Interim Report

as of September 30, 2012

NorCell Sweden Holding 2 AB (publ) Group

FOR IMMEDIATE RELEASE
Date: November 12, 2012

IMPORTANT INFORMATION

For investors and prospective investors in NorCell Sweden Holding 2 AB (publ) Group's Senior Notes and Senior Secured Notes, please refer to this interim report as of September 30, 2012 (the "Interim Report") presenting the Group's condensed consolidated financial statements for the period July 1, 2012 to September 30, 2012 and January 1, 2012 to September 30, 2012.

In this Interim Report, the terms ”we”, ”our”, ”us”, the "Company", the "Group" and "Com Hem" 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 Nordic Cable Acquisition Company Sub-Holding AB, or Nordic Cable Acquisition Company Sub-Holding AB and its subsidiaries, as the context requires. In June 2012, the four companies 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. Nordic Cable Acquisition Company Sub-Holding AB has been renamed to Com Hem Holding AB.

Certain numerical information and other amounts and percentages presented in this Interim Report may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

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

For definitions and glossary, please refer to the Group's Annual Report 2011.

This Interim Report has been reviewed by the Company's auditors.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report contains various forward-looking statements that reflect Management's current view with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Interim Report, including, without limitation, in the sections entitled "*Highlights for the Third Quarter*" and "*Results of Operations and Financial Condition*", and include, among other things, statements relating to:

- The Group's strategy, outlook and growth prospects;
- the Group's operational and financial targets;
- the Group's liquidity, capital resources and capital 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 Com Hem believes that the expectations reflected in these forward-looking statements are reasonable, Com Hem can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of, among others:

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

TABLE OF CONTENTS

HIGHLIGHTS FOR THE THIRD QUARTER

The following chapter presents key financial and operating highlights that have occurred during the three months ended September 30, 2012 and September 30, 2011 unless otherwise stated. You should read this table in conjunction with "Results of Operations and Financial Condition", "Presentation of Financial and Other Information" and "Condensed Consolidated Financial Statements", which are included elsewhere in this Interim Report.

Key Financial Highlights

	For the three months ended September 30,		**For the nine months ended September 30,**		**For the year ended December 31,**
	Actual	**Pro Forma**	**Actual**	**Pro Forma**	**Pro Forma**
	2012	**2011**	**2012**	**2011**	**2011**
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Revenue	1,133	1,126	3,417	3,368	4,520
Adjusted EBITDA	589	566	1,679	1,621	2,138
Capital Expenditures	167	143	556	407	734
Operating Free Cash Flow	413	393	916	1,203	1,419

Revenue growth
Com Hem increased revenue by SEK 7 million, or 0.6%, from SEK 1,126 million in the three months ended September 30, 2011 to SEK 1,133 million in the three months ended September 30, 2012. The increase in revenue was mainly driven by pay television price increases and higher broadband ARPU due to broadband subscribers shifting to higher speeds.

Increased Adjusted EBITDA due to continuous strict cost control
Production costs for the three months ended September 30, 2012, were 6 MSEK lower than for the corresponding period previous year, which primarily is a result of continuous cost control. Operating costs decreased by SEK 13 million for the three months ended September 30, 2012 compared to the corresponding period in 2011, mainly due to lower marketing and sales costs. As a result, Adjusted EBITDA increased by SEK 23 million, or 4.0%, from SEK 566 million in the third quarter 2011 to SEK 589 million in the third quarter 2012.

Increased investments in the business
Capital expenditures increased from SEK 143 million in the three months ended September 30, 2011 to SEK 167 million in the three months ended September 30, 2012. The increase was mainly due to investments in Com Hem´s new next generation TV platform and increased investments in broadband network capacity for the three months ended September 30, 2012, compared to the corresponding period 2011. This was partly offset by lower volumes of purchased customer-premises equipment in the third quarter 2012 compared to the corresponding quarter in 2011.

Operating Free Cash Flow
Operating free cash flow increased from SEK 393 million in the three months ended September 30, 2011 to SEK 413 million in the three months ended September 30, 2012. The increase in the third quarter 2012 compared to the corresponding quarter in 2011 was due to both higher EBITDA and lower one-off items in the third quarter 2012 compared to the third quarter 2011. The one-off items in 2011 were mainly related to costs for the Acquisition of the NCAC Group on September 29, 2011. These transaction costs are also reflected in the change in the net working capital since the majority was recognized as operating liabilities as of September 30, 2011. The higher EBITDA and the lower one-off items were partly offset by increased capital expenditures and no funding of investments by leasing facilities during the third quarter of 2012.

Key Operational Highlights

	As of September 30,		As of December 31,
	Actual 2012	Pro Forma 2011	Pro Forma 2011
	(in thousands, except percentages and as otherwise indicated)		
Group Total			
Homes connected	1,747	1,771	1,739
Unique subscribers	831	846	861
- of which triple-play subscribers	*271*	*287*	*292*
Unique subscribers as a percentage of homes connected	47.6	47.8	49.5
Total RGUs	1,512	1,559	1,585
RGUs per unique subscriber (in units)	1.82	1.84	1.84
Blended ARPU(1) (SEK)	360	354	354

(1) Blended ARPU is calculated by all pay television, high-speed broadband, fixed-telephony revenue and other revenue that can be allocated to each service for the three months ending September 30, and for the twelve months ending December 31, respectively, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of total unique subscribers is calculated by aggregating the average number of unique subscribers in each month during the respective period and dividing the result by the number of months in the respective period.

Operational Development

During the third quarter of 2012, there has been a continued solid demand for Com Hem's three core services, pay television, high-speed broadband and fixed-telephony. As of September 30, 2012, Com Hem had 1,747,000 homes connected, a decrease from 1,771,000 as of September 30, 2011, and a decrease from 1,749,000 as of June 30, 2012. The number of unique subscribers was 831,000 as of September 30, 2012, compared to 846,000 as of September 30, 2011, and 835,000 as of June 30, 2012. The total number of RGUs was 1,512,000 as of September 30, 2012, compared to 1,559,000 as of September 30, 2011, and to 1,526,000 as of June 30, 2012.

Unique subscribers as a percentage of homes connected was 47.6% as of September 30, 2012 compared to 47.8% as of September 30, 2011, and 47.7% as of June 30, 2012. The number of RGUs per unique subscriber was 1.82 as of September 30, 2012, compared to 1.84 as of September 30, 2011, and 1.83 as of June 30, 2012.

Blended ARPU per unique subscriber increased by SEK 6, or 1.6%, from SEK 354 in the three months ended September 30, 2011 to SEK 360 in the three months ended September 30, 2012. The increase in blended ARPU in the third quarter 2012 was due to positive effects from the pay television price increases implemented during the first six months of 2012 and from the shift to higher broadband speeds. However, the positive revenue effect from pay television and broadband services was partly offset by lower revenue from the fixed-telephony service.

Events after the Third Quarter

In October 2012, Stefan Trampus joined the company as Head of Sales for both the Landlord Business Unit and Consumer Sales, and member of Group Management. At the same time, Christer E. Andersson, who between April 2007 and October 2012 served as the Director of the Landlord Business Unit, joined iTUX as Managing Director.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion and analysis of the results of operations and financial condition of the Group, based on the reviewed condensed consolidated financial statements of the NorCell Group as of and for the three months, and as of and for the nine months ended September 30, 2012, and the unaudited pro forma condensed consolidated financial statements of the NorCell Group as of and for the three months and, as of and for the nine months ended September 30, 2011.

You should read this discussion in conjunction with the condensed consolidated financial statements included elsewhere in this Interim Report.

Selected Financial Data

As a consequence of the Acquisition in September 2011, and the following refinancing, it is not meaningful to present the selected condensed consolidated income statement below operating income, since the data is not comparable between the periods.

Condensed Consolidated Actual and Pro Forma Income Statement

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	**Pro Forma 2011**	**Actual 2012**	**Pro Forma 2011**	**Pro Forma 2011**
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Revenue	1,133	1,126	3,417	3,368	4,520
Cost of sales and services	(543)	(557)	(1,693)	(1,727)	(2,310)
Gross profit	**590**	**569**	**1,724**	**1,641**	**2,211**
Selling expenses[1]	(314)	(306)	(977)	(955)	(1,328)
Administrative expenses	(60)	(104)	(181)	(250)	(318)
Other operating income and expense	3	(245)	(7)	(243)	(259)
Operating Profit	**219**	**(86)**	**559**	**194**	**306**

(1) In the pro forma calculations, actual amortization of the former customer relations value has been deducted from selling expenses, and amortization of the current customer relations value has been added to selling expenses for the respective period, as if the Acquisition was consummated as of January 1, 2011.

Revenue

Revenue increased by SEK 7 million, or 0.6%, from SEK 1,126 million in the three months ended September 30, 2011, to SEK 1,133 million in the three months ended September 30, 2012 and by SEK 49 million, or 1.4%, from SEK 3,368 million in nine months ended September 30, 2011, to SEK 3,417 million in the nine months ended September 30, 2012. The increase was primarily due to higher revenue from pay television and high-speed broadband services, partly offset by a decrease in revenue from fixed-telephony services.

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

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	**Pro Forma 2011**	**Actual 2012**	**Pro Forma 2011**	**Pro Forma 2011**
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Pay Television	429	422	1,291	1,248	1,678
High-Speed Broadband	320	307	957	913	1,231
Fixed-Telephony	122	137	384	426	564
Landlord	213	220	644	663	884
Other[1]	49	40	141	118	163
Revenue	**1,133**	**1,126**	**3,417**	**3,368**	**4,520**

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

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

	As of September 30,		As of December 31,
	Actual 2012	Pro Forma 2011	Pro Forma 2011
	(in thousands)		(in thousands)
RGUs			
Pay Television	613	639	658
High-Speed Broadband	544	545	551
Fixed-Telephony	355	375	376
Total RGUs	**1,512**	**1,559**	**1,585**

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

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	Pro Forma 2011	Actual 2012	Pro Forma 2011	Pro Forma 2011
	(in SEK)		(in SEK)		(in SEK)
ARPU					
Pay Television	234	225	229	223	223
High-Speed Broadband	198	191	196	190	191
Fixed-Telephony	115	123	118	128	127
Landlord	41	41	41	42	42

Pay Television

Revenue from pay television services increased by SEK 7 million, or 1,7%, from SEK 422 million in the three months ended September 30, 2011 to SEK 429 million in the three months ended September 30, 2012. The increase was a result of higher ARPU. ARPU increased by SEK 9, or 3.9%, from SEK 225 in the three months ended September 30, 2011 to SEK 234 in the three months ended September 30, 2012.

Revenue from pay television services increased by SEK 43 million, or 3.4%, from SEK 1,248 million in the nine months ended September 30, 2011 to SEK 1,291 million in the nine months ended September 30, 2012. The increase was a result of higher ARPU. ARPU increased by SEK 6, or 2.6%, from SEK 223 in the nine months ended September 30, 2011 to SEK 229 in the nine months ended September 30, 2012.

The increased ARPU in both the third quarter and the first nine months 2012 was an effect of price increases implemented during the first six months of 2012. The ARPU effect was partly offset by a decrease in RGUs of approximately 26,000, or 4.1%, from approximately 639,000 as of September 30, 2011 to approximately 613,000 as of September 30, 2012. However, the revenue impact from the price increases more than offset the revenue impact from the lower pay television customer base during the periods under review.

High-Speed Broadband

Revenue from high-speed broadband services increased by SEK 13 million, or 4.3%, from SEK 307 million in the three months ended September 30, 2011 to SEK 320 million in the three months ended September 30, 2012. ARPU increased by SEK 7, or 3.5%, from SEK 191 in the three months ended September 30, 2011 to SEK 198 in the three months ended September 30, 2012.

Revenue from high-speed broadband services increased by SEK 44 million, or 4.8%, from SEK 913 million in the nine months ended September 30, 2011 to SEK 957 million in the nine months ended September 30, 2012. ARPU increased by SEK 6, or 3.3%, from SEK 190 in the nine months ended September 30, 2011 to SEK 196 in the nine months ended September 30, 2012.

The revenue increase in both the third quarter and the first nine months 2012 was primarily an ARPU increase due to subscriber shifting to higher broadband speeds, which is an effect of Com Hem's strategy to meet customer demand for higher broadband speed services. Total high-speed broadband RGUs, however decreased by approximately 1,000, or 0.1%, from approximately 545,000 as of September 30, 2011 to approximately 544,000 as of September 30, 2012.

Fixed-Telephony
Revenue from fixed-telephony services decreased by SEK 15 million, or 11.0%, from SEK 137 million in the three months ended September 30, 2011 to SEK 122 million in the three months ended September 30, 2012. Fixed-telephony RGUs decreased by approximately 20,000, or 5.3%, from approximately 375,000 as of September 30, 2011 to approximately 355,000 as of September 30, 2012. ARPU decreased by SEK 8, or 6.8%, from SEK 123 in the three months ended September 30, 2011 to SEK 115 in the three months ended September 30, 2012.

Revenue from fixed-telephony services decreased by SEK 42 million, or 9.8%, from SEK 426 million in the nine months ended September 30, 2011 to SEK 384 million in the nine months ended September 30, 2012. ARPU decreased by SEK 10, or 7.9%, from SEK 128 in the nine months ended September 30, 2011 to SEK 118 in the nine months ended September 30, 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 services decreased by SEK 7 million, or 3.2%, from SEK 220 million in the three months ended September 30, 2011 to SEK 213 million in the three months ended September 30, 2012, and by SEK 19 million, or 2.9%, from SEK 663 million in the nine months ended September 30, 2011 to SEK 644 million in the nine months ended September 30, 2012.

The decrease in revenue in both the third quarter and the first nine months of 2012 was primarily due to a reduction in ARPU from landlord customers as a result of contract re-negotiations. This was partly offset by annual price index increases. The revenue was also affected by the termination of a large landlord customer contract in December 2011.

Other
Other revenue increased by SEK 8 million, or 20.7%, from SEK 40 million in the three months ended September 30, 2011 to SEK 49 million in the three months ended September 30, 2012 and by SEK 23 million, or 19.2 %, from SEK 118 million in the nine months ended September 30, 2011 to SEK 141 million in the nine months ended September 30, 2012. The increase in revenue is mainly explained by higher service provider revenue in iTUX, the Group's communications operator, and increased invoicing fees.

Cost of Sales and Services
Cost of sales and services decreased by SEK 14 million, or 2.5%, from SEK 557 million in the three months ended September 30, 2011 to SEK 543 million in the three months ended September 30, 2012. As a percentage of revenue, cost of sales and services decreased from 49.4% in the three months ended September 30, 2011 to 47.9% in the three months ended September 30, 2012. The decrease in cost of sales and services for the third quarter was mainly due to lower depreciation and amortization, lower pay television content costs and lower interconnect traffic costs for fixed-telephony services. This was partly offset by higher cost for fibre and ducting and increased higher production costs in iTUX.

Cost of sales and services decreased by SEK 34 million, or 2.0%, from SEK 1,727 million in the nine months ended September 30, 2011 to SEK 1,693 million in the nine months ended September 30, 2012. As a percentage of revenue, cost of sales and services decreased from 51.3% in the nine months ended September 30, 2011 to 49.6% in the nine months ended September 30, 2012. The decrease in cost of sales and services for the first nine months was mainly due to lower depreciation and amortization, lower pay television content costs and lower interconnect traffic costs for fixed-telephony services. This was partly offset by higher production costs in iTUX and higher costs for fibre and ducting as well as increased costs for staff.

Selling Expenses
Selling expenses increased by SEK 8 million, or 2.6%, from SEK 306 million in the three months ended September 30, 2011 to SEK 314 million in the three months ended September 30, 2012. As a percentage of revenue, selling expenses increased from 27.2% in the three months ended September 30, 2011 to 27.7% in the three months ended September 30, 2012.

Selling expenses increased by SEK 21 million, or 2.2%, from SEK 955 million in the nine months ended September 30, 2011 to SEK 977 million in the nine months ended September 30, 2012. As a percentage of revenue, selling expenses increased from 28.4% in the nine months ended September 30, 2011 to 28.6% in the nine months ended September 30, 2012.

The increase in selling expenses in both the third quarter and the first nine months was mainly due to higher depreciation and amortization as well as higher cost for staff, including personnel, consultants and outsourcing of customer service overflow volumes. The increase was partly offset by lower marketing and sales costs.

Administrative Expenses

Administrative expenses decreased by SEK 44 million, or 42.6%, from SEK 104 million in the three months ended September 30, 2011 to SEK 60 million in the three months ended September 30, 2012. As a percentage of revenue, administrative expenses decreased from 9.3% in the three months ended September 30, 2011 to 5.3% in the three months ended September 30, 2012.

Administrative expenses decreased by SEK 69 million, or 27.5%, from SEK 250 million in the nine months ended September 30, 2011 to SEK 181 million in the nine months ended September 30, 2012. As a percentage of revenue, administrative expenses decreased from 7.4% in the nine months ended September 30, 2011 to 5.3% in the nine months ended September 30, 2012.

The decrease in administrative expenses in both the third quarter and the first nine months of 2012 was mainly due to lower depreciation and amortization and lower cost for staff and other operating costs. The decrease in staff and other operating costs was primarily due to the high non-recurring costs for lawyers and consultants relating to the Acquisition in the first nine months of 2011.

Other Operating Income and Expense

Net other operating items were SEK (245) million in the three months ended September 30, 2011 and improved to SEK 3 million in the three months ended September 30, 2012.

Net other operating items were SEK (243) million in the nine months ended September 30, 2011 and improved SEK (7) million in the nine months ended September 30, 2012.

The positive development in other operating items in both the third quarter and the first nine months was due to no transaction costs in 2012 compared to the corresponding period in 2011, when costs related to the Acquisition was recognized.

Operating Profit

Operating profit increased by SEK 305 million, from SEK (86) million in the three months ended September 30, 2011 to SEK 219 million in the three months ended September 30, 2012, and by SEK 366 million, from SEK 194 million in the nine months ended September 30, 2011 to SEK 559 million in the nine months ended September 30, 2012.

The increase in operating profit was mainly due to no transaction costs in 2012 and lower non-recurring costs for lawyers and consultants in 2012. Additional, higher revenue in combination with lower cost of sales and services contributed to an increase in operating profit for both the three months ended 2012, and the nine months ended 2012. This was, however, partly offset by increased selling expenses.

Reconciliation of Operating Income to Adjusted EBITDA

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	Pro Forma 2011	Actual 2012	Pro Forma 2011	Pro Forma 2011
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Operating Profit	**219**	**(86)**	**559**	**194**	**306**
Disposals and write-down[1]	-	0	-	0	12
Adjusted depreciation and amortization[2]	349	361	1,065	1,093	1,453
Non-recurring costs	14	280	30	302	326
Operating currency loss/gain	0	1	0	1	2
Reported Underlying EBITDA	**582**	**556**	**1,655**	**1,590**	**2,098**
Expensed retail subsidies	7	10	24	31	40
Adjusted EBITDA	**589**	**566**	**1,679**	**1,621**	**2,138**

(1) Disposals in 2011 are related to modems and STBs.
(2) Adjusted depreciation and amortization consist of depreciation and amortization expenses recorded in the income statement under each of cost of sales and services, selling expenses and administrative expenses. In the pro forma calculations, actual amortization of the former customer relations value has been deducted from selling expenses, and amortization of the current customer relations value has been added to selling expenses for the respective period, as if the Acquisition was consummated as of January 1, 2011.

Adjusted depreciation and amortization

Adjusted depreciation and amortization decreased by SEK 12 million, or 3.4%, from SEK 361 million in the three months ended September 30, 2011 to SEK 349 million in the three months ended September 30, 2012, and by SEK 28 million, or 2.6%, from SEK 1,093 million in the nine months ended September 30, 2011 to SEK 1,065 million in the nine months ended September 30, 2012. The decrease was primarily due to certain fixed assets having been fully written off at the end of their depreciation schedules in 2011.

Non-recurring costs

Non-recurring costs decreased by 267 million, or 95.1%, from SEK 280 million in the three months ended September 30, 2011 to SEK 14 million in the three months ended September 30, 2012, and by SEK 272 million, or 90.0%, from SEK 302 million in the nine months ended September 30, 2011 to SEK 30 million in the nine months ended September 30, 2012. The decrease in non-recurring costs was primarily due to the high level of non-recurring costs for lawyers and consultants relating from the Acquisition that occurred in 2011.

Adjusted EBITDA

Adjusted EBITDA increased by SEK 23 million, or 4.0%, from SEK 566 million in the three months ended September 30, 2011 to SEK 589 million in the three months ended September 30, 2012. As a percentage of revenue, Adjusted EBITDA increased from 50.3% in the three months ended September 30, 2011 to 52.0% in the three months ended September 30, 2012. The increase in Adjusted EBITDA and Adjusted EBITDA margin in the third quarter was primarily due to decreased operating costs during the third quarter 2012.

Adjusted EBITDA increased by SEK 58 million, or 3.6%, from SEK 1,621 million in the nine months ended September 30, 2011 to SEK 1,679 million in the nine months ended September 30, 2012. As a percentage of revenue, Adjusted EBITDA increased from 48.1% in the nine months ended September 30, 2011 to 49.2% in the nine months ended September 30, 2012. The increase in Adjusted EBITDA and in Adjusted EBITDA margin in the first nine months of 2012 was primarily due to an increase in revenue from the residential subscribers as a result of the ARPU increase from both pay television and high-speed broadband, without a corresponding increase in production costs.

Operating Free Cash Flow

The table below sets forth the operating free cash flow for the three months ended September 30, 2012 and 2011, and for the nine months ended September 30, 2012 and 2011, and for the full year ended December 31, 2011.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	Pro Forma 2011	Actual 2012	Pro Forma 2011	Pro Forma 2011
	(SEK in millions)		*(SEK in millions)*		*(SEK in millions)*
Adjusted EBITDA	**589**	**566**	**1,679**	**1,621**	**2,138**
Expensed retail subsidies	(7)	(10)	(24)	(31)	(40)
Reported Underlying EBITDA	**582**	**556**	**1,655**	**1,590**	**2,098**
One-off items(1)	(14)	(281)	(30)	(304)	(327)
Adjustments for items not included in cash flow (2)	2	0	19	1	3
Change in net working capital	9	251	(188)	254	257
Capital expenditures	(167)	(143)	(556)	(407)	(734)
Draw down leasing facilities	-	10	15	68	122
Operating Free Cash Flow	**413**	**393**	**916**	**1,203**	**1,419**

(1) Including non-recurring costs and operating currency loss/gain
(2) Including change in pension provisions, change in other provisions and other items not included in cash flow

Operating Free Cash Flow for the Three Months Ended September 30, 2012 and 2011

Operating free cash flow increased by SEK 19 million, or 4.9%, from SEK 393 million in the three months ended September 30, 2011 to SEK 413 million in the three months ended September 30, 2012. The increase in the third quarter 2012 compared to the corresponding quarter in 2011 was mainly due to a positive EBITDA development and no transaction cost related to the Acquisition in 2011, affecting both one-off items and change in working capital for the three months ended September 30, 2011. This was, however, partly offset by increased capital expenditures and no funding of investments from leasing facilities during the third quarter of 2012, compared to SEK 10 million in the third quarter of 2011.

The Group operates with a negative net working capital, which improved by SEK 9 million in the three months ended September 30, 2012, compared to an improvement of SEK 251 million in the three months ended September 30, 2011. The difference in the change in net working capital between the two quarters is primarily explained by extraordinary high operating liabilities as of September 30, 2011 related to transaction costs and cost for lawyers and consultants related from the Acquisition of the NCAC Group.

Capital expenditures increased by SEK 24 million, or 16.8%, from SEK 143 million in the three months ended September 30, 2011 to SEK 167 million in the three months ended September 30, 2012. The increase in capital expenditures was primarily due to investments in the Com Hem´s next generation TV platform and increased investments in broadband network capacity for the three months ended September 30, 2012, compared to the corresponding period 2011. The increase was partly offset by lower volumes of purchased customer-premises equipment in the three months ended September 30, 2012.

Operating Free Cash Flow for the Nine Months Ended September 30, 2012 and 2011

Operating free cash flow decreased by SEK 288 million, or 23.9%, from SEK 1,203 million in the nine months ended September 30, 2011 to SEK 916 million in the nine months ended September 30, 2012. The decrease in the first nine months 2012 compared to the corresponding period in 2011 was mainly due to a negative development of the net working capital and higher capital expenditures. Also, funding of investments from leasing facilities was lower during the first nine months of 2012, compared to the corresponding period 2011. The negative net working capital development and increased capital expenditures was partly offset by a decrease in one-off items in the nine months ended September 30, 2012 compared to the corresponding period 2011. One-off items in 2011 include a cost of approximately SEK 246 million recognized as transaction costs in the third quarter of 2011.

The Group's negative net working capital decreased by SEK 188 million in the nine months ended September 30, 2012, affecting the operating free cash flow negatively, compared to an improvement of the net working capital of SEK 254 million in the nine months ended September 30, 2011.The large fluctuations in change in net working capital between the periods under review are due to extraordinary high operating liabilities as of September 30 2011, which relates to the Acquistion of the NCAC Group on September 28, 2011.

Capital expenditures increased by SEK 149 million, or 36.6%, from SEK 407 million in the nine months ended September 30, 2011 to SEK 556 million in the nine months ended September 30, 2012. The increase in capital expenditures was mainly due to investments in Com Hem´s new next generation TV platform and higher volumes of installed and upgraded households within the Com Hem network and within open networks (iTUX) during the nine months ended September 30, 2012.

Debt and Liquidity

The Group maintains cash and cash equivalents to fund the day-to-day requirements of the business. The principal source of liquidity on an on-going basis is the operating cash flow, as well as drawings under the Capex Facility and the Revolving Credit Facility. Com Hem's ability to generate cash from operations will depend on the 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.

The table below sets forth the debt, available liquidity and leverage as of September 30, 2012[(1)].

	As of September 30, 2012				
Tranches	**Nominal currency**	**Total outstanding debt (MSEK)**	**Undrawn amount**	**Maturity date**	**Interest rate**
Term Loan A	SEK	1,490	-	2017	STIBOR 3M + 4.25%
Term Loan B1	SEK	1,216	-	2018	STIBOR 3M + 5.00%
Term Loan B2	EUR	2,572	-	2018	EURIBOR 3M + 5.00%
Capex Expenditures Facility	SEK	-	750	2017	STIBOR 3M + 4.25%
Revolving Credit Facility[(2)]	SEK	54	446	2017	STIBOR 3M + 4.25%
Bank Debt		**5,331**	**1,196**		
Senior Secured Notes	SEK	3,492	-	2018	Fixed - 9.25%
Senior Notes	EUR	2,429	-	2019	Fixed - 10.75%
Bank & Notes Debt		**11,253**	**1,196**		
Cash and Cash Equivalents	SEK	(839)			
Cash Net Debt		**10,414**	**1,196**		
Adjusted EBITDA LTM Adjusted EBITDA			2,196		
Cash Net Debt/Adjusted EBITDA			**4.7x**		

(1) Please note that the above table is not comparable with the non-current interest bearing liabilities presented in "*Condensed Consolidated Financial Statements – Condensed Consolidated Balance Sheet*". In the condensed consolidated balance sheet, the credit facilities are net of unamortized capitalization of transaction costs and original issue discount. Also, please note that the above table excludes leasing debt.

(2) The amount under the Revolving Credit Facility is restricted for a bank guarantee.

Cash Balance and Availability of Funds

As of September 30, 2012 the Group held SEK 839 million of cash and cash equivalents. Under the Senior Credit Facilities Agreement, the Group has access to an additional committed Capital Expenditures Facility of SEK 750 million and an additional committed SEK 446 million under the Revolving Credit Facility.

Currency and Interest Rate Risks

The Group's translation exposure arises due to debt obligations in EUR. As of September 30, 2012 the Group's debt obligations in EUR amounted to EUR 591 million (EUR 304 million in credit facilities and EUR 287 million in notes) compared to EUR 591 million (EUR 304 million in bank debt and EUR 287 million in notes) as of June 30, 2012, and EUR 608 million (EUR 321 million in bank debt and EUR 287 million in notes) as of December 31, 2011. The Group has hedged 100% of the EUR denominated interest payments until 2015, and part of the EUR denominated principal.

To decrease the Group's interest rate risks, interest rate derivatives have been entered into. The derivatives are measured at fair value, and are recognized in net profit or loss for the period. As of September 30, 2012, the fair value of the interest rate derivatives amounted to SEK (318) million compared to a fair value of SEK (160) million as of June 30, 2012 and a fair value of SEK (100) million as of December 31, 2011.

Leverage Ratio

As of September 30, 2012 the Group's cash net debt to Adjusted EBITDA ratio was 4.7x, compared to 4.9x as of June 30, 2012 and 5.0x as of December 31, 2011.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Interim Report presents the following financial information:

- The reviewed condensed consolidated financial statements of the NorCell Sweden Holding 2 (publ) Group as of and for the three months ended September 30, 2012, and as of and for the nine months ended September 30, 2012. These accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").
- The selected unaudited pro forma consolidated financial data of the NorCell Group as of and for the three months ended September 30, 2011, and as of and for the nine months ended September 30, 2011, which has been derived from the unaudited management accounts. These accounts have been prepared in accordance with IFRS.
- The selected unaudited pro forma consolidated financial data as of and for the year ended December 31, 2011, which has been derived from the unaudited management accounts for the NCAC Group for the period January 1, 2011 to September 28, 2011, and from the audited consolidated financial statements of the NorCell Group for the period July 12, 2011 to December 31, 2011. Between July 12, 2011 and September 28, 2011, the NorCell companies were dormant holding companies. These accounts have been prepared in accordance with IFRS.

Pro Forma Calculations

The selected unaudited pro forma financial data for 2011 has been calculated using the current amortization on the current customer relations value that arose in the connection with the Acquisition, as if the Acquisition was consummated on January 1, 2011, as described in the Annual Report for 2011.

Non-IFRS Financial Measures

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

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	Pro Forma 2011	Actual 2012	Pro Forma 2011	Pro Forma 2011
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Reported Underlying EBITDA(1)	582	556	1,655	1,590	2,098
Reported Underlying EBITDA margin (in %)(2)	51.4	48.1	48.4	47.2	46.4
Adjusted EBITDA(3)	589	566	1,679	1,621	2,138
Adjusted EBITDA margin (in %)(4)	52.0	48.8	49.2	48.1	47.3
Operating Free Cash Flow(5)	413	393	916	1,203	1,419
Operating Free Cash Flow margin (in %)(6)	36.4	34.9	26.8	35.7	31.4
Adjusted depreciation and amortization(7)	349	361	1,065	1,093	1,453

(1) Reported Underlying EBITDA is defined as net profit/(loss) for the period before income taxes, net financial items, write-downs, depreciation and amortization, non-recurring costs and operating currency gain/(loss) ("**Reported Underlying EBITDA**"). Depreciation and amortization is recorded under costs of sales and services (depreciation and amortization on fixed tangible and intangible assets related to production), selling expenses (depreciation and amortization on fixed tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization on fixed tangible and intangible assets related to administrative functions). For a reconciliation of Operating Income to Reported Underlying EBITDA, see *"Results of Operations and Financial Condition - Reconciliation of Operating Income to Adjusted EBITDA"*.

(2) Reported Underlying EBITDA margin is calculated as Reported Underlying EBITDA as a percentage of revenue.

(3) Adjusted EBITDA is defined as Reported Underlying EBITDA less expense associated with retail subsidies, which consist of subsidies paid to retailers for the sale of set-top boxes ("STBs") that can be associated with individual subscriber agreements. Due to the enhancement of Com Hem's support systems, the Group has as from January 1, 2011, reported the portion of retail subsidies paid in cash that can be associated with individual subscriber agreements as fixed 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 three months and the nine months ended September 30, 2012 respectively relate to retail subsidies paid in prior periods.

(4) Adjusted EBITDA margin is calculated as Adjusted EBITDA as a percentage of revenue.

(5) Operating Free Cash Flow is calculated as Reported Underlying EBITDA less non-recurring costs, plus operating currency loss/gain plus total adjustments for items not included in cash flow, less change in net working capital, less capital expenditures in fixed tangible and intangible assets not funded by leasing, plus sales of property, plant and equipment, less acquisition of subsidiaries and related payments ("**Operating Free Cash Flow**"). For a reconciliation of Adjusted EBITDA to Operating Free Cash Flow, see "*Results of Operations and Financial Condition*".

(6) Operating Free Cash Flow margin is calculated as Operating Free Cash Flow as a percentage of revenue.

(7) Adjusted depreciation and amortization consists of actual depreciation and amortization of 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 amortization on current customer relations value 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 Interim Report because they are considered to be important supplemental measures of Com Hem's performance and believed to be widely used by investors and prospective investors comparing performance between companies. Since not all companies compute these or other non-IFRS financial measures in the same way, the manner in which Management has chosen to compute the non-IFRS financial measures presented herein may not be comparable to similarly defined terms used by other companies.

Selected Operational Data

Several key operating measures are used, including number of homes connected, unique subscribers, RGUs, RGUs per unique subscriber and ARPU to track the financial and operating performance of Com Hem's business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from the Group's internal operating and financial systems. As defined, these terms may not be directly comparable to similar terms used by competitors or other companies.

	As of September 30,		As of December 31,
	Actual 2012	Pro Forma 2011	Pro Forma 2011
Group Total			
Homes connected[1]	1,747	1,771	1,739
Unique subscribers[2]	831	846	861
- of which triple-play subscribers	*271*	*287*	*292*
Unique subscribers as a percentage of homes connected	47.6	47.8	49.5
Total RGUs[3]	1,512	1,559	1,585
RGUs per unique subscriber (in units)	1.82	1.84	1.84

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

(2) Unique subscribers represent the number of individual end users who subscribed for one or more of Com Hem's upgraded digital services as of the date 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 three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Actual 2012	Pro Forma 2011	Actual 2012	Pro Forma 2011	Pro Forma 2011
ARPU[1]					
Pay Television (SEK)	234	225	229	223	223
High-Speed Broadband (SEK)	198	191	196	190	191
Fixed-Telephony (SEK)	115	123	118	128	127
Blended ARPU[2] (SEK)	360	354	358	353	354
Landlord (SEK)	41	41	41	42	42

(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 all pay television, high-speed broadband, fixed-telephony revenue and other revenue that can be allocated to each service for the three months ending September 30, and for the twelve months ending December 31, respectively, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of total unique subscribers is calculated by aggregating the average number of unique subscribers in each month during the respective period and dividing the result by the number of months in the respective period.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements present the NorCell Group as of and for the three months ended September 30, 2012, and as of and for the nine months ended September 30, 2012.

Condensed Consolidated Income Statement

	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
	(SEK in millions)	*(SEK in millions)*
Revenue	1,133	3,417
Cost of sales and services	(543)	(1,693)
Gross profit	**590**	**1,724**
Selling expenses	(314)	(977)
Administrative expenses	(60)	(181)
Other operating income and expense	3	(7)
Operating income	**219**	**559**
Net financial income and expense	(401)	(1,199)
Loss after financial items	**(182)**	**(640)**
Income taxes	48	167
Net loss for the period	**(134)**	**(472)**
Loss per share		
Basic (SEK)	(223.67)	(787.29)
Diluted (SEK)	(223.67)	(787.29)

Condensed Consolidated Statement of Comprehensive Income

	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
	(SEK in millions)	*(SEK in millions)*
Net loss for the period	(134)	(472)
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Comprehensive income for the period	**(134)**	**(472)**

Condensed Consolidated Balance Sheet

Non-current assets	As of September 30, 2012 (SEK in millions)	As of December 31, 2011 (SEK in millions)
Intangible assets	16,586	16,993
- of which goodwill	*10,742*	*10,742*
Property, plant and equipment	1,341	1,460
Other non-current assets	0	-
Total non-current assets	**17,927**	**18,453**
Current assets	289	292
Cash and cash equivalents	839	1,044
Total current assets	**1,129**	**1,336**
Total assets	**19,056**	**19,789**
Total equity	**209**	**681**
Non-current interest-bearing liabilities	15,225	15,369
- of which credit facilities	*4,711*	*5,069*
- of which notes	*5,701*	*5,816*
- of which intragroup loans	*4,751*	*4,338*
Other non-current liabilities	1,476	1,416
Total non-current liabilities	**16,701**	**16,786**
Current interest-bearing liabilities	342	550
Other current liabilities	1,804	1,772
Total current liabilities	**2,145**	**2,321**
Total equity and liabilities	**19,056**	**19,789**

Condensed Consolidated Statement of Change in Equity

SEK in millions	Share capital	Other paid-in capital	Retained earnings incl. net loss for the period	Total equity
Opening equity as of Jan 1, 2012	**1**	**1,341**	**(660)**	**681**
Comprehensive loss for the period	-	-	(472)	(472)
Closing equity as of September 30, 2012	**1**	**1,341**	**(1,133)**	**209**

Condensed Consolidated Cash Flow Statement

	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Operating activities	*(SEK in millions)*	*(SEK in millions)*
Loss after financial items	(182)	(640)
Adjustments for items not included in cash flow, etc*	597	1,729
Change in working capital	9	(188)
Cash flow from operating activities	**425**	**902**
Investing activities		
Acquisition of intangible assets	(52)	(153)
Acquisition of property, plant and equipment	(115)	(387)
Cash flow from investing activities	**(167)**	**(541)**
Financing activities		
Amortization of borrowings	(55)	(524)
Payment of transaction costs	-	(43)
Cash flow from financing activities	**(55)**	**(567)**
Net change in cash and cash equivalents	203	(205)
Cash and cash equivalents at period end	**839**	**839**

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

	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
	(SEK in millions)	*(SEK in millions)*
Depreciation, amortization and impairment of assets	349	1,065
Unrealized exchange rate differences	(192)	(290)
Unrealized change in fair value of financial assets	159	218
Change in accrued arrangement fees and accrued interest expenses	128	297
Interest not settled with cash, group companies	146	412
Other	7	27
Total	**597**	**1,729**

Notes to the Condensed Consolidated Financial Statements

Note 1 Basis of Preparation
The consolidated accounts of the Group are prepared in accordance with International Financial Reporting Standards (“IFRSs”) as disclosed in the Annual Report 2011. The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting.

NorCell Sweden Holding 2 AB (publ) was established on July 12, 2011, and functioned as a dormant holding company between July 12, 2011, and September 28, 2011. As a consequence it is not meaningful to present a comparable income statement for the period July 12, 2011 to September 30, 2011.

The new or amended IFRS and IFRIC interpretations, which became effective on January 1, 2012, have had no material effect on the consolidated financial statements.

These condensed consolidated financial statements are presented in million Swedish kronor (SEK) which is also the Group’s functional currency.

This Interim Report has been approved for issuance by the Board of Directors on November 12, 2012.

Operating Segments
The operations of the Group are integrated and constitute a single operating segment that offers the supply of pay television, high-speed broadband and fixed-telephony on a single market, Sweden. This is also the base of the Group’s management structure and the structure for internal reporting, which is controlled by the Group’s Chief Executive Officer, who has been identified as its chief operating decision maker. As such, the Group does not present any operating segment information. However, information on revenue from pay-television, high-speed broadband, fixed-telephony and landlord is disclosed in Note 2.

Note 2 Revenue
Total revenue amounted to SEK 3,417 million in the nine months ended September 30, 2012. Pay television revenue amounted to SEK 1,291 million or 37.8% of total revenue. High-speed broadband revenue amounted to SEK 957 million or 28.0% of total revenue. Fixed-telephony revenue amounted to SEK 384 million or 11.2% of total revenue. Landlord revenue amounted to SEK 644 million or 18.9% of total revenue, and Other revenue amounted to SEK 141 million or 4.1% of total revenue.

Note 3 Operating Expenses
The Group’s cost of sales and services amounted to SEK 1,693 million or 49.6% of total revenue in the nine months ended September 30, 2012. Selling expenses amounted to SEK 977 million or 28.6% of total revenue, and the Group’s administrative expenses amounted to SEK 181 million or 5.3% of total revenue.

Note 4 Financial Income and Expense
Net financial income and expense summarized to a net financial expense of SEK 1,199 million in the nine months ended September 30, 2012.

Net financial expense consisted primarily of interest expense on borrowings amounting to SEK 1,240 million, currency gains in EUR denominated debt of SEK 300 million, and a negative change in fair value of derivative instruments amounting to SEK 218 million in the nine months ended September 30, 2012.

Note 5 Income Taxes
The Group recognized tax income for the first nine months of SEK 167 million.

Note 6 Net Loss for the Period
The Group recognized a net loss of SEK 472 million in the nine months ended September 30, 2012.

Note 7 Capital Expenditures
Capital expenditures in the first nine months ended September 30, 2012 amounted to SEK 556 million or 16.3% of total revenue, of which SEK 15 million was funded by financial leases. Of the capital expenditures net after leasing, SEK 387 million related to investments in fixed tangible assets and SEK 153 million related to investments in fixed intangible assets. As from January 1, 2012, Com Hem is able to connect paid out sales commissions to specific fixed-term contracts with subscribers generated from certain telemarketing sales. Therefore, in accordance with IAS 38, approximately SEK 8 million have been recognized as fixed intangible assets in the first nine months of 2012, which will be amortized over the specific contract period, normally 12 to 24 months.

Note 8 Liquidity and Financial Position
As of September 30, 2012 the Group held SEK 839 million of cash and cash equivalents. Under the Senior Facilities Agreement, the Group has access to an additional committed Capital Expenditures Facility of SEK 750 million, and an additional committed SEK 446 million under the Revolving Facility.

Note 9 Related Parties
The Group has related party relationships with the Company’s owner and with Board members and Group Management. There have been no significant changes in the relationships or transactions with related parties for the Group compared to the information disclosed in the Annual Report 2011.

Note 10 Risks and Uncertainty Factors
The Group’s operations are influenced by a number of exogenous factors. For a detailed description of the risk factors considered to be most important to the Group’s future progress, please see the description in the Group’s Annual Report 2011. The Group believes that the risk environment has not materially changed from the description in the Annual Report 2011.

Note 11 Subsequent Events
In October 2012, Stefan Trampus joined the company as Head of Sales for both the Landlord Business Unit and Consumer Sales, and member of Group Management. At the same time, Christer E. Andersson, who between April 2007 and October 2012 served as the Director of the Landlord Business Unit, joined iTUX as Managing Director.

To the knowledge of the Board of Directors, no other events have occurred after closing date that are expected to have a material impact on the business.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Introduction
We have reviewed the accompanying consolidated balance sheet of NorCell Sweden Holding 2 AB (publ) and subsidiaries ("the Group") as of 30 September 2012 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended which are included in the printed version of this document on pages 12 – 16. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Stockholm, November 12, 2012
KPMG AB

/s/ Thomas Thiel

Thomas Thiel
Authorized public accountant

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About Com Hem

Com Hem is one of Sweden's leading suppliers of television, broadband and fixed-telephony. Approximately 40 percent, 1.74 million, of Sweden's households are connected to Com Hem's network with access to the market's broadest range of television services. Com Hem offers attractively priced, high quality and complementary services for television, high-speed broadband and fixed-telephony. The Company was established in 1983, is owned by BC Partners, has approximately 950 employees and head office in Stockholm.

Supplemental Information

NorCell Sweden Holding 2 AB (publ) Group

FOR IMMEDIATE RELEASE
Date: November 12, 2012

IMPORTANT INFORMATION

For investors and prospective investors in the Senior Notes issued by NorCell Sweden Holding 2 AB (publ) and Senior Secured Notes issued by NorCell Sweden Holding 3 AB (publ), please refer to this Supplemental Information as of September 30, 2012 (the "**Supplemental Report**") presenting the Group's supplemental information for the period January 1, 2009 to September 30, 2012.

In this Supplemental Report, the terms "**we**," "**our**," "**us**," the "**Company**" and "**Com Hem**" for the period prior to the consummation of the Acquisition refer to either Com Hem Holding AB, formerly Nordic Cable Acquisition Company Sub-Holding AB, registration number 556689-2104, or Com Hem Holding AB and its subsidiaries, as the context requires, and, for the period following the consummation of the Acquisition, HoldCo and its subsidiaries, as the context requires. The term "**HoldCo**" refers to NorCell Sweden Holding 2 AB. The term "**Bidco**" refers to NorCell Sweden Holding 3 AB.

Certain numerical information and other amounts and percentages presented in this Supplemental Report may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

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

For definitions and glossary, please refer to the Group's Annual Report 2011.

This Supplemental Report has not been reviewed by the Company's auditors.

FORWARD-LOOKING STATEMENTS

This Supplemental Report contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "believe," "expect," "anticipate," "intend," "may," "plan," "estimate," "will," "should," "could," "aim" or "might," or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Supplemental Report, including, without limitation, in the sections entitled "*Industry Overview,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Regulation*" and include, among other things, statements relating to:

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

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

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

Additional factors could cause our actual results, performance or achievements to differ materially.

TABLE OF CONTENTS

INDUSTRY OVERVIEW

Certain information set forth in this section has been derived from external sources, as well as publicly available reports from telecommunications operators. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Forward-looking statements."

Sweden

We operate our cable business in Sweden, which as of December 2011 had a population of approximately 9.5 million and approximately 4.7 million households according to the PTS. We believe that as of September 30, 2012, our cable business covered approximately 37% of Sweden as measured by homes connected, including Stockholm, Gothenburg, Malmö, Uppsala and other major metropolitan areas.

Sweden is one of the most prosperous countries in Europe with a GDP per capita in 2011 of approximately €41,100, which was the third highest GDP in the European Union in 2011. Swedish real GDP grew at a rate of 3.9% in 2011, compared to the average real GDP growth rate in the European Union of 1.5% according to Eurostat. Public debt in Sweden amounted to 37.5% of GDP in 2011 according to the CIA World Factbook, comparing favorably with most other countries in the European Union, where the average level of public debt in 2011 was 82.1%. At the same time, Sweden benefits from a comparably low average unemployment rate, which was 7.5% in 2011, compared to an average of 9.7% across the European Union in 2011. We believe that the relatively prosperous nature of the Swedish population, the absence of any severe austerity measures in the public sector combined with a comparatively low blended cable ARPU in an international context provides this market with a significant growth upside for cable operators.

The Com Hem Footprint

The Swedish market consists of two types of homes: MDUs and SDUs. MDUs are buildings with multiple separate housing units for residential (in other words, non-commercial) inhabitants. They are typically owned by municipalities, large commercial organizations, small private companies or by tenants, in which case each tenant of an MDU typically owns a proportional share of the landlord association that controls the MDU. SDUs are standalone houses and villas. Out of the 4.7 million households in Sweden, we believe that 56% are MDUs and 44% are SDUs. Com Hem focuses on serving homes in MDUs, with Canal Digital Cable, Bredbandsbolaget, Ownit (all owned by Telenor), Tele2, Sappa and Telia being the main competitors. DTH/DTT (as defined below), primarily offered by Viasat, Canal Digital and Boxer, are more developed in SDUs and rural areas and thus compete less in the MDU market.

Network Dynamics in Sweden

The Swedish market is characterized by strong infrastructure competition, in particular between cable and LAN. The substantial overbuild of cable with LANs took place over the last 10 years, during which time we believe that the overbuild increased from approximately 29% in 2005 to approximately 63% in 2012. The LAN overbuild is highest in densely populated areas due to economies of scale and therefore we expect the overbuild to slow down in the coming years, as the number of landlords without access to the LAN overbuild become smaller in scale.

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

Swedish cable network operators benefit from certain inherent characteristics of HFC cable networks. Unlike xDSL networks, cable networks have been designed to transmit large amounts of analog television and radio signals and are able to deliver consistent speeds irrespective of the distance to the subscriber. Copper is a distance-sensitive medium, and accordingly, access speeds for xDSL technology decrease substantially as distance from xDSL hubs increases. VDSL2 can currently provide broadband speeds of up to 50 Mbps, which is still lower than broadband speeds via cable.

Sweden's high fiber penetration is a result of a national broadband strategy. According to the PTS's agenda, 90% of all Swedish households and businesses should be covered by ultra-high speed (faster than 100 Mbps) Internet by the year 2020 (source: PTS, "Follow-up of the Government's Broadband Strategy," May 2011). In newly built homes only one infrastructure is typically rolled-out with the preferred technology being FTTx or LAN. The PTS also recently required TeliaSonera to open up its fiber networks to competitors and provide other operators with the opportunity to purchase access to TeliaSonera's fiber network, thereby allowing other operators to position their own equipment at TeliaSonera's exchanges or allowing them to purchase pre-packaged wholesale products from TeliaSonera and offer them directly to their subscribers. Other operators need not invest in their own equipment if they pursue the latter scenario.

The Swedish LAN market is particular in the sense that landlords can choose between vertical LAN and open LAN networks. In a vertical LAN network, the operator pays the cost of building the LAN network and typically seeks the exclusive right to deliver television, high-speed broadband and fixed- telephony services to the residents in the connected building(s) for a minimum term, generally seven or more years. In an open LAN network, a landlord typically builds the LAN and leases it to a communication operator that in turn contracts with service providers. The LAN overbuild within our footprint has so far been relatively evenly spread between vertical and open LAN networks. However, as the open LAN structure requires a substantial investment by landlords, private landlords are significantly less inclined to choose an open LAN structure than public landlords. Fiber LAN already has high coverage in Sweden and has largely overbuilt cable in Com Hem's footprint.

Additionally, Sweden has a broadband infrastructure of more than 100 urban networks (Sw. *Stadsnät*) which are broadband networks geographically limited to, and often owned by, a local municipality. The municipalities have built their own open fiber networks over the past several years in an effort to maximize broadband access to all Swedish households and to eventually achieve nationwide coverage of backbone networks, regional networks and access networks. The municipalities typically only build dark fiber when there are limited commercial interests in a particular region. (Source: Svenska Stadsnätsföreningen)

Service Bundling

The media and communications market in Sweden has been converging over the past couple of years as subscribers increasingly seek to receive media and communications services from one provider where providers are offering television, broadband internet and fixed-line telephony services bundled into integrated offerings referred to as "double play" (two services provided together) or "triple play" (three services provided together) at attractive prices. Some operators also offer "quadruple-play" offerings (television, broadband internet, fixed-telephony and mobile services). However, quadruple-play offerings are currently limited in Sweden with, according to the PTS as of May 2012, approximately 16,000 customers using quadruple-play services compared to approximately 642,000 using triple-play services as of December 2011. Offering bundled services from a single point of contact also helps to increase customer loyalty and lower churn. According to the PTS, the number of bundled subscriptions increased in Sweden by a CAGR of 11% from 1.2 million in December 2009 to 1.5 million in December 2011.

We believe that Swedish cable operators are well positioned to benefit from these convergence trends as they increasingly sell individual and bundled broadband, telephony and pay television services to their existing cable television subscriber base and new subscribers, increasing their respective market share in the telecommunications market.

The Swedish television service market size in 2011, based on revenue, was estimated to be SEK 9.1 billion according to the PTS, compared to SEK 6.9 billion for the consumer fixed internet service market and SEK 7.9 billion for the consumer fixed-line telephony market in Sweden.

Swedish Television Market

Introduction

The Swedish television market covers approximately 4.7 million homes according to the PTS and the Swedish television market had a combined cable, satellite and terrestrial penetration rate of approximately 88% in 2011 according to Screen Digest. Similarly to other European markets, television consumer behavior in Sweden is starting to put greater emphasis on digital, innovative and interactive television services such as HD, VoD and "Catch-up TV" over traditional distribution platforms and OTT, requiring high bandwidth and bi-directional distribution platforms.

The Swedish television market is experiencing continued digitalization, as the expansion of HD, VoD and PVR services is changing consumers' habits and viewing behavior. Digital pay television penetration within the entire Swedish market was 64% during the second quarter of 2012, but only 51% within Com Hem's footprint according to Mediavision. According to Screen Digest, the digital pay television market in Sweden is expected to grow by a compound annual growth rate of 5.4% from approximately SEK 7,867 million in 2011 to approximately SEK 10,227 million in 2016. This growth is mainly explained by the increasing ARPU generated by value-added services such as VoD and HD services.

Television signals are distributed in Sweden through various platforms, including cable, satellite and digital terrestrial systems ("**DTT**"), as well as through broadband technologies such as VDSL, ADSL2+ and IP television. In addition, OTT viewing is increasing. Cable was the leading television distribution platform in Sweden in 2011, with approximately 49.8% of Swedish homes watching television over a cable network (based on primary television set). The following table illustrates the development of the percentage of Swedish homes (based on primary television set) that watch television via cable, satellite, DTT and IP television for the period from 2009 to 2011.

	2009	2010	2011
Cable (in %)	51.6	50.5	49.8
DTT (in %)	20.4	21.6	20.2
Satellite (in %)	18.6	17.5	18.1
IPTV (in %)	9.4	10.4	11.9

Source: Screen Digest, October 10, 2011.

Cable

Sweden is a highly penetrated cable television market with approximately 2.4 million homes watching television via cable in 2011 (based on primary television set) according to Screen Digest. At present, there are three major cable operators that cover Sweden: Com Hem, Canal Digital and Tele2. The operators provide a substantial program offering of between 6 and 24 analog channels and a number of digital free and pay television channels, depending on the cable operator and the region served.

Cable network services are characterized by easy-to-use technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home. Cable television subscribers are able to access customer services provided by the cable provider when required.

Basic television services are usually included in utility fees charged to tenants by their housing associations and landlords as part of their rental agreement, as housing associations and landlords typically enter into contracts with operators for the provision of service to all of their units. In addition, cable operators are able to directly up-sell digital pay television, broadband and telephony services to all analog subscribers, while retaining the revenue generated from the sale of the underlying analog services to the landlords.

DTT

The second largest television delivery platform in Sweden is DTT, with the highest usage in rural areas and lower penetration in metropolitan areas. Analog terrestrial broadcasts were switched off in stages between 2005 and 2007, after which DTT coverage for public service channels reached 99.8% according to ISI Emerging Markets.

Boxer is the government owned DTT broadcaster and had a 20% market share in the second quarter of 2012 in the digital television market according to Mediavision. Boxer is the only DTT broadcaster in Sweden and it offers a wide range of channels broadcasted on four national transmitter networks, of which three can be received by 98% of the population according to ISI Emerging Markets.

DTH

The third largest form of television reception in the Swedish market is direct to home satellite television ("**DTH**") with 18.1% of Swedish households receiving television programs via satellite according to Screen Digest. Canal Digital and Viasat are the only DTH operators in the Swedish market. Viasat is the largest DTH satellite distributor with approximately 339,000 subscribers as of December 2011 according to Screen Digest.

To receive programming distributed via satellite, viewers need a satellite dish, a satellite receiver and a set-top box. Due to the risk of structural damage, regulatory restrictions and the unappealing look of satellite dishes, certain landlords of MDUs may prohibit tenants from installing satellite dishes. Viewers also require a smart card for cable television services distributed via satellite. In comparison to DTT and cable, satellite operators charge more for their digital television packages.

IPTV

As a result of improvements in broadband technologies, the Internet is increasingly being used as a platform for the distribution of IPTV and VoD services. Sweden was the first country in Europe to complete the digital switchover in 2007, which enabled the expansion of IPTV in the Swedish market. IPTV can be carried through fiber or xDSL.

In addition to Com Hem, there are four main IPTV operators in the Swedish market. Two of them use their own separate infrastructure while the others are locally established companies running urban or local fiber networks. TeliaSonera has the greatest national reach of the four main IPTV operators based on total number of households reached.

However, adding television services over a xDSL or fiber network strains the network and decreases the amount of spectrum bandwidth available for other service offerings, in particular broadband. Furthermore, IPTV subscribers, like DTT and digital cable subscribers, must have a separate set-top box for each television in a household that receives its signal through IPTV. While fiber-to-the-home networks provide for higher bandwidth and as such higher quality television services compared to VDSL, their roll out has been limited to date.

OTT

Another emerging technology is the delivery of television broadcasts "over the top" ("**OTT**") of an existing broadband network, which allows content providers to reach consumers through mediums such as the broadcaster's website or online aggregators of content. OTT viewing is increasing and has gained increased media attention in the last year with tech giants like Google, Apple, Amazon, Netflix and Microsoft entering the market. Other Swedish OTT market participants include Viaplay, Voddler, TV4 Play, and SVT Play. Also, content providers like HBO are challenging traditional distribution models through OTT distribution. We believe that, in the near term, OTT is likely to increase demand for bandwidth rather than decrease digital television subscriptions as most OTT services are complementary and do not provide the same level of content as cable (OTT providers without linear television capabilities). Accordingly, we believe that OTT represents an opportunity rather than a threat for cable operators. Certain traditional pay television operators have adapted to this trend by taking the role of content aggregators, delivering content over a variety of media to a variety of devices. Com Hem has recently entered into an agreement with TiVo to develop and offer a full suite of television services, including OTT, to any device.

Swedish Broadband Market

Fixed broadband penetration in Sweden is 86%, which is slightly ahead of other major European economies, with the percentage of homes with a broadband connection as of December 31, 2011 at 70% in France, 80% in the UK, 78% in Germany and 74% in Belgium according to the European Digital Agenda Scorecard, published by the European commission.

Sweden was the first country in Europe to develop a broadband policy and since 2000 the government has been running a national broadband policy aimed at providing a minimum level of service to all households and businesses by improving access. Until 2005, approximately SEK 9 billion was earmarked to support the fiber network infrastructure (source: ISI Emerging Markets).

An increased demand for high bandwidth services has followed viewers' desires to watch any type of content, anytime, anywhere and on any device, including televisions, personal computers, tablets and smart phones.

The following table shows the overall trend of a continuous shift to higher speed broadband services within the Swedish market, measured by broadband subscriptions reported by all broadband providers within the Swedish market.

	2009	2010	2011
	(Percentage of broadband subscriptions) (In Mbit/s)		
Less than 2	11	7	4
2 to 10	42	43	37
10 to 30	34	34	38
30 to 100	13	2	3
Greater than 100	—	14	18

Source: PTS.

According to Screen Digest's report published in September 2012, cable operators accounted for approximately 611,000 broadband subscribers as of December 2011, representing 20.0% of the 3.0 million fixed broadband subscribers in Sweden, compared to approximately 594,000 cable broadband subscribers as of the end of 2010. Cable has been a large and fast growing alternative access platform, continuing to gain market share from the xDSL segment.

The following table shows the historical development of the number of broadband subscribers in Sweden, by access platform.

	2009	2010	2011
	(In thousands)		
xDSL	1,666	1,591	1,515
Cable	579	594	611
FTTP	687	794	906
Other(1)	12	16	17
Total	**2,944**	**2,995**	**3,049**

Source: Screen Digest, October 10, 2012.

(1) Includes alternative fixed technologies, such as WiMax and other wireless solutions, satellite and powerline.

Sweden also has a relatively advanced market for mobile broadband, principally through operators' High-Speed Packet Access networks. As of June 30, 2012, there were approximately 1.8 million mobile broadband subscribers in Sweden, implying a 44% penetration level. This has increased from 30% since June 30, 2009 as a result of emerging technologies and upgraded networks (source: Mediavision). However, current technology limitations on speed and capacity mean that mobile broadband has become complementary to fixed broadband, as consumers still require a fixed connection for bandwidth intensive applications such as video streaming. However, after the 4G spectrum auction at the beginning of 2011, Net4Mobility (a joint venture between Telenor and Tele2), TeliaSonera and 3 are able to offer mobile broadband at significantly increased speeds in the 800MHz band, which is especially well-suited for rural areas.

Swedish Telephony Market

Fixed-Line Telephony

TeliaSonera is the largest provider of fixed-line telephony services in Sweden, with an estimated market share of traditional fixed-line connections (excluding VoIP) of 61.3% in 2011 according to the PTS. However, TeliaSonera's fixed-telephony market share has been decreasing in terms of subscribers, from 3.6 million in 2009 to 2.9 million in 2011 (Source: TeliaSonera 2011 Annual Report) and this trend is continuing due to pressure from resellers, alternative carriers (especially cable) and declining mobile phone charges. In particular, traditional PSTN access technology is declining in favor of alternative technologies such as VoIP services offered via broadband connections (for example, xDSL) and service providers such as Skype.

We expect continuing competition, including price competition, from traditional and non-traditional fixed-line and mobile phone providers in the future. Fixed-line telephony has experienced significant price erosion in recent years, with operators increasingly offering flat-rate plans. We believe price decreases and TeliaSonera's loss of access lines are not only driven by growing competition in the fixed-line phone market, but also by the emergence of alternative technologies for phone communication such as VoIP. Fixed-line telephony has already been impacted by falling usage (from 5.0 million fixed-line subscribers in 2009 to 4.5 million in 2011 according to the PTS).

Voice over Internet Protocol (VoIP)

VoIP delivers voice communications and provides for multimedia communication over the Internet or over managed IP networks (such as cable networks). VoIP has become a fast growing voice technology in recent years due to the prevalence of using broadband networks and the popularity of Internet use. The increasing use of VoIP for communications in Sweden, from 0.9 million in 2009 to 1.2 million consumer subscriptions in 2011 and real time services such as video (source: PTS), has led to a growing need for higher bandwidth services.

Cable operators with an abundance of bandwidth are well positioned to carry high quality VoIP services in their managed networks.

Mobile Telephony

In December 2011, there were approximately 13.4 million mobile subscriptions in Sweden, which translated into a penetration rate of 140.9% of the Swedish population according to the PTS. Although multiple operators provide mobile services in Sweden, the main network operators are: TeliaSonera, Tele2, Telenor and Hi3G.

Over recent years mobile telephony operators utilized their networks by allowing mobile service providers or mobile virtual network operators (MVNO) to sell their own branded mobile products. Discount providers and large retailers have also entered the market in cooperation with mobile operators. The Swedish market for mobile services is still growing slightly, but price levels are decreasing and we expect increasing competition, including price erosion.

MANAGEMENT´S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition of Com Hem, based on the audited consolidated financial statements of Com Hem and its subsidiaries as of and for the years ended December 31, 2010 and 2009 and the unaudited interim consolidated financial statements of Com Hem and its subsidiaries as of and for the nine months ended September 30, 2011 and HoldCo and its subsidiaries as of and for the nine months ended September 30, 2012, in each case, prepared in accordance with IFRS as adopted by the European Union.

The unaudited pro forma combined consolidated financial information for the year ended December 31, 2011 have been derived by the mathematical addition of the separate consolidated results of operations for the Company for the period ended September 30, 2011 to the separate consolidated results of operations for HoldCo and its subsidiaries reflected in our income statement and cash flow statement included in the consolidated financial statements for the period July 12, 2011 to December 31, 2011 (between July 12, 2011 and September 28, 2011, HoldCo functioned as a dormant holding company, except for certain activities related to the Acquisition) and certain other financial information derived from the internal management accounts of HoldCo and its subsidiaries for the same period and certain pro forma adjustments. See "Unaudited Pro Forma Combined Consolidated Financial Information." The unaudited pro forma combined consolidated financial information for the year ended December 31, 2011 have not been prepared in accordance with IFRS or any other generally accepted accounting standards.

Except as the context otherwise indicates, when discussing historical results of operations in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Com Hem," "we," "our" and other similar terms are generally used to refer to the business of Com Hem and its subsidiaries.

A summary of the critical accounting estimates that have been applied to Com Hem's consolidated financial statements is set forth below in "—Critical Accounting Policies." This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are the largest cable operator in Sweden based on the number of connected homes and the number of unique subscribers and are a leading provider of analog and digital television, including HD television and on-demand services, high-speed broadband and fixed-telephony services. We provide our services to subscribers in our footprint, which consists of the approximately 1.75 million homes that are connected to our network as of September 30, 2012. A core element of our strategy is providing our services combined in bundles, which offer our subscribers the convenience of receiving digital television, high-speed broadband and fixed-telephony services from a single provider at an attractive price. Our network covered approximately 37% of all homes in Sweden as of September 30, 2012 and includes all major metropolitan areas, including Stockholm, Gothenburg, Malmö and Uppsala.

We have been able to successfully leverage our market-leading position to drive the growth of our business. The number of our unique subscribers and our digital RGUs fell by 1.8% and 3.0%, respectively, and our blended ARPU increased by 1.2% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. Reflecting our operational success, our revenues, Adjusted EBITDA and operating free cash flow grew at CAGRs of 5.2%, 11.2% and 33.7%, respectively, from 2009 to 2011. Our revenues and Adjusted EBITDA grew by 1.5% and 3.6%, respectively, and our operating free cash flow declined by 23.1% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, partially due to investments in our "next generation" TV platform powered by TiVo.

We focus on providing our services to subscribers within the MDU segment. We typically enter into contracts with landlords of MDUs to provide their tenants analog cable television services, consisting of up to 16 analog cable television channels, with the cost of the service included in the tenant's rent or listed as a separate item on monthly rent statements. Once we have established a distribution and service relationship with a landlord through the delivery of analog cable television services, we can offer individual subscribers the ability to upgrade to our full range of digital services. We enter into direct billing relationships with the tenants who subscribe for digital services and retain the contractual relationship with the landlords for the underlying analog cable television services. As of September 30, 2012, we provided our analog cable television services to approximately 1.75 million connected homes based on contracts with approximately 23,000 different landlords. In addition to contracts with landlords, we provide our analog cable television services to approximately 42,000 residential homes based on individual agreements with the homeowners.

As of September 30, 2012, we had approximately 831,000 unique customers subscribing for approximately 1.51 million digital services, corresponding to a ratio of RGUs per unique subscriber of 1.82 to 1. As we are currently able to market digital services to our base of analog cable television subscribers, we believe that we will continue to have a substantial opportunity to drive digital penetration, which will allow us to generate attractive operating margins and financial growth.

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

- *Digital pay television services:* We offer approximately 160 digital television channels and approximately 10 radio channels. We provide digital pay television channels in four service bundles, ranging from "small," a basic package of 10 digital channels, including two HD channels, to an "extra-large" package, which consists of a diverse range of Swedish and foreign-language channels, including 8 HD channels. We also offer subscribers the ability to purchase access to stand-alone channels, including a range of foreign-language channels, and premium packages as well as pay-per-view services. As of September 30, 2012, we provided VoD services to approximately 116,000 of our subscribers. Our VoD services consist of an integrated electronic program guide, a wide range of play/on-demand programming options, including "Start-Over" and "Catch-up TV," a video store and local tenant information services. Digital pay television services generated revenues of SEK 1,678 million, or 37.1% of our total revenues, in the year ended December 31, 2011 and SEK 1,291 million or 37.8% of our total revenues in the nine months ended September 30, 2012. As of September 30, 2012, we had approximately 613,000 digital pay television RGUs, compared to approximately 639,000 digital pay television RGUs as of September 30, 2011. Our digital pay television services ARPU was SEK 229 in the nine months ended September 30, 2012 compared to SEK 223 in the nine months ended September 30, 2011.

- *High-speed broadband services:* Our current high-speed broadband services portfolio consists of services with download speeds ranging from up to 10 Mbit/s to 200 Mbit/s. High-speed broadband services generated revenue of SEK 1,231 million, or 27.2% of our total revenues, in the year ended December 31, 2011, and SEK 957 million, or 28.0% of our total revenues, in the nine months ended September 30, 2012. As of September 30, 2012, we had approximately 544,000 high-speed broadband RGUs compared to approximately 545,000 high-speed broadband RGUs as of September 30, 2011. Our high-speed broadband services ARPU was SEK 196 for the nine months ended September 30, 2012 compared to SEK 190 in the nine months ended September 30, 2011.

- *Fixed-telephony services:* Fixed-telephony services generated revenue of SEK 564 million, or 12.5% of our total revenues, in the year ended December 31, 2011, and SEK 384 million, or 11.2% of our total revenues, in the nine months ended September 30, 2012. As of September 30, 2012, we had approximately 355,000 fixed-telephony RGUs compared to approximately 375,000 as of September 30, 2011. Our fixed-telephony services ARPU was SEK 118 for the nine months ended September 30, 2012 compared to SEK 128 in the nine months ended September 30, 2011.

In addition, our analog cable television services generated revenues of SEK 884 million, or 19.5% of our total revenues, in the year ended December 31, 2011, and SEK 644 million, or 18.9% of our total revenues, in the nine months ended September 30, 2012.

In addition to providing our digital and analog services to subscribers and landlords across our advanced HFC cable network, we provide our full range of digital services to subscribers, both inside and outside of our footprint, via LAN networks. For more information on our LAN-based operations and the development of LAN infrastructure in Sweden, see "*Industry Overview—Network Dynamics in Sweden*."

Key Factors Affecting Our Results of Operations

Our operations, the key operating measures discussed below and our results of operations have been, and may continue to be, affected by certain key factors including, in particular, our network upgrades, the introduction of new products and services, changes in our pricing, our cost structure, our product mix, marketing and promotional activities, churn and seasonality. Each of these factors is discussed in more detail below.

Network Upgrade

We accelerated an extensive network upgrade program in 2004 to facilitate the delivery of digital products and services, including digital television, high-speed broadband, fixed-telephony services and other interactive services. We are focused on maintaining a modern HFC cable network and have continued to invest in network and quality enhancement during the periods under review, investing SEK 343 million in 2009, SEK 272 million in 2010, SEK 227 million in 2011 and SEK 210 million in the nine months ended September 30, 2012. We have substantially completed the upgrade of our access network, including in-house networks, to bi-directional HFC networks, allowing the delivery of digital television, high-speed broadband, fixed- telephony and other interactive services to our subscribers across 90% of our network. We have deployed the data transmission standard EuroDOCSIS 3.0 since 2009, which allows us to currently offer our maximum broadband speed of up to 200 Mbit/s. As of September 30, 2012, our bi-directionally upgraded network was fully EuroDOCSIS 3.0-enabled.

With the substantial completion of our network upgrade, we have reduced our network- and quality enhancement-related capital expenditure from SEK 343 million in the year ended December 31, 2009 to SEK 227 million in the year ended December 31, 2011. During the same period, our capital expenditure related to CPE decreased from SEK 274 million in the year ended December 31, 2009 to SEK 203 million in the year ended December 31, 2011. In the nine months ended September 30, 2012, our network and quality enhancement-related capital expenditures and CPE-related capital expenditures were SEK 210 million and SEK 153 million, respectively. As a result of the substantial completion of our network upgrade, a considerable portion of our ongoing capital expenditures related to network, CPE and capitalized sales costs will be success-based in connection with investments in our "next generation" digital television platform and investments in expanding our network capacity as a result of increased demand for high-speed broadband services, meaning that the majority of our capital expenditure requirements are linked to incremental RGU and usage growth.

As we lease the majority of our network through long-term lease agreements, including our access to the national backbone, fiber, ducting and co-location of head-end facilities, our capital expenditure requirements for network maintenance, upgrade and general service are significantly lower than those cable operators who directly own these network components.

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

The Introduction of New Products and Services

We have significantly expanded our presence and product and service offerings in the past and have been a leader in bringing digital services to the Swedish market. We launched digital television services in 1997, high-speed broadband services in 1999 and cable-based fixed-telephony services in 2004.

In 2005, we introduced "Com Bo," our bundled service offering, including our triple-play service, combining digital television services with high-speed broadband and fixed-telephony services. Subscribers who elect to subscribe for our triple-play bundle realize cost savings on their monthly bill, as we have adopted a pricing strategy that allows subscribers to effectively pay for two services and get the cheapest one free. We have continued to enhance our product and service offerings, introducing VoD services in 2009, launching a 100 Mbit/s broadband service in 2009 and a 200 Mbit/s broadband service in 2011, introducing HD television in 2006 and launching 3D television in April 2011. We also plan to launch a voice over WiFi product during the fourth quarter of 2012. In addition, we regularly review our channel offerings to provide our subscribers with a flexible and diverse range of programming options. As of September 30, 2012, we offered approximately 160 television channels, including up to 24 HD television channels.

In June 2012, we signed an exclusive agreement with TiVo in order to embrace shifting consumer viewing preferences and to be both technology and device agnostic. Together with TiVo, we intend to develop our “next generation” TV offering, which is expected to launch in the second quarter of 2013. The offering will deliver simultaneous access over different platforms and will include traditional television content, VoD libraries, OTT content and applications through an integrated one-stop-shop viewing experience.

As a result of our focus on providing our subscribers with attractive service options, we have experienced significant growth in subscriber numbers between 2009 and 2011, with the number of unique subscribers increasing from approximately 818,000 as of December 31, 2009 to approximately 861,000 as of December 31, 2011. As of September 30, 2012, the number of unique subscribers has slightly decreased to approximately 831,000. The decrease in the number of unique subscribers during the first nine months of 2012 was largely due to our decision to increase prices for our pay television services during the first six months of 2012. We have historically experienced a particularly strong increase in the number of unique subscribers subscribing for our triple-play service, with the number of triple-play subscribers increasing from 28.2% as of December 31, 2009 to 33.9% of our unique subscriber base as of December 31, 2011. However, as a result of the general market trend of subscribers shifting from fixed to mobile telephony and the resulting decreased demand for fixed-telephony services, we have shifted our sales focus towards double-play offerings and thus experienced a decrease in unique subscribers subscribing for our triple-play service, which was 32.6% of our unique subscriber base as of September 30, 2012. As a result, the number of RGUs per subscriber increased from 1.77 as of December 31, 2009 to 1.84 as of December 31, 2011, and decreased to 1.82 as of September 30, 2012.

Changes in Our Pricing

In order to grow ARPU in our digital services we continuously develop our services to better meet the expectations of our subscribers. We have, like other cable and telecommunications providers in Sweden, provided our subscribers with an enhanced portfolio of services, including broadband services with higher speeds, enhanced digital television services with additional functionality and other add-on services. We also regularly review our pricing policy to account for new developments in our products and changes in market pricing. While prices for digital services have remained relatively stable in Sweden in recent years, we have, consistent with the practices of other market participants, introduced or increased certain fees during the periods under review, including introducing an encryption fee of SEK 30 in 2009, which was increased to SEK 49 in 2011 and SEK 59 in 2012, to cover costs for conditional access systems. We also increased the fixed monthly subscription fee for fixed-telephony services from SEK 59 to SEK 69 in 2009. All prices presented above are inclusive of value added tax. In addition, we have implemented certain price increases, including for our digital pay television premium packages in both 2009 and 2010, for fixed-telephony usage in 2010 and for our basic digital pay television services in the beginning of 2012.

We proactively track landlord contracts that are nearing expiration and, in line with our strategy of maintaining our footprint and building long-term relationships with our landlord customers, offer our landlord customers a range of contract terms, including contract duration, price and product mix, to secure the extension of the contract. While this practice has resulted in declining revenue from our landlord customers in periods where contractual indexation provisions do not yield offsetting additional revenue, it has successfully supported the stability of our footprint, which in turn has allowed us to focus on selling our higher ARPU digital services to residential subscribers.

Cost Structure

Certain of our cost elements, including a large portion of our network operations, billing and administrative expenses, are relatively fixed, while our sales and marketing costs, content-related costs, internet capacity costs and fixed-telephony call fees, among other costs, are largely variable. Our most significant costs include payroll costs and payments under our operating lease agreements with Skanova, Stokab and Trafikverket for access to ducts and co-location facilities as well as for use of fiber-optic capacity and other services. Our costs for assets and services provided by our operating lease counterparties have generally been predictable, as we have entered into long-term lease arrangements that contain index- and capacity-based cost mechanisms, to secure our access to our network, and we have generally experienced reduced internet-capacity cost on a per-subscriber basis.

We do not produce content and are dependent on broadcasters and other content providers for programming. Our cost of content, which consists primarily of license payments for programming, is largely variable and depends on RGU numbers as we generally purchase content according to volume-driven rate cards (according to which the fee per subscriber generally decreases as the number of subscribers increases) or, in the case of our premium services and other "*à la carte*" offerings, on a revenue-sharing basis. We believe that our total content costs will continue to increase largely in-line with the growth in the number of our RGUs and with the increase in the use by our subscribers of additional services, such as VoD, HD and OTT service. There can be no assurances, however, that content prices will continue to develop in a manner consistent with our current experience.

Our production and operating costs decreased slightly in 2010 compared to 2009. In 2011, our production and operating costs increased slightly compared to 2010 partially due to increased production costs for iTUX and increased staff related operating costs. During the nine months ended September 30, 2012, our production and operating costs decreased compared to the corresponding period in 2011 primarily due to renegotiated content agreements and lower sales costs attributable to lower sales volumes. We believe that the current level of our production and operating costs as a percentage of revenue is sustainable as we seek to continue to grow our operations.

Our depreciation and amortization expenses, which are categorized under cost of sales and services, selling expenses or administrative expenses depending on whether the depreciation and amortization relates to production, the sales function or the administrative function, respectively, have generally increased as a larger proportion of our depreciation now relates to assets with shorter depreciation and amortization schedules (for example, CPEs and capitalized sales costs) than in the past.

The cost of our customer service operation is closely linked to customer service call volumes and the length of the calls. The level of customer service call volumes may fluctuate during any given period as a result of, among other things, the introduction of new products and services, including products and services that may require installation of end-user equipment, the quality and reliability of our services and the quality of alternative customer service options, including the customer service portal on our website. The total number of incoming calls decreased in 2011 compared to 2009. In the nine months ended September 30, 2012, the total number of incoming calls has slightly increased due to extensive changes in the channel distribution list which was completed during the third quarter of 2012. The changed broadcast channel distribution list was implemented in order to improve quality, increase network capacity and enable the supply of additional television channels, HD channels, new VoD services and higher broadband speeds in the future.

In customer surveys conducted by the Swedish Quality Index (Sw. *Svenskt Kvalitetsindex*) from 2008 to 2011, the Com Hem brand was associated with providing lower customer satisfaction than many of its peers. However, this issue was identified in 2008 by Com Hem management and significant efforts have been made to improve customer satisfaction. As a result, our subscriber satisfaction rates following customer service calls in 2011 and into the first quarter of 2012 have improved compared to 2008, based on research that we commission on an ongoing basis. We believe that the improved customer satisfaction rates indicated in our commissioned surveys are an accurate indicator of our subscribers' views as general population surveys can over-emphasize historic experience, both direct and indirect.

Consistent with management's decision to invest in the growth of our business, we decided to reduce our reliance on outsourcing partners and began to in-source a larger percentage of our customer service staff. In the years ended December 31, 2009, 2010 and 2011, 74%, 48% and 32%, respectively, of customer service calls answered were answered by staff at outsourced call centers, while 26%, 52% and 68%, respectively, of answered calls were answered by our employees or hired staff. Beginning October 1, 2012, all customer services calls are now handled in-house from our two customer service sites in Härnösand and Örnsköldsvik. While the use of our own employees to answer customer service calls results in higher employee costs, these costs have largely been offset by reduced outsourcing costs. Costs for Customer Service also decrease due to the impact of our improved Customer and Field Service, which results in lower call volumes and reduced costs, in particular with regard to the sale and support of more complex digital services.

Product Mix

Pay television is our largest service area by revenue and accounted for 32.5%, 35.3% and 37.1% of total revenue in the years ended December 31, 2009, 2010 and 2011, respectively. In the nine months ended September 30, 2012, pay television services accounted for 37.8% of our total revenue. We generate lower gross margins from the sale of pay television than from the sale of high-speed broadband and fixed-telephony services, as the cost of sales and services for pay television is higher due largely to television content costs.

Marketing and Promotional Activities and Sales Costs

We frequently offer introductory promotions to attract new residential subscribers. In addition, we incurred additional marketing expense in 2009 when we developed our VoD services and launched our new marketing concept, "Judit and Judit." As the extent of our promotional activities varies from period to period, our ARPU can in turn fluctuate. Our sales costs depend largely on the mix of sales channels employed during a period and increase when we use more expensive "push" channels, such as retail, door-to-door and telemarketing, compared to "pull" channels, such as our website and our customer service operation. We typically use "push" channels in connection with targeted campaigns.

Churn

As a result of our strong relationships with our landlord customers, the number of homes connected to our network has remained above 1.73 million homes in each of the periods under review, with churn of homes connected of not more than 3%.

We calculate RGU churn on a monthly basis by dividing the number of RGUs terminated during each month in the year by the average monthly number of RGUs for the year. In the case of our residential subscribers, the churn we experience is caused primarily by relocation of subscribers to a household where we do not deliver our services, disconnection of non-paying subscribers and product-related churn stemming from competitive alternatives, such as the delivery of digital services via over-built fiber-optic LANs, though we have been successful in maintaining our market share despite the increasing level of over-built fiber-optic LANs in our footprint. While we do experience churn as a result of subscribers moving out of connected homes, we are generally able to establish contractual relationships with the tenants who subsequently move into vacated properties, and thus mitigate the effect, as the subscriber moving out of a connected home is incentivized to transfer the contract to the new tenant and we have established processes to approach tenants who move into our footprint.

We closely monitor churn patterns and actively manage the churn behavior of our subscribers across all segments. In relation to our residential subscribers, our churn-mitigation processes are focused in three key areas: (1) "retention"—we take steps to proactively minimize residential churn; (2) "save desk"—we have dedicated agents in customer service who focus on addressing the concerns of residential subscribers who are considering churning; and (3) "win back"—we attempt to preempt and manage churn by engaging in active win-back efforts on a subscriber-by-subscriber basis in the case of subscriber termination. In relation to our landlord customers, we seek to preempt and manage churn on a customer-by-customer basis and have a dedicated landlord division, with key account managers assigned to our largest landlord customers, which is responsible for the commercial relationship with our landlord customers.

During recent years, we have experienced increased subscriber satisfaction ratings following customer service calls, as indicated by research we commission on an ongoing basis We believe that the increase in subscriber loyalty is due to increased number of RGUs per subscriber, add-on services that enhance the service package (for example, security packages for broadband), our launch of new products and services, which limits churn (for example, HD television, PVRs, On Demand PVRs and 100 Mbit/s to 200 Mbit/s broadband services), and other factors such as the increase in the number of subscribers who pay via direct debit and/or have a Com Hem email address.

The Acquisition

On September 29, 2011, BidCo acquired all of the capital stock and voting rights of Com Hem. The total consideration for the Acquisition was SEK 17.1 billion, including related fees and expenses.

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

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, 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.

Seasonality

Our working capital is subject to fluctuation as we invoice landlord customers on a quarterly basis in advance and typically receive payment at the end of each quarter. Accordingly, we have a disproportionate amount of prepaid revenues and VAT liability in March, June, September and December, which results in higher cash flows from operating activities and a higher level of negative working capital at the end of each quarter.

Key Operating Measures

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

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

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2009	2010	2011	2011	2012
	(in thousands, except percentages and as otherwise indicated)				
Group Total					
Homes connected[1]	1,759	1,759	1,739	1,771	1,747
Unique subscribers[2]	818	841	861	846	831
of which triple-play subscribers	*231*	*273*	*292*	*287*	271
Unique subscribers as a percentage of homes connected (in %)	46.5	47.8	49.5	47.8	47.6
Total RGUs[3]	1,445	1,528	1,585	1,559	1,512
RGUs per unique subscriber (in units)	1.77	1.82	1.84	1.84	1.82
Blended ARPU[4] (in SEK)	321	340	354	353	358
RGUs[3]					
Pay Television	576	620	658	639	613
High-Speed Broadband	522	537	551	545	544
Fixed-Telephony	347	370	376	375	355
	(in SEK)				
ARPU[5]					
Pay Television	197	213	223	223	229
High-Speed Broadband	183	184	191	190	196
Fixed-Telephony	138	133	127	128	118
Landlord	43	42	42	42	41

(1) Homes connected represent the number of residential units to which we provide analog cable television services, 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 our upgraded digital services during the period indicated.

(3) RGUs relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs.

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

(5) ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective balance sheet period plus the number of RGUs on the last day of the respective balance sheet period, divided by two.

Subscribers and RGUs

Unique subscribers represent the number of individual end users who have subscribed for one or more of our upgraded digital services during a specific period. RGUs relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs.

As of December 31, 2011, we had approximately 861,000 unique subscribers, which represented an increase of approximately 43,000 unique subscribers compared to December 31, 2009, or a CAGR of 2.6%. The increase in our unique subscriber base was due primarily to our attractive bundled offerings. As of September 30, 2012, we had approximately 831,000 unique subscribers, representing a decrease of 3.5% compared to December 31, 2011. The decrease during the first nine months of 2012 was largely due to our decision to increase prices and encryption fees for our pay television services during the six months ended June 30, 2012. These changes led to increased ARPU, but also increased churn, though the level of churn was lower than expected. Also, a large landlord, consisting of approximately 25,000 households, disconnected from our network in December 31, 2011 (contract terminated in 2008). In addition, cancellation and churn rates were higher during the six months ended June 30, 2012 due to our CI module campaign during the last months of 2011 which offered a three months free trial and cancellation period. The number of unique subscribers as a percentage of homes connected increased from approximately 46.5% as of December 31, 2009, to 49.5% as of December 31, 2011, and decreased to approximately 47.6% as of September 30, 2012.

During 2009 to 2011, we experienced an increase in the average number of services our subscribers subscribed for as a result of our attractive bundling strategy, with the average number of RGUs per subscriber increasing from 1.77 in the year ended December 31, 2009 to 1.84 in the year ended December 31, 2011. In the nine months ended September 30, 2012, the average number of RGUs per subscriber had decreased to 1.82 due to a decrease in the fixed-telephony subscriber base. The number of unique subscribers subscribing for our triple-play service increased from approximately 231,000 subscribers as of December 31, 2009 to approximately 292,000 as of December 31, 2011 and decreased to approximately 271,000 as of September 30, 2012. As a result of the general market trend of subscribers shifting from fixed to mobile telephony and the resulting decreased demand for fixed-telephony services, we have shifted our sales focus towards double-play offerings and thus experienced a decrease in unique subscribers subscribing for our triple-play service in the nine months ended September 30, 2012.

As of December 31, 2011, we had approximately 658,000 pay television RGUs, compared to approximately 576,000 pay television RGUs as of December 31, 2009, representing a CAGR of approximately 6.9%. As of September 30, 2012, the number of pay television RGUs had decreased to approximately 613,000, a decrease of approximately 4.3% compared to September 30, 2011. The decrease in pay television RGUs was primarily due to price increases for our pay television services in the first six months of 2012 as well as our CI module campaign during the final months of 2011 which offered a three months free trial and cancellation period, leading to higher customer intake in the end of 2011, but higher cancellation and churn rates during the first four months of 2012.

As of December 31, 2011, we had approximately 551,000 high-speed broadband RGUs, compared to approximately 522,000 high-speed broadband RGUs as of December 31, 2009, representing a CAGR of approximately 2.7%. The increase in high-speed broadband RGUs was primarily due to our ability to meet our subscribers demand for higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL and mobile broadband networks, which has allowed us to expand our market share in our network coverage area. As of September 30, 2012, the number of high-speed broadband RGUs was approximately 544,000. The decrease of approximately 7,000 RGUs during the first nine months of 2012 was primarily due to intense market competition from aggressive offerings by our competitors. However despite the slight decline, we maintained a stable market position and approximately 22% of our high-speed broadband subscribers, subscribed to either our 100 Mbit/s or 200 Mbit/s broadband services as of September 30, 2012.

As of December 31, 2011, we had approximately 376,000 fixed-telephony RGUs, compared to approximately 347,000 fixed-telephony RGUs as of December 31, 2009, representing a CAGR of approximately 4.2%. As of September 30, 2012, the number of fixed-telephony RGUs was approximately 355,000. The decrease in fixed-telephony RGUs was primarily due to the general market trend of subscribers shifting from fixed to mobile telephony which has resulted in reduced demand for our fixed-telephony services.

ARPU

ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. 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 balance sheet period plus the number of RGUs on the last day of the respective balance sheet period, divided by two. 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.

Blended ARPU per unique subscriber increased by SEK 19, or 5.9%, from SEK 321 in the year ended December 31, 2009 to SEK 340 in the year ended December 31, 2010 and by SEK 14, or 4.1%, to SEK 354 in the year ended December 31, 2011. Blended ARPU increased further during the first nine months of 2012 to SEK 358 as of September 30, 2012 primarily due to increased prices on our basic digital television packages, increased encryption fees for our pay television subscribers, the successful migration of our high-speed broadband subscribers to higher speeds within the portfolio and increased demand for our bundled service offers.

Pay television ARPU increased by SEK 16, or 8.3%, from SEK 197 in the year ended December 31, 2009 to SEK 213 in the year ended December 31, 2010 and by SEK 10, or 4.7%, to SEK 223 in the year ended December 31, 2011. Pay television ARPU increased by SEK 6, or 2.7%, to SEK 229 in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The increases in 2009, 2010 and 2011 were primarily the result of price increases for premium content implemented by the premium content providers and increased encryption fees. We also experienced an increase in take-up of our large and extra-large pay television packages, as we have continued to enhance the attractiveness of our service offerings by expanding the range of content available, including HD content, and by enhancing the ability of our subscribers to watch television when they choose, through the launch and expansion of VoD services. The increases in ARPU in the nine months ended September 30, 2012 were primarily the result of price increases on our basic packages and encryption fees implemented during the first six months of 2012

High-speed broadband ARPU increased by approximately SEK 2, or 1.0%, from SEK 183 in the year ended December 31, 2009 to SEK 184 in the year ended December 31, 2010 and by approximately SEK 7, or 3.8%, to SEK 191 in the year ended December 31, 2011. High-speed broadband ARPU increased by SEK 6, or 3.3%, to SEK 196 in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The increase in high-speed broadband ARPU was primarily the result of our introduction of higher speeds (including 100 Mbit/s services in 2009 and 200 Mbit/s in 2011) as well as the management of our portfolio of high-speed broadband services, including by prompting service upgrades by phasing out lower speed service offerings.

Fixed-telephony ARPU decreased by SEK 5, or 3.5%, from SEK 138 in the year ended December 31, 2009 to SEK 133 in the year ended December 31, 2010 and by SEK 6, or 4.5%, to SEK 127 in the year ended December 31, 2011. Fixed- telephony ARPU decreased by SEK 10, or 7.8% to SEK 118 in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The decrease was primarily the result of decreased call volumes, as subscribers reduced the number of calls placed over landlines, which we believe is consistent with general industry-wide trends.

Landlord ARPU has remained largely stable historically and across the periods under review, as price increases linked to index clauses in our landlord contracts, which allow us to increase prices in line with various external metrics, including a consumer price index and an index of the cost of certain network equipment, have largely offset the revenue impact of our practice of offering landlord customers individually tailored contract terms, for example, with respect to contract duration and the range of products and services offered, which allow us to maintain our long-term landlord customer relationships.

We intend to continue focusing on increasing ARPU by upselling new services to our existing customers, promoting the migration of analog cable television subscribers to our digital services by launching services such as the development and launch of our "next generation" TV offering. We also intend on continuing to capitalize on customer demand for higher broadband speeds and to develop new innovative value added services.

Subscriber Acquisition Costs

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

Our costs directly associated with individual subscriber and RGU growth are comprised of, to the extent applicable, subscriber acquisition costs, consisting primarily of sales costs, costs associated with our sales campaign discounts, marketing expenses, internet capacity build-out costs and costs for CPE. Our sales costs include sales commissions for third-parties selling our products. Our campaign discounts include new subscriber discounts and discounts for subscribers upgrading to additional services. Our campaign discounts fluctuate to ensure competitive pricing. Marketing expenses include advertising campaigns, which fluctuate depending on the volume of marketing campaigns we launch at any given time. Our Internet capacity costs include costs incurred to ensure that our high-speed broadband capacity continues to meet customer needs as the number of high-speed broadband customers in our network increases. Our CPE costs have decreased with respect to our high-speed broadband and fixed-telephony services because of lower purchase prices. However, our television CPE costs have increased as a result of the deployment of more high-end STBs, which has resulted in increased retail subsidies. Consistent with our strategy of digitizing our analog television subscriber base, we generally fully subsidize the cost of our basic CPEs, such as the “plug and play” CA module and the “zapper” box, and subsidize a portion of our more advanced CPE, such as PVRs, On Demand PVRs and HD STBs.

Through May 2010, we expensed sales commissions related to individual contracts of twelve months or more and reflected the expense in subscriber acquisition costs as soon as a new subscriber was installed because our support systems did not provide the information necessary to associate sales commissions to unique subscriber agreements and our remuneration model for sales commissions was linked to a defined number of agreements as opposed to individual agreements. In 2010, we amended the model for sales commissions and enhanced the support systems, which has meant that from June 2010, we have reported the portion of sales commissions that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS. See “Note 1—Accounting Principles—Intangible Assets—Acquisition Costs for Subscribers” to our audited consolidated financial statements as of and for the year ended December 31, 2010, which can be found in our 2011 Annual Report. Similarly, as a result of the enhancement of our support systems, we have as of January 1, 2011, reported the portion of retail subsidies paid in cash that can be associated with individual subscriber agreements as intangible assets in accordance with IFRS. Prior to this date, these expenses were accounted for as prepaid expenses and expensed over a period of 36 months. Sales commissions and retail subsidies are recognized as an intangible asset if such commissions or retail subsidies can be associated with an individual subscriber agreement, are payable to a third party and can be reliably determined, if the inflow of the related benefit is deemed to be more probable than not, if they correspond to the definition of an asset and meet the recognition criteria under IFRS. Sales commissions and retail subsidies are amortized over the contract term, which is typically one year. Sales commissions and retail subsidies that do not meet the criteria under IAS 38 are expensed as incurred. The capitalization of sale commissions and retail subsidies leads to an increase in intangible assets and amortization. As of December 31, 2011, we had capitalized a total of SEK 119 million in sales commissions and retail subsidies, of which SEK 66 million was amortized, resulting in net intangible assets of SEK 53 million. As of September 30, 2012, we had further capitalized SEK 40 million in sales commissions and retail subsidies, and an additional SEK 48 million was amortized, which resulted in a total net intangible asset balance of SEK 45 million.

Presentation of Financial Information

The following is a discussion of our key income statement line items. For additional information, see "Note 1" to our audited consolidated financial statements as of and for the period July 12, 2011 to December 31, 2011, which can be found in our 2011 Annual Report.

Revenue

Revenue consists of income generated from the delivery of services to our landlord customers and residential subscribers. Revenue is recognized when it is likely that future economic benefits will flow to the Company and these benefits can be reliably measured. Revenue only includes gross inflows of economic benefits received or receivable by the Company. Revenue is recognized at the fair value of the consideration received or receivable, less rebates given.

We monitor revenue generated from the following services:

- *Pay television:* revenues from residential subscribers of pay television (including VoD services and pay-per-view services). Revenues from our basic pay television services and encryption fees are invoiced monthly in advance and recognized as the service is utilized. Revenues from VoD and pay-per-view services are invoiced monthly after services are delivered to subscribers and are recognized as the service is utilized.

- *High-speed broadband:* revenues from residential subscribers of high-speed broadband services. Revenues from high-speed broadband services are invoiced monthly in advance and recognized as the service is utilized.

- *Fixed-telephony:* revenues from residential subscribers of fixed- telephony services. 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.

- *Landlord:* revenues from landlord customers for periodic charges related to the delivery of analog cable television services are invoiced largely quarterly in advance and reported as they are utilized.

- *Other:* revenues generated primarily from billing and late payment reminder fees as well as payments in kind received from content providers for services delivered, which we classify as "barter" revenue.

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, maintenance as well as other production costs. Personnel costs related to field service and operations are included in cost of sales and services. Cost of sales and services also includes depreciation and amortization of tangible and intangible assets related to production.

Selling Expenses

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

Administrative Expenses

Administrative expenses relate to supporting functions such as procurement, legal, finance, human resources and other joint functions as well as the cost of our premises. Administrative expenses also include depreciation and amortization of tangible and intangible 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.

Financial Income

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

Financial Expense

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

Income Taxes

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

Consolidated Results of Operations for the Nine Months Ended September 30, 2011 and 2012

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

	For the nine months ended September 30,		
	2011		2012
	Company	Change in %	HoldCo
	(SEK million)		(SEK million)
Revenue	3,368	1.4	3,417
Cost of sales and services	(1,757)	(3.6)	(1,693)
Gross profit	**1,611**	**7.0**	**1,724**
Selling expenses	(691)	41.4	(977)
Administrative expenses	(250)	(27.7)	(181)
Other operating income	6	n/m	16
Other operating expenses	(4)	n/m	(23)
Operating profit	**673**	**(16.9)**	**559**
Financial income	12	n/m	309
Financial expense	(425)	n/m	(1,508)
Net finance costs	**(413)**	**n/m**	**(1,199)**
Profit/(loss) after financial items	**260**	**n/m**	**(640)**
Income taxes	(68)	n/m	167
Net profit/(loss) for the period	**192**	**n/m**	**(472)**

Revenue

Our revenue increased by SEK 49 million, or 1.4%, from SEK 3,368 million in the nine months ended September 30, 2011 to SEK 3,417 million in the nine months ended September 30, 2012.

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

	For the nine months ended September 30,				
	2011		2012		Change 2011/2012
	Company		HoldCo		
	(SEK million)	(in % of revenue)	(SEK million)	(in % of revenue)	(%)
Pay Television	1,248	37.1	1,291	37.8	3.4
High-Speed Broadband	913	27.1	957	28.0	4.8
Fixed-Telephony	426	12.6	384	11.2	(9.8)
Landlord	663	19.7	644	18.9	(2.9)
Other	118	3.5	141	4.1	19.2
Total	**3,368**	**100.0**	**3,417**	**100.0**	**1.4**

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

Pay Television: Our revenue from pay television services increased by SEK 43 million, or 3.4%, from SEK 1,248 million in the nine months ended September 30, 2011 to SEK 1,291 million in the nine months ended September 30, 2012. The increase was driven by an increase in ARPU. ARPU increased by SEK 6, or 2.6%, from SEK 223 in the nine months ended September 30, 2011 to SEK 229 in the nine months ended September 30, 2012. The ARPU increase in the first nine months of 2012 was driven by price increases of our basic digital television packages and encryption fees implemented during the first six months of 2012. The revenue increase related to ARPU was partly offset by a decrease in pay television RGUs, which decreased by approximately 26,000, or 4.1%, from approximately 639,000 as of September 30, 2011 to approximately 613,000 as of September 30, 2012.

High-Speed Broadband: Our revenue from high-speed broadband services increased by SEK 44 million, or 4.8%, from SEK 913 million in the nine months ended September 30, 2011 to SEK 957 million in the nine months ended September 30, 2012. The increase was due to an increase in ARPU of SEK 6, or 3.3%, from SEK 190 in the nine months ended September 30, 2011 to SEK 196 in the nine months ended September 30, 2012. The ARPU increase was due to subscribers migrating to higher broadband speeds as a result of our strategy to meet customer demand for higher broadband speed services. Total high-speed broadband RGUs, however decreased by approximately 1,000, or 0.1%, from approximately 545,000 as of September 30, 2011 to approximately 544,000 as of September 30, 2012.

Fixed-Telephony: Our revenue from fixed-telephony services decreased by SEK 42 million, or 9.8%, from SEK 426 million in the nine months ended September 30, 2011 to SEK 384 million in the nine months ended September 30, 2012. The decrease was partly a result of the decline in the number of RGUs. Fixed-Telephony RGUs decreased by approximately 20,000, or 5.3%, from approximately 375,000 as of September 30, 2011 to approximately 355,000 as of September 30, 2012. The decrease in revenue was also due to a decrease in ARPU of SEK 10, or 7.9%, from SEK 128 in the nine months ended September 30, 2011 to SEK 118 in the nine months ended September 30, 2012 primarily due to subscriber migration from fixed to mobile telephony services.

Landlord: Our revenue from landlord services decreased by SEK 19 million, or 2.9%, from SEK 663 million in the nine months ended September 30, 2011 to SEK 644 million in the nine months ended September 30, 2012. The decrease in revenue was primarily attributable to a reduction in ARPU from landlord customers, which decreased by SEK 1, or 1.5%, from SEK 42 in the nine months ended September 30, 2011 to SEK 41 in the nine months ended September 30, 2012. The decrease in ARPU is primarily due to contract renegotiation which was partly offset by increases in the annual price index. The decrease in revenue was also due to the disconnection of a large landlord customer on December 31, 2011, consisting of approximately 25,000 households.

Other: Our revenue from other services increased by SEK 23 million, or 19.2%, from SEK 118 million in the nine months ended September 30, 2011 to SEK 141 million in the nine months ended September 30, 2012.

The increase in revenue is primarily due to higher service provider revenue from iTUX, the Group’s communications operator as well as increased invoicing fees.

Cost of Sales and Services

Our cost of sales and services decreased by SEK 64 million, or 3.6%, from SEK 1,757 million in the nine months ended September 30, 2011 to SEK 1,693 million in the nine months ended September 30, 2012. As a percentage of revenue, cost of sales and services decreased from 52.2% in the nine months ended September 30, 2011 to 49.6% in the nine months ended September 30, 2012. The decrease in cost of sales and services was primarily attributable to lower depreciation and amortization, lower pay television content costs and lower interconnection traffic costs for our fixed-telephony services, which was partly offset by higher costs for fiber and ducting and increased production costs for iTUX.

Selling Expenses

Our selling expenses increased by SEK 285 million, or 41.4%, from SEK 691 million in the nine months ended September 30, 2011 to SEK 977 million in the nine months ended September 30, 2012. As a percentage of revenue, selling expenses increased from 20.5% in the nine months ended September 30, 2011 to 28.6% in the nine months ended September 30, 2012. The increase in selling expenses was primarily due to increased amortization of customer value of SEK 234 million (net) as a result of new customer values that arose in connection with the Acquisition.

Administrative Expenses

Our administrative expenses decreased by SEK 69 million, or 27.7%, from SEK 250 million in the nine months ended September 30, 2011 to SEK 181 million in the nine months ended September 30, 2012. As a percentage of revenue, administrative expenses decreased from 7.4% in the nine months ended September 30, 2011 to 5.3% in the nine months ended September 30, 2012. The decrease in our administrative expenses was primarily due lower depreciation and amortization as well as lower costs for staff and other operating costs as a result of lower non-recurring legal and consultancy costs.

Other Operating Income

Our other operating income increased by SEK 10 million from SEK 6 million in the nine months ended September 30, 2011 to SEK 16 million in the nine months ended September 30, 2012.

Other Operating Expenses

Our other operating expenses increased by SEK 19 million from SEK 4 million in the nine months ended September 30, 2011 to SEK 23 million in the nine months ended September 30, 2012. The increase in other operating expenses was primarily due to increased disposals during 2012.

Financial Income

Our financial income increased by SEK 297 million, from SEK 12 million in the nine months ended September 30, 2011 to SEK 309 million in the nine months ended September 30, 2012. The increase was primarily attributable to currency gains on euro-denominated debt.

Financial Expenses

Our financial expenses increased by SEK 1,083 million from SEK 425 million in the nine months ended September 30, 2011 to SEK 1,508 million in the nine months ended September 30, 2012. The increase was primarily attributable to our new capital structure following the Acquisition and the subsequent refinancing.

Income Taxes

Our income tax amounted to a tax benefit of SEK 167 million in the nine months ended September 30, 2012 compared to a tax expense of SEK 68 million in the nine months ended September 30, 2011. The decrease in tax expense was primarily due to a decrease in our profit after financial items, which decreased from a profit after financial items of SEK 260 million in the nine months ended September 30, 2011 to a loss after financial items of SEK 640 million in the nine months ended September 30, 2012 as a result of our new capital structure with increased interest-bearing liabilities following the Acquisition and the subsequent refinancing.

The Swedish government is considering to enact rules that may affect our tax position commencing January 1, 2013. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Financial Risk—Taxation Risks—Proposed changes in Swedish tax law may limit or prevent us from applying tax deductions arising from certain intra group loans from January 1, 2013. The proposed changes may also result in taxable interest income on intercompany loans within Sweden*" and " *Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Financial Risk—Taxation Risks—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*."

Net Profit/(Loss)

We recognized a net profit of SEK 192 million in the nine months ended September 30, 2011 and a net loss of SEK 472 million in the nine months ended September 30, 2012.

Reported Underlying EBITDA

Reported Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company.

Our Reported Underlying EBITDA increased by SEK 64 million, or 4.0%, from SEK 1,590 million in the nine months ended September 30, 2011 to SEK 1,655 million in the nine months ended September 30, 2012. As a percentage of revenue, Reported Underlying EBITDA increased from 47.2% in the nine months ended September 30, 2011 to 48.4% in the nine months ended September 30, 2012. The increase in Reported Underlying EBITDA was primarily due to an increase in revenue from our residential subscribers, particularly as a result of the increase in ARPU generated from our pay television and high-speed broadband services, without a corresponding increase in our production costs. The increase in television and high-speed broadband ARPU was partly offset by lower ARPU and a decreased subscriber base for our fixed-telephony services as a result of subscribers shifting from fixed to mobile telephony. In addition, our marketing and sales costs decreased due to timing differences in marketing and lower sales volumes for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Consolidated Results of Operations for the Years Ended December 31, 2010 and 2011

The table below sets forth our results of operations and the period on period percentage of change for the periods under review. For further information on the results of operations for the year ended December 31, 2011, see "*Unaudited Pro Forma Combined Consolidated Financial Information*."

	For the year ended December 31,		
	2010		2011
	Company	Change in %	HoldCo *Pro Forma*
	(SEK million)		(SEK million)
Revenue	4,318	4.7	4,520
Cost of sales and services	(2,327)	(0.7)	(2,310)
Gross profit	**1,991**	**11.0**	**2,211**
Selling expenses	(1,033)	28.6	(1,328)
Administrative expenses	(359)	(11.5)	(318)
Other operating income	10	40.0	14
Other operating expenses	(4)	n/m	(273)
Operating profit	**604**	**(49.3)**	**306**

Revenue

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

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

	For the year ended December 31,				
	2010		2011		
	Company		HoldCo *Pro Forma*		Change 2010/2011
	(SEK million)	(in % of revenue)	(SEK million)	(in % of revenue)	(%)
Pay Television	1,524	35.3	1,678	37.1	10.1
High-Speed Broadband	1,170	27.1	1,231	27.2	5.2
Fixed-Telephony	569	13.2	564	12.5	(0.9)
Landlord	892	20.7	884	19.5	(0.9)
Other	163	3.8	163	3.6	0.4
Total	**4,318**	**100.0**	**4,520**	**100.0**	**4.7**

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

Pay Television: Our revenue from pay television services increased by SEK 154 million, or 10.1%, from SEK 1,524 million in the year ended December 31, 2010 to SEK 1,678 million in the year ended December 31, 2011. The increase was driven both by an increase in ARPU and in RGUs. ARPU increased by SEK 10, or 4.7%, from SEK 213 in the year ended December 31, 2010 to SEK 223 in the year ended December 31, 2011. The increase in ARPU was due both to the introduction of new TV packages during the first quarter of 2011 and the full-year effect of price increases for premium content set by content providers in 2010, as the price increases are applied when subscribers' respective contractual periods expire. The revenue increase was also linked to an increase in RGU numbers, with pay television RGUs increasing by approximately 38,000, or 6.2%, from approximately 620,000 as of December 31, 2010 to approximately 658,000 as of December 31, 2011.

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

Fixed-Telephony: Our revenue from fixed-telephony services decreased by SEK 5 million, or 0.9%, from SEK 569 million in the year ended December 31, 2010 to SEK 564 million in the year ended December 31, 2011. Fixed-telephony RGUs increased by approximately 6,000, or 1.6%, from approximately 370,000 as of December 31, 2010 to approximately 376,000 as of December 31, 2011. The increase in revenue linked to RGU growth was offset by a decrease in ARPU of SEK 6, or 4.7%, from SEK 133 in the year ended December 31, 2010 to SEK 127 in the year ended December 31, 2011. The decrease in ARPU was due primarily to reduced levels of fixed-telephony use, which we believe is consistent with industry-wide trends.

Landlord: Our revenue from landlord services decreased by SEK 8 million, or 0.9%, from SEK 892 million in the year ended December 31, 2010 to SEK 884 million in the year ended December 31, 2011. The decrease in revenue was due primarily to a reduction in ARPU from landlord customers.

Other: Our revenue from other services remained the same at SEK 163 million in the year ended December 31, 2010 and SEK 163 million in the year ended December 31, 2011.

Cost of Sales and Services

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

Our network and maintenance costs, which include our rent payments for access to the national backbone, fiber and ducts, headend facilities, maintenance and related material costs, accounted for 16% of our cost of sales and services in the year ended December 31, 2010 and 16% in the year ended December 31, 2011, in each case excluding depreciation. These costs are specified in our long-term lease agreements.

Selling Expenses

Our selling expenses increased by SEK 295 million, or 28.6%, from SEK 1,033 million in the year ended December 31, 2010 to SEK 1,328 million in the year ended December 31, 2011. As a percentage of revenue, selling expenses increased from 23.9% in the year ended December 31, 2010 to 29.4% in the year ended December 31, 2011. The increase in selling expenses was attributable to increased amortization of customer relations value of SEK 313 million (net) due to the new purchase price allocation in conjunction with the Acquisition.

Administrative Expenses

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

Other Operating Income

Our other operating income increased by SEK 4 million, or 40.0%, from SEK 10 million in the year ended December 31, 2010 to SEK 14 million in the year ended December 31, 2011. The increase in other operating income was primarily due to higher recovery levels on bad debt losses.

Other Operating Expenses

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

Operating Profit

We recognized operating profit of SEK 306 million in the year ended December 31, 2011 compared to operating profit of SEK 604 million in the year ended December 31, 2010.

Reported Underlying EBITDA

Reported Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company.

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

Consolidated Results of Operations for the Years Ended December 31, 2009 and 2010

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

	For the year ended December 31,		
	2009	Change in %	2010
	(SEK million)		(SEK million)
Revenue	4,087	5.6	4,318
Cost of sales and services	(2,171)	7.2	(2,327)
Gross profit	**1,916**	**3.9**	**1,991**
Selling expenses	(1,055)	(2.0)	(1,033)
Administrative expenses	(346)	3.8	(359)
Other operating income	14	(33.9)	10
Other operating expenses	(10)	(56.4)	(4)
Operating profit	**520**	**16.2**	**604**
Financial income	8	n/m	90
Financial expense	(565)	(21.2)	(445)
Net finance costs	**(556)**	**(36.2)**	**(355)**
Profit/(loss) after financial items	**(36)**	**n/m**	**249**
Income taxes	5	n/m	(107)
Net profit/(loss) for the period	**(31)**	**n/m**	**142**

Revenue

Our revenue increased by SEK 231 million, or 5.6%, from SEK 4,087 million in the year ended December 31, 2009 to SEK 4,318 million in the year ended December 31, 2010. The increase in revenue was due primarily to an increase in demand for our digital services. At the same time, we were able to continue to increase ARPU, in particular for our pay television services. In 2010, our pay television ARPU increased by 8.3% compared to 2009.

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

	For the year ended December 31,				Change
	2009		2010		2009/2010
	(SEK million)	(in % of revenue)	(SEK million)	(in % of revenue)	(%)
Pay Television	1,328	32.5	1,524	35.3	14.7
High-Speed Broadband	1,118	27.4	1,170	27.1	4.7
Fixed-Telephony	545	13.3	569	13.2	4.6
Landlord	922	22.6	892	20.7	(3.2)
Other	174	4.3	163	3.8	(6.6)
Total	**4,087**	**100.0**	**4,318**	**100.0**	**5.6**

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

Pay Television: Our revenue from pay television services increased by SEK 195 million, or 14.7%, from SEK 1,328 million in the year ended December 31, 2009 to SEK 1,524 million in the year ended December 31, 2010. The increase was driven both by an increase in ARPU and in RGU volumes. ARPU increased by SEK 16, or 8.3%, from SEK 197 in the year ended December 31, 2009 to SEK 213 in the year ended December 31, 2010. The increase in ARPU was due both to the full-year effect of the new encryption fee we introduced in 2009, as the fee increase is applied when subscribers fall out of their respective contractual periods, and price increases for premium content implemented by the premium content providers. The revenue increase was also linked to an increase in RGU numbers, with pay television RGUs increasing by approximately 44,000, or 8%, from approximately 576,000 as of December 31, 2009 to approximately 620,000 as of December 31, 2010. We experienced RGU growth across our pay television service portfolio.

High-Speed Broadband: Our revenue from high-speed broadband services increased by SEK 52 million, or 4.7%, from SEK 1,118 million in the year ended December 31, 2009 to SEK 1,170 million in the year ended December 31, 2010. The increase in revenue was primarily due to an increase in the RGU base, as high-speed broadband RGUs increased by approximately 15,000, or 3%, from approximately 522,000 as of December 31, 2009 to approximately 537,000 as of December 31, 2010. The positive revenue impact of our high-speed broadband RGU growth was augmented by an increase in the number of subscriptions for our higher revenue services, in particular our 100 Mbit/s services, which we introduced in 2009, and the withdrawal of certain lower-speed services. As a result largely of these developments, ARPU increased by approximately SEK 2, or 1.0%, from SEK 183 in the year ended December 31, 2009 to SEK 184 in the year ended December 31, 2010.

Fixed-Telephony: Our revenue from fixed-telephony services increased by SEK 25 million, or 4.6%, from SEK 545 million in the year ended December 31, 2009 to SEK 569 million in the year ended December 31, 2010. The increase was due to growth in the number of RGUs, where both subscribers of fixed-telephony services on a stand-alone basis and subscribers who have elected to bundle fixed-telephony with our other digital services increased. Fixed-telephony RGUs increased by approximately 24,000, or 7%, from approximately 347,000 as of December 31, 2009 to approximately 370,000 as of December 31, 2010. The increase in revenue linked to RGU growth was offset by a decrease in ARPU of SEK 5, or 3.9%, from SEK 138 in the year ended December 31, 2009 to SEK 133 in the year ended December 31, 2010. While we have successfully implemented increases in the base subscription fee for our fixed-telephony services, revenue related to fixed-telephony usage has decreased as subscribers reduced the number of calls placed over landlines, which we believe is consistent with general industry-wide trends. In 2010, we implemented additional measures designed to offset the impact of the decline in fixed-telephony ARPU, including new contract start-up charges, but the effect of these changes was not material in 2010.

Landlord: Our revenue from landlord services decreased by SEK 30 million, or 3.2%, from SEK 922 million in the year ended December 31, 2009 to SEK 892 million in the year ended December 31, 2010. The decrease in revenue was due primarily to a reduction in ARPU from landlord customers. We tailor the product mix and duration of contracts to the needs of individual landlord customers, and as contracts near expiration enter into proactive discussions with our landlord customers, which can result in us agreeing to new contract terms to maintain the long-term customer relationships. The comparative decrease in revenue in 2010 was also a result of the positive revenue impact in 2009 of price increases linked to index clauses in our landlord contracts. These index clauses, which allow us to increase prices in line with various external metrics, including a consumer price index and an index of the cost of certain network equipment, offset the underlying decline in ARPU in 2009, but not in 2010.

Other: Our revenue from other services decreased by SEK 12 million, or 6.6%, from SEK 174 million in the year ended December 31, 2009 to SEK 163 million in the year ended December 31, 2010. The decrease was due primarily to lower billing and reminder fees as we successfully moved additional subscribers from paper to electronic billing.

Cost of Sales and Services

Our cost of sales and services increased by SEK 156 million, or 7.2%, from SEK 2,171 million in the year ended December 31, 2009 to SEK 2,327 million in the year ended December 31, 2010. As a percentage of revenue, cost of sales and services increased from 53% in the year ended December 31, 2009 to 54% in the year ended December 31, 2010. The increase in cost of sales and services was primarily due to costs of SEK 68 million incurred in connection with the upgrade of signaling hardware in approximately 14,000 properties in Stockholm. This was the final phase of our investment in the modernization of the HFC cable network that we own as a result of our acquisition of UPC Sweden in 2006 (the "**UPC Acquisition**"). As a result of this work, each of the approximately 300,000 households connected to the former UPC Sweden network can now receive high-capacity bi-directional digital services such as VoD, additional HD channels and 100 Mbit/s and 200 Mbit/s broadband services.

The increase in cost of sales and services was due also to increased content cost, which consists largely of license payments for programming and which is directly linked to increased RGU numbers as we generally purchase content according to volume-driven rate cards (according to which the fee per subscriber generally decreases as the number of subscribers increases) or, in the case of our premium services, on a revenue-sharing basis. While the total cost of content increased, the cost of content per RGU decreased from 2009 to 2010 due to the growth in our subscriber numbers. The increase in cost of sales and services was also due to increased IT costs as we invested in expanding the capacity and capabilities of our existing IT systems. In addition, while the level of our capital expenditures decreased in 2010 compared to 2009, our depreciation expenses increased as a larger percentage of our capital expenditures were related to items with short-term depreciation schedules, such as set-top boxes and internal IT systems.

Our network and maintenance costs, which include our rent payments for access to the national backbone, fiber and ducts, headend facilities, maintenance and related material costs, accounted for 17% of our cost of sales and services in the year ended December 31, 2009 and 16% in the year ended December 31, 2010, in each case excluding depreciation. These costs are specified in our long-term lease agreements.

Selling Expenses

Our selling expenses decreased by SEK 22 million, or 2.0%, from SEK 1,055 million in the year ended December 31, 2009 to SEK 1,033 million in the year ended December 31, 2010. As a percentage of revenue, selling expenses decreased from 25.8% in the year ended December 31, 2009 to 23.9% in the year ended December 31, 2010. The decrease in selling expenses was primarily due to a reduction in marketing costs compared to 2009, when we incurred additional marketing costs in connection with the launch of our VoD services and the launch of the “Judit and Judit” marketing concept. In addition, the costs we incurred to place advertising in various media were lower on average in 2010 than in 2009. The decrease in selling expenses was also due to lower costs in our customer care operations. Furthermore, starting in June 2010, we began capitalizing third-party sales commissions as intangible assets in accordance with IFRS.

Administrative Expenses

Our administrative expenses increased by SEK 13 million, or 3.8%, from SEK 346 million in the year ended December 31, 2009 to SEK 359 million in the year ended December 31, 2010. As a percentage of revenue, administrative expenses were 8.5% in the year ended December 31, 2009 and 8.3% in the year ended December 31, 2010. The increase in administrative expenses was primarily due to higher personnel costs, in particular for central corporate functions, and due to redundancy payments made in early 2010 following an internal restructuring.

Other Operating Income

Our other operating income decreased by SEK 5 million, or 33.9%, from SEK 14 million in the year ended December 31, 2009 to SEK 10 million in the year ended December 31, 2010. The decrease in other operating income was primarily due to lower foreign exchange gains on trade liabilities.

Other Operating Expenses

Our other operating expenses decreased by SEK 5 million, or 56.4%, from an expense of SEK 10 million in the year ended December 31, 2009 to SEK 4 million in the year ended December 31, 2010. The decrease in other operating expenses was primarily due to lower foreign exchange losses on trade liabilities.

Financial Income

Our financial income increased by SEK 81 million, from SEK 8 million in the year ended December 31, 2009 to SEK 90 million in the year ended December 31, 2010. The increase was primarily attributable to the increase in the market value of interest rate swaps.

Financial Expenses

Our financial expenses decreased by SEK 120 million, or 21.2%, from an expense of SEK 565 million in the year ended December 31, 2009 to SEK 445 million in the year ended December 31, 2010. The decrease was primarily due to a reduction in the interest expenses on credit facilities of SEK 127 million, or 23.8%, from SEK 532 million in the year ended December 31, 2009 to SEK 405 million in the year ended December 31, 2010. The reduced amount was primarily due both to a decrease in the underlying interest rates applicable to our credit facilities and a reduction in the amount due under our credit facilities. The interest rate applicable to our credit facilities declined due both to a decline in the underlying STIBOR rates and to the termination of interest rate swap contracts in April 2010, which we originally entered into in 2006. The termination of the interest rate swap contracts significantly reduced the average rate at which we hedged our interest rates compared to prior periods. As noted above, interest expenses on credit facilities also declined as a result of our ongoing repayment of our credit facilities, the positive effect of which was augmented by our decision in 2010 to prepay SEK 244 million under our credit facilities as a result of our strong liquidity position. Our interest expenses on credit facilities also decreased due to a re-evaluation of the depreciation period applicable to capitalized finance fees in connection with the renegotiation of our credit facilities in September 2009, which allowed us to obtain additional flexibility under our financial covenants to make capital expenditures in line with the growth of our operations.

Income Taxes

We received an income tax credit of SEK 5 million in the year ended December 31, 2009 and incurred an income tax expense of SEK 107 million in the year ended December 31, 2010. The increase in tax expense was due primarily to an improvement in our profit/(loss) after financial items, which improved from a loss of SEK 36 million in 2009 to a profit of SEK 249 million in 2010. Applying the applicable tax rate, which was 26.3% in each of 2009 and 2010, to our profit/(loss) after financial items in the respective years, resulted in a net tax credit in 2009 of SEK 10 million and a net tax expense of SEK 65 million in 2010. Our income tax expense in 2010 also increased due to a charge of SEK 37 million incurred as a result of a tax assessment relating to the transfer of assets and liabilities from Com Hem Stockholm AB (former UPC Sweden that was merged into iTUX Communication AB in 2010) to Com Hem AB in 2008. As the book value of the assets and liabilities exceeded the taxable value of the assets and liabilities at the time of transfer, a taxable profit was realized at the time of transfer; however, the original transfer documents did not reflect the difference in the taxable value and the book value of the assets and liabilities. We subsequently notified the tax authorities of the matter and recognized adjustments in the taxable profit at Com Hem Stockholm AB, an entity formerly within the Group, and the basis for amortization at Com Hem AB. The tax authorities have accepted these measures. While we incurred a reduction in our tax loss carry forwards related to the adjustments discussed above, our tax losses carry forwards increased by SEK 49 million or 3.0% from SEK 1,617 million in the year ended December 31, 2009 to SEK 1,666 million in the year ended December 31, 2010.

As a result of the above factors, our recognized effective tax rate increased from 13.8% in the year ended December 31, 2009 to 43.1% in the year ended December 31, 2010. Excluding the one-off effect of the deferred tax expense incurred due to the tax re-assessment, our effective tax rate in the year ended December 31, 2010 would have been 28.2%.

Net Profit/(Loss)

We recognized a net profit of SEK 142 million in the year ended December 31, 2010 compared to a net loss of SEK 31 million in the year ended December 31, 2009.

Reported Underlying EBITDA

Reported Underlying EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company.

Our Reported Underlying EBITDA increased by SEK 218 million or 13.3% from SEK 1,636 million in the year ended December 31, 2009 to SEK 1,854 million in the year ended December 31, 2010. As a percentage of revenue, Reported Underlying EBITDA increased from 40.0% in the year ended December 31, 2009 to 42.9% in the year ended December 31, 2010. The increase in both Reported Underlying EBITDA and Reported Underlying EBITDA margin was primarily due to an increase in revenue from our residential subscribers, particularly as a result of the increase in both the number of RGUs of, and ARPU generated from, our pay television services, without a corresponding increase in our costs. Our fixed-telephony-related expenses decreased despite the increase in fixed-telephony revenues as a result of our entry into a contract with a new fixed-telephony partner. In addition, our marketing costs decreased compared to the higher-than-normal level of marketing costs incurred in 2009, when we incurred costs in connection with the launch of our new marketing concept, “Judit and Judit,” and our launch of VoD services. Our marketing costs also decreased as media prices generally declined in 2010 compared to 2009.

Liquidity and Capital Resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in SEK. We rely primarily on operating cash flows and drawings under our credit facilities to provide funds required for operations. The Group's cash reserve consists of cash and cash equivalents and unused credit facilities. The following table sets forth the liquidity reserve as of September 30, 2012:

	SEK in million
Liquidity reserve	
Cash and cash equivalents	839
Unused Capex Facility	750
Unused Revolving Credit Facility(1)	446
Total liquidity reserve	**2,035**

(1) SEK 54 million was restricted for a bank guarantee under the SEK 500 million Revolving Credit Facility.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

Our net working capital, which consists of inventories, trade receivables, prepaid expenses and accrued income, plus other receivables, less trade payables, other current liabilities, as well as accrued expenses and deferred income (but excluding financial items included in these line items in the balance sheet), was SEK (1,001) million, SEK (1,098) million and SEK (1,356) million in the years ended December 31, 2009, 2010 and 2011, respectively, and SEK (1,106) million and SEK (1,169) million in the nine months ended September 30, 2011 and 2012, respectively. We operate with negative net working capital, as a substantial part of our net working capital is prepaid revenue for services to be provided. We believe that, as of the date of this Supplemental Report, we have sufficient working capital to meet our payment obligations over the next twelve months.

The terms of the Senior Facilities Agreement, the indenture governing the Senior Secured Notes and the indenture governing the Senior Notes contain a number of covenants that restrict our ability, and the ability of our subsidiaries, 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; sell assets, consolidate, merge with or into other companies; issue or sell share capital of certain subsidiaries; and create certain liens. Furthermore, the ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, other agreements and legal prohibitions on such payments or otherwise distributing funds, including for the purpose of servicing debt. To the extent that we are not able to fund any principal payment at maturity with respect to any of our indebtedness, we will be required to refinance this indebtedness with additional credit facilities or the issue of new debt or equity securities in the capital markets. Any failure to raise additional necessary funds would result in a default under the credit facilities. We anticipate that we will have to refinance in part the payment of certain notes at maturity.

We anticipate that we will be leveraged for the foreseeable future, which may have negative consequences on investors. In addition, additional indebtedness incurred could reduce the amount of our cash flow available to make payments on our indebtedness, including the Senior Facilities Agreement, the Senior Secured Notes and the Senior Notes, and increase our leverage.

Cash Flows

The following table sets forth the principal components of our cash flows for the years ended December 31, 2009 and 2010 and the nine months ended September 30, 2011 and 2012.

	For the year ended December 31,			For the nine months ended September 30,	
	2009	2010	2011[1]	2011	2012
	Company		HoldCo *Pro Forma*	Company	HoldCo
			(SEK in millions)		
Cash flow from operating activities	1,066	1,450	(*)	1,197	902
Cash flow from investing activities	(787)	(462)	(*)	(350)	(541)
Cash flow from financing activities	6	(1,070)	(*)	(1,305)	(567)
Net change in cash and cash equivalents	284	(83)	(*)	(457)	(205)
Cash and cash equivalents at period end	**927**	**844**	**1,044**	**387**	**839**

(*) Due to the Acquisition and the subsequent refinancing, cash flow from operating activities, cash flow from investing activities and cash flow from financing activities are not comparable to prior periods, and thus, have been excluded.

Cash Flow From Operating Activities

Cash flow from operating activities decreased by SEK 295 million from a cash inflow of SEK 1,197 million in the nine months ended September 30, 2011 compared to a cash inflow of SEK 902 million in the nine months ended September 30, 2012. The decrease was primarily due to changes in working capital, which decreased by SEK 188 million in the nine months ended September 30, 2012 compared with an increase of SEK 7 million in the nine months ended September 30, 2011. The decrease is primarily due to the high closing balances of accounts payable and accrued costs as of December 31, 2011 relating to received invoices and accruals recognized as transaction costs as well as legal and consultancy fees relating to the Acquisition and the subsequent refinancing. The decrease was also due to a decline in our profit/loss after financial items, which decreased from a profit after financial items of SEK 260 million in the nine months ended September 30, 2011 to a loss after financial items of SEK 640 million in the nine months ended September 30, 2012. The decrease was partly offset by an increase in our non-cash items in profit/loss after financial items, which increased from SEK 930 million in the nine months ended September 30, 2011 to SEK 1,729 million in the nine months ended September 30, 2012. This increase primarily related to non-cash interest on intra-group loans which did not exist prior to the Acquisition.

Cash flow from operating activities increased by SEK 385 million from a cash inflow of SEK 1,066 million in the year ended December 31, 2009 to a cash inflow of SEK 1,450 million in the year ended December 31, 2010. This increase was primarily due to the increase in our profit after financial items, which improved from a loss of SEK 36 million in the year ended December 31, 2009 to a profit of SEK 249 million in the year ended December 31, 2010. In addition, our cash flow from operating activities increased in 2010 due to a positive change in net working capital as a result of an increase in operating liabilities of SEK 125 million in 2010, compared to a decrease of SEK 36 million in 2009. The increase in operating liabilities was primarily due to higher prepaid revenues and accounts payable in 2010 compared to 2009, which in turn was primarily a result of the timing of invoices from suppliers.

Cash Flow From Investing Activities

Our cash outflow from investing activities was SEK 541 million in the nine months ended September 30, 2012 compared to SEK 350 million in the nine months ended September 30, 2011. The increase in our cash outflow from investing activities was due primarily to an increase in the acquisition of property, plant and equipment of SEK 147 million, from SEK 255 million in the nine months ended September 30, 2011 to SEK 402 million in the nine months ended September 30, 2012. The increase was primarily driven by investments in our “next generation” TV platform powered by TiVo and a higher volume of installed and upgraded households in our closed and open networks (iTUX) during the nine months ended September 30, 2012. We currently anticipate that the majority of our initial network investments in the TV platform powered by TiVo will take place in 2012. SEK 15 million of the investments in the nine months ended September 30, 2012 was financed with funds available under our leasing facilities compared to SEK 68 million in the nine months ended September 30, 2011.

Our cash outflow from investing activities was SEK 462 million in the year ended December 31, 2010 compared to a cash outflow of SEK 787 million in the year ended December 31, 2009. The decrease was due primarily to the reduction in acquisitions of property, plant and equipment of SEK 147 million, from SEK 712 million in the year ended December 31, 2009 to SEK 565 million in the year ended December 31, 2010. This decrease was driven by the substantial completion of our network upgrade. Also, our decision to fund SEK 228 million of our capital expenditure requirements through leasing facilities instead of funding such expenditure from cash flows drove the decrease in cash flow from investing activities. In comparison, in 2009 we funded SEK 32 million through leasing facilities. For more information, see "*—Liquidity and Capital Resources—Capital Expenditures*." Acquisitions of intangible assets increased by SEK 18 million, from SEK 106 million in the year ended December 31, 2009 to SEK 124 million in the year ended December 31, 2010. The increase was primarily due to the recognition of acquisition costs related to new subscriptions as intangible assets from June 2010. See "Note 1—Accounting Policies—Intangible Assets" to our audited consolidated financial statements as of and for the year ended December 31, 2010, which can be found in our 2011 Annual Report. The increase was offset in part by a reduction in cash deployed to fund a new customer relationship management ("**CRM**") system as management decided in 2010 to expand and enhance our existing CRM system rather than continue work on a new program.

Cash Flow From Financing Activities

Cash outflow from financing activities was SEK 567 million in the nine months ended September 30, 2012 compared to an outflow of SEK 1,305 million in the nine months ended September 30, 2011. The decrease in cash outflow was primarily related to the Acquisition and the subsequent refinancing of the Group. Total repayment of borrowings of SEK 7,295 million on September 29, 2011 was financed through new credit facilities and shareholder loans of SEK 6,709 million and cash on the balance sheet. Arrangement fees of SEK 48 million were paid in connection with our new credit facilities. Ordinary repayments of borrowings and leasing facilities in the nine months ended September 30, 2011 amounted to SEK 670 million compared to ordinary and mandatory repayments of SEK 524 million (including SEK 403 million of prepayments related to the CDK Overfunding Account) in the nine months ended September 30, 2012.

Our cash outflow from financing activities was SEK 1,070 million in the year ended December 31, 2010 compared to an inflow of SEK 6 million in the year ended December 31, 2009. The increase in cash outflow was primarily related to a substantial increase in the repayment of credit facilities in 2010. In 2010, we repaid SEK 1,070 million of amounts due under our credit and leasing facilities, including an early prepayment in the amount of SEK 244 million of the repayment due on March 31, 2011, compared to SEK 520 million in 2009. In 2009, we also received a capital contribution from our shareholders of SEK 600 million in connection with the renegotiation of our credit facilities, which allowed us to obtain additional flexibility under our covenants to make capital expenditures in line with the growth of our operations. In connection with the renegotiation, we also paid waiver fees and other expenses in the amount of SEK 74 million.

Capital Expenditures

We classify our capital expenditures in the following categories:

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

During the periods under review, we have funded certain of our capital expenditure requirements though leasing facilities, which are reflected as leasing debt on the balance sheet and thus have had a limited effect on our net debt, but have provided additional cash flow flexibility. We currently expect that our use of leasing facilities to fund capital expenditure will decrease in subsequent periods and we will evaluate alternative options to fund certain parts of our capital expenditure requirements going forward.

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

The table below sets forth our capital expenditures for the years ended December 31, 2009, 2010 and 2011 and for the nine months ended September 30, 2011 and 2012.

	For the year ended December 31,			For the nine months ended September 30,	
	2009	**2010**	**2011**	**2011**	**2012**
	Company		**HoldCo *Pro Forma***	**Company**	**HoldCo**
	(SEK in millions)				
Network and quality enhancement	343	272	227	111	210
CPE	274	240	203	136	153
IS development	159	96	130	85	79
Sales costs	—	27	92	56	50
Open networks	1	16	26	7	28
Other	41	40	56	13	36
Capital expenditures in tangible and intangible assets	**817**	**689**	**734**	**407**	**556**
of which capital expenditure funded by leasing	*(32)*	*(228)*	*(122)*	*(68)*	*(15)*
Capital expenditures in tangible and intangible assets net after leasing	**786**	**461**	**612**	**339**	**541**

Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2012

In the nine months ended September 30, 2012, total capital expenditure increased by SEK 149 million, or 36.7%, from SEK 407 million to SEK 556 million, of which SEK 15 million in the nine months ended September 30, 2012, was financed with funds available under our leasing facilities compared to SEK 68 million in the nine months ended September 30, 2011. The increase in total capital expenditure was mainly due to an increase in network and quality enhancement and open network expenditures attributable to investments in our "next generation" TV platform powered by TiVo and a higher volume of installed and upgraded households on our closed and open networks during the nine months ended September 30, 2012. The increase was also due to increased CPE capital expenditures as result of timing differences in purchases. Our capital expenditure after leasing increased by SEK 202 million, or 59.6%, from SEK 339 million in the nine months ended September 30, 2011 to SEK 541 million in the nine months ended September 30, 2012.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2011

In the year ended December 31, 2011, total capital expenditure increased by SEK 45 million, or 6.5%, from SEK 689 million to SEK 734 million, of which SEK 122 million was financed with funds available under our leasing facility compared to SEK 228 million in the year ended December 31, 2010. The increase in total capital expenditure was mainly due to the capitalization of third-party sales commissions related to individual contracts of twelve months or more in accordance with IFRS beginning in June 2010. The increase was partly offset by a decrease in network and quality enhancement-related expenditures from SEK 272 million in the year ended December 31, 2010 to SEK 227 million in the year ended December 31, 2011, which was an effect of the decreased investment in our current on-demand platform and a lower degree of upgraded households in 2011. The decreased investment in our current on-demand platform for 2011 compared with 2010 is mainly attributable to the completion of the initial development of the platform during 2010. Also, CPE-related capital expenditure decreased primarily due to the timing differences of the purchase of CPEs. CPE-related capital expenditure declined by SEK 37 million, from SEK 240 million in the year ended December 31, 2010 to SEK 203 million in the year ended December 31, 2011. As a result of the lower usage of funds from leasing facilities, net capital expenditure increased by SEK 151 million, from SEK 461 million in the year ended December 31, 2010 to SEK 612 million in the year ended December 31, 2011.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2010

In the year ended December 31, 2010, total capital expenditure decreased by SEK 128 million, or 15.7%, from SEK 817 million to SEK 689 million, of which SEK 228 million was financed with funds available under our leasing facility compared to SEK 32 million in the year ended December 31, 2009. We used funds from our leasing facility as the cost of capital was very low in 2010, which in turn allowed us to deploy the cash to reduce our indebtedness. See "*—Cash Flows—Cash Flow From Financing Activities*." As a result, our net capital expenditure decreased by SEK 325 million, or 41.3%, from SEK 786 million in the year ended December 31, 2009 to SEK 461 million in the year ended December 31, 2010. The reduction in our level of capital expenditure was primarily due to lower one-off capital expenditures, in particular relating to our CRM system and VoD. Network and quality enhancement capital expenditure declined by SEK 71 million, or 20.7%, from SEK 343 million in the year ended December 31, 2009 to SEK 272 million in the year ended December 31, 2010, continuing the trend of reduced network related capital expenditure following the substantial completion of the upgrade of our network to EuroDOCSIS 3.0 in 2008, which was partially offset by an increase in our investment in the television platform. Also quality enhancement capital expenditure was higher in 2009 related to, among other things, surveillance systems. While capital expenditure related to CPE decreased by SEK 34 million, or 12.4%, from SEK 274 million in the year ended December 31, 2009 to SEK 240 million in the year ended December 31, 2010, this was largely due to the unusually high level of CPE capital expenditure we made in 2009 following our decision to focus on the transition of our analog pay television subscribers to digital pay television, which resulted in the need to deliver an unusually large number of STBs. IS development capital expenditure declined by SEK 63 million, or 39.6%, from SEK 159 million in the year ended December 31, 2009 to SEK 96 million in the year ended December 31, 2010, due to a one-off investment in our CRM system. In June 2010, we began capitalizing third party sales commissions related to individual contracts with terms of twelve months or more, in accordance with IFRS. In 2009, we did not capitalize any third party sales commissions. Open networks capital expenditure increased in 2010 to SEK 16 million due to our investment in the operations of our subsidiary, iTUX.

The table below sets forth a reconciliation of our capital expenditures in tangible and intangible assets net after leasing to cash flow from investing activities for the years ended December 31, 2009, 2010 and 2011 and for the nine months ended September 30, 2011 and 2012.

	For the year ended December 31,			**For the nine months ended September 30,**	
	2009	**2010**	**2011**	**2011**	**2012**
	Company		**HoldCo *Pro Forma***	**Company**	**HoldCo**
	(SEK in millions)				
Capital expenditures in tangible and intangible assets net after leasing	(786)	(461)	(612)	(339)	(541)
Sales of property, plant and equipment	—	—	(*)	—	—
Investments in financial assets[(1)]	(1)	(1)	(*)	(11)	—
Acquisition of subsidiaries[(2)]	(0)	—	(*)	—	—
Cash flow from investing activities	**(787)**	**(462)**	**(*)**	**(350)**	**(541)**

(1) In the nine months ended September 30, 2011, investments of SEK 10 million are related to the withdrawn CDK Acquisition, which was expensed during the three months ended December 31, 2011, due to the withdrawn CDK Acquisition.

(2) No acquisitions were completed in 2009, 2010, 2011 or the nine months ended September 30, 2012, although an additional purchase price of SEK 0.4 million was paid in 2009 for Kungsbacka Kabel-TV AB, which we acquired in 2007.

(*) Due to the Acquisition and the subsequent refinancing, cash flow from investing activities is not comparable to prior periods, and thus, has been excluded.

Certain Indebtedness

As of September 30, 2012, the principal payments of our material long-term financing arrangements were as follows:

	Payment on Material Long-Term Indebtedness Due by Period[1]							
	2013	2014	2015	2016	2017	2018	2019	Total
	(SEK in millions)							
Senior Term Facilities								
Term Loan A	215	264	302	332	377	—	—	1,490
Term Loan B[2]	—	—	—	—	—	3,788	—	3,788
Senior Secured Notes	—	—	—	—	—	3,492	—	3,492
Senior Notes[2]	—	—	—	—	—	—	2,429	2,429
Total	**215**	**264**	**302**	**332**	**377**	**7,280**	**2,429**	**11,199**

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

(2) Euro-denominated indebtedness has been converted at the exchange rate on September 30, 2012, which was SEK 8.463 per €1.00.

Certain Other Indebtedness

The table below sets forth the financial payments that we will be obligated to make under our finance leases as of December 31, 2011.

	As of December 31, 2011				
	Total	Due within 1 year	Due between 1 and 3 years	Due between 3 and 5 years	Due after 5 years
	(SEK in millions)				
Finance lease liabilities	274	127	147	—	—

In addition, we use operating assets through operating lease arrangements. We rent access to ducts and co-location facilities as well as optical fiber from Skanova, Stokab and Trafikverket. The following table sets forth the irrevocable operating lease payments we are obligated to make as of December 31, 2011.

	As of December 31, 2011			
	Total	Due within 1 year	Due between 1 and 5 years	Due after 5 years
	(SEK in millions)			
Operating lease payments	774	260	456	58

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosures about Financial Risk

Market risk represents the risk of loss that may result from the potential change in exchange rates, interest levels, refinancing and credit risks. For additional information, see "Note 26" to our audited consolidated financial statements as of and for the period July 12, 2011 to December 31, 2011, which can be found in our 2011 Annual Report.

Liquidity Risk

Our liquidity risk primarily concerns our ability to meet our obligations to pay our employees and creditors and to service our debts. Our finance policy stipulates the availability of cash and cash equivalents to ensure funding of our operating activities. We prepare monthly liquidity forecasts, subject to regular review, which are part of our budgeting process. We utilize advance billing, with liabilities settled at due date, which has a positive effect on our liquidity. Consumers are usually billed one month in advance and property owners usually quarterly in advance.

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

Interest Rate Risks

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

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

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

The table below provides information about our long-term fixed and floating rate debt (excluding capital leases) as of September 30, 2012, based on the outstanding principal amounts as of that date.

	Unaudited as adjusted as of September 30, 2012
	(SEK in millions)
Fixed Rate:	
Fixed rate debt[(1)]	8,494
Floating Rate:	
Floating rate debt[(2)]	2,705
Total outstanding principal amount	**11,199**

(1) The amounts shown reflect the hedged portion of the Term Loan B Facilities, the Senior Secured Notes and the Senior Notes.

(2) The amounts shown reflect amounts drawn under the: (i) Term Loan A Facility; and (ii) the unhedged portion of the Term Loan B Facilities. The amount excludes SEK 54 million restricted for a bank guarantee under our Revolving Credit Facility as of September 30, 2012.

Currency Risks

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

Exchange rate differences arising in operations are reported in net profit or loss and allocated between other operating income and other operating costs. There were no transaction-related forward contracts as of December 31, 2011.

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

	As of December 31,					
	2009		2010		2011	
	(SEK million)	(%)	(SEK million)	(%)	(SEK million)	(%)
EUR	164	38.4	97	35.1	98	45.9
NOK	42	9.9	46	16.9	35	16.4
USD	217	51.0	132	47.8	78	36.9
Other	3	0.7	1	0.2	2	0.9
Total	**426**	**100.0**	**276**	**100.0**	**213**	**100.0**

Our consolidated cash flow would be reduced by approximately SEK 11 million as of December 31, 2011 if the Swedish Krona depreciated by five percentage points against the above currencies assuming the same transaction exposure as in 2011 and assuming no hedging.

We regularly assess our 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 our risks related to exchange risks and to hedge future cash flows, see "Note 26" to our audited consolidated financial statements as of and for the period July 12, 2011 to December 31, 2011, which can be found in our 2011 Annual Report.

Translation Exposure—Financial Items

We have exchange rate exposure due to our non-SEK denominated debt. As of September 30, 2012, our non-SEK denominated debt obligations amounted to EUR 591 million (EUR 304 million in bank debt and EUR 287 million in Senior Notes). We are obliged to hedge certain exchange rate exposure according to our treasury policy and under the Senior Credit Facilities and the Senior Notes within specified time frames. We have complied and will continue to comply with such obligations. In addition, BidCo has agreed that when any member of the Covenant Group (defined as HoldCo and each of its subsidiaries from time to time (including, for the avoidance of doubt, BidCo) and the Group from September 29, 2011) incurs certain financial indebtedness, HoldCo shall (and shall procure that the relevant member of the Covenant Group does) enter into cross-currency hedging arrangements within 30 days of the date of such incurrence to hedge 100% of the currency risk with respect to any interest payments due under such indebtedness in respect of the period until the end of any non-call period applicable (or the date falling 36 months after incurring such non-SEK debt).

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

Liabilities in SEK thousand	Nominal Value	Currency Derivatives	Exposure	Proportion (in %)
Liabilities to credit institutions	2,705	—	2,705	16.8
Bonds	3,492	—	3,492	21.6
Liabilities to group companies	4,751	—	4,751	29.4
Finance leases	189	—	189	1.2
Derivatives	—	1,909	1,909	11.8
Total	**11,138**	**1,909**	**13,047**	**80.8**

Liabilities in EUR thousand	Nominal Value	Currency Derivatives	Exposure	Proportion (in %)
Liabilities to credit institutions	304	—	304	15.9
Bonds	287	—	287	15.1
Derivatives	—	(226)	(226)	(11.8)
Total	**591**	**(226)**	**365**	**19.2**

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 114 million higher/lower as a result of gain/loss when translating monetary liabilities and assuming no hedging.

Credit Risk

Our exposure to credit risk is limited because we use advance billing for consumer and landlord services. We perform credit worthiness checks when entering into contracts with new subscribers and we make an internal credit assessment when we up-sell to an existing subscriber to assess the potential credit risk. We also apply a fast debt recovery process, where we terminate a subscriber's service if payment is not made. Due to the size of our subscriber base, there is no specific concentration of risks on a small number of large subscribers. General provisions for potential bad debt are made regularly, and credit losses are small in relation to our operations. Our total credit losses in the year ended December 31, 2011 were 0.5% of revenues, compared to 0.4% of revenues in the year ended December 31, 2010.

Taxation Risks

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 intra group loans (approximately SEK 225 million) may be challenged by the Swedish Tax Agency (Sw. *Skatteverket*) (the "**Swedish Tax Agency**"). In light of the aforementioned, the Swedish Tax Agency sent questions to us regarding the intra group loans, which we have answered. The Swedish Tax Agency did not conduct a reassessment (Sw. *omprövningsbeslut*) denying the deductions within the reassessment period, which ended December 31, 2011. However, the Swedish Tax Agency may conduct an assessment for arrears (Sw. *eftertaxeringsbeslut*) 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.

Proposed changes in Swedish tax law may limit or prevent us from applying tax deductions arising from certain intra group loans from January 1, 2013. The proposed changes may also result in taxable interest income on intercompany loans within Sweden.

The Swedish Government has proposed to enact rules effective from January 1, 2013 that further limit the deductibility of interest expense on intra group loans. The Swedish Parliament is expected to ratify the proposal with no or limited material modification. Under the proposed rules, intra group interest expense will not be deductible on loans granted by an Affiliated Party, as defined in the proposed rules, unless certain exceptions outlined in the proposed rules apply.

NorCell S.à r.l., our indirect parent company, should be deemed an Affiliated Party of the Group for purposes of the proposed rules. In connection with the acquisition of Com Hem by BC Partners Limited, NorCell S.à r.l. provided loans in the amount of SEK 3,033 million that were on-lent as back-to-back intercompany loans through NorCell Sweden Holding 1 AB, to NorCell 1B AB, through to BidCo and eventually through to BidCo's subsidiary. By disallowing the deductibility of interest expense on the loans made by NorCell S.à r.l., we would have less interest expense to offset against income on operations generated by the Group in Sweden. As a result, once our historical tax loss carry forwards are consumed, we may be required to pay corporate income tax on income generated by the Group. See also "—*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 corporate tax rate is currently at 26.3%, although the Swedish Government has proposed to decrease the corporate tax rate to 22% commencing January 1, 2013. This proposal has not yet been ratified by the Swedish Parliament.

A further potential consequence of the technical wording of the proposed rules is that it may not be possible to offset the taxable interest income on the back-to-back intercompany loans between the Swedish companies described above against interest expense generated on such loans even though all companies in question are taxable in Sweden. As a result, taxable interest income may arise for each intercompany lender in the existing back-to-back loan arrangements, which cannot be offset against tax loss carry forwards to the extent available or otherwise. In the twelve month period ending September 30, 2012, interest expense on the intercompany loan between NorCell 1B AB and NorCell Sweden Holding 1 AB amounted to SEK 327 million. We are currently exploring options which we expect will limit the impact of this technical aspect of the proposed rule on the Group. However no guarantee can be made that such actions will be successful and any tax liabilities that may arise in connection with our intercompany loan structure may have a material adverse effect on our financial condition and results of operations.

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 1,363 million as of December 31, 2011. 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 in addition to those described above 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.
Com Hem and its subsidiaries are subject to tax reviews from time to time, however to date we have not been subject to a full tax review. There is a risk that tax audits or reviews for current and subsequent years may result in a reduction of our tax loss carry forwards or in additional taxes to be paid by any company of the 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.

Critical Accounting Policies
See “Note 1” to our audited consolidated financial statements as of and for the period July 12, 2011 to December 31, 2011, which can be found in our 2011 Annual Report.

REGULATION

Introduction

Our operations are subject to various regulatory requirements and obligations including electronic communications and media laws, general competition law as well as technical and other regulations. In general, electronic communications laws apply to the establishment and operation of technical infrastructures used for communication, whereas media laws apply to the content of such communication.

Electronic communications regulation

The Swedish Electronic Communications Act

Electronic communication services and the operation of electronic communication networks are subject to the regulatory regime of the Swedish Electronic Communications Act (the "**Electronic Communications Act**") and certain regulations issued in accordance with the Electronic Communications Act. The Electronic Communications Act contains provisions regarding, among other things, (i) the establishment and powers of a regulatory body; (ii) notification requirements; (iii) co-sharing of equipment; (iv) allocation of frequencies; (v) access obligations; and (vi) the regulation of prices for the provision of services. The regulations contain further and more detailed provisions in respect of and in addition to certain sections of the Electronic Communications Act.

The Electronic Communications Act implements the EU Framework, which consists of the Framework Directive (2002/21/EC), the Authorization Directive (2002/20/EC), the Access Directive (2002/19/EC), the Universal Service Directive (2002/22/EC) and the Directive on Privacy and Electronic Communications (2002/58/EC).

In November 2009, the European Parliament, following a proposal by the European Commission, passed legislation (Directive 2009/140/EC and 2009/136/EC), amending certain directives within the EU Framework in order to enhance competition and to strengthen consumer rights in Europe's telecom markets and to facilitate access to high-speed broadband connections (the "**Amendment Directives**"). The Amendment Directives entered into force on December 19, 2009. The aims of the Amendment Directives are, in particular, to:

- strengthen mechanisms for regulating operators with significant market power in key markets;
- progressively reduce access sector specific rules and, ultimately, for electronic communications to be governed by antitrust laws only;
- give appropriate incentives for investment in new high-speed networks;
- strengthen the independence of national regulatory authorities;
- increase flexibility in spectrum management and access to spectrum through technology and service neutral authorizations, such authorizations allowing requirements tailored to the promotion of media pluralism as defined by member states; and
- strengthen consumer's rights, consumer protection and to improve the level of security of electronic communications.

For the purpose of implementing the Amendment Directives into Swedish law, certain amendments to the Swedish Electronic Communications Act took effect on July 1, 2011 (the "**Amendments to the Electronic Communications Act**"), as further described below.

The Regulatory Body

The Swedish Post and Telecom Agency (the "**PTS**") is an independent governmental body responsible for the regulation of the Swedish electronic communications market. The PTS has various powers with respect to the enforcement of the Electronic Communications Act and regulations. All decisions of the PTS may be challenged before the administrative court (Sw. *Förvaltningsrätten*) in Stockholm, as the court of first instance, and further appealed to the administrative appeal court (Sw. *Kammarrätten*) in Stockholm, which is the final court of appeal.

Notification and License Requirements

The operation of electronic communications networks and the provision of electronic communications services do not require any licenses from any regulatory body. However, operators that provide public communication networks and publicly available electronic communications services must notify the PTS prior to the commencement of business activities.

The use of radio frequencies and telephone numbers from the national numbering plan on the other hand, requires a license from the PTS. In cases of shortage of frequencies, licenses are allocated by the PTS in a public tender process. The PTS may also grant permission to trade licenses. In the most recent allocations of frequencies, licenses have been awarded on a technology neutral basis, *i.e.*, it has not been a prerequisite that the license be used for a specific technology.

General Access Regulation

Under the Electronic Communications Act, an operator with control over subscriber access, must at market price, offer any other operator upon its request, the interconnection of both parties' networks, provided the interconnection is technically feasible. The purpose of this regime is to ensure that subscribers with different operators can reach each other. As a network owner and provider of fixed-telephony services, we must offer such interconnection in respect of those parts of 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*."

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 have resulted in a number of disputes between operators with interconnection agreements. As a result of our interconnection service arrangements with TDC, we are not directly affected by these disputes. We believe that any potential indirect effects from these cases will be limited.

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 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 will present final provisions (Sw. *Föreskrifter*) with respect to security relating to the storage and collection of certain traffic data in 2012 and with respect to compensation for information requests in the beginning of 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 Swedish Competition Authority (the “**SCA**”). There has been no recent direct intervention from the SCA. 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 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.

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined consolidated financial information for the year ended December 31, 2011 presents the combination of the financial statements of HoldCo and its subsidiaries and the Company and its subsidiaries.

The selected unaudited pro forma combined consolidated financial information for January 1, 2011 to December 31, 2011, as set forth below, has been derived from unaudited interim consolidated financial statements of Com Hem and its subsidiaries for the period January 1, 2011 to September 30, 2011, and from the audited consolidated financial statements of HoldCo and its subsidiaries for the period July 12, 2011 to December 31, 2011 (between July 12, 2011 and September 28, 2011 HoldCo functioned as a dormant holding company, except for certain activities relating to the Acquisition).

The selected unaudited pro forma combined consolidated financial information for 2011 has been calculated using the full-year amortization based on the present customer relation values that arose in connection with the Acquisition. In the pro forma calculations carried out, actual amortization of former customer relations value has been deducted from selling expense in 2011, and full-year amortization of the current customer relations value has been added to the selling expenses as if the Acquisition was consummated January 1, 2011.

As a consequence of the Acquisition in September 2011, and the following refinancing, it is not meaningful to present the selected unaudited pro forma combined consolidated income information for the line items below operating profit and, accordingly, the pro forma adjustments exclude the effect of the refinancing that would have affected the pro forma income statement items below operating profit. The unaudited pro forma financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Com Hem included elsewhere in this Supplemental Report.

The unaudited pro forma combined consolidated financial information is based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the Acquisition. The unaudited pro forma combined consolidated financial information is for informational purposes only and does not purport to represent or to be indicative of the consolidated results of operations or financial position that HoldCo would have reported had the Acquisition been completed as of the dates presented, and should not be taken as representative of HoldCo's future consolidated results of operations or financial position, nor does it purport to project HoldCo's financial position as of any future date or results of operations for any future period. The unaudited pro forma financial data was not prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

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

Unaudited Pro Forma Combined Consolidated Selected Income Information for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
	Company	Holdco	Adjustments	*Pro Forma* Combined HoldCo
	(unaudited)	(audited)	(unaudited)	
		(SEK in millions)		
Revenue	3,368	1,152	—	4,520
Cost of sales and services[1]	(1,757)	(583)	30	(2,310)
Gross profit	**1,611**	**570**	**30**	**2,211**
Selling expenses[1][2]	(691)	(373)	(264)	(1,328)
Administrative expenses	(250)	(69)	—	(318)
Other operating income	6	8	—	14
Other operating expenses	(4)	(270)	—	(273)
Operating profit	**673**	**(133)**	**(234)**	**306**

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

(2) Actual amortization of former customer relations of SEK 175 million has been deducted from selling expenses for the period ended September 30, 2011, and full year amortization of the current customer relations of SEK 409 million has been added to the selling expenses (net of SEK 234 million) for the period ended September 30, 2011 as if the Acquisition was consummated as of January 1, 2011.

Unaudited Pro Forma Combined Consolidated Selected Revenue by Service for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
	Company	Holdco	Adjustments	*Pro Forma* Combined HoldCo
	(unaudited)	(audited)	(unaudited)	
		(SEK in millions)		
Pay Television	1,248	429	—	1,678
High-Speed Broadband	913	319	—	1,231
Fixed-Telephony	426	139	—	564
Landlord	663	220	—	884
Other	118	46	—	163
Total	**3,368**	**1,152**	**—**	**4,520**

Unaudited Pro Forma Combined Consolidated Selected Other Financial Data for the Year Ended December 31, 2011

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
	Company	**Holdco**	**Adjustments**	***Pro Forma* Combined HoldCo**
	(unaudited)	**(audited)**	**(unaudited)**	
	(SEK in millions, except percentages and ratios)			
EBITDA[1]	1,532	239	—	1,770
EBITDA margin (in %)[2]	45.5	20.7	—	39.2
Reported Underlying EBITDA[3]	1,590	508	—	2,098
Reported Underlying EBITDA margin (in %)[4]	47.2	44.1	—	46.4
Adjusted EBITDA[5]	1,621	517	—	2,138
Adjusted EBITDA margin (in %)[6]	48.1	44.9	—	47.3
Capital expenditures[7]	407	328	—	734
Capital expenditures ratio (in %)[8]	12.1	28.4	—	16.2
Adjusted capital expenditures[9]	437	337	—	774
Adjusted capital expenditures ratio (in %)[8]	13.0	29.2	—	17.1
Operating free cash flow[10]	1,191	228	—	1,419
Operating free cash flow margin (in %)[11]	35.7	18.8	—	31.4
Depreciation and Amortization[12]	(859)	(360)	(234)	(1,453)

(1) We define EBITDA as net profit/(loss) for the period before income taxes, net financial items, write-downs, depreciation and amortization ("**EBITDA**"). We categorize depreciation and amortization under cost of sales and services (depreciation and amortization of tangible and intangible assets related to production), selling expenses (depreciation and amortization of tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortization of tangible and intangible assets related to administrative functions). EBITDA is not a measure of liquidity or performance calculated in accordance with IFRS and should be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. The reconciliation of operating profit for the period to EBITDA is as follows:

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
	Company	**Holdco**	**Adjustments**	***Pro Forma* Combined HoldCo**
	(unaudited)	**(audited)**	**(unaudited)**	
	(SEK in millions)			
Operating profit[a]	673	(133)	**(234)**	**306**
Write-down	—	12	—	12
Depreciation and Amortization[a][b]	859	360	234	1,453
EBITDA	**1,532**	**239**	**—**	**1,770**

(a) Adjustments of SEK 234 million represent the amortization on present customer relation values that arose in connection with the Acquisition. See "*—Unaudited Pro Forma Combined Consolidated Selected Income Information for the Year Ended December 31, 2011*."

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

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

(3) We define Reported Underlying EBITDA as EBITDA before non-recurring costs and operating currency gain/(loss). Reported Underlying EBITDA is not a measure of liquidity or performance calculated in accordance with IFRS and should be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. The reconciliation of EBITDA to Reported Underlying EBITDA is as follows:

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
	Company	Holdco	Adjustments	*Pro Forma* Combined HoldCo
	(unaudited)	(audited)	(unaudited)	
	(SEK in millions)			
EBITDA	**1,532**	**239**	**—**	**1,770**
Non-recurring costs				
Spacenet de-installation	5	—	—	5
Redundancy payments	5	—	—	5
Lawyers and consultants	42	15	—	57
Transaction costs[(a)]	—	246	—	246
CDK upfront fee[(b)]	—	10	—	10
Other	3	0	—	2
Total non-recurring costs	**56**	**270**	**—**	**326**
Operating currency loss/(gain)	2	0	—	2
Reported underlying EBITDA	**1,590**	**508**	**—**	**2,098**

(a) Expenses related to the Acquisition.

(b) Payment related to the withdrawn CDK Acquisition.

(4) Reported Underlying EBITDA margin represents Reported Underlying EBITDA as a percentage of revenue. See "*Presentation of Financial Information*."

(5) We define Adjusted EBITDA as Reported Underlying EBITDA less expenses associated with retail subsidies, which consists of subsidies paid to retailers for the sale of STBs, and sales commissions that can be associated with individual subscriber agreements. In June 2010, we began capitalizing sales commissions in accordance with IAS 38. See "Note 1—Accounting Principles—Intangible Assets—Acquisition Costs for Subscriptions" to our audited consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008 and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Measures—Subscriber Acquisition Costs*." Similarly, as of January 1, 2011, we began capitalizing retail subsidies paid in cash in accordance with IAS 38. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Measures—Subscriber Acquisition Costs*." Expenses for retail subsidies in the nine months ended September 30, 2012 relate to retail subsidies paid in prior periods. To facilitate the comparability of our results of operations during the periods under review, we have applied the percentage of our total sales commissions and retail subsidies that were capitalized in accordance with IAS 38 since June 2010 and January 2011, respectively, to our results of operations in prior periods, which has allowed us to calculate the effect of such capitalization on a consistent basis and present the uncapitalized cost of retail subsidies and sales commissions below. The reconciliation of Reported Underlying EBITDA to Adjusted EBITDA is as follows:

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
	Company	Holdco	Adjustments	*Pro Forma* Combined HoldCo
	(unaudited)	(audited)	(unaudited)	
	(SEK in millions)			
Reported Underlying EBITDA	**1,590**	**508**	**—**	**2,098**
Retail subsidies	31	9	—	40
Sales commissions	—	—	—	—
Adjusted EBITDA	**1,621**	**517**	**—**	**2,138**

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

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

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
				Pro Forma Combined
	Company	Holdco	Adjustments	HoldCo
	(unaudited)	(audited)	(unaudited)	
		(SEK in millions)		
Network and quality enhancement	111	116	—	227
CPE	136	67	—	203
IS Development	85	45	—	130
Sales costs	56	36	—	92
Open Networks	7	19	—	26
Other	13	43	—	56
Capital expenditures in tangible and intangible assets	**407**	**328**	**—**	**734**
Of which capital expenditure funded by leasing	*(68)*	*(54)*	—	*(122)*
Capital expenditures in tangible and intangible assets after leasing	**339**	**274**	**—**	**612**

(8) Capital expenditures ratio is calculated as capital expenditures as a percentage of revenue, and adjusted capital expenditures ratio is calculated as adjusted capital expenditures as a percentage of revenue.

(9) Adjusted capital expenditures represents capital expenditures plus uncapitalized retail subsidies and sales commissions. Adjusted capital expenditures is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. The reconciliation of capital expenditures to adjusted capital expenditures is as follows:

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
				Pro Forma Combined
	Company	Holdco	Adjustments	HoldCo
	(unaudited)	(audited)	(unaudited)	
		(SEK in millions)		
Capital expenditures	**407**	**328**	**—**	**734**
Retail subsidies	31	9	—	40
Sales commissions	—	—	—	—
Adjusted capital expenditures	**437**	**337**	**—**	**774**

(10) 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 is not a term defined under IFRS and may not be comparable to other similarly titled measures reported by other companies. The reconciliation of EBITDA to operating free cash flow is as follows:

	For the period ended September 30, 2011	Period from July 12 to December 31, 2011		Year ended December 31, 2011
				Pro Forma **Combined**
	Company	**Holdco**	**Adjustments**	**HoldCo**
	(unaudited)	**(audited)**	**(unaudited)**	
		(SEK in millions)		
EBITDA	**1,532**	**239**	**—**	**1,770**
Adjustments for items not included in cash flow				
Pension provisions	3	0	—	3
Other provisions	(3)	3	—	0
Other items	1	(1)	—	0
Total Adjustments for items not included in cash flow	**1**	**2**	**—**	**3**
Change in net working capital	7	250	—	257
Acquisition of intangible assets	(152)	(117)	—	(269)
Acquisition of property, plant and equipment	(255)	(210)	—	(465)
Capital expenditures funded by leasing	68	54	—	122
CDK upfront fee[(a)]	(10)	10	—	—
Operating free cash flow	**1,191**	**228**	**—**	**1,419**

(a) Payment related to the withdrawn CDK Acquisition.

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

(12) Depreciation and Amortization consists of actual depreciation and amortization expenses recorded on the income statement under each of cost of sales and services, selling expenses and administrative expenses, less actual amortization of the former value on customer relations recognized in selling expenses for the period ended September 30, 2011, plus *pro forma* full-year amortization on current customer relation values that arose in connection with the Acquisition.

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About Com Hem

Com Hem is one of Sweden's leading suppliers of television, broadband and fixed-telephony. Approximately 40 percent, 1.74 million, of Sweden's households are connected to Com Hem's network with access to the market's broadest range of television services. Com Hem offers attractively priced, high quality and complementary services for television, high-speed broadband and fixed-telephony. The Company was established in 1983, is owned by BC Partners, has approximately 950 employees and head offices in Stockholm.