITDA

	For the year ended December 31,		
	Pro Forma[(1)]	Pro Forma[(1)]	Actual[(2)]
	2010	2011	2012
		(SEK in millions)	
Operating Profit[(3)]	**292**	**306**	**748**
Disposals[(4)]	5	12	19
Adjusted depreciation and amortization	1,438	1,453	1,413
EBITDA[(3)]	**1,736**	**1,770**	**2,179**

(1) The selected unaudited consolidated pro forma 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 year ended December 31, 2011 has been derived by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31). 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. 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, 2010. For further information, see: ''— *Pro Forma Reconciliation Unaudited for the Year ended December 31, 2010*''.

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

(3) As a consequence of the Acquisition in September 2011, the financial data for 2011 and other periods under review are not fully comparable.

(4) Disposals relates to modems and STBs.

Reconciliation of EBITDA to Reported Underlying EBITDA

	For the year ended December 31,		
	Actual[(1)]	Pro Forma[(2)]	Actual[(3)]
	2010	2011	2012
		(SEK in millions)	
EBITDA[(4)]	**1,736**	**1,770**	**2,179**
Non-recurring costs:			
Spacenet de-installation	68	5	-
Redundancy program	26	-	-
Transaction costs[(5)]	-	246	-
Lawyers and consultants	4	57	24
Other	21	18	27
Total non-recurring costs[(4)]	**119**	**326**	**52**
Operating currency (gain)/loss	(1)	2	1
Reported Underlying EBITDA	**1,854**	**2,098**	**2,232**

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group and the audited financial statements of the NorCell Group.

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(4) As a consequence of the Acquisition in September 2011, the financial data for 2011 and other periods under review are not fully comparable.

(5) Expenses related to the Acquisition.

Reconciliation of Reported Underlying EBITDA to Adjusted EBITDA

	For the year ended December 31,		
	Actual(1)	Pro Forma(2)	Actual(3)
	2010	2011	2012
		(SEK in millions)	
Reported Underlying EBITDA	**1,854**	**2,098**	**2,232**
Retail subsidies	33	40	30
Sales commissions	32	-	-
Adjusted EBITDA	**1,919**	**2,138**	**2,262**

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

Capital Expenditures

	For the year ended December 31,		
	Actual(1)	Pro Forma(2)	Actual(3)
	2010	2011	2012
		(SEK in millions)	
Network and Quality Enhancement	272	227	411
CPE	240	203	204
IS Development	96	130	117
Capitalized Sales Costs	27	92	65
Open Networks	16	26	51
Other	40	56	64
Capital expenditures in fixed tangible and intangible assets	**689**	**734**	**913**
- *Of which capital expenditures funded by leasing (4)*	(228)	(122)	(38)
Capital expenditures in fixed tangible and intangible assets after leasing	**461**	**612**	**874**

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(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

	For the year ended December 31,		
	Actual[1]	Pro Forma[2]	Actual[3]
	2010	2011	2012
		(SEK in millions)	
Capital expenditures	**689**	**734**	**913**
Retail subsidies	65	-	-
Sales commissions	32	-	-
Pro forma adjusted capital expenditures	**786**	**734**	**913**

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

Reconciliation of Reported Underlying EBITDA to Operating Free Cash Flow

	For the year ended December 31,		
	Actual[1]	Pro Forma[2]	Actual[3]
	2010	2011	2012
		(SEK in millions)	
Reported Underlying EBITDA	**1,854**	**2,098**	**2,232**
One-off Items[4,5]	(118)	(327)	(52)
EBITDA	**1,736**	**1,770**	**2,179**
Adjustments for items not included in cash flow [6]	11	3	7
Change in net working capital[4]	98	257	(117)
Capital expenditures	(461)	(612)	(874)
Operating Free Cash Flow [4]	**1,383**	**1,419**	**1,196**

(1) The selected consolidated actual financial 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(4) As a consequence of the Acquisition in September 2011, the financial data for 2011 and other periods under review are not fully comparable.

(5) Includes non-recurring costs and operating currency loss/gains.

(6) Includes change in pension provisions, change in other provisions and other items not included in cash flow.

Selected Operational Data

The Group 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 the Company'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.

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.

	As of December 31,		
	Actual	Actual	Actual
	2010	**2011**	**2012**
	(in thousands, expect percentages and as otherwise indicated)		
Group Total			
Homes connected[1]	1,759	1,739	1,749
Unique subscribers[2]	841	861	828
- of which triple-play subscribers	*273*	*292*	*264*
Unique subscribers as a percentage of homes connected(in %)	48.0	49.5	47.3
Total RGUs[3]	1,528	1,585	1,502
RGUs per unique subscriber (in units)	1.82	1.84	1.82
RGUs [3]			
Pay Television	620	658	612
High-Speed Broadband	537	551	543
Fixed-Telephony	370	376	348

(1) Homes connected represent the number of residential units to which Com Hem provide an analog cable or digital 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.

	for the year ended December 31,		
	Actual	Pro Forma	Actual
	2010	**2011**	**2012**
ARPU[1]		(in SEK)	
Pay Television	213	223	231
High-Speed Broadband	184	191	196
Fixed-Telephony	133	127	117
Landlord	42	42	41
Blended ARPU[2]	340	354	358

(1) 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.

(2) 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.

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 the Group, based on the audited consolidated financial statements of the NorCell Group as of and for the year ended December 31, 2012, and as of December 31, 2011, and the unaudited consolidated financial statements pro forma of the NCAC Group for the years ended December 31, 2011 and 2010, and the audited consolidated financial statements of the NCAC Group as of December 31, 2010, in each case, prepared in accordance with IFRS as adopted by the European Union.

This section should be read 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, 2012, included elsewhere in this Annual Report. The reader 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 are considered 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

On January 16, 2013, Com Hem launched its mobile Voice over WiFi application available for downloading on App Store and Google Play. By downloading and installing the application on a smartphone, and by connecting to a wireless network access point, Com Hem's fixed-telephony subscribers are able to place their fixed, mobile and international calls at Com Hem's fixed-telephony fees instead of the mobile operator fee.

On January 29, 2013, Com Hem gave notice of a reduction of approximately 60 employees, mainly affecting the head office in Stockholm and the Customer Care Center in Härnösand. The redundancy program is planned to be finalized during the end of the first quarter of 2013.

In December 2012, Com Hem signed an agreement with Övik Energi, to acquire Örnsat AB, a local network operator in Örnsköldsvik. Örnsat has approximately 6,000 connected households. The acquisition was completed on March 1, 2013.

Selected Results of Operations for the Year Ended December 31, 2012

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

	For the year ended December 31,		
	Pro Forma[1] 2011	Change in %	Actual[2] 2012
	(SEK in millions)		
Revenue	4,520	0.9	4,562
Cost of sales and services	(2,310)	(2.8)	(2,244)
Gross profit	**2,211**	**4.9**	**2,318**
Selling expenses	(1,328)	(1.3)	(1,310)
Administrative expenses	(318)	(21.8)	(249)
Other operating income	14	28.6	18
Other operating expenses[3]	(273)	n/m	(29)
Operating Profit	**306**	**144.8**	**748**

(1) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).
(2) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.
(3) As a consequence of the Acquisition in September 2011, the financial data for the full year 2011 and full year 2012 are not fully comparable.

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, 2012, 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 the Group's customers. 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 Groups revenue increased by SEK 42 million, or 0.9%, from SEK 4,520 million in the year ended December 31, 2011 to SEK 4,562 million in the year ended December 31, 2012. The increase in revenue is driven by higher revenues for pay television, high-speed broadband and other revenue, partly offset by lower revenues from fixed-telephony and from landlords.

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,				
	Pro Forma[1] 2011		Actual[2] 2012		Change 2011/2012
	(SEK million)	(in % of revenue)	(SEK million)	(in % of revenue)	%
Pay Television	1,678	37.1	1,721	37.7	2.6
High-Speed Broadband	1,231	27.2	1,277	28.0	3.7
Fixed-Telephony	564	12.5	506	11.1	(10.4)
Landlord	884	19.6	856	18.8	(3.1)
Other[3]	163	3.6	202	4.4	23.8
Total	**4,520**	**100.0**	**4,562**	**100.0**	**0.9**

(1) The selected unaudited pro forma consolidated financial data for the year ended December 31, 2011 has been derived by the

mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(2) The Selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(3) Other represents revenue generated primarily from billing and reminder fees as well as payments in kind received from content providers for services delivered, which is classified 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 43 million, or 2.6%, from SEK 1,678 million in the year ended December 31, 2011 to SEK 1,721 million in the year ended December 31, 2012. The increase was a result of higher ARPU, which increased by SEK 8, or 3.5%, from SEK 223 in the year ended December 31, 2011 to SEK 231 in the year ended December 31, 2012.

The increased ARPU is attributable to price increases implemented during the first six months of 2012. The positive ARPU effect on pay television revenue was, however, largely offset during the year by a decrease in RGUs of approximately 47,000 or 7.1%, from approximately 658,000 as of December 31, 2011 to approximately 612,000 as of December 31, 2012. The large decrease in RGUs during 2012 is partly due to an aggressive CI Module campaign carried out during Q4 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 46 million, or 3.7%, from SEK 1,231 million in the year ended December 31, 2011 to SEK 1,277 million in the year ended December 31, 2012. ARPU increased by SEK 5, or 2.8%, from SEK 191 in the year ended December 31, 2011 to SEK 196 in the year ended December 31, 2012. The revenue increase was primarily an ARPU effect due to the demand for higher broadband speeds, which is an effect of the Group’s strategy to meet customer demand for higher broadband speed services. Total high-speed broadband RGUs, however, decreased slightly by approximately 8,000, or 1.4%, from approximately 551,000 as of December 31, 2011 to approximately 543,000 as of December 31, 2012.

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 59 million, or 10.4%, from SEK 564 million in the year ended December 31, 2011 to SEK 506 million in the year ended December 31, 2012. ARPU decreased by SEK 10, or 7.5%, from SEK 127 in the year ended December 31, 2011 to SEK 117 in the year ended December 31, 2012. The decrease in ARPU is largely a result of lower usage of fixed-telephony services as an effect of the fixed to mobile substitution.

Landlord

Revenue from landlord customers related to the delivery of analog cable television services are in general invoiced quarterly in advance and recognized as they are utilized. The product mix and duration of contracts are tailored to meet the needs of individual landlord customers, and as contracts near expiration, proactive discussions are entered into 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 28 million, or 3.1%, from SEK 884 million in the year ended December 31, 2011 to SEK 856 million in the year ended December 31, 2012. The decrease in revenue was primarily due to a reduction in ARPU from landlord customers as a result of contract re-negotiations, partly offset by annual price index increases.

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 is classified as ‘‘barter’’ revenue.

Other revenue increased by SEK 39 million, or 23.8 %, from SEK 163 million in the year ended December 31, 2011 to SEK 202 million in the year ended December 31, 2012. The increase in revenue is mainly explained by increased invoicing fees and higher communication operator revenue in iTUX.

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 fixed tangible and intangible assets related to production.

Cost of sales and services decreased by SEK 66 million, or 2.8%, from SEK 2,310 million in the year ended December 31, 2011 to SEK 2,244 million in the year ended December 31, 2012. As a percentage of revenue, cost of sales and services decreased from 51.1% in the year ended December 31, 2011 to 49.2% in the year ended December 31, 2012. The decrease in cost of sales and services was mainly due to lower pay television content costs, lower interconnect traffic for fixed-telephony services costs and lower depreciation and amortization. This was partly offset by higher production costs in iTUX.

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 fixed tangible and intangible assets related to the sales function.

Selling expenses decreased by SEK 18 million, or 1.3%, from SEK 1,328 million in the year ended December 31, 2011 to SEK 1,310 million in the year ended December 31, 2012. As a percentage of revenue, selling expenses decreased from 29.4% in the year ended December 31, 2011 to 28.7% in the year ended December 31, 2012. The decrease in selling expenses was mainly due to lower marketing and sales costs. This was partly offset by higher depreciation and amortization.

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 fixed tangible and intangible assets related to administrative functions.

Administrative expenses decreased by SEK 69 million, or 21.8%, from SEK 318 million in the year ended December 31, 2011 to SEK 249 million in the year ended December 31, 2012. As a percentage of revenue, administrative expenses decreased from 7.0% in the year ended December 31, 2011 to 5.5% in the year ended December 31, 2012. The decrease in administrative expenses was mainly due to lower other operating costs and lower depreciation and amortization.

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 14 million in the year ended December 31, 2011 to SEK 18 million in the year ended December 31, 2012, mainly due to higher exchange rate gains on trade liabilities.

Other Operating Expenses

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

Other operating expenses were SEK 273 million in the year ended December 31, 2011 and improved to SEK 29 million in the year ended December 31, 2012. The positive development was due to transaction costs in 2011, related to the Acquisition.

Reported Underlying EBITDA

Reported Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. The Group uses this measure for many purposes in managing and directing the business. For a reconciliation of operating profit to Reported Underlying EBITDA, see ‘‘*Selected Consolidated Financial, Operating and Other Data*’’.

Reported Underlying EBITDA increased by SEK 134 million, or 6.4%, from SEK 2,098 million in the year ended December 31, 2011 to SEK 2,232 million in the year ended December 31, 2012. As a percentage of revenue, Reported Underlying EBITDA increased from 46.4% in the year ended December 31, 2011 to 48.9% in the year ended December 31, 2012. The increase in 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 increased ARPU generated from pay television services in combination with lower production and operating costs.

Capital Expenditures

Capital expenditures are classified in the following categories:

- *Network and Quality Enhancement*: Investments in network capacity, improvements and enhancing quality in the network, investments in the television and fixed-telephony platforms and investments in broadband DOCSIS;
- *CPE:* Investments in STBs and modems, which are linked to RGU growth and RGU Retention;
- *IS Development*: Investments in the business intelligence systems and IT operations;
- *Capitalized Sales Costs:* The capitalization of sales commissions and retail subsidies, which is mainly linked to RGU growth and RGU Retention;
- *Open Networks:* The installation of fiber-optic LAN networks by iTUX; and
- *Other:* Investments in other corporate and 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, 2010, 2011 and 2012.

	For the year ended December 31,		
	Actual[(1)]	Pro Forma[(2)]	Actual[(3)]
	2010	**2011**	**2012**
		(SEK in millions)	
Network and Quality Enhancement	272	227	411
CPE	240	203	204
IS Development	96	130	117
Capitalized Sales Costs	27	92	65
Open Networks	16	26	51
Other	40	56	64
Capital expenditures in fixed tangible and intangible assets	**689**	**734**	**913**
- Of which capital expenditures funded by leasing [(4)]	(228)	(122)	(38)
Capital expenditures in fixed tangible and intangible assets after leasing	**461**	**612**	**874**

(1) The selected consolidated 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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(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*".

Capital Expenditures for the Year Ended December 31, 2012

In the year ended December 31, 2012 total capital expenditures increased by SEK 178 million, from SEK 734 million in the year ended December 31, 2011 to SEK 913 million in the year ended December 31, 2012 of which SEK 38 million was financed with funds available under the leasing facility, compared to SEK 122 million in the year ended December 31, 2011. The increase in capital expenditures was mainly due to investments in Com Hem's TiVo platform and higher volumes of installed and upgraded households within the Com Hem network and within the iTUX open network. The increase in both Network and Quality Enhancement and Open networks are partly offset by a decrease in Capitalized Sales Costs due to lower customer intake during the year ended December 31, 2012, compared to the year ended 2011.

Liquidity and Capital Resources

The Group maintains cash and cash equivalents to fund the day-to-day requirements of the business. The Group 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*". The Group'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 (1,356) million and SEK (1,241) million in the years ended December 31, 2011 and 2012, respectively. The Group operates with negative net working capital, as a substantial part of the net working capital is prepaid revenue for services to be provided.

Operating Free Cash Flow[1]

The table below sets forth our operating free cash flow for the year ended December 2010, 2011 and 2012.

	For the year ended December 31,		
	Actual[1]	Pro Forma[2]	Actual[3]
	2010	**2011**	**2012**
		(SEK in millions)	
Reported Underlying EBITDA	**1,854**	**2,098**	**2,232**
One-off Items[4,5]	(118)	(327)	(52)
EBITDA	**1,736**	**1,770**	**2,179**
Adjustments for items not included in cash flow [6]	11	3	7
Change in net working capital[4].	98	257	(117)
Capital expenditures	(461)	(612)	(874)
Operating Free Cash Flow [4]	**1,383**	**1,419**	**1,196**

(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 by the mathematical addition of the unaudited management accounts of the NCAC Group (1 January – September 28) and the audited financial statements of the NorCell Group (July 12 – December 31).

(3) The selected consolidated actual financial data for the year ended December 31, 2012 has been derived from the audited financial statements of the NorCell Group.

(4) As a consequence of the Acquisition in September 2011, the financial data for 2011 and other periods under review are not fully comparable.

(5) 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".*

(6) Includes change in pension provisions, change in other provisions and other items not included in the cash flow.

Operating Free Cash flow for the Year Ended December 31, 2012

Operating free cash flow decreased by SEK 223 million from SEK 1,419 million in the year ended December 31, 2011 to SEK 1,196 million in the year ended December 31, 2012.

The decrease was mainly due to a negative development of net working capital and higher capital expenditures. Also, funding of investments from leasing facilities were lower during the year ended 2012, compared to 2011. The negative net working capital development and increased capital expenditures was partly offset by a decrease in one-off items in the year ended December 31, 2012 compared to 2011. One-off items in 2011 includes a cost of approximately SEK 246 million recognized as transaction costs for the Acquisition in the third quarter of 2011.

The Group's negative net working capital decreased by SEK 117 million in the year ended December 31, 2012, affecting the operating free cash flow negatively, compared to an improvement of the net working capital of SEK 257 million in the year ended December 31, 2011.The large fluctuations in change in net working capital between the periods under review are mainly due to the high operating liabilities as of December 31, 2011, related to the Acquisition.

Capital expenditures increased by SEK 178 million, or 24.3%, from SEK 734 million in the year ended December 31, 2011 to SEK 913 million in the year ended December 31, 2012. The increase in capital expenditures was mainly due to investments in Com Hem's TiVo platform and higher volumes of installed and upgraded households within the Com Hem network and within the iTUX open network.

Indebtedness

As of December 31, 2012 total consolidated indebtedness amounted to SEK 16,456 million. The table below sets forth the maturity of our total consolidated indebtedness:

	Payment on Material Long-Term Indebtedness Due by Period						
	Nominal Value	**2013**	**2014**	**2015**	**2016**	**2017**	**Later**
			(SEK in millions)				
Senior credit facilities[(1)]	5 332	215	264	302	332	377	3 842
Senior secured notes	3 492	-	-	-	-	-	3 492
Senior notes[(1)]	2 481	-	-	-	-	-	2 481
Intercompany loans[(1)]	4 973	-	-	-	-	-	4 973
Finance leases	179	139	31	9	-	-	-
Total	**16 456**	**354**	**295**	**311**	**332**	**377**	**14 788**

(1) Euro-denominated indebtedness has been converted at the exchange rate on December 31, 2012, which was SEK 8.642 per EUR 1.00.

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

Certain Other Indebtedness

The Group uses operating assets through operational lease arrangements, and rents access to ducts and co-location facilities, as well as optical fiber. The following table sets forth the irrevocable operating lease payment obligations as of December 31, 2012.

	As of December 31, 2012			
		Due		
	Total	**Within 1 year**	**Between 1 and 5 years**	**After 5 years**
		(SEK in millions)		
Operational lease payments	758	311	437	10

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, 2012, 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, the Group bills the customers in advance, with liabilities settled at due date, which has a positive effect on liquidity. Subscribers are usually billed monthly in advance and landlords usually quarterly in advance.

The Group's cash reserve consists of cash and cash equivalents and unused facilities. The following table sets forth the liquidity reserve as of December 31, 2012:

Liquidity reserve	**(SEK million)**
Cash and cash equivalents	661
Unused facilities (revolving- and capex facility)	1,196
Total	**1,856**

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 borrowings shall be interest hedged during the first three years from arrangement. This has been made with interest rate derivatives.

The following table sets forth the interest rate structure before and after effects of interest rate derivatives.

SEK million	Nominal Value	Interest Rate Derivatives	Net Exposure	Proportion %
2013	5,510	(3,563)	1,947	12%
2014	-	-	-	-
2015	-	2,478	2,478	15%
2016	-	-	-	-
2017	-	-	-	-
2018	3,492	1,085	4,577	28%
2019	4,596	-	4,596	28%
Later	2,640	-	2,640	16%
Total	**16,239**	**-**	**16,239**	**100%**

The Group's interest expenses would increase by some SEK 19 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 2012. The following table sets forth the transaction exposure by currency as of the dates indicated.

	1 Jan – 31 Dec 2012	
Currency, million	**Amount**	**%**
EUR	(136)	35%
NOK	(31)	8%
USD	(212)	55%
Other	(5)	2%
Total	**(383)**	**100%**

The Group's consolidated cash flow would be reduced by approximately SEK 19 million for the year ended December 31, 2012 if the Swedish Krona depreciated by five percentage points against the above currencies assuming the same transaction exposure as in 2012 and assuming no hedging. The Group regularly assesses 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, 2012, 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, 2012 the Group's EUR denominated debt obligations amounted to EUR 836 million (EUR 304 million in credit facilities, EUR 287 million in notes and EUR 245 million in intercompany loans). See also *"Capitalization"* and *"Presentation of Financial and Other Data"*. According to both the Group's current Financial Policy and *Credit Facilitiy Agreeement,* part of outstanding debt in foreign currency can be unhedged provided that all foreign currency interest payments are hedged.

The following table sets forth the translation exposure before and after FX hedges.

SEK million	Nominal Value	Currency Derivatives	Net Exposure	Proportion %
Credit facilities	2,705	-	2,705	17%
Notes	3,492	-	3,492	22%
Intercompany loans	2,640	-	2,640	16%
Finance leases	179	-	179	1%
Derivatives	-	1,949	1,949	12%
Total	**9,016**	**1,949**	**10,965**	**68%**

EUR million	Nominal Value	Currency Derivatives	Net Exposure	Proportion %
Credit facilities	304	-	304	16%
Notes	287	-	287	15%
Intercompany loans	245	-	245	13%
Derivatives	-	(226)	(226)	(12%)
Total	**836**	**(226)**	**610**	**32%**

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 264 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 of the Company 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. The Group 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 the Group's operations. Total credit losses in the year ended December 31, 2012 were 0.5% of the Group´s total revenue.

Critical Accounting Policies
See *"Note 1 – Accounting Policies"* to the audited consolidated financial statements as of and for the period ended December 31, 2012, included elsewhere in this Annual Report.

BUSINESS

The Group is one of Sweden's leading suppliers of television, high-speed broadband and fixed-telephony services. Approximately 1.75 million households, or 37 percent of all Swedish households, are connected to the Company´s networks with access to the market's broadest range of television services.

Overview

The Group provides digital and analog services, through Com Hem, to subscribers and landlords across Com Hem's cable network. Com Hem also provides a full range of digital services to subscribers both inside and outside of the network, via LANs. Since May 2010, Com Hem offer its digital services, as Service Provider via Open LANs through the Group's own communications operator, iTUX, and since November 2012, as Service Provider, via Open LANs operated by other communication operators.

Com Hem offer digital services consisting of digital pay television (including VoD services), high-speed broadband and fixed-telephony services. The key driver of Com Hem's business is to continue to convert its stable base of homes connected into subscribers of digital services, either individual services or two or three services bundled in attractive packages. As of December 31, 2012, a total of 828,000 of the 1.75 million connected homes subscribed for one or more of these services, representing approximately 47% of the connected homes.

Cable Network

Com Hem's cable network is one of the most technologically advanced in Europe. Approximately 90% of all homes connected to the network are served by bi-directional and EuroDOCSIS 3.0-enabled network with a spectrum bandwidth capacity of 862 Mhz, and can receive Com Hem's digital services. Com Hem's network utilizes Hybrid fiber-coaxial ''HFC'' cable and is fiber-rich with approximately 570 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 better capacity for simultaneous distribution of digital television, high-speed broadband and fixed-telephony services compared to LANs.

As a result, Com Hem is able to deliver high-capacity-dependent content to connected homes across the entire upgraded network, which allows the 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 up to 200 Mbit/s without experiencing service-quality degradation.

LAN network

Com Hem delivers digital television, high-speed broadband and fixed-telephony services across the 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 the footprint. Com Hem delivers services over vertical or ''closed'' LANs, which Com Hem typically build and control, and through which Com Hem offer services on an exclusive basis to the connected households.

Com Hem also delivers digital television, high-speed broadband and fixed-telephony services across an Internet protocol platform to MDUs that are connected to open LANs, which are built and owned by third parties, primarily public municipal landlords, and operated on their behalf by communications operators (i.e. iTUX), who enter into agreements, on behalf of the landlord, with various Service Providers (including Com Hem), from which the end-customers can subscriber services from.

Digital Services for Residential Subscribers

In the years ended December 31, 2011 and 2012, the three digital services for residential subscribers, including digital pay television, high-speed broadband and fixed-telephony, accounted for 76.8% of the Group's total revenues.

Digital Pay Television Services

Com Hem provides residential subscribers with the ability to subscribe for one of the following five 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 CI-module or STB and a smart card before they can receive programming. Subscribers pay for a CI-module or STB at the start of their subscription, the price of which varies according to the particular subscription and promotion.

- *Small:* The small tier is the smallest digital pay television service, which provides subscribers with access to ten television channels, including two HD channels. The small tier provides subscribers with the opportunity to subscribe to other premium subscription services. The small tier also provides subscribers that have an on-demand STB with access to VoD services. Since the beginning of the first quarter of 2012, the small tier is no longer offered directly to new customers. However, the small tier can still be obtained under certain landlord framework agreements.
- *Medium 8 Favorites:* The medium tier gives subscribers the freedom to design their own package through a 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:* The large tier provides subscribers with access to approximately 40 channels, including three HD channels and ''Play services'' for certain channels, which require an on-demand STB.
- *Extra Large:* The extra-large tier provides subscribers with access to approximately 67 channels, including eight HD channels and ''Play services'' for certain channels, which require an on-demand STB.
- *Premium Channel Tiers:* The premium channel tiers provide subscribers with access to a large number of additional channels across a range of genres, primarily sports, movies and series, 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 the premium channel tiers free of charge, however ''Play services'' do require an on-demand STB.

Com Hem offers a comprehensive VoD service offering of approximately 5,000 available titles, including HD titles. As of December 31, 2012, Com Hem had approximately 122,000 VoD RGUs.

Residential subscribers with an on-demand STB, are provided with the ability to select among the following VoD services:

- *Start Over:* Re-start a program within its broadcast window.
- *Catch-up TV:* Watch programs up to 30 days after their original broadcast. The catch-up service is divided into two tiers. A seven-day catch-up service that provides access to programming as broadcast 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 programs, which are updated on a monthly basis.
- *TvoD:* Transaction VoD offers titles that are available to rent on an individual basis.

Monthly subscription fees for both digital pay television services and encryption fees are billed in advance. The pricing policy are regularly reviewed in order to offer a competitive pricing scheme, taking into consideration available channels and content as well as services and packages offered by competitors.

Com Hem's digital pay television services generated an ARPU of SEK 223 and SEK 231, respectively in the year ended December 31, 2011, and in the year ended December 31, 2012. As of December 31, 2012, Com Hem had approximately 612,000 digital pay television RGUs, meaning that approximately 35.0% of the homes that are connected to the network as of such date subscribed to Com Hem's digital pay television services.

Com Hem's digital pay television services accounted for 37.1% and 37.7% of the Group's total revenues in the year ended December 31, 2011 and the year ended December 31, 2012, respectively.

High-Speed Broadband Services

Com Hem offers high-speed broadband services on a stand-alone basis or bundled with other digital services. To access the high-speed broadband services, subscribers must have a broadband modem.

As part of the standard high-speed broadband services portfolio, Com Hem currently provides 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, 2012, 24% of the high-speed broadband subscribers subscribed for the 100 Mbit/s or 200 Mbit/s services. Subscription fees are billed in advance on a monthly basis.

Since 2008, as part of a resale agreement with the mobile operator Hi3G Access AB (operating under the brand ‘‘3’’), Com Hem offers fixed high-speed broadband subscribers mobile broadband services, providing subscribers with mobile Internet access while they are away from their home. The mobile broadband service is offered in connection with Com Hems fixed high-speed broadband offerings and is subject to an additional monthly fee.

As of December 31, 2012, Com Hem had approximately 543,000 high-speed broadband RGUs. In the year ended December 31, 2011 and the year ended December 31, 2012, high-speed broadband services generated an ARPU of SEK 191 and SEK 196, respectively.

Com Hem’s high-speed broadband services generated 27.2% and 28.0% of the Group’s total revenues in the year ended December 31, 2011 and the year ended December 31, 2012, respectively.

Fixed-Telephony Services

The fixed-telephony services use VoIP as a method of transporting voice over cable and LANs, analog voice information is digitally encoded and converted into packets, and then sent to their destinations via fixed-telephony switches. Com Hem pay interconnection fees to other Internet and fixed-telephony providers when subscribers connect with another network and receive similar fees from providers when their users connect with Com Hem’s network through interconnection points.

Subscribers to any of the fixed-telephony packages must buy a modem, in order to access the service, and the fixed-telephony subscribers are charged a low fixed monthly subscription fee and additional fees for traffic consumption. The 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. Com Hem offers these services for an additional monthly fee. Subscription fees are billed in advance on a monthly basis, whereas usage fees are billed retrospectively.

As of December 31, 2012, Com Hem had approximately 348,000 fixed-telephony RGUs. In the year ended December 31, 2011 and the year ended December 31, 2012, Com Hem’s fixed-telephony services generated an ARPU of SEK 127 and SEK 117, respectively.

Com Hem’s fixed-telephony operations generated 12.5% and 11.1% of the Group’s total revenues in the year ended December 31, 2011 and the year ended December 31, 2012, respectively.

Analog Cable Television Service

Com Hem provides analog cable television services primarily to subscribers who reside in MDUs based on contracts that Com Hem has 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. Com hem has 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. Com Hem normally enters into standard 36-months contracts with landlords to secure the analog cable subscriber base. The standard form agreement provides for a twelve months termination period, where the agreements are automatically renewed 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. In addition to contracts with landlords, Com Hem provides analog cable television services to approximately 42,000 residential homes based on individual agreements with the homeowners.

Com Hem’s analog cable television service includes up to 16 analog cable television channels, many of which have a high standing in Sweden. Through the analog cable television product Com Hem also complies with its ‘‘must-carry’’ obligation. Analog television customers with a digital tuner can receive seven free-to-cable digital channels, including six free-to-air digital terrestrial television channels and the Com Hem television channel, a promotional channel with infomercials about the services. The free-to-cable tier is available free of charge to all of the 1.75 million subscribers, provided that they have the requisite digital tuner.

Due to the large number of unique subscribers and the fact that the content costs, if any, are substantially lower for analog television channels compared to digital channels, analog cable television services contribute as an important and stable stream of revenue and profit. The importance of the analog television service is not only reflected in the revenue and profits generated by the service itself, but also in the access it provides to subscribers for upselling Com Hem’s digital services. Com Hem’s analog cable television services accounted for 19.6% and 18.8% respectively, of the Group’s total revenues in the year ended December 31, 2011 and the year ended December 31, 2012.

Communication Operator Service

The communication operator service is normally structured in a way that the communication operator pays a network fee to the network owner for the communication operator position and receives connection fees from the Service Provider that provides services across the fiber-LAN. Residential subscribers enter into direct subscription relationships with the service-providers. iTUX, the Groups communication operator commenced operations in May 2010 and had contracted to provide network access to fiber-based LANs of approximately 107,000 households as of December 31, 2012.

Cost Structure

Certain of the groups cost elements, including a large portion of the network operations, billing and administrative expenses are relatively fixed, while the sales and marketing costs, content-related costs, internet capacity among other costs are largely variable and dependent on numbers of RGUs, and customer uptake or retention costs.

Seasonality

The Group’s working capital is subject to fluctuation as Com Hem invoice landlord customers on a quarterly basis in advance and typically receive payments at the end of each quarter. Therefore, the Group has a disproportionate amount of prepaid revenues and VAT in March, June, September and December, which results in higher cash flows from operating activities and a higher level of negative working capital at the end of each quarter.

Sales Division

The Sales division main focus is to ensure the Group’s sales goals by optimizing the available sales channels in the most effective way. The Sales Division is responsible for the acquisition of residential subscriber acquisition and the commercial relationship with the landlord customers.

- *Residential Sales:* The Residential Sales department is responsible to ensure for the Group’s business-to-consumer sales volume goals by optimizing and monitoring the subscriber acquisition costs in the most effective way.
- *Landlord Sales:* The Landlord Sales department is responsible to the commercial relationship with the Group’s Landlord customers and consists of three major functions: Sales, Landlord Support and Business Support.

Marketing and Product Division

The Marketing and Product division is responsible for marketing both to the landlord business and consumer business, and ensure that the product portfolio is profitable and competitive over time. The division comprise of two departments.

- *Marketing:* The Marketing department is responsible the strategic brand positioning in addition to developing and management the campaign and advertising process.

- *Product Management:* The Product Management department consists of the broadband and telephony unit, which is responsible for product development in the areas of high-speed broadband and fixed-telephony services, and the television unit which has the same responsibilities within television services.

Operation and Customer Service Division

Com Hem’s Operation and Customer Service division is an operational support, customer care, and sales organization, comprised of approximately 500 employees. The division is divided into the following departments: Customer Service and Support, Network Operations Center, Change Management and Planning, and Field Service as well as other support functions.

- *Customer Service and Support:* Com Hem’s two Customer Service and Support sites are located in Härnösand and Örnsköldsvik. During 2012 Com Hem opened a new customer service site in Örnsköldsvik and approximately 120 employees were hired. As a result, the use of overflow partners has been phased out during 2012, and as of October 1, 2012 all calls are handled in-house. The customer service sites are organized with a first and second customer service line. The first line is the initial point of contact for incoming calls, and most requests are solved by first line staff. Any matter that cannot be solved by the first line staff will be transferred to the second line customer service team. If the problem cannot be solved by the second line agent it, is escalated to other Com Hem units or re-directed to third-party providers, including field service technicians.

- *Network Operations Center (NOC):* The NOC monitors the operating status of the network and production platforms and works in close cooperation with Com Hem's other operational departments.
- *Change Management and Planning:* The Change Management and Planning department coordinates and plan for proposed changes to the network, both from a timing and resources perspective.
- *Field Service:* The Field Service department performs maintenance on both the cable and LAN network, and to some extent, works on the expansion of the network capacity. The unit also makes in-homes visits to address technical problems and subscriber complaints.

Support Functions

Com Hem's support functions are mainly located at the head office, Stockholm. The support functions consist of the following departments:

- *Technology and Business Development:* The Technology and Business Development department is responsible for developing, maintaining and implementing new technologies and networks for the existing television, high-speed broadband and fixed-telephony service in addition to seeking out new business opportunities.
- *IS/IT Department:* The information support and information technology department's responsibility is to develop new solutions and maintain existing systems relating to Com Hem's existing business support systems, as well as the infrastructure and operation of the business support systems in addition to providing first-line support to employees with respect to their computer systems.
- *Other Support Functions:* Other support functions comprise of Communication, Finance, Human Resources, Legal and Procurement.

REGULATION

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 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 fixedtelephony services, we must offer such interconnection in respect of those parts of our networks that have bi-directional transmission capability.

Further, the Electronic Communications Act allows for the PTS to order any operator to provide another operator with access for the co-location of equipment or other forms of property or equipment sharing for the purpose of protecting the environment, public health, public security or meeting town and country planning. As a result of the Amendments to the Electronic Communications Act, these obligations have been expanded, allowing the PTS to order an operator to share wiring inside buildings (up to the first concentration or distribution point where this is located outside the building) with other operators, where this is justified on the grounds that the duplication of the infrastructure would be economically inefficient or physically impracticable. The Amendments to the Electronic Communications Act provide that network holders/holders of rights shall be entitled to market price compensation from the party obtaining access. During the spring of 2012, a competitor attempted to gain access to the in-building wiring of two housing cooperatives to which we had the exclusive right of use under the expanded obligations of the Electronic Communications Act. However, in June 2012, this competitor discontinued these efforts.

Access Obligations—Promotion of Competition

The Electronic Communications Act authorizes the PTS to order operators to grant third-party access on the markets where there is lack of competition. Unlike under the general access obligations (see ''—*General Access Regulation*''), the PTS will need to carry out a market analysis, as well as an analysis of the suitable remedies that may be imposed to enhance competition, prior to ordering an operator the granting of third-party access.

Markets That May be Subject to Access Obligations

Important aspects concerning the regulation of access and price are determined by certain market definitions, setting out the boundaries of each relevant market that may be subject to access obligations, and market analyses procedures related thereto. The PTS is the responsible authority on the Swedish market for market analyses.

The PTS's market analyses must be carried out based on the European Commission's recommendation regarding the product and service markets in the electronic communications sector that should be subject to access regulation due to lack of competition (the ''Recommendation''). The markets identified in the Recommendation are:

- access to the public telephone network at a fixed location for residential and non-residential customers (''Market 1'');
- call origination on the public telephone network provided at a fixed location (''Market 2'');
- call termination on individual public telephone networks provided at a fixed location (''Market 3'');
- wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location (''Market 4'');
- wholesale broadband access (''Market 5'');
- wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity (''Market 6''); and
- voice call termination on individual mobile networks (''Market 7'').

While Market 1 applies on a retail level, Markets 2 through 7 apply on a wholesale level.

In addition to the markets set out in the Recommendation, the PTS may also determine that other markets should be subject to access regulation. In order to impose access regulations on such other markets, the PTS must conclude that high and non-transitory barriers to entry exist, that there is no tendency towards enhanced competition and that general competition laws are not sufficient to remedy the lack of competition on the relevant market. 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 in the relevant market and, if so, establish which operator has ‘‘significant market power’’ (SMP status) and decide on the obligations for such operator.

The PTS may impose on operators of public electronic communication networks with significant market power, the obligation (i) to grant access to certain network components and certain facilities, and (ii) to offer the re-sale of their electronic communications services on a wholesale basis. 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*.''

In accordance with the Amendments to the Electronic Communications Act, PTS's markets analyses and decisions on significant market power as well as on obligations for operators with significant market power shall be renewed within three years after the previous decisions. Due to delays, PTS's next market analyses and decisions on significant market power as well as on obligations for operators with significant market power are expected to be made during 2013 and 2014.

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.

On June 23, 2011, the Administrative Court of Appeal in Stockholm delivered judgments on a number of cases relating to historical pricing of wireline and mobile interconnection, which were caused by an administrative error by the PTS. The court judgments resulted in a number of disputes between operators with interconnection agreements. In December 2012, we entered into a settlement agreement with TDC constituting the full and final payment for retroactive claims resulting from these disputes.

Consumer Protection

Pursuant to the Electronic Communications Act, we must comply with various provisions for the special protection of end-users (subscribers) regarding, among other things, the formation of agreements, which must include: (i) the identification of the Service Provider; (ii) a description of services; (iii) the quality of services; (iv) details of delivery periods; (v) the maintenance services offered by the Service Provider; (vi) a detailed description of prices; (vii) how the subscriber may receive information in relation to the services provided; (viii) the term of the agreement; (ix) standard terms and conditions; (x) compensation in case of non-delivery; and (xi) information on how consumer disputes are initiated. In addition, general consumer protection laws must be complied with when providing services to consumers.

For the purpose of strengthening consumers' rights, the Amendments to the Electronic Communications Act provide, *inter alia*, that operators providing electronic communications services to consumers must offer users the possibility to subscribe to a contract with a maximum term of 12 months. 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). The Amendments to the Electronic Communications Act also oblige operators of public communications networks to inform consumers of any change to conditions limiting access to and /or use of services and applications, to provide information on any procedures put in place by the provider to measure and shape traffic to avoid filling or overfilling a network link and to provide information about how those procedures could impact service quality. In order to comply with these new transparency obligations, Com Hem has updated its terms and conditions as well as included information on traffic management measures on the company web page.

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

On May 1, 2012, the Directive 2006/24/EC on the retention of data (the ‘‘Data Retention Directive’’) was implemented in Sweden. The legislation requires each network operator or Service Provider to collect and store certain traffic data generated in its operations during a six-month period in order to comply with statutory provisions for law enforcement purposes. Operators are not entitled to compensation for technical adjustments in their networks necessary for such collection and storage but are entitled to reasonable compensation for information requests from law enforcement authorities. The PTS presented the final regulation (Sw. *Föreskrifter*) with respect to security relating to the storage and collection of certain traffic data on November 7 2012, with effect from December 1 2012. The PTS is expected to present the final regulation with respect to compensation for information requests during 2013.

Fees

For operations requiring notification to the PTS, the authority may charge an annual fee of 0.165% of the turnover. In addition, all operators subject to a notification requirement with an annual turnover of more than SEK 30 million must pay a ‘‘preparedness’’ fee (relating to 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.

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 March 2011, the Swedish government commissioned the SBA to review the system concerning must-carry obligations for cable television networks. The SBA was instructed to consider, among other things, the allocation of costs for the remuneration of rights holders. The SBA published its report on September 30, 2011, in which it concluded that the must-carry obligations of owners or operators of a fixed electronic communications network, such as Com Hem, should remain. Furthermore, it concluded that there are reasons to consider an amendment of the current allocation of costs for the remuneration of rights holders. This conclusion indicates that the public service channels could be obligated to bear part of these costs in the future. Currently, the systems concerning must-carry obligations and the allocation of costs for the remuneration of rights holders are being processed within the Government Offices in conjunction with the processing of the State Inquiry on Public Service, which was published on September 11, 2012.

Competition Regulation

The electronic communications and media sector is covered by general competition law and regulated by the SCA. There has been no recent direct intervention from the SCA. Following Com Hem’s notification of a proposed acquisition of CDK on July 21, 2011, the SCA initiated a concentration control inquiry. As a result of this inquiry, the SCA claimed that the acquisition would create or strengthen a dominant position for Com Hem in the Swedish market for the distribution of TV services to MDUs via collective agreements with landlords. On November 24, 2011, the SCA demanded that the District Court of Stockholm prohibit the acquisition. Com Hem revoked its notification of the proposed acquisition on December 16, 2011, whereby the SCA withdrew its demand on December 16, 2011. On January 24, 2012, the District Court of Stockholm dismissed the case. It should be noted that the market definition used by the SCA in the CDK concentration control inquiry deviated from the market definitions applied both by the PTS in its 2010 analysis of the market for television distribution over wireline networks, and by the European Commission in its 2006 concentration control inquiry of the acquisition by Carlyle Europe Partners II L. P. and Providence Equity Offshore Partners V LP of Swedish cable operator NBS Nordic Broadband Services AB, also known as ‘‘UPC Sweden’’.

Environmental

We are subject to a variety of laws and regulations relating to land use and environmental protection. While the Company could incur costs, such as fines and third-party claims for property damage or personal injury, as a result of violations of environmental laws and regulations, we believe that we comply with the applicable requirements of such laws and regulations.

We are required to implement certain power saving features in set-top boxes due to Directive 2009/125/EC (establishing a framework for the setting of ecodesign requirements for energy-related products) and Commission Regulation (EC) No 107/2009 implementing Directive 2005/32/EC (with regard to ecodesign requirements for simple set-top boxes). It could be expected that these requirements on complex set-top boxes will be self-regulated by voluntary industry agreements setting certain energy consumption thresholds. We believe that we will be in compliance over time without incurring additional substantial costs.

MATERIAL CONTRACTS

Network Agreements

The Group has entered into agreements with Trafikverket, whereby transmission capacity for a national backbone network is leased. The Group has also entered into agreements with Skanova and Stokab, as well as several other local and regional municipalities for the lease of infrastructure e.g. dark fiber.

Interconnection Agreement

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

Technical Agreements

Com Hem 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

Com Hem has entered into agreements with suppliers of CPE 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, the Group has entered into agreements with Anovo, Bring/Citymail and Schenker.

TV Platform Agreement

On June 18, 2012, Com Hem entered into a mutually exclusive agreement with TiVo for the development of a ''next generation'' TV offering. The agreement is valid and mutually exclusive for an initial five-year period from the date of commercial launch. Com Hem are required to pay TiVo certain initial fees related to the development and, upon commercial launch, license fees per subscribers.

Agreements for the Distribution of Television Channels

Com Hem 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 Limited S.A. and C More Entertainment. Certain of the 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 Com Hem in connection with the distribution agreements vary. Certain of our distribution agreements require Com Hem 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 Group's facilities agreements.

BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

The Group 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 procedure 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.

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, 2012.

Name	Position
Nikos Stathopoulos	Chairman of the Board
Joachim Ogland	Director
Michael Wunderlich	Director
Mortiz von Hauenschild	Director
Tomas Franzén	Chief Executive Officer and 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 of experience in private equity. He is currently also Chairman of the Board of 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.

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 of 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 also currently a member of the Board of Nille. 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 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.

Tomas Franzén has served as Chief Executive Officer of the Group 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 Jaginder has served as Chief Financial Officer of the Group 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 the Group. 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, 2012.

Name	Position
Tomas Franzén	Chief Executive Officer (CEO)
Joachim Jaginder	Chief Financial Officer (CFO)
Eva Åhgren	Director Human Resources
Christer E. Andersson	Managing Director, (MD) iTUX
Stefan Berg	Chief Information Officer (CIO)
Christer Kinch	Director Strategic Development and Public Affairs
Daniel Ljungberg	Director of Operational Excellence and Procurement
Björn Nilsson	Director of Communications
Annika Sten Pärson	Chief Marketing and Product Officer
Krister Tånneryd	Chief Operating Officer (COO)
Stefan Trampus	Head of Sales

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*".

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)

Christer E. Andersson has served as Managing Director for iTUX since October 2012 and served as the Director of the Landlord Business Unit of Com Hem since April 2007 to October 2012. 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).

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 Bostadsrättsförening 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 Product since October 2012, and served as Chief Marketing and Sales Officer (CMSO) of Com Hem since July 2008 to October 2012. 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).

Stefan Trampus, born 1969, joined Com Hem in October 2012 as Head of Sales for both the Landlord Business Unit and Consumer Sales. He graduated with a degree in Financial Control from IHM Business School. Previously, he served as a member of the Board of Cygate AB (2009-2011), Vice President of Broadband Services at TeliaSonera Sweden (2008-2012), Vice President Business Management of Mobility Services at TeliaSonera Sweden (2007-2008), Sales Director at TeliaSonera Sweden (2003-2006) and Head of Product management for Internet access at TeliaSonera Sweden (2000-2003).

PRINCIPAL SHAREHOLDERS

NorCell Sweden Holding 3 AB (publ) is wholly owned by NorCell Sweden Holding 2 AB (publ). 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 Limited. 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 RELATIONSHIP AND RELATED PARTY TRANSACTIONS

The Group has engaged in certain related party transactions with the Company's owner, 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.

As of November 21, 2012, NorCell 1B AB (publ) issued Senior PIK Notes of EUR 250 million. The net proceeds of EUR 245 million were on-lent as a subordinated intercompany loan to NorCell Sweden Holding 2 AB (publ). The amount of EUR 245 million was concurrently repaid to NorCell 1B AB (publ) through the repayment of subordinated intercompany loans. NorCell 1B AB (publ) used the proceeds to fully repay the outstanding amount under the PIK Facilities (including accrued interest), to NorCell S.à r.l, and to partially repay an existing intercompany loan to NorCell Sweden Holding 1 AB as well as pay fees and expenses incurred in connection with the offering. The final maturity date of the Senior PIK Notes is December 1, 2019. Interest accrues with a fixed rate of 12.4%. From and after December 1, 2017 interest will accrue at 12.4%, plus 1% per annum.

The Group pays a monitoring fee of EUR 150,000 per annum for the provision of services rendered by BC Partners Limited. In addition, the Group reimburses out of pocket expenses incurred by the directors of BC Partners Limited in connection with the provision of these services.

DESCRIPTION OF CERTAIN FINANCIAL ARRANGEMENT

PIK Subordination Agreement

In order to establish the relative priority between the Senior PIK Notes and certain indebtedness of NorCell 1B AB (publ) to its direct parent company, NorCell Sweden Holding 1 AB (the ''Subordinated Lender'' and, together with any Person that becomes a party to the Subordination Agreement (as defined below) as a Subordinated Lender, the ''Subordinated Lenders''), NorCell 1B AB (publ) and the Subordinated Lender entered into a PIK Subordination Agreement dated November 21, 2012 (the ''Subordination Agreement''), among NorCell 1B AB (publ), the Subordinated Lender and the Senior PIK Notes Trustee.

Pursuant to the Subordination Agreement, the Subordinated Lenders and NorCell 1B AB (publ), as applicable, agreed that:

- indebtedness resulting from the existing shareholders loans to NorCell 1B AB (publ) and future indebtedness resulting from additional loans, advances or extensions of credit from any Subordinated Lender to NorCell 1B AB (publ) (collectively, ''Subordinated Intercompany Obligations''), are and will be subordinate, and junior in right of payment, to all obligations payable in respect of the Senior PIK Notes (the ''Senior PIK Notes Obligations'');
- payments in respect of the Subordinated Intercompany Obligations may only be made to the extent not prohibited by the Senior PIK Notes Indenture, provided that in no event may interest payments be made on the Subordinated Intercompany Obligations if a default or event of default under the Senior PIK Notes Indenture shall have occurred and be continuing;
- payment made to the Subordinated Lender in violation of the terms of the Subordination Agreement will be held in trust for the benefit of the holders of the Senior PIK Notes;
- following a liquidation, reorganization or similar proceeding relating to NorCell 1B AB (publ), the Subordinated Lender may not demand payment on the Subordinated Intercompany Obligations and payments by NorCell 1B AB (publ) with respect to the Subordinated Intercompany Obligations shall be paid to the Senior PIK Notes Trustee for the benefit of the holders of the Senior PIK Notes; and
- the Subordinated Intercompany Obligations may not receive the benefit of security or guarantees from NorCell 1B AB (publ) and its subsidiaries.

The Subordination Agreement provides that additional parties may accede to the Subordination Agreement as Subordinated Lenders in connection with future loans, advances or extensions of credit to NorCell 1B AB (publ) or upon the transfer of existing Subordinated Intercompany Obligations.

The Subordination Agreement is governed by New York law.

Intercreditor Agreement

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 Note Guarantors (other than NorCell Sweden Holding 2 AB (publ) and NorCell Sweden Holding 3 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 Note 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. NorCell 1B AB (publ) is a party to the Intercreditor Agreement as an intercompany lender to establish the priority of certain obligations owed to it by its restricted subsidiaries in relation to the relative rights of certain creditors under its subsidiaries' financing arrangements.

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 respective 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 respective 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), Bank 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. 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 for an aggregate principal amount of SEK 1,283 million (the ''Term Loan B1 Facility'') and a senior secured term loan B2 facility for an aggregate principal amount of EUR 321 million (the ''Term Loan B2 Facility'' and, together with the Term Loan B1 Facility, the ''Term Loan B Facilities'') (the Term Loan B Facilities, 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 Term Loan A Facility was utilized by NorCell Sweden Holding 3 AB (publ) and Com Hem AB to refinance the existing indebtedness of the Group in connection with the Acquisition. The Term Loan B Facilities were utilized by NorCell Sweden Holding 3 AB (publ) to refinance the existing indebtedness of the Group in connection with the Acquisition. There is currently no availability for additional borrowings under the Term Loan A Facility or the Term Loan B Facilities.

In connection with the Acquisition, a provision for a conditional payment under the Acquisition Agreement of SEK 400 million was made to the CDK Overfunding Account pending the closing of the CDK Acquisition. As a result of the withdrawn CDK Acquisition, during 2012, SEK 303 million (including accrued interest of SEK 3 million) was applied to repay amounts due under the Senior Credit Facilities and SEK 101 million (including accrued interest of SEK 1 million) was distributed to NorCell S.à r.l.

The Capex Facility may be utilized by certain members of the Group (other than NorCell Sweden Holding 3 AB (publ) or NorCell Sweden Holding 2 AB (publ)) in SEK. It may be used to finance or refinance: (i) any expenditure or obligation (other than any expenditure or obligation in respect of a business acquisition) in respect of an expenditure which, in accordance with certain accounting principles, is treated as capital expenditure and (ii) certain permitted acquisitions.

The Revolving Credit Facility may be utilized by certain members of the Group (other than NorCell Sweden Holding 3 AB (publ) or NorCell Sweden Holding 2 AB (publ)) in any currency readily available and freely convertible into SEK in the London or European interbank market (subject to obtaining the consent of all the Revolving Credit Facility lenders if not in SEK, euro or U.S. dollars) by the drawing of cash advances, the issue of letters of credit up to a sub-limit and ancillary facilities. The Revolving Credit Facility may be used for the Group's general corporate and working capital purposes (but not towards acquisitions of companies, businesses or undertakings).

In addition, NorCell Sweden Holding 3 AB (publ) may elect to solicit incremental facility commitments (''Incremental Facility Commitments'') *provided that* the maximum aggregate amount of the Incremental Facility Commitments may not exceed SEK 500 million. NorCell Sweden Holding 3 AB (publ) and the lenders may agree to certain terms in relation to the Incremental Facility Commitments, including the margin and the termination date (each subject to parameters) and the availability period.

Availability

The Capex Facility may be utilized until September 2014. The unutilized amount of the Capex Facility will be automatically canceled at the end of the availability period.

The Revolving Credit Facility may be utilized until the date which is one month prior to the termination date of the Revolving Credit Facility.

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 twelve-month period from the date of funding of the Senior Facilities Agreement, provided that no event of default has occurred and is continuing. As of December 31, 2012 the following margins were applicable:

- 4.00% 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;
- 4.00% per annum in respect of loans under the Capex Facility; and
- 4.00% per annum in respect of loans under the Revolving Credit Facility.

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 canceled 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 installments, with the first installment paid in September 2012 and the final installment payable in September 2017. The Term Loan B Facilities will be repaid in full in March 2018. The Capex Facility will be repaid in installments 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 2 AB (publ), NorCell Sweden Holding 3 AB (publ), Com Hem Holding AB, iTUX Communication AB and Com Hem AB 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 (defined as NorCell Sweden Holding 2 AB (publ) and each of its subsidiaries from time to time (including, for the avoidance of doubt, NorCell Sweden Holding 3 AB (publ)) and the Group from September 29, 2011) 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), Com Hem Holding AB, iTUX Communication AB and Com Hem AB; (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; and (iv) an assignment of certain rights under the transaction documents for the Acquisition granted by NorCell Sweden Holding 3 AB (publ).

Representations and Warranties

The Senior Facilities Agreement contains customary representations and warranties (subject to certain agreed qualifications and with certain ones being repeated), including:

- corporate representations including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, due authorization, governing law and enforcement, validity and admissibility in evidence and *pari passu* ranking;
- no insolvency, no litigation, no breach of laws, no filing or stamp taxes, no deductions on amounts payable on account of taxes and no overdue tax returns;
- no default and no misleading information in the information memorandum;
- no security, guarantees or financial indebtedness, except as permitted;
- ownership of shares acquired and ownership of or right to use all material assets;
- ownership and maintenance of intellectual property rights and compliance with pension obligations;
- ranking;
- equity documents and acquisition documents contain all material terms, centre of main interests in its jurisdiction of incorporation and no other establishments; and
- accuracy of the group structure chart and financial statements.

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:

- make acquisitions or investments;
- make loans or grant guarantees to others;
- incur indebtedness;
- create security;
- repay, prepay or purchase any of the Notes;
- dispose of assets;
- merge with other companies;

- issue shares, pay dividends, redeem share capital or make payments to shareholders;
- change to center of main interest;
- enter into transactions other than arm's length; and
- 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:

- maintenance of relevant authorizations;
- maintenance of insurance;
- compliance with laws, including environmental laws and regulations;
- payment of taxes;
- provision of financial and other information to the lenders;
- *pari passu* ranking;
- maintenance of intellectual property; and
- 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).

As at December 31, 2012, the adjusted leverage ratio ranged from 6.85x stepping down to 3.55x through the end of 2017 and the interest cover ratio ranged 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 66.66% 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):

- non-payment of amounts due under the Senior Credit Facilities finance documents;
- breach of any financial covenant or non-compliance with other obligations under the Senior Credit Facilities finance documents;
- inaccuracy of representation or statement when made;
- cross defaults, including any event of default under the Senior Bridge Facility and any senior notes used to refinance such Senior Bridge Facility;
- unlawfulness, repudiation, invalidity or unenforceability of the Senior Credit Facilities financing documents;
- insolvency, insolvency proceedings and commencement of certain creditors' processes, such as expropriation, attachment, sequestration, distress or execution;
- cessation of business;
- commencement or threat of material litigation;
- material adverse change;
- material audit qualification;
- breach of the Intercreditor Agreement; and
- material revocation of certain cable network operations.

Governing Law

The Senior Credit Facilities and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England and Wales.

Senior Secured Notes Indenture

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 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 are guaranteed by NorCell Sweden Holding 2 AB (publ), 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 Senior Secured Notes by the other Senior Secured Notes Guarantors.

NorCell Sweden Holding 3 AB's (publ) obligations under the Senior Secured Notes and the guarantees thereof by NorCell Sweden Holding 2 AB (publ) and the Senior Secured Notes Guarantors are secured by a first-ranking security interest granted on an equal and ratable first-priority basis with the Senior Credit Facilities in: (i) all of the capital stock of NorCell Sweden Holding 3 AB (publ) and each Senior Secured Note Guarantor (other than NorCell Sweden Holding 2 AB (publ)); (ii) certain intercompany loan receivables owed by the Senior Secured Notes Guarantors; (iii) NorCell Sweden Holding 3 AB's (publ) rights under the Acquisition Agreement; and (iv) certain trademarks.

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 3 AB (publ) would be required to make an offer to repurchase the maximum principal amount of the Senior Secured Notes, plus accrued and unpaid interest, if any, at 100% of the principal amount to the extent of such proceeds.

Covenants and Events of Default

The indenture governing the Senior Secured Notes contains covenants and events of default typical of instruments similar to the Senior Secured Notes, including limitations on the ability of NorCell Sweden Holding 3 AB (publ) and its restricted subsidiaries, Com Hem Holding AB, iTUX Communication AB and Com Hem AB (the ''Restricted Subsidiaries''), to, inter alia:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of NorCell Sweden Holding 3 AB (publ) or those of its Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;

- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to NorCell Sweden Holding 3 AB (publ) or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Senior Secured Notes.

The indenture governing the Senior Secured Notes contains certain restrictions on the activities of NorCell Sweden Holding 3 AB (publ) and a requirement to maintain certain guarantees of the Senior Secured Notes.

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 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 Indenture

On November 14, 2011, NorCell Sweden Holding 2 AB (publ) issued EUR 287,058,000 aggregate principal amount of 10¾% Senior Notes due 2019. 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), 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.

Covenants and Events of Default

The indenture governing the Senior Notes contains covenants and events of default typical of instruments similar to the Senior Notes, including limitations on the ability of NorCell Sweden Holding 2 AB (publ) and its restricted subsidiaries, NorCell Sweden Holding 3 AB (publ), Com Hem Holding AB, iTUX Communication AB and Com Hem AB (the ''Restricted Subsidiaries''), to, *inter alia*:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of NorCell Sweden Holding 2 AB (publ) or those of its Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to NorCell Sweden Holding 2 AB (publ) or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Senior Notes.

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 Intercreditor Agreement (as defined in the indenture governing the Senior 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 noteholders to declare the Senior Notes due and payable. The final maturity date of the Senior Notes is September 29, 2019.

Senior PIK Notes Indenture

On November 21, 2012, NorCell 1B AB (publ) issued EUR 250,000,000 aggregate principal amount of 12.4% Senior PIK Notes due 2019. The Senior PIK Notes are senior indebtedness of NorCell 1B AB (publ) and rank *pari passu* in right of payment with any existing and future indebtedness of NorCell 1B AB (publ) that is not subordinated in right of payment to the Senior PIK Notes. The proceeds of the offering of the Senior PIK Notes was used to fully repay amounts drawn under the previous PIK loan (including accrued interest), partially repay an existing intercompany loan and pay certain fees and expenses incurred in connection with the offering of the Senior PIK Notes. In advance thereof, the proceeds from the Offering was on-lent as a subordinated intercompany loan to NorCell Sweden Holding 2 AB (publ), which amount was concurrently repaid to the NorCell 1B AB (publ) through the repayment of existing subordinated intercompany loans.

Guarantees and Security

The obligations under the Senior PIK Notes are secured by a first-ranking security interest granted on an equal and rateable first-priority basis over all the capital stock of NorCell Sweden Holding 2 AB (publ).

Change of Control

Upon the occurrence of certain events constituting a ''change of control'' with a decline in the credit rating of the Senior PIK Notes or NorCell 1B AB (publ) ceases to be the sole shareholder of NorCell Sweden Holding 2 AB (publ), NorCell 1B AB (publ) would be required to offer to repurchase all outstanding Senior PIK Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase and additional amounts, if any. In the event of certain asset sales, after which the proceeds are not reinvested or used to repay indebtedness in the form set forth in the indenture governing the Senior PIK Notes and as a result of which such proceeds exceed SEK 250 million, NorCell 1B AB (publ) would be required to make an offer to repurchase the maximum principal amount of the Senior PIK Notes, plus accrued and unpaid interest, if any, at 100% of the principal amount to the extent of such proceeds.

Covenants and Events of Default

The indenture governing the Senior PIK Notes contains covenants and events of default typical of instruments similar to the Senior PIK Notes, including limitations on the ability of NorCell 1B AB (publ) and its restricted subsidiaries, NorCell Sweden Holding 2 AB (publ), NorCell Sweden Holding 3 AB (publ), Com Hem Holding AB, iTUX Communication AB and Com Hem AB (the ''Restricted Subsidiaries''), to, *inter alia*:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of NorCell 1B AB (publ) or those of its Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to NorCell 1B AB (publ) or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Senior Notes;
- engage in certain activities; and
- amend certain documents.

The indenture governing the Senior PIK 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 PIK 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 security interest under the security documents securing the Senior PIK 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 PIK Subordination Agreement and Intercreditor Agreement (each, as defined in the indenture governing the Senior PIK Notes), any additional PIK subordination agreement or intercreditor agreement and the indenture governing the Senior PIK 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 PIK Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the Senior PIK Notes due and payable. The final maturity date of the Senior PIK Notes is December 1, 2019.

Nordea Leasing Facility

Com Hem AB entered into a framework agreement with Nordea Finans Sverige AB (publ) (''Nordea Finans'') on January 7, 2010, under which Com Hem AB 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, Com Hem AB are still liable to pay outstanding and scheduled fees in respect of each separate lease agreement until the current lease periods for all separate lease agreements have expired. As of December 31, 2012, the amount outstanding under the Nordea Leasing Facility was SEK 83 million.

INDEPENDENT AUDITORS

The statutory auditors of the Group 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, 2010 and 2009, the IFRS consolidated financial statements of the NorCell Group as of the and for the year ended December 31, 2012, and, as of and 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.

DEFINITION 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.
‘‘**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.
‘‘**Open LAN**’’	A Local Area Network, which is most commonly managed by a communications operator and characterized by third party ownership and by various Service Providers. The Service Providers offer their services directly to end customers.
‘‘**Vertical LAN**’’	A local Area Network, usually built and controlled by a single operator, which has an exclusive right of providing their products to end customers.
‘‘**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 respective Notes, by and among NorCell 1B AB (publ) or 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 respective Notes.
"**Note Guarantors**"	NorCell Sweden Holding 2 AB (publ), NorCell Sweden Holding 3 AB (publ), Com Hem Holding AB, iTUX Communication AB and Com Hem AB.
"**Revolving Credit Facility"**..........................	The SEK 500 million senior secured multi-currency revolving credit facility pursuant to the Senior Facilities Agreement as described under "*Description Certain Financial Arrangements—Senior Facilities Agreement*."
"**Senior Notes Guarantees**"	Guarantees issued by each of NorCell Sweden Holding 3 AB (publ), 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), 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), 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), 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 Facilities and the Capex Facility.
"**Term Facilities**"	Term Loan A Facility and Term Loan B Facilities.
"**Term Loan A Facility**" ..	The SEK 1,592 million senior secured term loan facility utilized by NorCell Sweden Holding 3 AB (publ) and Com Hem AB 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 respective Indenture.

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2012, and 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 January 1, 2012 to December 31, 2012

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

INDEPENDENT AUDITOR'S 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 sheets as at 31 December 2012 and 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods 1 January 2012 to 31 December 2012 and 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 adopted by the EU, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012 and 2011 and of its consolidated financial performance and its consolidated cash flows for the periods 1 January 2012 to 31 December 2012 and 12 July 2011 to 31 December 2011, in accordance with International Financial Reporting Standards as adopted by the EU.

Stockholm, 27 March 2013
KPMG AB

/s/ Thomas Thiel

Thomas Thiel
Authorized public accountant

CONSOLIDATED INCOME STATEMENT

SEK in thousand	Note	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Revenue	2	4,562,020	1,152,379
Cost of Sales and Services		(2,243,749)	(582,599)
Gross profit		**2,318,271**	**569,780**
Selling expenses		(1,310,188)	(372,654)
Administrative expenses		(249,028)	(68,670)
Other operating income	4	17,627	8,023
Other operating expenses	5	(28,675)	(269,795)
Operating income	6,7,8,26,27	**748,007**	**(133,316)**
Financial income and expenses			
Financial income		206,906	155,483
Financial expenses		(1,954,301)	(745,130)
Net finance expenses	9	**(1,747,395)**	**(589,647)**
Loss after financial items		**(999,387)**	**(722,963)**
Income taxes	10	410,899	62,470
Net loss for the period		**(588,489)**	**(660,493)**
Loss per share	34		
Basic (SEK)		(981)	(1,101)
Diluted (SEK)		(981)	(1,101)

Consolidated Statement of Comprehensive Income

SEK in thousand	Note	1 Jan - 31 Dec 2 012	12 Jul - 31 Dec 2 011
Comprehensive loss for the period		(588,489)	(660,493)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		**-**	**-**
Net loss for the period		**(588,489)**	**(660,493)**

CONSOLIDATED BALANCE SHEET

SEK in thousand	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Non-current assets			
Intangible assets	11	16,512,776	16,992,725
Property, plant and equipment	12	1,421,134	1,460,017
Financial assets	13, 25	6,066	-
Total non-current assets		**17,939,976**	**18,452,742**
Current assets			
Inventories	14	25,302	30,768
Trade receivables	15, 25	132,988	120,974
Prepaid expenses and accrued income	16, 25	124,940	124,731
Other receivables	13, 25	16,398	15,405
Cash and cash equivalents	17, 25, 26	660,898	1,044,202
Total current assets		**960,526**	**1,336,080**
TOTAL ASSETS		**18,900,502**	**19,788,822**
EQUITY AND LIABILITIES			
Equity	18		
Share capital		600	600
Other paid in capital		1,340,937	1,340,937
Retained earnings incl. Net profit/loss for the period		(1,248,982)	(660,493)
Total equity		**92,555**	**681,044**
Non-current liabilities			
Non-current interest-bearing liabilities	19, 25, 26	15,553,361	15,369,255
Other non-current liabilities	23, 25	261,268	102,450
Pension provisions	20	115,161	108,656
Other provisions	21	20,910	21,752
Deferred tax liabilities	10	772,567	1,183,466
Total non-current liabilities		**16,723,267**	**16,785,579**
Current liabilities			
Current interest-bearing liabilities	19, 25, 26	353,979	550,633
Trade payables	22, 25	502,609	623,785
Other current liabilities	23, 25	64,647	52,657
Accrued expenses and deferred income	24, 25	1,163,445	1,095,124
Total current liabilities		**2,084,680**	**2,322,199**
TOTAL EQUITY AND LIABILITIES		**18,900,502**	**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	Shares capital	Other Paid-in Capital	Retained 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**

SEK in thousand	Shares capital	Other Paid-in Capital	Retained Earnings incl. Net Profit/Loss for the Period	Total Equity
Opening equity as of 1 Jan 2012	**600**	**1,340,937**	**(660,493)**	**681,044**
Comprehensive loss for the period	-	-	(588,489)	(588,489)
Closing equity as of 31 Dec 2012	**600**	**1,340,937**	**(1,248,982)**	**92,555**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Operating activities		
Profit/loss after financial items	(999,388)	(722,963)
Adjustment for items not included in cash flow, etc.*	2,012,261	677,226
Cash flow from operating activities before changes in working capital	**1,012,873**	**(45,737)**
Changes in working capital		
Increase (-)/decrease (+) in inventories	5,466	59
Increase (-)/decrease (+) in operating receivables	(13,216)	14,816
Increase (+)/decrease (-) in operating liabilities	(108,793)	247,925
Cash flow from operating activities	**896,330**	**217,063**
Investing activities		
Acquisition of subsidiaries (see note 3)	-	(8,553,151)
Acquisition of intangible assets	(249,526)	(96,938)
Acquisition of property, plant and equipment	(624,780)	(176,758)
Investment in financial assets	(6,000)	-
Cash flow from investing activities	**(880,306)**	**(8,826,847)**
Financing activities		
New share issue	-	1,341,037
Borrowings from group companies	2,120,076	4,384,106
Repayment of borrowings from group companies	(1,386,538)	-
Amortization of borrowings from group companies	(632,911)	-
Borrowings**	-	11,967,398
Amortization of borrowings	(457,272)	(7,404,092)
Payment of transaction costs and discounts	(42,683)	(634,963)
Cash flow from financing activities	**(399,328)**	**9,653,486**
Net change in cash and cash equivalents	**(383,304)**	**1,043,702**
Cash and cash equivalents at beginning of period	**1,044,202**	**500**
Cash and cash equivalents at end of period	**660,898**	**1,044,202**

** The raised and amortized bridge facilities 2011 have been reported net under Borrowings 2011.

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

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Depreciation, amortization and impairment of assets	1,412,551	359,862
Unrealized exchange rate differences	(190,768)	(147,524)
Unrealized change in fair value of financial liabilities	158,883	101,146
Change in capitalized loan expenses and discounts	101,343	113,202
Change in accrued interest expenses	66,137	99,285
Profit/loss from disposal of property, plant and equipment	18,940	11,817
Pension provisions	6,505	499
Other provisions	(842)	2,878
Interest not settled with cash, group companies	438,066	136,061
Other items not included in cash flow	1,446	-
Total	**2,012,261**	**677,226**

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 27 March, 2013.

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 2012. 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 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 company has not decided whether the new principles will be applied in advance or from the end of 2015.The effect of the introduction of IFRS 9 has not yet been specified.

IAS 1 Presentation of Financial Statements has been changed. 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. 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. 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 21 million in other comprehensive income.

Updated IAS 32 Financial Instruments; Classification. Changes covering the clarifications regarding the policies of set offs of financial assets and debts. The changes will be applied periodically commencing on 1 January, 2014, with retroactive application.

Updated IFRS 7 Financial Instruments; Disclosures. Changes relate to new disclosure requirements for offsetting financial assets and liabilities. The amendment applies to the financial years commencing on 1 January, 2013 or later, as well as the interim periods in the financial year with retroactive application.

Other published standards will be effective from 2013 or later and are not expected to affect the entities financial statements significantly except from disclosure requirements.

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. Exchange rate differences on operating receivables and liabilities are included in operating income, while differences in financial receivables and liabilities are reported in financial items. The entity uses forward exchange contracts to reduce its exposure to fluctuations in various exchange rates. Furthermore, the forward exchange contracts are recorded at fair value.

Revenue

Revenue is recognized when it is likely that future economic benefits will flow to the Company, and these benefits can be reliably measured. Revenue only includes the gross inflows of economic benefits received or receivable by the Company on its own account.

Primarily, the Group's revenue consists of Digital Tv services, Broadband, Telephony and periodic charges from property owners. Revenue from Digital Tv, Broadband and Telephony is recognized as the services are utilized. These revenues relate to consumers. Invoicing is monthly in advance.

Revenue from property owners for periodic charges mainly for the analog cable television services 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.

Start-up fees and other one-time fees are recognized at the time of sales where the fee relates to costs incurred when a customer signs an agreement.

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 other units related to production are also included. Cost of sales and services include depreciation and amortization of fixed assets related to production.

Selling expenses
Selling expenses 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 expenses
Other operating expenses 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. A receivable is recognized when the company performed and a contractual obligation exists for the other party to pay, even if the invoice has not been sent. Trade receivables are recognized in the Balance Sheet when an invoice is sent. Liabilities are recognized when the counterparty has performed under the agreement and the Company is contractually obliged to settle the obligation, even if the invoice has not yet been received. Trade payables are recognized when an invoice is received.

A financial asset is derecognized when the contracted rights are realized, expire, or when control of the contractual rights is lost. 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.

Estimated useful lives:

-	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 expenses.

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 expenses. 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 "Rådet för finansiell rapportering", this is a defined-benefit multi-employer plan. For the financial year 2012, the Company does not have access to information that would enable it to report the plan as a defined-benefit plan.

Termination of Employment Remuneration
Costs associated with termination of employment are only recognized if the Company is proven to be under obligation to terminate employment before the normal time through a formal and detailed plan, without any realistic possibility of

withdrawal. When remuneration is offered as an incentive to voluntary termination of employment, a cost is posted to accounts if it is probable that the offer will be accepted and the number of employees that are likely to accept the offer can be reliably estimated.

Short-term Remuneration
Short-term remuneration to employees is calculated without discounting and reported as an expense when the related services are received.

A provision is reported for the expected expense of bonus payments when the Group has a prevailing legal or informal commitment to make such payment resulting from services being received from employees and the commitment can be reliably estimated.

Staff information
According to the Annual Accounts Act, which stipulates additional information compared to IFRS, includes information regarding the gender differences within the board of directors and management. Information on gender differences refers to the situation at the year end. The board members include, elected members of the Parent Company. The senior executives include, executive management and the CEO of the group.

Provisions
A provision is recognized in the Balance Sheet when the Group has an existing legal or informal obligation resulting from a past event, and it is probable that a cash outflow will be necessary to settle the obligation, and the amount can be reliably measured. Provisioning is an amount that is the best estimate of what is necessary to settle the existing commitments on the reporting date. When the effect of the timing of the payment is significant, provisions are calculated by discounting expected future cash flows using an interest rate before tax that reflects current market estimates of the time value of money, and if applicable, the risks specific to the liability.

Taxes
Income taxes comprise current tax and deferred tax. Income tax is recognized in net profit or loss except when the underlying transaction is recognized in other comprehensive income whereupon the associated tax effect is also recognized in other comprehensive income or in equity.

Current tax is tax to be paid or recoverable for the current year, using tax rates enacted or substantively enacted as of the reporting date, which also includes adjustments of current tax attributable to earlier periods.

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amounts and taxable values of assets and liabilities. The following temporary differences are not considered: the temporary differences arising from the initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither reported, nor taxable earnings, moreover, temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the near future. The measurement of deferred tax depends on how the carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates or tax regulations enacted or substantively enacted by the reporting date.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are only recognized to the extent that it is probable that they can be utilized. The carrying amount of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Contingent Liabilities
A contingent liability is recognized whenever there is a possible obligation originating from past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation not reported as a liability or provision because it is not probable that an outflow of resources will be necessary.

Statement of Cash Flows
When preparing the cash flow analysis the indirect method is applied in accordance with the IAS 7 statement of cash flows with addition to the cash and bank flows, cash equivalents including short-term investments with a maturity of less than three months from the date of acquisition, and where the conversion of bank deposits can be known in advance.

Definitions of Key Financial Ratios

Net debt
Interest-bearing liabilities less cash and bank balances.

Equity asset ratio
Total equity as a percentage of total assets.

Debt/equity ratio
Interest-bearing liabilities divided by total equity.

Note 2 Categories of Revenue

Operations are integrated and cover one operating segment. Tv, Broadband and Fixed Telephony are delivered to customers in Sweden.

Revenue by significant revenue type	**1 Jan - 31 Dec**	**12 Jul - 31 Dec**
SEK in thousand	**2012**	**2011**
Landlord	856,164	220,681
Pay Television	1,720,854	429,156
High-Speed Broadband	1,277,016	318,557
Fixed Telephony	505,693	138,677
Other	202,293	45,308
Total	**4,562,020**	**1,152,379**

Note 3 Business Combinations

Business Combinations 2012
No business combinations have been done during the financial year 2012. However, Com Hem AB signed an agreement with Övik Energi AB in December 2012, to acquire Örnsat, Örnsköldsviks Satellit och Kabel TV AB, a local network operator in Örnsköldsvik. Örnsat has approximately 6,000 connected households. The acquisition was completed on March 1, 2013. Preliminary purchase price amounts to SEK 6,800 thousand.

Business Combinations 2011
On July 21, 2011 NorCell Sweden Holding 3 AB (publ) signed an agreement to acquire all 7,286,446 shares of Com Hem Holding AB (corp. ID no. 556689-2104) former Nordic Cable Acquisition Company Sub-Holding AB, which was an indirect owner of Com Hem AB. Due to mergers, Com Hem AB is directly owned by Com Hem Holding AB as of 20 June 2012. The agreement was conditional on competition regulatory approval, which was received in September. The acquisition was consummated on September 29, 2011 and controlling influence over operations was obtained. The acquisition has been recognized by applying the purchase method, and the table below states the acquired fair values. The acquisition was funded through external borrowings, shareholders' loans and the purchaser's own cash and cash equivalents. No equity instruments were issued in tandem with the acquisition.

SEK in thousand	**Recognized value in the Group**
Intangible assets	6,333,324
Property, plant and equipment	1,421,210
Other current assets	306,755
Cash and cash equivalents	1,046,849
Non-current liabilities	(7,575,907)
Deferred tax liabilities	(1,245,938)
Current liabilities	(1,428,414)
Recognized assets, net	**(1,142,121)**
Goodwill	10,742,121
Purchase price (paid in cash)	**9,600,000**

The goodwill recognized for the acquisition relates to future revenue from new customers and increased revenue from existing customers through continued growth of the number of services sold per customer. No portion of the goodwill amount is expected to be tax deductible.

For the acquisition, the total cash outflow was SEK 8,553 million after deducting for acquired cash and cash equivalents of SEK 1,047 million. The agreement included potential additional remuneration for the operations of Canal Digital Kabel-TV, which Com Hem signed a purchase agreement for in June 2011. However, the acquisition was 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	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Exchange gains on trade receivables/liabilities	8,475	1,859
Recovered trade receivables	6,002	1,346
Other	3,150	4,818
Total	**17,627**	**8,023**

Note 5 Other Operating Expenses

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Losses from disposals of non-current assets	(18,940)	(11,713)
Exchange losses on trade receivables/liabilities	(9,124)	(2,486)
Acquisition costs	(611)	(245,596)
Other costs	-	(10,000)
Total	**(28,675)**	**(269,795)**

Note 6 Employees and Personnel Expenses

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Salaries and benefits	385,065	97,539
Social security contributions	124,617	31,859
Pension expenses	41,582	10,616
Capitalization of personnel expenses	(70,649)	(14,694)
Other personnel costs	22,779	1,530
Total	**503,394**	**126,850**

The number of employees at year-end was 960 (792). The average number of full-time employees was 791 (714), of which 260 (256) were women. In the board of directors of the parent company, the portion of women at year end was 0% (0%), and for group management 12% (13%).

Salary, Other Benefits and Social Security Contributions for the Chief Executive Officer and other Senior Management

SEK in thousand	1 Jan - 31 Dec 2012 Salary Benefits	1 Jan - 31 Dec 2012 Social Security Contribution	12 Jul - 31 Dec 2011 Salary Benefits	12 Jul - 31 Dec 2011 Social Security Contribution
CEO	7,456	4,345	2,089	1,148
- of which bonus	*2,855*	*897*	*910*	*286*
- of which pension expenses	-	*1 612*	-	*396*
Other Senior Management	26,160	15,003	6,428	3,614
- of which bonus	*4,025*	*1,265*	*840*	*264*
- of which pension expenses	-	*5,459*	-	*1,225*
Total	**33,616**	**19,348**	**8,517**	**4,762**

The Group's other Senior Management consist of 16 (15) people, of which ten (nine), are employed by subsidiary Com Hem AB and five (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). Eleven members of the Group's Senior Management are included in the Group Management team.

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 25% to 40% of basic salary for other Senior Management. The pension expenses for other Senior Management amounts to between 15% and 35% of basic salary. Other Senior Management have 3-12 month notice periods from the Company's side and 3-6 month notice periods from the Manager's side.

Remuneration to the Board of Directors amounted to SEK 78 (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 - (-). 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 2,072 (2,016) thousand at the end of the financial year.

Note 7 Fees and Reimbursement to Auditors

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
KPMG AB		
Audit fees	2,900	1,013
Audit related fees	367	-
Tax Services	25	-
Other fees	459	-
Total	**3,751**	**1,013**

Note 8 Operating Expenses by Type

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Personnel expenses	(503,395)	(126,850)
Depreciation and amortization	(1,412,551)	(371,575)
Cost of sales and services	(1,274,197)	(332,881)
Sales and marketing expenses	(238,049)	(92,972)
Transaction costs	(611)	(245,596)
Other operating costs	(385,210)	(115,821)
Total	**(3,814,013)**	**(1,285,695)**

Other operating expenses include consulting fees and IT costs.

Note 9 Net Finance Cost

SEK in thousand **Financial Income**	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Interest income		
- bank balances	4,266	4,517
- loan receivables and trade receivables	1,893	434
- loan receivables from group companies	66	-
Exchange rate gains, net	194,802	146,572
Expected return on plan assets	5,847	1,427
Other financial income	32	2,533
Total financial income	**206,906**	**155,483**

SEK in thousand **Financial Expenses**	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Interest expenses		
*- financial liabilities measured at amortized cost**	(1 045 406)	(492,460)
- interest coupon on derivatives	(88,398)	(5,660)
- defined benefit pension commitments	(8,241)	(2,064)
*- financial liabilities to group companies measured at amortized cost ***	(639,321)	(136,061)
Change in fair value		
- financial liabilities measured to fair value through profit or loss (derivatives)	(158,883)	(100,146)
Other financial expenses	(14,052)	(8,739)
Total financial expenses	**(1,954,301)**	**(745,130)**
Net finance expenses	**(1,747,395)**	**(589,647)**

Other financial expenses mainly include expenses related to financial transactions.

* 2011 includes arrangement fees for bridge financing of approx. SEK 118,686 thousand.

** Financial liabilities to group companies measured at amortized cost includes accrued arrangement fees relating to refinancing of approx. SEK 81,488 thousand.

Note 10 Income Tax

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Current tax		
Tax expenses for the period	-	-
	-	-
Deferred tax		
Deferred tax on values in loss carry-forwards utilized in the period	21,496	(3,838)
Deferred tax relating to temporary differences	389,403	66,308
Total recognized tax income in the Group	**410,899**	**62,470**

Reconciliation of Effective Tax

SEK in thousand	1 Jan - 31 Dec %	1 Jan - 31 Dec 2012	12 Jul - 31 Dec %	12 Jul - 31 Dec 2011
Earnings before tax		(999,388)		(722,963)
Tax at applicable tax rate parent company	26,3%	262,839	26,3%	190,139
Non-taxable income		3		5
Non-deductable expenses		(1,541)		(64,930)
Increase in loss carry forward without corresponding capitalization of deferred tax		-		(62,744)
Deferred tax relating to previous years		(1,404)		-
Deferred tax due to reduced corporate tax rate		151,002		-
Recognized effective tax	**41,1%**	**410,899**	**(8,6%)**	**62,470**

The Swedish corporate tax rate was reduced from 26.3% to 22.0% from 1 January, 2013, the reduction has affected the Group's deferred taxes.

Deferred Tax Assets and Liabilities

Reported Deferred Tax Assets and Tax Liabilities

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

	31 Dec 2012			31 Dec 2011		
SEK in thousand	Deferred tax Asset	Deferred tax Liability	Net	Deferred tax Asset	Deferred tax Liability	Net
Intangible assets	-	(1,173,094)	(1,173,094)	-	(1,543,896)	(1,543,896)
Property, plant and equipment	2,762	(32,164)	(29,402)	2,400	(65,979)	(63,579)
Account receivables	1,422	-	1,422	3,131	-	3,131
Provisions	25,333	-	25,333	28,335	-	28,335
Financial liabilities	39,329	(10,664)	28,665	72,176	(1,914)	70,262
Derivatives	56,987	-	56,987	26,339	-	26,339
Current liabilities	288	-	288	204	-	204
Loss carry-forward	317,234	-	317,234	295,738	-	295,738
Deferred tax assets/liabilities	**443,355**	**(1,215,922)**	**(772,567)**	**428,323**	**(1,611,789)**	**(1,183,466)**
Set-off	(443,355)	443,355	-	(428,323)	428,323	-
Deferred tax assets/liabilities, net	**-**	**(772,567)**	**(772,567)**	**-**	**(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)
Account receivables	-	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-forwards	-	(3,838)	-	299,576	295,738
Deferred tax assets/liabilities	**-**	**62,470**	**-**	**(1,245,936)**	**(1,183,466)**

SEK in thousand	1 Jan 2012	Reported to Income Statement	Reported in Equity	Other	31 Dec 2012
Intangible assets	(1,543,896)	375,478	-	(4,676)	(1,173,094)
Property, plant and equipment	(63,579)	39,587	-	(5,410)	(29,402)
Account receivables	3,131	(1,709)	-	-	1,422
Provisions	28,335	(3,002)	-	-	25,333
Financial liabilities	70,262	(51,683)	-	10,086	28,665
Derivatives	26,339	30,648	-	-	56,987
Current liabilities	204	84	-	-	288
Loss carry-forwards	295,738	21,496	-	-	317,234
Deferred tax assets/liabilities	**(1,183,466)**	**410,899**	**-**	**-**	**(772,567)**

* The amounts in the Other column for 2011 above refers mainly to deferred taxes relating to business combinations.

Unrecognized Deferred Tax Assets

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Tax-deductable temporary differences	-	88
Tax loss carry forward	52,486	62,744
Total	**52,486**	**62,832**

Note 11 Intangible Assets

	External acquired				
SEK in thousand	Goodwill	Customer Relations*	Trademark	Other***	Total
Accumulated acquisition 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**
Accumulated acquisition values					
Opening balance	10,742,121	5,296,000	691,000	1,023,207	17,752,328
Investments**	-	-	-	267,306	267,306
Divestments and disposals	-	-	-	(21,380)	(21,380)
Closing balance 31 Dec 2012	**10,742,121**	**5,296,000**	**691,000**	**1,269,133**	**17,998,254**

SEK in thousand	Goodwill	Customer Relations	Trademark	Other	Total
Accumulated amortization and impairment losses	-	-	-	-	-
Opening balance	-	-	-	-	-
Business acquisitions	-	-	-	(614,036)	(614,036)
Amorization 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)**
Accumulated amortization and impairment losses					
Opening balance	-	(136,420)	-	(623,183)	(759,603)
Amorization for the period	-	(545,681)	-	(192,696)	(738,377)
Divestments and disposals	-	-	-	12,502	12,502
Closing balance 31 Dec 2012	**-**	**(682,101)**	**-**	**(803,377)**	**(1,485,478)**
As of 31 Dec 2011	**10,742,121**	**5,159,580**	**691,000**	**400,024**	**16,992,725**
As of 31 Dec 2012	**10,742,121**	**4,613,899**	**691,000**	**465,756**	**16,512,776**

* The remaining amortization period of the customer relations are considered to be approximately 7-17 years.

** Non-current assets funded through finance lease arrangements of SEK 17,780 (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 1,269,133 (1,023,207) thousand, SEK 1,241,254 (1,008,948) thousand is externally acquired and SEK 27,879 (14,259) thousand internally developed.

Amortization

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

SEK in thousand	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Cost of sales and services	108,219	28,815
Selling expenses	630,128	159,252
Adminstrative expenses	30	2,514
Total	**738,377**	**190,581**

Impairment Tests

Concurrent with impairment tests, the Group is viewed as a single cash-generating unit. The infrastructure that is the base for supplying the services (Tv, broadband and telephony) is common for all services. The cost for distribution, operation and service as well as the organization in place for the delivery is collective for all the services.

The test is based on calculating value in use, 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 2% (3%). The present value of forecast cash flows has been calculated by applying a discount rate of 11.38% (10.40%) after tax, which corresponds to 14.59% (14.11%) 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 acquisition 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**
Accumulated acquisition values				
Opening balance	6,078,377	1,101,539	472,620	7,652,536
Investments*	407 641	203,935	33,775	645,351
Divestments and disposals	(27 220)	(285,522)	(31,857)	(344,599)
Closing balance 31 Dec 2012	**6,458,798**	**1,019,952**	**474,538**	**7,953,288**

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)**
Accumulated depreciation and impairment losses				
Opening balance	(5,073,408)	(751,168)	(367,943)	(6,192,519)
Depreciation for the period	(407,978)	(217,971)	(48,225)	(674 174)
Divestments and disposals	19,715	283,271	31,553	334 539
Closing balance 31 Dec 2012	**(5,461,671)**	**(685,868)**	**(384,615)**	**(6,532,154)**
As of 31 Dec 2011	**1,004,968**	**350,371**	**104,677**	**1,460,017**
As of 31 Dec 2012	**997,127**	**334,084**	**89,923**	**1,421,134**

* Non-current assets funded through finance lease arrangements of SEK 20,572 (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	1 Jan - 31 Dec 2012	12 Jul - 31 Dec 2011
Cost of sales and services	625,949	158,644
Selling expenses	4,676	1,553
Adminstrative expenses	43,549	9,084
Total	**674,174**	**169,281**

Note 13 Non-current and Other Receivables

SEK in thousand	31 Dec 2012	31 Dec 2011
Other receivables that are non-current assets		
Receivables from group companies	6,066	-
Total	**6,066**	**-**

SEK in thousand	31 Dec 2012	31 Dec 2011
Other receivables that are current assets		
Receivables, PRI	1,498	1,302
Receivables from group companies	1,070	1,070
Other receivables	13,830	13,033
Total	**16,398**	**15,405**

Other receivables mainly includes prepaid taxes.

Note 14 Inventories

Inventories consist mainly of equipment for upgrading the Group's cable network. Impairment of inventories during financial year 2012 amounts to SEK 4,000 (-) thousand.

Note 15 Trade Receivables

SEK in thousand	31 Dec 2012	31 Dec 2011
Invoiced receivables	139,456	132,878
Provisions for bad debt	(6,468)	(11,904)
Total	**132,988**	**120,974**
Invoiced receivables are due as follows:		
Not overdue	15,417	22,178
1-30 days overdue	107,151	87,728
31-60 days overdue	7,219	5,195
61-90 days overdue	2,836	2,219
91- days overdue	6,833	15,558
Total	**139,456**	**132,878**

Change in Provision for Bad Debt

SEK in thousand	31 Dec 2012	31 Dec 2011
Provision for bad debt at beginning of the period	(11,904)	-
Business acquisition	-	(15,374)
New provision	(2,756)	(3,144)
Dissolution	9,826	8,920
Reversed provision	(1,634)	(2,306)
Total	**(6,468)**	**(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 2012	31 Dec 2011
Prepaid support expenses	24,592	13,649
Prepaid lease payments	34,982	23,400
Accrued income telephony	19,594	24,894
Other prepaid expenses and accrued income	45,772	62,788
Total	**124,940**	**124,731**

Other prepaid expenses and accrued income mainly includes, retail subsidies and rents.

Note 17 Cash and Cash Equivalents

SEK in thousand	31 Dec 2012	31 Dec 2011
Cash and bank balances	660,898	1,044,202
Total	**660,898**	**1,044,202**

The Group has bank overdraft facilities granted of SEK 125,000 (125,000) thousand, of which SEK - (-) was drawn down as of 31 December 2012. For information on other available credit facilities, see Note 26, Financial risks and financial policies. Of cash and bank balances recognized above, SEK - (402,249) thousand were restricted for amortizing external borrowings and shareholders loan.

Note 18 Equity

Share Capital

As of 31 December 2012, 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 2012	31 Dec 2011
Non-current liabilities		
Bonds	5,703,276	5,782,876
Non-current liabilities to credit institutions	4,837,296	5,102,042
Non-current liabilities group companies	4,973,239	4,338,422
Finance lease liabilities*	39,550	145,915
Total	**15,553,361**	**15,369,255**

* 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 registered 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%.

Liabilities to Group companies are subordinated to other funding and accrue interest of 11% - 12.4%.

SEK in thousand	31 Dec 2012	31 Dec 2011
Current liabilities		
Current liabilities to credit institutions	214,952	321,553
Current liabilities group companies	-	100,562
Finance lease liabilities*	139,027	128,518
Total	**353,979**	**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
- Consolidated EBITDA in relation to interest expenses
- Investment levels

As of 31 December, 2012 all the covenants were satisfied.

In addition, there are provisions and limitations in loan agreements for the credit facilities with credit institutions and bond loans regarding further debt gearing, guarantee commitments and pledging, material changes to operating activities, as well as acquisitions and divestments.

Note 20 Pension Provisions

SEK in thousand	31 Dec 2012	31 Dec 2011
Defined-benefit commitments and Fair Value of Plan Assets		
Full or partly funded commitments		
Present value of defined-benefit commitments	263,692	230,991
Fair value of plan assets	(132,983)	(124,179)
Total full or partly funded commitments	**130,709**	**106,812**
Present value of non-funded defined-benefit commitments	5,412	5,287
Accumulated non-accounted actuarial losses	(20,960)	(3,443)
Net amount in balance sheet (commitments +, assets -)	**115,161**	**108,656**
Net amount accounted in following items in balance sheet:		
Pension provisions	115,161	108,656
Net amount in balance sheet (commitments +, assets -)	**115,161**	**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.

31 Dec 2011	ITP/PRI	Management Pension	Conditional Early Pension	Total
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**

31 Dec 2012	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in pension commitments				
Opening balance	230,991	1,110	4,177	236,278
Expense for pensions earned in the period	7,250	-	288	7,538
Interest expense	8,055	37	149	8,241
Pension disbursements	(3,429)	-	-	(3,429)
Actuarial gain/losses	20,825	(17)	(333)	20,475
Closing balance	**263,692**	**1,130**	**4,281**	**269,103**

31 Dec 2011	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in the fair value of plan assets				
Opening balance	-	-	-	-
Business acquisition	120,766	-	-	120,766
Expected returns on plan assets	1,427	-	-	1,427
Actuarial gain/loss	1,986	-	-	1,986
Closing balance	**124,179**	**-**	**-**	**124,179**

31 Dec 2012	ITP/PRI	Management Pension	Conditional Early Pension	Total
Change in the fair value of plan assets				
Opening balance	124,179	-	-	124,179
Expected returns on plan assets	5,847	-	-	5,847
Actuarial gain/loss	2,957	-	-	2,957
Closing balance	**132,983**	**-**	**-**	**132,983**

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 ABs 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 ABs trust assets are invested in TeliaSonera ABs pension fund, which was incorporated in 1998. Com Hem ABs total deposits to the fund are SEK 73,558 (73,558) thousand as of 31 December, 2012.

Com Hem ABs share of the pension fund is restated at market value monthly. The market value of Com Hem ABs share of pension fund assets was SEK 132,983 (124,179) thousand as of 31 December, 2012. Plan assets in the fund as of 31 December, 2012 were allocated to the asset classes shares 37% (36%), fixed-income securities 50% (50%) and alternative investments (hedge funds and private equity) 13% (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 ABs provisioning is utilized.

Actuarial Gains and Losses

SEK in thousand	31 Dec 2012	31 Dec 2011
Opening balance non-recognized actuarial losses	**(3,443)**	**-**
Adjustment based on experience		
Pension commitments	2,771	4,920
Plan assets	2,958	1,986
Total effect on adjustment based on experience	**5,729**	**6,906**
Adjustment assumptions		
Pension commitments	(23,246)	(10,349)
Total effect on adjusted assumptions	(23,246)	(10,349)
Closing balance non-recognized actuarial losses	**(20,960)**	**(3,443)**

The Group estimates that SEK 3,870 (3,501) thousand will be paid to funded and unfunded (partly or wholly) defined benefit plans recognized as defined benefit plans in 2013.

SEK in thousand	31 Dec 2012	31 Dec 2011
Pension Expense		
Defined benefit plans		
Expense for pensions earned in the period	7,538	1,834
Interest expense	8,242	2,063
Expected returns on plan assets	(5,847)	(1,427)
Expected, defined benefit plans	**9,933**	**2,470**
Expense, defined contribution plans	34,215	6,727
Special employer´s contribution	7,191	3,091
Total expense for post-employment remuneration	**51,339**	**12,288**
The expense for defined benefit plans is recognized in the following Income Statement items:		
Administrative expenses	7,538	1,834
Financial income/expenses	2,395	636
Expense, defined benefit plans	**9,933**	**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 2012, 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 12.7 (1.5) million. Alecta's surplus can be distributed to policyholders and/or the insured parties. At year-end 2012, Alecta's surplus expressed as its collective consolidation ratio was 129% (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 2012	31 Dec 2011
Discount rate	3,00%	3,40%
Expected returns on plan assets	3,00%	4,60%
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 measurement of pension liabilities FFFS 2007:31.

Note 21 Other Provisions

SEK in thousand	31 Dec 2012	31 Dec 2011
Provisions that are non-current liabilities		
Provision for special employer´s contribution	20,910	21,752
	20,910	**21,752**

SEK in thousand	31 Dec 2012	31 Dec 2011
Provision for special employer´s contribution		
Carrying amount at beginning of period	21,752	-
Business acquisition	-	20,101
Provisions in the period	384	1,669
Claims in the period	(1 226)	(18)
Carrying amount at end of period	**20,910**	**21,752**

SEK in thousand	31 Dec 2012	31 Dec 2011
Payments		
Amount by which the provision is expected to be paid after more than twelve months	20,910	21,752
Total	**20,910**	**21,752**

Note 22 Trade Payables

SEK in thousand	31 Dec 2012	31 Dec 2011
Outstanding trade payables	503,161	626,128
Revaluation of foreign currency liabilities	(552)	(2,343)
Total	**502,609**	**623,785**
Outstandning trade payables were due as follows:		
Not overdue	334,410	432,989
1-30 days overdue	137,475	168,576
31-60 days overdue	15,758	416
61-90 days overdue	525	1,295
91- days overdue	14,993	22,852
Total	**503,161**	**626,128**

Note 23 Other Liabilities

SEK in thousand	31 Dec 2012	31 Dec 2011
Other non-current liabilities		
Derivatives	259,030	100,146
Other non-current liabilities	2,238	2,304
Total	**261,268**	**102,450**

SEK in thousand	31 Dec 2012	31 Dec 2011
Other current liabilities		
Employee withholding taxes	10,035	9,061
Value-added taxes	50,812	32,553
Other liabilities	3,800	11,043
Total	**64,647**	**52,657**

Note 24 Accrued Expenses and Deferred Income

SEK in thousand	31 Dec 2012	31 Dec 2011
Other deferred subscription income	526,095	567,586
Accrued personnel expenses	70,920	70,086
Accrued content expenses	64,735	81,411
Accrued expenses for capitalized non-current assets	145,860	73,694
Accrued interest expenses	190,176	124,039
Other accrued expenses	165,659	178,308
Total	**1,163,445**	**1,095,124**

The item Other accrued expenses above mainly includes production costs and copyright fees.

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 and Loss	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 income telephony	-	24,894	-	-	**24,894**	24,894
Current receivables group companies .	-	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 liabilities group companies	-	-		(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 liabilities group companies.....................	-	-	-	(100,562)	**(100,562)**	(100,562)
Trade payables	-	-	-	(623,785)	**(623,785)**	(623,785)
Other current liabilities.................	-	-	-	(11,043)	**(11,043)**	(11,043)
Accrued expenses....................	-	-	-	(527,539)	**(527,539)**	(527,539)
Total financial assets and liabilities by category	-	**1,205,475**	**(100,146)**	**(17,084,559)**	**(15,979,230)**	**(15,979,230)**

31 Dec 2012	Financial Assets at Fair Value via Profit and Loss	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
Non-current receivables group companies	-	6,066	-	-	**6,066**	6,066
Trade receivables	-	132,988	-	-	**132,988**	132,988
Accrued income telephony	-	19,594	-	-	**19,594**	19,594
Current receivables group companies .	-	1,070	-	-	**1,070**	1,070
Other receivables	-	15,328	-	-	**15,328**	15,328
Cash and cash equivalents...........	-	660,898	-	-	**660,898**	660,898
Non-current interest bearing liabilities..	-	-	-	(10,580,122)	**(10,580,122)**	(11,116,218)
Non-current interest bearing liabilities group companies.....................	-	-	-	(4,973,239)	**(4,973,239)**	(4,973,239)
Derivatives	-	-	(259,030)	-	**(259,030)**	(259,030)
Other non-current liabilities	-	-	-	(2,238)	**(2,238)**	(2,238)
Current interest bearing liabilities......	-	-		(353,979)	**(353,979)**	(353,979)
Trade payables	-	-	-	(502,609)	**(502,609)**	(502,609)
Other current liabilities.................	-	-	-	(3,800)	**(3,800)**	(3,800)
Accrued expenses....................	-	-	-	(606,686)	**(606,686)**	(606,686)
Total financial assets and liabilities by category	-	**835,944**	**(259,030)**	**(17,022,673)**	**(16,445,759)**	**(16,981,855)**

Derivative Instruments

The fair value of collars, interest/-currency swaps and FX contracts are 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. The discount rate applied is based on interest rates of similar instruments 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

Due to the short terms of trade receivables and trade payables, carrying amounts are assumed as the best approximation of fair value.

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.

Valuation Methods

Amounts of SEK -259,030 (-100,146) thousand regarding changes in fair value measured with the aid of a valuation technique are recognized in net profit or loss for 2012 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, options where the underlying security is not priced on an active marketplace, etc.

SEK in thousand	Level 1	Level 2	Level 3	31 Dec 2011
Deriviatives (Collar)	-	(2,209)	-	(2,209)
Deriviatives (CIRS)	-	(86,340)	-	(86,340)
Deriviatives (FX Contracts)	-	(11,597)	-	(11,597)
Financial liabilities	**-**	**(100,146)**	**-**	**(100,146)**

SEK in thousand	Level 1	Level 2	Level 3	31 Dec 2012
Deriviatives (Collar)	-	(7,881)	-	(7,881)
Deriviatives (CIRS)	-	(216,003)	-	(216,003)
Deriviatives (FX Contracts)	-	(35,146)	-	(35,146)
Financial liabilities	**-**	**(259,030)**	**-**	**(259,030)**

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, 2012 is divided as follows.

SEK in thousand	31 Dec 2012	31 Dec 2011
Cash & bank balances	660,898	1,044,202
- of which restricted cash	-	*402,249*
Unutilized Creditfacilities	1,195,500	1,235,500
Total liquidity reserve	**1,856,398**	**2,279,702**

Unutilized credit facilities include a SEK 500,000 (500,000) thousand loan facility, of which SEK 54,500 (14,500) thousand was utilized and SEK 125,000 (125,000) thousand was available as an overdraft facility, and SEK 750,000 (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, 2012, 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	Maturity
Liabilities to credit institutions	5,752,827	321,553	214,952	263,976	301,687	331,856	4,318,803	2017-2018
Bonds	6,067,130	-	-	-	-	-	6,067,130	2018-2019
Liabilites to group companies	4,438,984	100,562	-	-	-	-	4,338,422	2019-later
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)	
FX 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**	

Expected maturities of financial liabilities as of 31 December, 2012.

SEK in thousand	Nominal Value	Within 0-1 year	Within 1-2 year	Within 2-3 year	Within 3-4 year	Within 4-5 year	Later	Maturity
Liabilities to credit institutions	5,331,563	214,952	263,976	301,687	331,856	377,109	3,841,983	2017-2018
Bonds	5,972,946	-	-	-	-	-	5,972,946	2018-2019
Liabilites to group companies	4,973,239	-	-	-	-	-	4,973,239	2019-later
Finance lease liabilities	178 578	139,027	30,538	9,013	-	-	-	-
Total interest-bearing liabilities ...	**16,456,326**	**353,979**	**294,514**	**310,700**	**331,856**	**377,109**	**14,788,168**	**-**
Interest payments		841,769	882,527	879,149	877,123	870,853	845,898	
Collars								
- Payables		1,637	178	-	-	-	-	
- Receivables		-	-	-	-	-	-	
Cross-Currency Interest Swaps								
- Payables		323,243	326,476	61,228	64,850	68,535	17,649	
- Receivables		(233,828)	(238,555)	(33,205)	(37,061)	(41,580)	(11,195)	
FX contracts								
- Payables		187,426	187,426	187,426	-	-	-	
- Receivables		(182,874)	(182,874)	(182,874)	-	-	-	
Total Net.......................	**16,456,326**	**1,291,352**	**1,269,692**	**1,222,424**	**1,236,768**	**1,274,917**	**15,640,520**	**-**

Current liabilities (short-term interest bearing liabilities, trade payables, other current liabilities and accrued expenses) are essentially due within 1 year after year end.

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 derivatives instruments have been used to alter the fixed interest periods (see structure of fixed interest periods in the table below). Interest derivatives are recognized at fair value in the Balance Sheet and value changes are recognized in the Income Statement.

Structure of Fixed Interest Periods before and after effects of Derivatives

SEK in thousand	Nominal Value	Currency Derivatives	Exposure	Proportion %
2013	5,510,141	(3,563,235)	1,946,906	12%
2014	-	-	-	-
2015	-	2,478,358	2,478,358	15%
2016	-	-	-	-
2017	-	-	-	-
2018	3,492,306	1,084,877	4,577,183	28%
2019	4,596,212	-	4,596,212	29%
Later	2,640,053	-	2,640,053	16%
Total	**16,238,712**	**-**	**16,238,712**	**100%**

The Group's interest expenses would increase by some SEK 19 (23) 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 8,475 (1,859) thousand and other operating costs of SEK -9,124 (-2,486) thousand.

There were no transaction-related forward contracts at the end of 2012.

Transaction Exposure Allocated by Currency

SEK in thousand Currency	1 Jan – 31 Dec 2012 Amount	%	12 Jul – 31 Dec 2011 Amount	%
EUR	(135,731)	35%	(30,649)	37%
NOK	(30,933)	8%	(9,095)	11%
USD	(211,523)	55%	(43,644)	52%
Other	(4,675)	2%	(276)	0%
Total	**(382,862)**	**100%**	**(83,664)**	**100%**

Consolidated cash flow would reduce by approx. SEK 19 (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 2012, there were liabilities of EUR 303,906 (320,841) thousand to credit institutions and EUR 287,058 (287,058) thousand in bond loans as well as liabilities to group companies of EUR 244 813 (-) thousand.

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

31 Dec 2011

Liabilities in SEK thousand	Nominal Value	Currency Derivatives	Exposure	Proportion %
Liabilities to credit institutions	2,874,978	-	2,874,978	17%
Bonds	3,492,306	-	3,492,306	21%
Liabilites 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%**

31 Dec 2012

Liabilities in SEK thousand	Nominal Value	Currency Derivatives	Exposure	Proportion %
Liabilities to credit institutions	2,705,327	-	2,705,327	17%
Bonds	3,492,306	-	3,492,306	22%
Liabilites to group companies	2,640,053	-	2,640,053	16%
Finance lease liabilities	178,578	-	178,578	1%
Derivatives	-	1,949,026	1,949,026	12%
Total	**9,016,264**	**1,949,026**	**10,965,290**	**68%**

Liabilities in EUR thousand	Nominal Value	Currency Derivatives	Exposure	Proportion %
Liabilities to credit institutions	303,906	-	303,906	16%
Bonds	287,058	-	287,058	15%
Liabilites to group companies	244,813	-	244,813	13%
Derivatives	-	(225,540)	(225,540)	(12%)
Total	**835,777**	**(225,540)**	**610,237**	**32%**

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 264 (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% (0.5%) of revenue.

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. Based on a balance between high return on equity, which increase with a low equity share, and the need for financial stability, which is obtained by a large equity share, the objective is to gradually increasing the equity share. The loan facilities with credit institutions are conditional on the Group continually satisfying a number of predetermined financial key ratios, covenants, of which one is the mentioned key ratio interest-bearing net debt (excluding shareholder loan) in relation to EBITDA. Other key ratios are described in Note 19 Interest-bearing Liabilities. Management regularly monitors and analyses the key ratios, which ultimately sets the framework for the capital structure.

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 400,583 (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 agreements with Ericsson AB and Stokab. These agreements have terms of five to seven years.

SEK in thousand	31 Dec 2012	31 Dec 2011
Within 1 yr.	310,774	260,036
Between 1-5 yrs.	437,386	455,737
More than 5 yrs.	9,782	58,418
Total	**757,942**	**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, 2012 the carrying amount of these items is SEK 173,548 (270,616) thousand included in customer equipment SEK 74,763 (133,389) thousand in production facilities SEK 71,227 (117,077) thousand, other tangible assets of SEK 211 (405) thousand, and other intangible assets of SEK 27,347 (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 2012		31 Dec 2011	
SEK in thousand	Minimum lease payment	Nominal Value	Minimum lease payment	Nominal Value
Within 1 yr.	139,027	143,980	126,966	133,509
Between 1-5 yrs.	39,551	41,301	147,467	151,496
More than 5 yrs.	-	-	-	-
Total loan liability	**178,578**	**185,281**	**274,433**	**285,005**
Less interest portion		(6,703)		(10,572)
Total finance lease arrangements	**178,578**	**178,578**	**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 2012	31 Dec 2011
Production facilities	40,153	62,625
Customer equipment	-	32,800
Intangible assets	8,100	-
Total	**48,253**	**95,425**

Note 29 Pledged Assets and Contingent Liabilities

SEK in thousand	31 Dec 2012	31 Dec 2011
Pledged assets		
Trademarks	691,000	691,000
Pledging of shares in subsidiaries	94,919	681,044
Restricted Cash	-	402,249
Bank guarantee PRI	54,500	14,500
Total pledged assets	**840,419**	**1,788,793**

SEK in thousand	31 Dec 2012	31 Dec 2011
Contingent liabilities		
Guarantee commitment, FPG/PRI	3,175	3,002
Total contingent liabilities	**3,175**	**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, 2012 the Group had non-current liabilities of SEK 4,973,239 (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 (1,070) thousand.

The Group's interest income includes interest from subsidiaries with an amount of SEK 66 (-) thousand.
The Group's interest expenses include SEK 639,321 (136,061) thousand of interest to the parent company. All intragroup transactions are on an arm's length basis.

Group management and a limited number of other senior managers have invested in shares of the Swedish parent company NorCell Sweden Holding 1 AB. A total of some 30 senior managers 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.

On November 12, 2012 NorCell 1B AB (publ) announced its offering of EUR 250,000 thousand, 12.4% Senior PIK Notes due 2019. On November 21, 2012 the net proceeds of EUR 244,813 thousand from the offering was on-lent to NorCell Sweden Holding 2 AB (publ) as a subordinated intercompany loan. The amount of the intercompany loan was concurrently repaid to NorCell 1B AB (publ) through the repayment of subordinated intercompany loans. No cash interest is payable on the new EUR denominated subordinated intercompany loan from NorCell 1B AB (publ).

In October 2012, Com Hem AB gave a loan to Norcell S.à.r.l. of SEK 6,000 thousand to enable the company to settle certain administrative fees.

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
Com Hem Holding AB, 556689-2104, Stockholm	7,286,446	100
Com Hem AB, 556181-8724, Stockholm	50,000	100
iTUX Communication AB, 556699-4843, Stockholm	100,000	100

The four companies Nordic Cable Acquisition Company AB (corp. ID no. 556689-2070), Nordic Communication Services AB (corp. ID no. 556669-4633), Com Hem Communications AB (corp. ID no. 556635-7231) and Com Hem Holding AB (corp. ID no. 556469-3017) were merged with Nordic Cable Acquisition Company Sub-Holding AB (Corp. ID no. 556689-2104) in June 2012. The corporate name of Nordic Cable Acquisition Company Sub-Holding AB changed to Com Hem Holding AB.

Note 32 Subsequent Events

In January 2013, Com Hem launched the *Hemtelefoni* (Fixed telephony) service on smartphones. This service enables Com Hem's telephony customers to combine the simplicity of using their smartphones with several of the benefits of their fixed telephony, using a free app. The app enables customers to call at fixed-line tariffs from their smartphones, at home, in town, or abroad, the app can be used worldwide wherever there is WiFi access. Up to five smartphones can be linked to each subscription.

On January 29, 2013, Com Hem gave notice of a reduction of approximately 60 employees, affecting the head office in Stockholm with 40 employees and the Customer Care Center in Härnösand with 20 employees. The redundancy program is planned to be finalized during the end of the first quarter of 2013.

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 ABs (publ) head office at Fleminggatan 18, 104 20 Stockholm, Sweden.

The accounts of NorCell Sweden Holding 1 ABs 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.

	1 Jan - 31 Dec	12 Jul - 31 Dec
SEK	**2012**	**2011**
Basic	(981)	(1,101)
Diluted	(981)	(1,101)

The calculation of earnings per share is based on the above results and the number of shares as described below. The Company has no outstanding share option programs or other instruments with potential dilution 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.

	1 Jan - 31 Dec	12 Jul - 31 Dec
SEK in thousand	**2012**	**2011**
Net profit or loss attributable to equity holders of the parent	(588,489)	(660,493)
Average number of outstanding shares	600,000	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 re-placement 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 Share of Women	1 Jan - 31 Dec 2009 Share of Women
Board of Directors	0%	0%
Other Senior Management	13%	18%

Salary, Other Benefits and Social Security Contributions for the CEO

	1 Jan - 31 Dec 2010		1 Jan - 31 Dec 2009	
SEK in thousand	Salary Benefits	Social Security Contribution	Salary Benefits	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

	1 Jan - 31 Dec 2010		1 Jan - 31 Dec 2009	
SEK in thousand	Salary Benefits	Social Security Contribution	Salary Benefits	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	1 Jan - 31 Dec	1 Jan - 31 Dec
Financial Income	**2010**	**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	1 Jan - 31 Dec	1 Jan - 31 Dec
Financial expenses	**2010**	**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

	1 Jan - 31 Dec	1 Jan - 31 Dec
SEK in thousand	**2010**	**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-forward	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:

	31 Dec 2010		31 Dec 2009	
SEK in thousand	Minimum lease payment	Nominal Value	Minimum lease payment	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

About the Group

The Group is one of Sweden's leading suppliers of television, broadband and fixed-telephony. Approximately 37 percent, 1.75 million, of Sweden's households are connected to the Group's network with access to the market's broadest range of television services. The Group offers attractively priced, high quality and complementary services for television, high-speed broadband and fixed-telephony. The Company was established in 1983, is owned by funds, advised BC Partners, and has approximately 950 employees and head office in Stockholm.