Annual Report 2014

Ready for our journey

Com Hem's goal is to transform its business to be focused entirely on what our customers want and need. We simplify people's lives by providing fast and reliable access to the world of communication and entertainment, with a personal touch. Our aim is to have Sweden's most satisfied customers. In 2014, we took the first steps in this journey.

Contents

! Com Hem's Annual Report is published in both Swedish and English.
The Annual Report in Swedish is the binding version.
In this Annual Report, "Com Hem" or the company refers to Com Hem Holding AB.

Com Hem at a glance

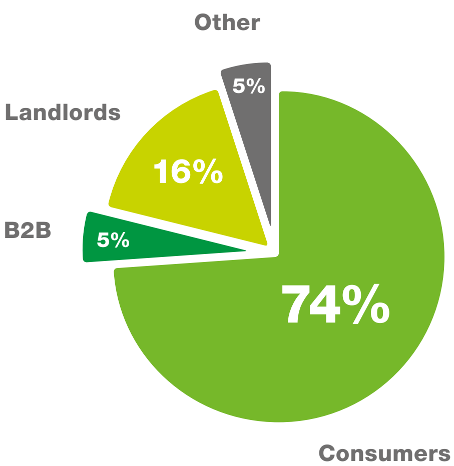
Com Hem delivers TV, telephone services and high-speed Internet access to Swedish homes and businesses. We are one of Sweden's leading suppliers with almost 1.9 million households connected, enabling us to offer our range of services to 40 per cent of all households.

Com Hem has approximately 1,100 employees and our head office is located in Stockholm. Com Hem Holding AB is the parent company of the Group and operations are conducted through our subsidiaries Com Hem AB, Phonera Företag AB and iTUX Communication AB. The Com Hem shares are listed on Nasdaq Stockholm since June 2014.

nearly 1.9 million connected households

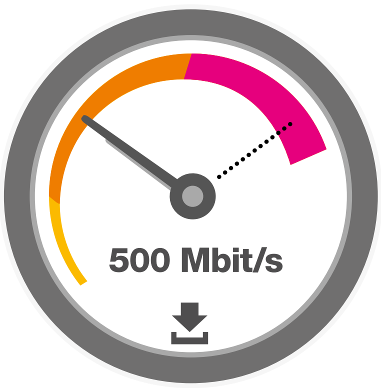
Large customer base

1.9 million households are connected to our hybrid fibre coax network with access to our basic TV services. 876,000 unique customers choose to subscribe to additional services from Com Hem, broadband, digital TV, telephony services or a combination thereof.



One of the world's fastest broadband networks

Our network upgrades over the past five years have created a platform for more stable and faster connections, with broadband speeds of up to 500 Mbit/s to 1.6 million households. We are Sweden's leading service provider of high-speed broadband according to Netflix ISP survey.

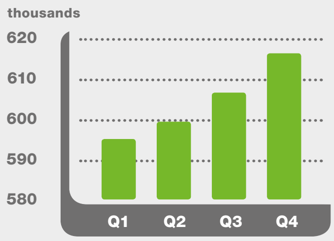


Total revenue SEK 4,761m

Total revenue was up by 7 per cent in 2014, with increased momentum in the second half of 2014.

“We are particularly pleased by the positive trend in customer churn”

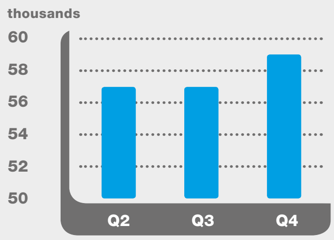
DIGITAL TV SUBSCRIBERS



Leading digital TV service

Sweden’s most content-rich and innovative television services are driving powerful growth. A full 27 per cent of our digital TV customers subscribe to TiVo, the next generation of television functionality, which we launched in October 2013. We are continuously strengthening and broadening our offering.

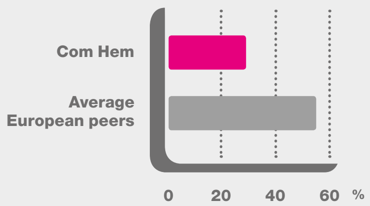
UNIQUE B2B SUBSCRIBERS



High number of connected businesses

Around 150,000 small businesses are already connected to our network, which offers high potential. A large share of potential business customers today are using xDSL speeds from other suppliers. The acquisition of Phonera, integrated since the second quarter, has grown the number of B2B customers in our network.

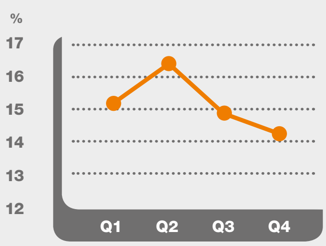
TRIPLE PLAY POTENTIAL



Low bundling penetration

The average triple play penetration for European peers is 56 per cent. In comparison, Com Hem’s has only 27 per cent, which gives us high potential for more bundled services. Our focus will shift to bundled propositions combining our leading services.

CHURN PER QUARTER, %



Satisfied customers – our key priority

Several initiatives were launched during 2014 to improve our customers’ experience. The trust of our customers is our license to operate, and by investing in customer satisfaction and adding new activities, we strive to deliver high quality customer service and thereby also reduced churn. In 2014, churn fell from 16.4 per cent to 14.2 per cent.

The year in brief

UNIQUE CONSUMER SUBSCRIBERS
+46,000
TO A TOTAL OF 876,000

NUMBER OF DIGITAL TV SUBSCRIBERS
+21,000
TO A TOTAL OF 618,000

NUMBER OF BROADBAND SUBSCRIBERS
+53,000
TO A TOTAL OF 612,000

NUMBER OF TELEPHONY SUBSCRIBERS
+10,000
TO A TOTAL OF 337,000

Key events by quarter

Q1 The number of connected homes expands. The growth in TiVo customers continues and TiVo penetration picks up to above 12% after two quarters of sales and marketing activities. The number of broadband subscribers is increasing. Jon James joins the Executive Management Team as COO in February. The acquisition of Phonera Företag is completed on 31 March.

Q2 Strong business growth and total revenue is up 8%, including Phonera, compared to Q2 2013. Continued growth in broadband subscribers. Digital TV growth returns, and TiVo customers increase to over 100,000 (17% penetration). Anders Nilsson is appointed CEO in April. Bank credit facilities are refinanced. Com Hem's IPO is held on Nasdaq Stockholm on 17 June, issuing new shares for a value of SEK 5,670m.

Q3 A large proportion of the customer base is upgraded to higher speeds, raising the minimum entry level speed from 10 Mbit/s to 50 Mbit/s at the same price point. An all-time high of 17,000 net additions since 2007 is achieved. The number of digital TV subscribers continues to grow and TiVo adoption reaches 22%. Customer churn declines from 16.4% to 14.8%. Total revenue is up almost 10% compared to Q3 2013. The over-allotment option is exercised on 4 July, issuing new shares for SEK 567m. First phase of refinancing is completed, Senior PIK Notes are redeemed in full and 35% of the Senior Notes are repaid. The average interest rate thus declines from 8.4% pre-IPO to 6.7% at the end of the quarter.

Q4 Strong results across the board, and continued reduction of customer churn down to 14.2%. Another quarter of strong broadband demand and continued shifts to higher speed tiers. Continued growth in digital TV driven by TiVo (equal to 27% penetration). Material progress in B2B with a growing number of customers connected to Com Hem's network. Total revenue is up 10.4%, of which organic growth is up 4.3% compared to Q4 2013. Underlying EBITDA increases by 6.6% and operating free cash flow is strengthened by more than 66% compared to Q4 2013. The Senior Secured Notes are refinanced and new Senior Secured Notes are issued at a significantly lower interest coupon rate. The average interest rate falls to 4.8% at the end of the quarter.

Key financial metrics in 2014

REVENUE
SEK 4,761m
(4,448)

UNDERLYING EBITDA
SEK 2,262m
(2,200)

EBITDA
SEK 2,004m
(2,009)

CAPEX
SEK 1,051m
(1,038)

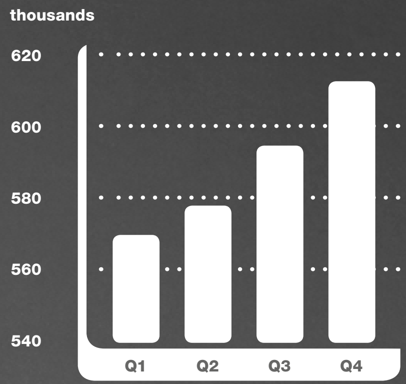
CAPEX AS % OF REVENUE
22.1%
(23.3)

OPERATING FREE CASH FLOW
SEK 1,211m
(1,162)

Figures in brackets refer to the full year 2013.

Our minimum entry speed five times faster than competition

Many of Com Hem's customers have continuously upgraded to higher speeds thanks to our attractive new market proposition with an entry-level speed of 50 Mbit/s. Our improved broadband service resulted in a record number of new customers who chose speeds of 100 Mbit/s and above.



GROWTH IN BROADBAND SUBSCRIBERS

71%

OF OUR NEW CUSTOMERS CHOSE 100 MBIT/S AND ABOVE AT YEAR-END

Customer demand drives us forward

2014 was a busy year for Com Hem. We managed to deliver according to our plan; we carried out a successful refinancing process, we made an equally assertive start as a listed company, and – most importantly – we started the journey of transformation that will shape the Com Hem of the future. A journey with our customers in focus.

Com Hem was once simply regarded as a cable TV provider. Today, with our improved offerings in broadband, digital TV and telephony, delivered over state of the art network, we are a modern telecom operator. A number of important steps on this journey were taken in 2014, and we look forward to where this will lead us. Everything we are doing is a response to what our customers want and how they are behaving. That is what is driving us forward.

When I joined Com Hem in April 2014, I saw a company with many opportunities. Here was one of the most advanced hybrid fibre coax networks in Europe, the richest and most innovative television offering in Sweden, and a completely unique relationship with the landlords and other network owners. These relationships give us access to 40 per cent of Swedish households and to additional possibilities for growth.

But I also saw a company with great challenges. We had not kept pace with the trends or developments of our international peers. And more importantly, the customer experience we were delivering was not good enough. The consumers had quite simply consequently started to look elsewhere for better services. This had to be addressed immediately.

TRANSFORMATION JOURNEY STARTS FROM WITHIN

We drew up a comprehensive programme to enhance the customer experience, strengthen our brand, optimise our propositions and thereby create better opportunities for future growth. A number of experienced executives with international experience were recruited to the company and contributed drive and knowledge to an already strong and committed organisation.

These initiatives have been effective, which is reflected not least in a continued decrease in customer churn, which fell from 16.4 per cent in the second quarter to 14.2 per cent by year-end. At the same time, we are well aware that much more remains to be done. We will not be satisfied until we have Sweden's most satisfied customers.

ACCELERATED CUSTOMER INTAKE

As a result of a strong demand for our services, all of our metrics showed significant progress during the year. Major returns were delivered on our broadband investments, when we upgraded a significant proportion of our customer base and at the same time raised our entry-level speed to 50 Mbit/s.

"We are financially well-positioned to generate strong cash flows and deliver solid shareholder returns"

Supported by major marketing activities, this resulted in the highest inflow of new broadband customers since 2007, with 17,000 net additions in both the third and fourth quarters. At the same time, our customers started to shift toward higher speeds, and by year-end 71 per cent of our new customers chose speeds of at least 100 Mbit/s or above, thereby demonstrating our ability to capitalise on the increased demand for fast broadband.

Similarly, growth accelerated in digital television in the second half of 2014, driven by strong demand for new types of user-friendly and flexible television solutions.

The TiVo functionality has been instrumental in driving this positive trend. Compared to our international peers, Com Hem has shown an incredibly rapid adoption rate of TiVo. During the year, penetration of TiVo in our digital TV base rose from 6 per cent to 27 per cent.

B2B PROGRESS

In March 2014 we completed the acquisition of Phonera Företag AB, a full-service provider of communications services to business customers. The acquisition has given us the opportunity to address all of the businesses already connected to Com Hem's network and offer them market leading broadband and telecom services. Many of these businesses currently have a DSL through other suppliers. During the year we saw a promising uptake of B2B customers as a result of our focused sales campaigns and attractive propositions.

Likewise, we were able to attract more small and mid-sized enterprises with our business-focused premium offering, including cloud-based switchboards.

STRONG REVENUE GROWTH

Strong customer intake and reduced churn combined with robust demand resulted in increased revenue growth, with total revenue up by 7 per cent and a sequential improvement in organic growth. The pace of growth increased from 0.1 per cent in the first quarter to 10.4 per cent in the fourth quarter, compared to last year. Furthermore, the organic growth path, excluding Phonera, accelerated from 0.1 per cent in the first quarter to 4.3 per cent in the fourth quarter, on track to meet our mid-single digit revenue growth target.

TRANSFORMED BALANCE SHEET

In parallel with all operational and strategic activities, we also prepared Com Hem to become a publically traded company during the year. On June 17 the company was listed on Nasdaq Stockholm.

An important part of this process was the refinancing of our debt. Seen over the full year, we reduced debt by SEK 5.7bn, while the average interest rate was reduced from 8.4 per cent pre-IPO to 4.8 per cent at year-end. This will significantly lower our cash interest payments and strengthen our cash generation by approximately SEK 0.5bn per year going forward. The leverage ratio decreased from 6.4x to 3.9x at the end of the year. Our ambition is to continue optimising our capital structure.

STRONG CAPITAL RETURNS

Thanks to our strong operational performance and transformed balance sheet, we have the means to continue investing in our operations and in our customers in order to continue growing. At the same time, we are financially well-positioned to generate strong cash flows and deliver solid returns to our shareholders while remaining within our leverage target.

I would like to conclude by offering my most sincere appreciation to all Com Hem employees, whose hard work and dedication made it all possible during a very busy – but exciting – period for the company. Together we have taken the first steps on a journey towards Sweden's most satisfied customers.

Stockholm, April 2015

Anders Nilsson
CEO

Anders Nilsson facts

Age: **47**

Hometown: **Stockholm**

Favourite artist: **Daft Punk**

Favourite TV programme: **Top Gear**

Favourite website: **wine-searcher.com**

Favourite gadget: **my iPhone**

Hidden talent: **Manning the wheels of steel**

Understanding Com Hem

Over the years we have established long-term distribution relationships with Swedish landlords. One important component of our business model is to convert households with access to our basic analog TV offering into subscribers of our digital services.

About 98 per cent of all the households that are connected to our network live in MDUs, or multi-dwelling units. Our business model has a solid foundation based on our long-term relationships with landlords, led by an increasingly important digital offering.

Almost 1.9 million homes connected

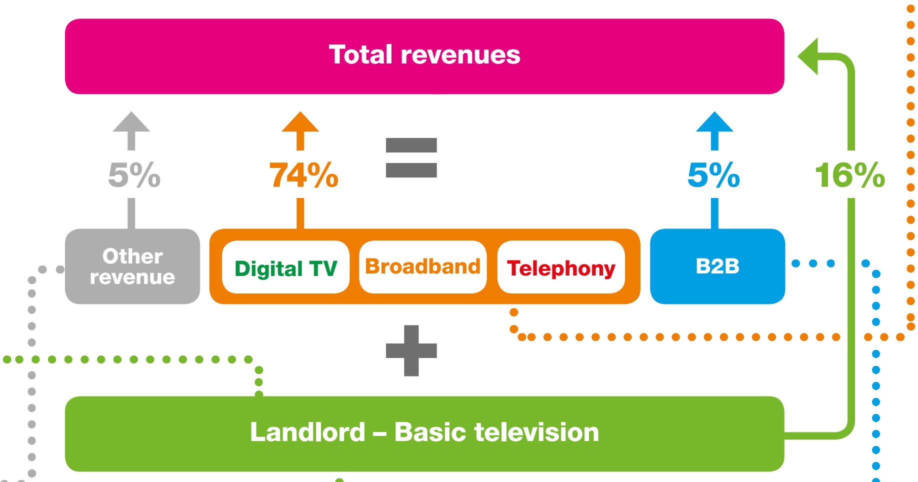
We typically enter into contracts with landlords of MDUs to provide all their tenants with a basic television service of 7 to 17 television channels, which is generally included in the rent. About 1.7 million households out of our 1.9 million connected households have access to our basic TV-services.

Once we have established a distribution and service relationship with a landlord, individual tenants have the ability to subscribe to our full range of digital services. Normally, this means that a billing relationship is established directly between Com Hem and the end-user.

In addition, we provide our digital services via open LAN through agreements with communications operators. About 200,000 households, out of the 1.9 million, are connected via Open LAN.

More than 876,000 unique subscribers

By year-end 2014, we had around 876,000 unique subscribers for either our digital television services, broadband services, fixed telephony services or a combination thereof. A key focus area in our business model is to convert households with access to our basic analog television services into subscribers of our digital services, either together in bundled services or on a stand-alone basis.



Other revenue

Revenue generated primarily from billing and reminder fees, iTUX revenue, and barter revenue.

LANDLORD SEGMENTS BASED ON OWNERSHIP STRUCTURE WITHIN OUR FOOTPRINT

Approximately 25% is owned by municipalities. These MDUs are typically social housing units with politically appointed boards that prioritise tenant satisfaction criteria in their decision-making.

Approximately 25% is owned by private landlords (large commercial organisations or small private companies). This segment has historically been the most economically driven in decision making, although only the larger organisations have staff dedicated to actively managing relations with the operator.

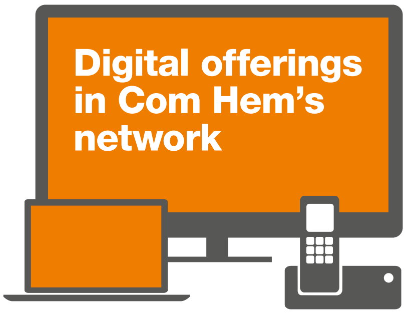
Approximately 50% is owned by tenants, representing the largest segment within our footprint. In this segment, tenants typically own a share in a tenant-owners' association, appoint its board and participate in a voting-based decision-making process.

More than 59,000 unique business customers

We also offer broadband and telephony services to business customers. Approximately 150,000 potential business customers are already connected to our network. We mainly target single office/home office (SoHo) customers with up to 10 employees, and small and medium enterprises (SMEs) with up to 100 employees. By year-end 2014 we had more than 59,000 unique business customers subscribing to our services, of which approximately 7,000 are in our network.

Our consumer offerings

Basic television service of 7 to 17 television channels, with the cost of the service generally included in the tenant's rent.



Digital offerings within our own network are the dominant proportion of our consumer revenue and include;

- Digital television, including TiVo.
- Broadband services with download speeds of up to 500 Mbit/s on the hybrid fibre coax network and up to 1 Gbit/s on LANs.
- Fixed-telephony packages, flexible and attractive IP-telephony services.

To customers that are not connected to our own network, we also offer digital television, high-speed broadband and fixed-telephony services via networks operated by communication operators, such as iTUX.

Our Business-to-Business offerings

We also offer high-speed broadband and fixed and mobile telephony services to business customers. We mainly target single office/home office (SoHo) customers with up to 10 employees, and small and medium enterprises (SMEs) with up to 100 employees. Com Hem has a lower share of revenue from B2B customers in comparison with its European peers. To further enhance our B2B offering, we acquired Phonera Företag AB, a Malmö-based full-service provider of communications services, including telephony and mobility services, to both SoHo and SME customers.

OUR B2B BUSINESS RESTS ON THREE PILLARS:

Customers with small offices or home offices that are already connected to our hybrid fibre coax network. We have already started to see strong growth potential in this field, with only marginal investments needed.

Customers with small offices or home offices outside our hybrid fibre coax network, where we act as a virtual operator reselling broadband and fixed and mobile telephony services.

Our SME business sells broadband and fixed and mobile telephony solutions to companies that are in the proximity of a Com Hem network. By offering new services such as cloud-based switchboards, there is potential for growth in this area.

Customer experience – our number one priority

In 2014, we rapidly improved our customer relations. This led to a sharp fall in our churn, which shows that the customers – old and new – feel that we are treating them fairly. And that our propositions are better than before.

Our specifically created Customer Experience team is the hub of all customer relations-related activities, including both subscriber services and technical issues.

OUR CHURN IS DECREASING

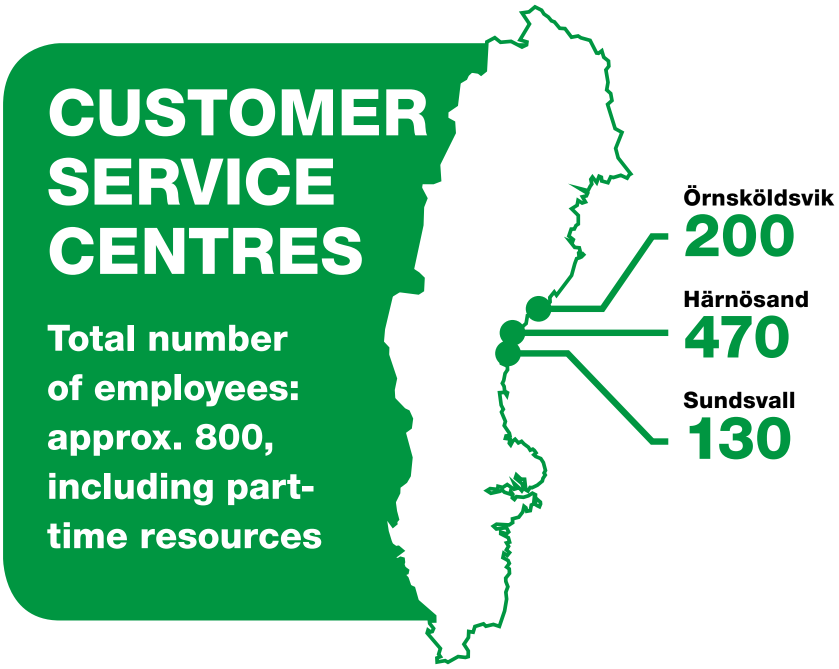
Churn is perhaps the most important yardstick in this industry: the voluntary or involuntary discontinuance of services by a subscriber. A high rate of churn means that more customers than usual are dissatisfied with your offering, services or other such matters and simply end their subscription. A low churn rate, on the other hand, signifies a customer base that not only buys your services but also is willing to continue doing so.

In 2014 Com Hem's churn rate went from 16.4 to 14.2 per cent, which is a substantial decrease, and it is our ambition to continue this very positive trend. We must never stop improving the quality of our services.

HARD WORK AND IMPROVEMENTS

Behind this progress lies both hard work and organisational improvements. One of the key elements in this process has been to "insource" the entire customer services unit. Since 2011 it is an integral part of the Com Hem family. We also appointed a Director of Customer Experience to better monitor and supervise the relationship with our customers.

We feel comfortable with our infrastructure and offerings; we must now focus intently on the customers and their specific needs and wants, thereby proving that we are a different kind of company. Customer-centric. Hands on. Focused. Honest.



Employee of the year 2014

Johan Witzansky was voted "Employee of the year 2014". As part of the customer services team in Örnsköldsvik, he was highly instrumental in Com Hem's dramatic churn drop last year.

Johan has been with Com Hem since November 2012. For the past year he has been part of the team handling the delicate situation when customers want to terminate their subscriptions.

"I feel that there was a change of attitude throughout the company last year. And we were better staffed. Previously, we had to fight our way through an endless queue, which obviously affected the customers negatively."

"With good humour and high ambition, the competitive individual Johan Witzansky tackles his working days at Com Hem. His knowledge is impressive, and thanks to good pedagogical abilities, he easily helps both customers and colleagues to solve different problems," was the jury's motivation for their choice of Johan as Employee of the Year.

"There was a change of attitude throughout the company last year"

5 QUESTIONS

– to Linda Påhlsson, Customer Experience and Customer Service Manager

What has Com Hem done to make it easier for the customers to get in touch with customer support?
We have worked hard to handle sudden volume peaks, partly through part-time staffing in Customer Services to ensure better flexibility to meet the varied needs from the customers that contact us.

What are the biggest challenges?
The growing complexity, with different kinds of infrastructure and technology, in combination with higher expectations from customers for the services to be easy to install and function without problems.

What were the greatest successes and improvements in 2014?
Our NPS for Get Help improved dramatically in just one year. A truly sensational development when it comes to the quality of service and taking care of the customers in a better way.

What have you learnt from the initiative so far?
We have realised what a great impact the response has on how the customer values the support given. We also see the underlying power generated when everyone in the company works together to enhance customer satisfaction.

What will you focus on in 2015?
We will continue to systematically identify and eliminate deviations throughout the organisation that could in one way or another influence how the customers see us as a provider.

We will also maintain a more proactive focus so that we are able to work on a larger scale to solve any problems before they affect customers.

Finally, we are preparing new objectives to further improve the NPS score.

Sharp decrease in churn in 2014

What is NPS?

Since 2013, Com Hem has used Net Promoter Score (NPS), which is a customer loyalty metric that was introduced in 2003. NPS can be as low as –100 (everybody is a detractor) or as high as +100 (everybody is a promoter).

It measures the loyalty that exists between a provider and a consumer. The provider can be a company, employer or any other entity. The provider is the entity that is asking the questions on the NPS survey. The consumer is the customer, employee, or respondent to an NPS survey. An NPS that is positive (i.e., higher than zero) is regarded as good, and an NPS of +50 is excellent.

Quality improvements

In 2014 we continued to certify the positive effects of the decision in 2011 to “insource” customer services. The goals were greater control and improved quality.

Waiting times
In the past 12 months, there has been a downward turn in the customer’s average queuing time. The majority of callers will have an answer within 2–3 minutes. We have also worked hard to handle peaks by adding part-time staff.

Certification
All communicators and team leaders in Customer Service have completed a certification programme focused on ensuring the right level of knowledge and professional customer handling.

Training
A prolonged basic training programme, and extended practical elements to make it possible for new recruits to train in different problem scenarios.

Better support and information tools
At the end of 2013, a totally new CRM system for handling customer cases was launched.

Stricter qualification criteria for new recruits
Extended tests to ensure that all candidates have the basic knowledge and expertise to work within Customer Services.

Improved self-service on the website
New and improved self-service tools were launched on www.comhem.se in 2014.

A snapshot of our key markets

Com Hem's main market consists of broadband, TV and fixed telephony services for private consumers, as well as broadband and telephony services for B2B customers.

Broadband

The Swedish residential fixed broadband market amounts to approx. 3.2 million households (Swedish Post and Telecom Authority, PTS) and is growing by approx. 3 per cent per annum (Informa WBIS).

Within that market, growth is dominated by high-speed broadband subscriptions (fibre, cable) with xDSL subscriptions declining at a compound annual growth rate (CAGR) of 6 per cent per year since 2008. Com Hem's hybrid fibre coax network is well-positioned to grow as the majority of fibre competition in cable areas currently offers a maximum of 100 Mbit/s.

Digital Television

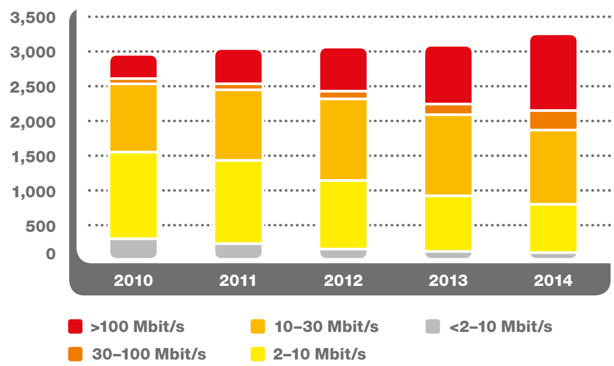
In June 2014, there were 5.2 million pay-TV subscriptions in Sweden, both digital and analogue. Cable television is the most common distribution medium in Sweden with 52 per cent of the TV subscriptions, with the remainder split between analogue cable, IPTV, terrestrial and satellite.

Growth in TV subscribers is estimated to reach 4 per cent between 2013 and 2017. In addition, there are substantial opportunities for market share growth and improvement in average revenue per user (ARPU) from migration to next generation pay-television services such as VOD, integrated OTT services and TV Everywhere – and in this category Com Hem's TiVo product leads the way.

Telephony

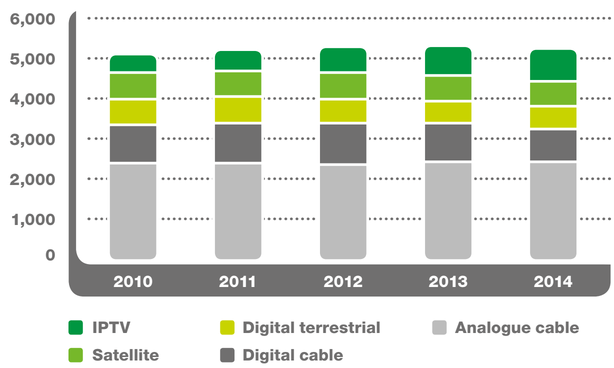
Sweden is an advanced market in the usage of mobile telephony. In June 2014, approximately 69 per cent of 4.2 million Swedish households had a fixed line telephone – both PSTN and IP telephony – amounting to just over 2.9 million households, of which 1.7 million (44 per cent) were IP telephony (PTS). By contrast, there are nearly 14 million mobile subscriptions – more than 3 subscriptions per household.

TRANSMISSION SPEEDS FOR FIXED BROADBAND SUBSCRIPTIONS – DOWNSTREAM (1,000'S)



Source: The Swedish Post and Telecom Authority, half-year figures 30 June 2014

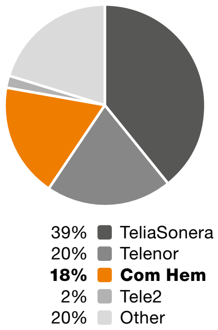
TELEVISION SUBSCRIPTIONS PER DISTRIBUTION PLATFORM (1,000'S)



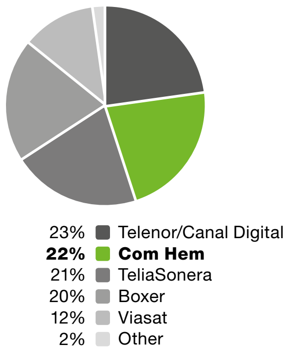
Source: The Swedish Post and Telecom Authority, half-year figures 30 June 2014

Total Swedish consumer market shares

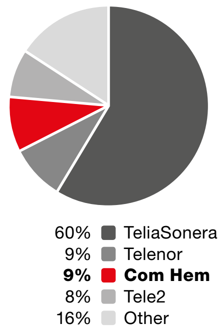
SUBSCRIPTIONS FOR FIXED-LINE BROADBAND (%)



SUBSCRIPTIONS FOR DIGITAL TELEVISION SERVICES (%)



SUBSCRIPTIONS FOR FIXED-LINE VOICE SERVICES (%)



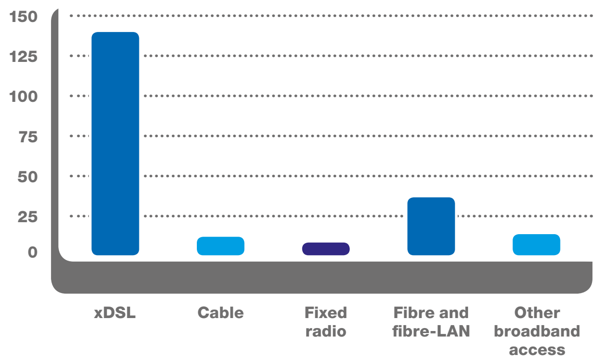
Source: The Swedish Post and Telecom Authority, 30 June 2014

B2B

The market for business telecoms remains dominated by the Swedish incumbent, TeliaSonera. Business broadband remains overwhelmingly dominated by xDSL, representing a substantial opportunity for Com Hem's superfast broadband offering. 72 per cent of the 191,000 business broadband subscriptions in Sweden use twisted pair technology (PTS). As with residential, the B2B market for mobile is large and growing; almost 3.3 million subscriptions, up 60,000 since the middle of 2013 – while the fixed telephony market fell 22,000 to just under 1 million subscriptions by June 2014 (PTS).

Our combination of superior broadband and better customer service – Phonera has Sweden's no. 1 customer satisfaction rating for business telecoms providers (Swedish Quality Index 2014) – provides a strong platform to grow our market share substantially in the B2B telecoms market.

B2B FIXED BROADBAND SUBSCRIPTIONS (1,000'S)



Source: The Swedish Post and Telecom Authority, 30 June 2014

Providing services adapted to the family's needs

This is the typical Com Hem family. Like almost 1.9 million other households in Sweden they live in a Com Hem multi-dwelling unit. Of these, 1.7 million have a basic TV offering that is included in their rent. They have also chosen a digital package with broadband, digital television and fixed telephony.

Fast broadband – necessary for the online game specialist

Emil likes to go online and play games with his friends. Before, he constantly complained about the slow broadband connection. Now that the family upgraded to 500 Mbit/s, he never misses a beat or new level – even if everyone else in the family is using the network at the same time.

Fixed telephony – because it is simple

Kjell often calls the fixed number to see if anyone is at home before he goes shopping on his way home from work. The family has chosen fixed telephony as part of an attractive bundled package.

Market leading SoHo broadband offer

Emma is an art director with a small agency located on the ground floor of another Com Hem MDU building. The agency subscribes to Com Hem's new SoHo offer which raises the bar on speed, value for money and service levels in this segment. If any issue arises, they are able to benefit from the 48-hour service level agreement and to get help from a dedicated B2B customer support service.

TiVo has something for everyone

Esther has several favourite TV programmes that she hates to miss. But sometimes things get in the way. Sometimes she wants to play with a friend, or has football training. That problem has now been solved with TiVo, which we launched in October 2013.

TiVo provides a one-stop shop for our digital television subscribers to search and choose TV programming by integrating content from multiple sources such as linear and non-linear television (such as video-on-demand and personal video recordings) and internet-based OTT services (such as Netflix), and offers a consistent viewing experience across multiple platforms that include television, tablets, smartphones and internet browsers.

So now Esther doesn't have to miss her favourite programmes anymore. She can even watch them when she is away somewhere with her family, with the help of the TV app TiVoToGo.

How we create value

COM HEM VISION

Who we want to be

The operator with Sweden's most satisfied customers within broadband, TV and telephony.

OUR MISSION AND FINANCIAL GOALS PAGE 17

What we want to achieve for our customers

We simplify people's lives and businesses by providing access to a world of communications and entertainment.

What we want to achieve for our shareholders

- Revenue growth
- Maintain target leverage
- Solid capital return

STRATEGY PAGE 18

How we want to do it

- Increase our digital TV penetration with superior products
- Leverage our network and speed advantage
- Capitalise on bundling opportunity
- Leverage B2B opportunity
- Improve financial flexibility

Increase customer loyalty

ASSETS AND VALUES PAGE 20

The base for our work

KEY ASSETS

- Customer base
- Network
- Strong brand
- Expertise/Organisation

CORE VALUES

- Reliable
- Personal
- Proactive

Medium-term financial targets

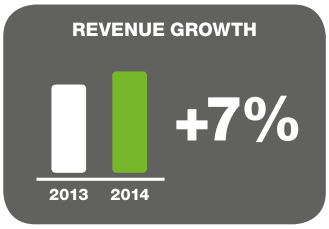
FINANCIAL TARGETS	Comment	2014

To grow the revenue of the overall business in the mid-single digits year-on-year.

We aim to generate revenue growth in our consumer business and B2B operations by;

- Achieving RGU growth by migrating our basic analog television subscribers to digital services.
- Continuing to increase the number of TiVo subscribers.
- Leveraging on our network and broadband speed advantage to increase both the numbers of broadband customers and the speed mix towards higher speeds.

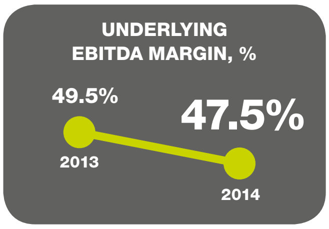
For the financial year 2014, total revenue increased by 7.0 per cent, representing organic growth of 2.6 per cent.



The underlying EBITDA margin is expected to soften slightly due to a shift in business mix.

The relative contribution of digital television and B2B, which has lower gross margins than our remaining services revenue, will increase.

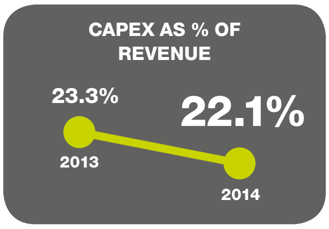
In 2014 the underlying EBITDA margin was lower as a consequence of the acquisition of Phonera, since services sold outside our network have a lower gross margin compared to services sold inside our network.



Capital expenditures as a percentage of revenue is expected to decline to a level that is more in line with the industry average.

We aim to continue lowering capex in relation to revenue. In the last five years, we have made significant investments in our network. The bulk of these investments is now concluded, and we do not anticipate any further one-off investments in the existing network or platforms.

Our capital expenditures as a percentage of revenue decreased from 23.3 per cent at year-end 2013 to 22.1 per cent at year-end 2014.



We aim to operate within a target leverage of 3.5x to 4.0x LTM Underlying EBITDA.

In 2014 the leverage ratio was reduced from 6.4x prior to the IPO down to 3.9x by the year-end.

LEVERAGE OF
3.9 x
LTM UNDERLYING EBITDA

DIVIDEND POLICY	Comment	2014

We want to retain the flexibility to distribute excess cash to shareholders in the form of dividends or other means of capital distribution while remaining within our leverage target.

In February 2015, the Board of Directors proposed a capital return programme consisting of three parts:

1. A one-time share redemption programme of approximately SEK 500m, which was approved by the extraordinary general meeting on 10 March 2015.
2. A proposal to the 2015 AGM for a share buy-back programme of up to SEK 1,000m in the form of a buy-back mandate for the Board during the period until the 2016 AGM. The Board's intention thereafter is to annually propose a share buy-back programme of equivalent size.
3. A dividend of SEK 1 per share, to be approved by the AGM on 21 May 2015.

CAPITAL RETURN PROGRAMME
SEK 1.7 bn

Strong delivery according to plan

Com Hem's growth strategy is founded on three pillars: Its well-invested network, solid relationships with landlords, and first-class digital offerings of broadband, TV and telephony to consumers and business customers. In 2014, we defined a number of key initiatives that will strengthen our position as a fully-fledged telecom operator.

Leverage our network and speed advantage

+53,000

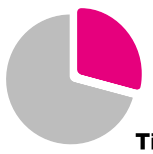
Broadband RGUs in 2014

We aim to increase the number of high-speed broadband customers by meeting the expected increase in demand for broadband.

Progress 2014

- Over 200,000 customers on <50 Mbit/s upgraded to 50 Mbit/s (provided that they are supported by the CPE)
- Minimum entry level speed of 50 Mbit/s speed
- Improved proposition supporting upgrade to higher speeds
- Initial tests of 1 Gbit/s
- All-time high intake of broadband subscribers since 2007 with 17,000 net additions in the third and fourth quarters, respectively
- By year-end, 71% of new customers chose 100 Mbit/s and above compared to 57% at year-end 2013

Drive digital TV penetration with superior products



27%

TiVo penetration by year-end 2014

By leveraging on the TiVo service, our next generation DTV service, and our well invested network, we will capitalise on the large base of connected households using only our basic analog television service, to upsell our end-consumer services, digital television, broadband and fixed-telephony.

Progress 2014

- The number of digital television subscribers increased by 21,000 on a year-on-year basis
- Strong growth adding 8,000 RGUs and 10,000 RGUs in the third and fourth quarters, respectively
- TiVo penetration increased from 6% in the first quarter to 27% of the DTV base at year-end

Capitalise on bundling opportunity

Only 27%

Triple play customers by year-end 2014

We will increase the number of customers buying bundled services from us by strengthening the focus on marketing and subscriber interactions on bundled offerings and leveraging on next generation digital television and broadband services.

Progress 2014

- Develop bundled value-driven propositions, adding more content and capacity
- Launch of initial bundled propositions by the end of 2014

Increase customer loyalty

We will continue to work hard to achieve the most satisfied telecom customers in Sweden. Satisfied customers keep churn down, are willing to buy more services and pay more. A large number of initiatives and projects were launched to identify key improvement areas and processes. As a result, churn was down from 16.4 per cent in the second quarter to 14.8 per cent in the third quarter, and 14.2 per cent in the fourth quarter. The pace of improved churn reflects the early success of our intensive focus on improving the customers' experience.

Progress 2014

- Customer Experience team established as a hub for all customer relations-related activities
- Strong focus on NPS loyalty metrics
- Certification and training activities
- Improved self-service on our consumer website

Churn declined to

14.2 %

Leverage B2B opportunity

59,000

Unique B2B subscribers by year-end

By combining the strength of our network and the added capabilities from the Phonera Företag acquisition, we can increase revenue from our B2B broadband and telephony services.

Progress 2014

- Integration of Phonera and Com Hem starting in the second quarter
- Focused Phonera sales activities in Com Hem's network, resulting in higher margins
- Increased revenue from B2B services
- Launch of new competitive SoHo offering raising the bar on speed, value for money and service levels

Improve financial flexibility

8.4% → **4.8 %**

Average interest rate

We intend to continue reducing our interest expenses by optimising our capital structure and cost of debt, mainly through refinancing activities at times when economically most convenient and subject to credit market conditions.

Progress 2014

- Com Hem's shares listed on Nasdaq Stockholm, Large Cap
- First phase of refinancing completed in July, lowering leverage from 6.4x to 3.9x
- Second phase of refinancing completed in November
- Average interest rate down from 8.4% at the time of the IPO to 4.8% at year-end
- Leverage remained within our leverage target range at 3.9x at year-end

Our strengths and key assets...

In order to execute our growth strategy, we need to show that we have the assets needed to make our future journey successful. We believe there are a number of strengths that will allow us to continue our development as one of the most exciting and technically advanced providers of TV, broadband and telephony.

The customer base

ALMOST 1.9 MILLION SWEDISH HOUSEHOLDS CONNECTED

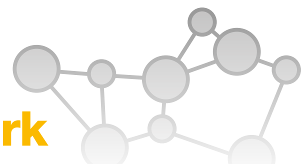
At the end of 2014, a total of almost 1.9 million households, of which about 1.7 million homes are connected to Com Hem's fibre coax hybrid network.

This means that about four out of ten households in Sweden can subscribe to Com Hem's services, including the metropolitan areas, such as Stockholm, Gothenburg, Malmö and Uppsala.

A strong brand

CUSTOMER RELATIONS DRIVE BRAND AWARENESS

Over the years, we have continued to build awareness around the Com Hem brand and our offerings. Most recently our key focus has been on positioning Com Hem as a leading broadband provider as well as a leading TV operator. We have also placed more emphasis on our customer relations in order to strengthen the brand right from the core.



The network

A NETWORK THAT IS BOTH WELL INVESTED AND STRATEGICALLY LOCATED

Operating our hybrid fibre coax network is highly efficient. This is a consequence of the significant historical investment and the primary location of our network in high population density metropolitan areas. We expect future network-related capital expenditures to be stable in the medium term.

Our hybrid fibre coax network is one of the most technologically advanced in Europe, and is the only high-speed network of scale in our footprint. Consequently, we have a network advantage in at least 80 per cent of our network where we offer broadband speeds that are generally five times faster than our peers.

Our expertise/organisation

COMPETENT AND KNOWLEDGEABLE ORGANISATION

Since the inception of the company, we have continuously strengthened our entire organisation and the expertise needed to be a successful provider. We continuously strive to optimise our delivery and the customers' experience of Com Hem.

...must harmonise with our core values

We want to simplify people's lives and businesses by providing the best access to a world of communication and entertainment. And doing it the right way. Our strengths in combination with a strong set of values are the base for our operations. In 2014 we initiated our journey of transformation towards a value-driven organisation.

Our core values – to be Reliable, Personal and Proactive – shall drive everything we do as a communication company. As a guest in people's homes, we have a responsibility for being a great service provider – and a good neighbour to the community.

FUNDAMENTAL INVESTMENTS

As Com Hem has grown, we have sometimes had to catch up in our ability to service this growth. Over the years, we have made fundamental investments and technical improvements to make our customers' experience better. And we will not stop until we have Sweden's most satisfied customers. In the process, we have also put more emphasis on each individual customer's experience.

In early 2014 we initiated a major internal and external analysis to identify what set of values was needed as a starting point for our transformation process.

DELIVERED WITH A PERSONAL TOUCH

Life is moving online, toward a wider world of communications and entertainment, from family photos to streaming music and video. We came to the conclusion that what customers prefer most is a provider who offers reliable high-speed access alongside the entertainment content they want, wherever and whenever – all delivered with a personal touch and a proactive attitude to innovation and service. We will succeed only by doing this better than anyone else, and we intend to do just that.

It is important that these core values harmonise with our business strengths and resources. This interaction is essential for us to create value and ultimately reach our strategic goals, and we have a clear and dedicated internal focus through workshops and other internal processes to develop and imbed these values throughout the organisation.

Reliable

Things just have to work, it is as simple as that. That is the foundation of a good relationship with our customers.

Proactive

Challenging ourselves is in our DNA. Never satisfied with the status quo and we genuinely care for our customers.

Personal

People serving people. We are so much more than a company that just sells services and products to anonymous customers.

Attractive upgrade drives volumes and customer satisfaction

In 2014, we put the pedal to the metal to create Sweden's fastest broadband network. Through attractive upgrades of our broadband and television propositions, we succeeded in increasing both sales volumes and customer satisfaction.

In 2014 we carried out campaigns to highlight the strengths in our offering. Over the past five years, we have made substantial investments in our network in order to not only be faster than the competitors, but also to have the best capacity.

FASTER BROADBAND THAN OTHERS

Our broadband service has been the focus in our marketing during the year. Thanks to strategic investments, our broadband has gradually outdistanced the other players. Today Com Hem is the provider in Sweden that offers the fastest broadband to the most customers – 500 Mbit/s, to 1.6 million households. This means broadband speeds 5–20 times faster than most of the alternatives available to our customers. For instance, DSL connection to the Internet, which is currently used in a third of of the households in Com Hem's network, is becoming increasingly outdated.

THE GREAT UPGRADE

In the summer of 2014 we upgraded a significant proportion of our customer base and strengthened our broadband offer by raising our minimum entry level speed from 10 Mbit/s to 50 Mbit/s – five times faster than our competitors – at the same price point. This made it even more attractive for our customers to upgrade to higher speeds.

We saw an almost immediate effect on sales, with over 200,000 customers upgrading their broadband. A third of these also ordered the free modem that was offered in order to fully exploit the higher speed. At the same time, the number of customers that chose 100 Mbit/s and above rose 5 per cent after the launch, and this is a share that is continuously growing.

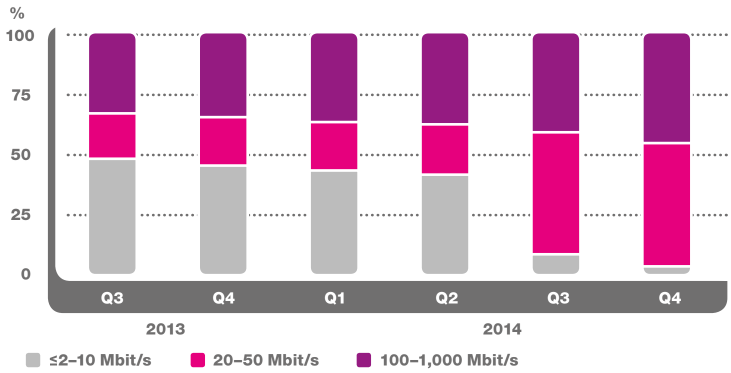
BUNDLING POSSIBILITIES

In November we launched a second major campaign focusing on the untapped potential for bundling of services, i.e. offering a package of two or three services to the customer. For instance, by combining a broadband upgrade to 100 Mbit/s with TiVo, you received Netflix for free for six months. In this way, we wanted to make our customers aware of our more high-tier services with faster broadband and more TV functionality. This is part of our "More for More" initiative.

B2B IN FOCUS

Part of our broadband strategy has also been to attract our business customers in the single office/home office and SME segments that are now within our footprint. Since they are already connected to Com Hem's network, no extra investments are needed. We will simply do what other international operators have previously done and modify the offer for the Swedish market.

CONSUMER BROADBAND SPEEDS (%)



Taking our unique network advantage to market

July

The upgrade

200,000 customers on <50 Mbit/s upgraded to 24 Mbit/s (DOCSIS 2.0 modems) or 50 Mbit/s (DOCSIS 3.0 modems)

August

Customer marketing

Customer letters inviting DOCSIS 2.0 customers to upgrade to a DOCSIS 3.0 modem free of charge (plus postage and packing)

September

Prospect marketing

From 27 August, a TV-led campaign shouting '5x' faster, customer upgrade plus our new proposition

5 QUESTIONS

– to Jon James, Chief Operating Officer

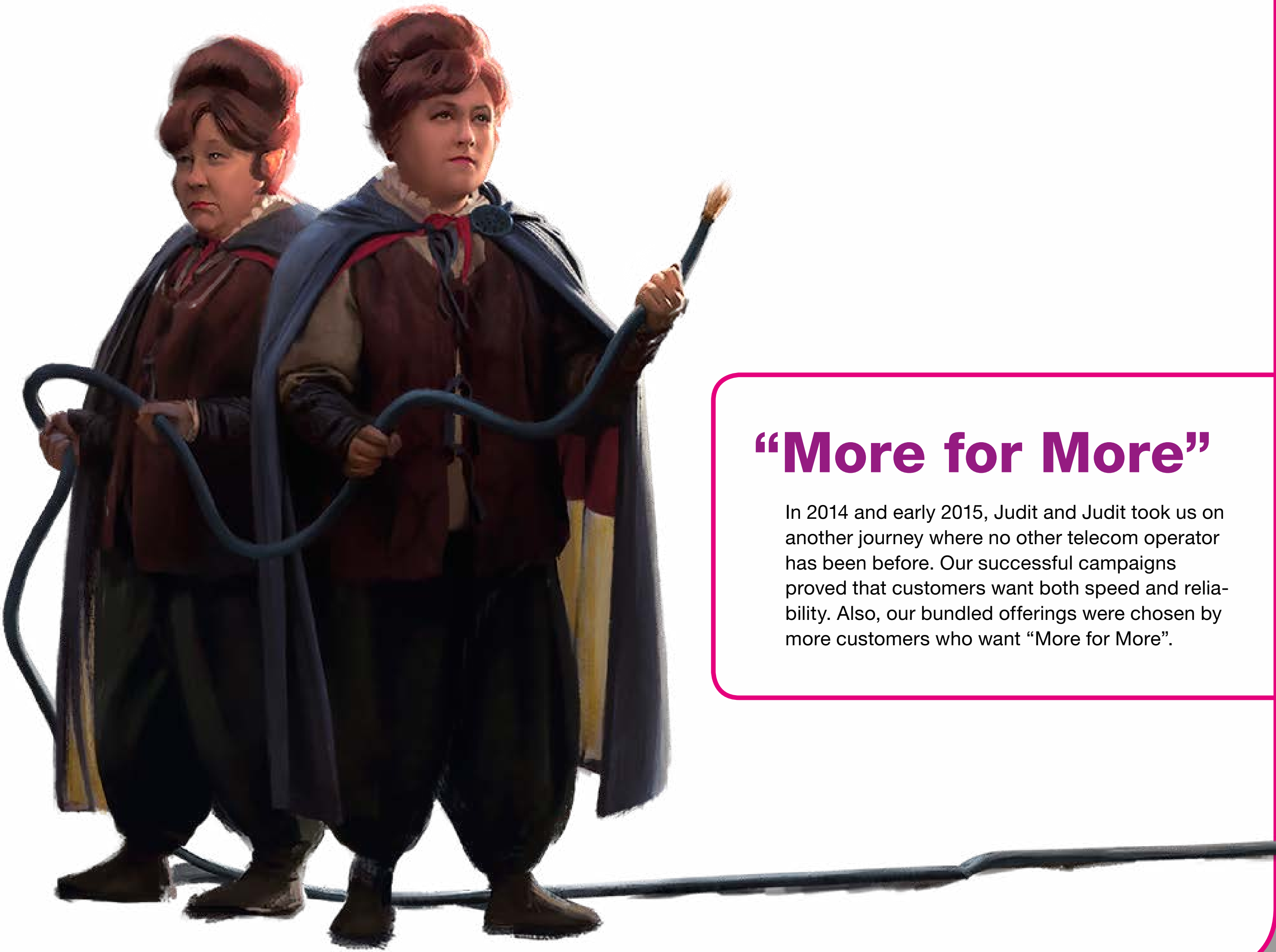
Do your customers see you as a broadband provider?
More and more. We are seen as the leaders in TV, and our reputation as the best provider of superfast broadband is growing rapidly as a result of our our investments in both our network and our marketing.

You claim to have "Sweden's no. 1 Superfast Network"?
Yes. Only Com Hem has a large-scale network capable of delivering 500 Mbit/s and more. According to Netflix Speed Index, Com Hem has the fastest broadband service in Sweden since July 2014.

What do customers want?
They want more capacity and faster broadband connection. When we launched our highly affordable upgrades last summer, we saw an immediate volume effect in sales.

Was the decrease in churn a result of the upgrade drive?
The dramatic downturn in churn is a result of a number of factors. In particular, our customers think that our offering now provides better value for money – they also think that our customer service is improving substantially.

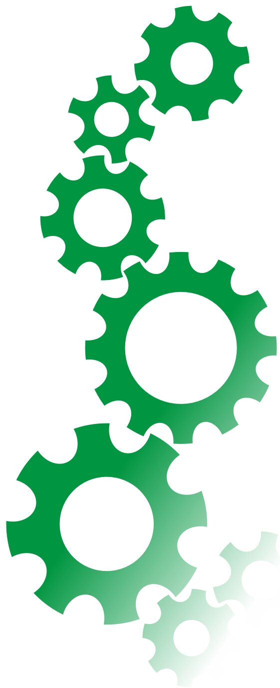
What part of your infrastructure are you focusing on now in order to maintain good customer relations?
The continued upgrade of the broadband network, combined with improved reliability, is the most important feature right now. This will give us a sustainable competitive advantage and drive our customer satisfaction and NPS.



"More for More"

In 2014 and early 2015, Judit and Judit took us on another journey where no other telecom operator has been before. Our successful campaigns proved that customers want both speed and reliability. Also, our bundled offerings were chosen by more customers who want "More for More".

Our customers' guest – society's good neighbour



Com Hem endeavours to develop its business based on what our customers want today and need tomorrow. As a guest in our customers' homes, it is important not only to deliver a perfect service, but also to be a good neighbour. Our ambition applies not only to our customers – we also want to be a positive force for our employees, shareholders and society at large.

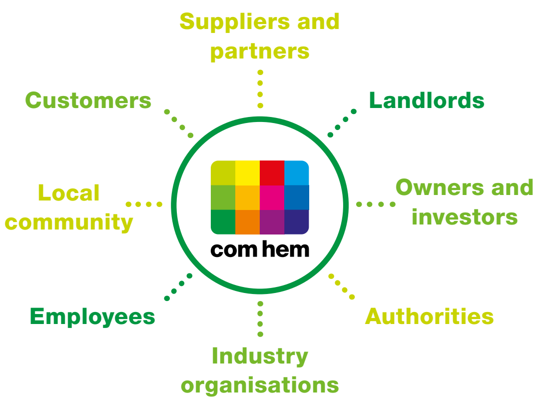
Com Hem's business originates from one of our most basic human needs – to communicate. By investing in infrastructure and creating access to a world of communications and entertainment, we contribute to people's daily lives and to the development of society. A sustainable business is about having a long-term perspective, regarding both operative and strategic business decisions. Our values – Reliable, Personal and Proactive – lead us in our day-to-day work and the relations with our customers, employees, suppliers, shareholders, society and other stakeholders.

Com Hem has been committed to sustainability issues for a long time, but this work has not been fully integrated in our processes, organisation and communication. Our goal is to gradually develop and follow up our sustainability work in order to achieve our economic, environmental and social objectives, and to create higher value for our different stakeholders and society at large.

Today, our sustainability work is primarily focused on;

- quality assurance and monitoring of our customer delivery and protection of our customers' integrity;
- confirming ethics and sustainability in our supplier chain;
- decreasing our environmental impact; and
- being a good employer.

COM HEM'S STAKEHOLDERS



Our Customer responsibility

Improvement in our customers' experience of Com Hem is our highest priority. Our vision is to have Sweden's most satisfied customers, a long-term goal that demands a major commitment from the entire organisation. An intensive ongoing effort is being made to improve and follow up our processes in relation to everything we do for our customers.

Every customer service administrator handles about 75 calls a day.

QUALITY ASSURANCE AND MONITORING

Our customers expect the services they acquire from Com Hem to function flawlessly. When delivering our technically complex services, errors sometimes occur. It is important to us as an organisation to learn from our mistakes and minimise the risk that they will occur again. Fundamentally, it is about systematic and continuous measurement and improvement in our different processes, something that we have followed up using the customer loyalty metric Net Promoter Score (NPS) since 2013.

We see that our increased efforts during the year resulted in a positive trend in our NPS scores, which also is reflected in the churn rates that decreased from 16.4 per cent at the end of June to 14.2 per cent at year-end 2014.

Another basis for our quality work is the annual survey of the telecom industry carried out by Swedish Quality Index (*Svenskt Kvalitetsindex, SKI).* Customer satisfaction is measured by SKI using an index of between 1 and 100, where above 60 is more than satisfactory and above 70 is very good. Regarding broadband, Com Hem increased customer satisfaction more than the industry as a whole in 2014 and was rated at 66.4 (63.8), compared to 67.5 for the industry as a whole. Com Hem's TV customers gave us a rating of 60.5 (61.8), compared to an industry average of 64.8. Phonera, which was acquired by Com Hem at the end of 2013, has the highest customer satisfaction rating of the operators supplying business customers with fixed telephony, with a rating of 69.9 (67.7).

INFORMATION SECURITY

Risk management is a normal part of our ongoing efforts to ensure that we fulfil the applicable requirements regarding information security. This work is incorporated in our management of information security, which is based on the ISO 27001 standard and consists of policies, guidelines, routines and activities that are needed to systematically analyse, design, implement, improve and control information security.

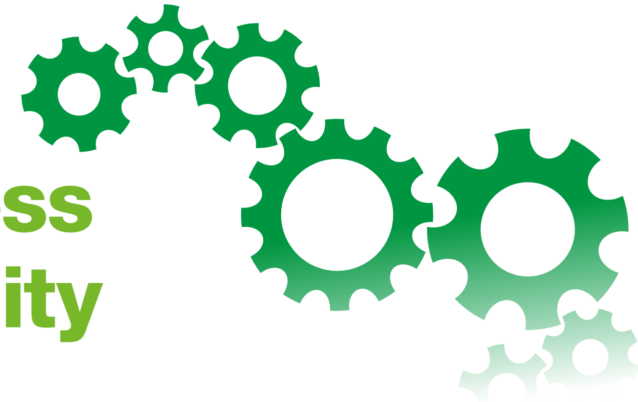
During the year, we had a few information security incidents that affected us. The outcome of these incidents has helped us to identify flaws in our processes, and it has resulted in improvements and quality enhancements to fix them. We will further increase the focus on risk management, compliance, requirement management and incident management in 2015.

OUR CUSTOMERS' INTEGRITY

Com Hem takes its customers seriously. We follow applicable laws, good practice and ethical sector regulations, and regard the protection of information as an important part of our business. We need access to personal data in order to serve our large number of customers. Our integrity policy describes how we treat personal customer data and is available on our customer website www.comhem.se and in our customer agreements. Com Hem has a privacy officer who is responsible, among other things, for ensuring the company's compliance with relevant regulations and our internal policies This is a requirement according to the Personal Data Act (*Personuppgiftslagen, PUL*).

PROTECT CHILDREN ON THE INTERNET

Children and adolescents are frequent users of our services. Com Hem has joined the national initiative Safe Surfing *(Surfa Lugnt)* as an active partner. The initiative has the objective of increasing adults' knowledge about young people's everyday use of the Internet. Our standard TV offering does not include adult movies, but this is available as optional channels. Through a purchase and parent code that is part of our TiVo offer, it is possible to limit access to certain content.



Our business responsibility

Com Hem has clear ethical requirements and guidelines for all parts of our business and in relation to all stakeholders. We strive for high ethics, respect for human rights and precautionary principles surrounding our environmental impact, business attitude, competition and objectivity, and we want to involve our suppliers in issues within this area.

PURCHASING AND SUPPLIER ASSESSMENT

Our choice of suppliers of digital TV boxes, modems and other hardware has direct or indirect effects on the environment and the people who work for these companies. At Com Hem, the purchasing department has established rules and routines for who may handle procurements in order to ensure sound business ethics. Procurement may not be carried out by a Com Hem employee, or someone contracted by the company, who is challengeable or assumed to be challengeable towards the supplying company.

As part of our endeavour to minimise the risk for bribes and corruption, our approach to suppliers is also regulated by our purchasing policy, which includes guidelines for receiving and obtaining gifts and entertainment. In order to ensure compliance, we use the so-called grandfather principle that requires the consent of the employee's superior and next closest manager. If any uncertainty should arise, the Procurement Officer or CFO is consulted. Com Hem conducts continuous training on these issues for our employees, and our managers are also trained more thoroughly regarding ethics and bribes. Responsibility for maintaining sound business ethics lies with each individual employee, and all policy documents are available on Com Hem's intranet.

ACTIVE ROLE AND MONITORING

We support and actively participate in different organisations, such as the Telecom Advisors (*Telekområdgivarna*) and Contact (*Kontakta*), as well as complying with regulations and recommendations from the Swedish Consumer Agency (*Konsumentverket*), EU, the Swedish Post and Telecom Authority (*Post- och telestyrelsen, PTS*) and the National Board for Consumer Disputes (*Allmänna reklamationsnämnden, ARN)* ultimately in order to create a good customer experience.

When choosing suppliers, we have special policies to ensure that we collaborate with suppliers that share our ethical business values. Com Hem supports all principles in the UN's Global Compact and expects our suppliers to do the same. Com Hem endeavours to work with well known brands, and our base of suppliers consists primarily of Swedish suppliers and a few larger international companies. We visit our major suppliers on a regular basis to ensure that their production fulfils our demands in terms of quality, environmental consideration and social responsibility.

Our environmental responsibility

Com Hem's most significant environmental aspects are related to energy consumption and transports. We use energy mainly to run our headends, hubs, server centrals around the country, and our offices. Our transports consist mainly of company car travel, business trips and transportation of modems, routers and digital TV boxes to our customers.

Com Hem is aiming for 100 per cent of all energy that we use in our facilities and network to come from green electricity. Today, about 80 per cent of all energy purchased is green electricity. We have a dialogue with real estate companies in order to make use of waste heat from our data centres. We are also particular that expended network materials, electrical scrap, modems, routers and digital TV boxes are disposed of and salvaged in a correct manner. For this purpose, we have established a collaboration with Kuusakoski for network material and with El-Kretsen for recycling of consumer electronics.

In our car policy, we make demands on the carbon dioxide emissions of our company cars. Com Hem's long-term goal is to reach the EU's emission requirements of 120 grammes of carbon dioxide/km.

80%

Green electricity used by Com Hem

Our employee responsibility

Our employees' expertise and commitment are crucial for us to be successful and at the same time confront and respond to a changing world. Being a good employer is the foundation for recruiting and retaining the right employees who share our values to be Reliable, Personal and Proactive.

It is our responsibility as an employer to create participation, motivation, commitment and well-being among our employees. This is also important in enabling us to reach our goals. We are targeted to promoting the development of a high-performing organisation by improving and further educating employees, ensuring competitive compensation, developing an inspiring company culture and building a clear company identity based on our corporate values. Com Hem attaches great importance to the fact that all employees should feel that they have an important role in the relationship with the customer, and the customer's experience of Com Hem.

DIALOGUE AND WELL-BEING

To create an attractive workplace for all employees, it is fundamental to first understand how the employees perceive their work situation. Com Hem conducts regular employee surveys in cooperation with Net Survey. The survey measures what is called employer Net Promotor Score (eNPS) and also enables comparisons with other companies and sectors. Com Hem had a higher eNPS in the latest survey, compared to the industry average. Our Employee Satisfaction Index (ESI) also is higher compared to an external benchmark, which means that we have high share of very satisfied employees.

SKILLS DEVELOPMENT

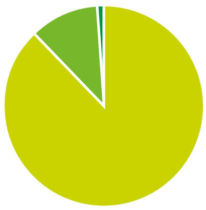
As a basis for their professional development, all employees have an individual development plan. At the performance reviews, the manager and employee formulate goals for the employee's development and follow up the earlier plan. The basis for the goals are the business objectives and the employee's role. The development plan is also aimed at ensuring that we have the right competence and competence distribution in our organisation in both the short and long term.

In 2014 Com Hem, in collaboration with Assessio, initiated a leadership development programme that is based among other things on values and the company culture, but also our own business challenges, in order to strengthen leadership competence within Com Hem.

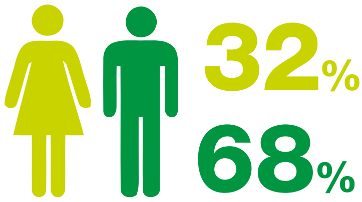
Paying market-based salaries and benefits is a natural part of being an attractive employer. Com Hem also cooperates with the unions and is affiliated with the collective Telecom agreement.

Com Hem is aimed at creating participation, motivation, commitment and well-being among our employees.

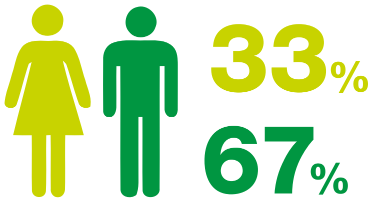
EMPLOYEES BY SUBSIDIARY



EMPLOYEES BY GENDER



MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT BY GENDER



SAFE WORK ENVIRONMENT

We actively promote physical and psychological safety at work, for example through a work environment committee made up of managers and employees from all parts of the company that meets once every quarter. Work environment efforts are followed up regularly through activities such as employee surveys and development discussions.

BALANCE AND HEALTH

It is vital for an attractive employer to promote a good balance between work and leisure time. Our employees must be able to combine work and parenthood, and Com Hem therefore covers a part of the loss of income during parental leave. We also aim to have low absenteeism, and for many years we have taken targeted measures to encourage wellness, physical fitness and exercise. By offering occupational health services, we ensure that our employees receive swift and qualified care and rehabilitation in conjunction with illness or injuries. In 2014, absenteeism was 5.6 per cent, compared to 4.9 per cent the previous year.

EQUALITY AND DIVERSITY

It is our conviction that we create a more innovative and dynamic workplace by hiring men and women of all ages and with diverse backgrounds and experiences. It is a matter of course that men and women should be given the same opportunities for development and promotion, and equal pay for equal work.

Com Hem operates in the telecom business, which has traditionally been male dominated. We strive actively to achieve a more equal gender distribution. In 2014 we had an average of 323 female and 692 male employees. At year-end 2014, Com Hem's executive management included five women of a total of 16 members, corresponding to 31 per cent. The percentage of women on the Board was 36 per cent. 57 per cent of the participants in our internal mentor programme were women. During the year, Com Hem played an active role in Womentor, a mentor programme to promote more female managers in the IT and telecom sectors. One mentor and one novice from Com Hem took part.

Com Hem also took part in the Swedish Tekniksprånget internship programme that is aimed at attracting young people of both genders to the engineering profession. The programme is run by the Royal Swedish Academy of Engineering Sciences (*Kungl. Ingenjörsvetenskapsakademien, IVA*) on behalf of the Swedish National Agency for Education. In 2014 Com Hem had one intern in the Tekniksprånget programme.

2015

Our sustainability focus in 2015

- Define and implement a code of conduct for the entire organisation
- Develop the dialogue with our most important stakeholders regarding prioritised development areas
- Implement a survey regarding our suppliers' work and sustainability principles
- Continued focus on risk management, claim management and incident management within information security.
- Continued training of managers and employees in relevant sustainability areas
- Participate in the UN's Global Compact
- Develop key performance indicators and a framework for reporting

Accelerated growth in DTV driven by leading TiVo offering

Since we introduced TiVo – the next generation digital TV service – in October 2013, we have been able to continuously strengthen and broaden our digital TV offering. This positive trend was visible during the year: the TiVo adoption rate among new and existing customers grew to 27 per cent by year-end, 15 months after the launch.

A monumental reconstruction of our network

Our hybrid fibre coax network is one of the fastest and most technologically advanced networks in the world – able to deliver broadband speeds of up to 500 Mbit/s to 1.6 million households. Behind this progress lie many years of technical development and strategic investments in our network and support systems.

Com Hem now has more capacity for fast and simultaneous distribution of digital television, broadband and fixed-telephony services than all of its competitors. Our hybrid fibre coax network is concentrated in the metropolitan and most densely populated areas in Sweden, and approximately 98 per cent of the connected households are in multi-dwelling units.

INCREASED CAPACITY

In 2012 we initiated a significant upgrade of our network that is expected to be completed in the summer of 2015.

We are also making sure to continuously expand our connection to the Internet to ensure we are able to deliver the increased capacity demanded by our customers. The upgrade means that to a large extent, our network is prepared to deliver speeds of up to 1 Gbit/s, which is far faster than any of our competitors. In 2014 we conducted promising tests in Upplands Väsby, outside Stockholm.

Already today, approximately 1.6 million homes, connected to our hybrid fibre coax network, can receive our digital services and access to broadband speeds of up to 500 Mbit/s, which puts us in a position far ahead of our competitors.

INCREASED RELIABILITY

But speed is just one dimension of our capabilities. What is even more important is the reliability of the network. We have to prove that we can deliver the same consistent services to our customers, even at times when we encounter the digital version of a classic traffic jam.

At 8 p.m. on Sundays, the network rush hour of the week, we must ensure that all our customers can fully use the services, even if all their neighbours are out there doing exactly the same thing and even if all the households in a building are out surfing on the Internet or watching a match on TV.

We have seen a cable renaissance in the US, Europe and other parts of the world in recent years. This contrasts with the somewhat negative perception in Sweden of a system that is old and outdated. Internationally, a lot of money – and technical knowhow – have been invested in the cable business, in the process of transforming a number of our peers into network powerhouses.

The speed of our hybrid fibre coax network is also confirmed by others. A study published in May 2014 by the Swedish Internet Infrastructure Foundation shows that cable is the infrastructure that has delivered the greatest improvements in the average broadband speed during the past five years, from 12 Mbit/s in 2008 to 48 Mbit/s in 2013.

Netflix also measures the performance of different broadband service providers. Com Hem has been consistently ranked at the top of the Netflix Speed Index since the measurements started in 2013 and was ranked first during most of 2014.

NETFLIX

Since 2012, we have tripled the capacity of our network. We have:

- Replaced all hardware in the network including routers
- Doubled the number of routers to optimise accessibility and improve stability
- Replaced hardware in all Cable Modem Termination Systems to improve the capacity of the network
- Altered the structure of our network and increased redundancy by physically separating access for different regions

5 QUESTIONS

– to Henri Caddeo, Chief Technology and Information Officer

What is Next Generation Backbone?
It is a ground-breaking upgrade of the network that is expected to be finished around the summer of 2015. Not only have we tripled our capacity, but we have also ensured that we have made it much easier to make future upgrades and secure the continued need for more capacity.

What is the big technical challenge for Com Hem?
To deliver with reliability. We currently have the capacity that is needed for services that are fast, secure and reliable. This is what we have to build on going forward.

What are the advantages of cable?
It is an excellent, technically advanced and well-proven technology that can provide fast, secure and reliable services.

What can you deliver to the business customers?
In general, during the daytime, a large part of the network is under-utilised. We can therefore offer more capacity, which the business customers need for their specific, often more advanced demands with different cloud- or IP-based solutions.

Some see mobile broadband as a better alternative. What is your view?
Mobile broadband has its obvious limitations, and it must be seen as a complement. It is less reliable and much more expensive than cable and similar fixed solutions.

A hybrid fibre coax network with many benefits

Approximately 1.6 million of all homes connected to our hybrid fibre coax network are served by our bi-directional and EuroDOCSIS 3.0-enabled network with a spectrum bandwidth capacity of 862 MHz, and can receive our digital services as well as access to broadband speeds of up to 500 Mbit/s.

- Our network is fibre-rich with approximately 580 homes connected to each node. In addition, we currently offer 1 Gbit/s high-speed broadband service to homes connected through LANs that are 1 Gbit/s FTTx/LAN enabled.
- Our network has two components. The backbone is based on optic fibre. The other part, our access network, is also to a large extent fibre. The final distance that runs through the building to the individual apartments consists of coaxial cable.
- One benefit of our hybrid fibre coax network is that we can deliver the same speeds to all our broadband customers. In contrast to other technologies such as DSL, the delivered speed is not dependant on the distance to the base station.
- A unique advantage of our network is that each service has a dedicated channel. This means that other members of the household watching TV or using the telephone do not affect the broadband speed.

"The backbone of our network is based on optic fibre."

The Com Hem share and shareholders

The Com Hem share was listed on Nasdaq Stockholm on 17 June 2014 in the Large Cap segment. The share is part of the Telecommunications sector index. At year-end, the company had a market capitalisation of approximately SEK 13bn.

THE SHARE IN BRIEF

Market place:	Nasdaq Stockholm
Ticker symbol:	COMH
ISIN code:	SE0005999778
Sector:	Telecommunications
ICB code:	6500
Number of shares:	207,529,597

TURNOVER AND TRADING

In 2014, a total of 92.7 million Com Hem shares were traded on Nasdaq Stockholm for a value of approximately SEK 5.5bn. Share turnover was 46 per cent, compared to 67 per cent for Nasdaq Stockholm. An average of 676,425 shares were traded per trading day, representing a value of approximately SEK 40.1m. The Com Hem share accounted for 0.17 per cent of the total turnover on Nasdaq Stockholm. The number of Com Hem shares traded on Nasdaq Stockholm accounted for 45.7 per cent of all trading of the share. Turnover in marketplaces other than Nasdaq Stockholm accounted for 54.3 per cent. The largest marketplace, after Stockholm, was BATS Chi-X Europe, which accounted for 2.2 per cent of trading. A total of 48.3 per cent of the trading of the shares was conducted outside regulated marketplaces and reported as so-called off-book trading.

PRICE TREND

In 2014 the Telecommunications index was significantly outperformed by the stock exchange as a whole. The OMX Stockholm index rose by 11.9 per cent, while the Telecommunications index dropped by –3.1 per cent. The Com Hem share rose by 8.6 per cent from the introduction price of SEK 58 on 17 June 2014. At the end of the year the share was quoted at SEK 63 on Nasdaq Stockholm, corresponding to a market capitalisation of SEK 13.1bn. The highest price paid in 2014 was SEK 63.65 on 24 June, and the lowest price paid was SEK 46.06 on 17 October. The average share price was SEK 59.51.

SHARE CAPITAL

At 1 January 2014, Com Hem had 42,172,125 shares outstanding. After the issue of new shares in connection with the IPO and the subsequent exercise of the over-allotment option on 4 July 2014, the total number of shares outstanding was 207,529,597, which also corresponded to the number of shares at year-end. Each share has a quota value of SEK 1 and the share capital amounted to SEK 207,529,597. Com Hem's share capital comprises a single class of shares in which each share has the same voting power and grants the same entitlement to dividends. The change in the number of shares is described in the table on the next page.

SHAREHOLDERS

At 31 December 2014, Com Hem had 1,149 shareholders. The largest shareholder NorCell S.à r.l., indirectly controlled by funds advised by BC Partners Limited, controlled 47.7 per cent of the company's shares. The 10 largest single shareholders represented 61.8 per cent of the share capital. Foreign investors held 96.2 per cent of the shares.

DIVIDEND AND DIVIDEND POLICY

The Board of Directors has adopted a dividend policy pursuant to which the company retains the flexibility to distribute excess cash to shareholders in the form of dividends or other forms of capital distribution while operating, in the medium term, within our target leverage range of 3.5x to 4.0x LTM Underlying EBITDA.

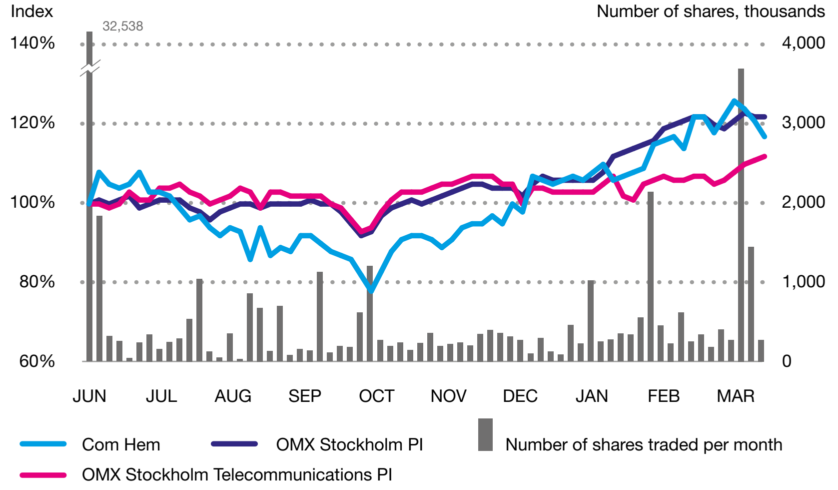
On 10 February 2015 the Board of Directors announced a proposed capital return programme consisting of:

- A proposal to the 2015 AGM for a share buy-back programme of up to SEK 1,000m in the form of a buy-back mandate for the Board during the period until the 2016 AGM. The Board's intention thereafter is to annually propose a share buy-back programme of equivalent size.
- A proposed dividend of SEK 1 per share to be decided by the AGM 2015 AGM.
- A proposal for an optional share redemption programme amounting to a maximum of SEK 492m was approved by the EGM on 10 March 2015.

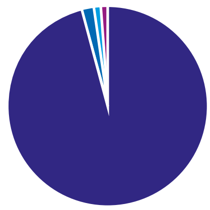
INCENTIVE PROGRAMMES

The extraordinary general meeting on 3 June 2014 passed a resolution to issue warrants within the scope of two incentive programmes for other executive management, key employees and members of the Board. Identical terms and conditions apply to both incentive programmes. In total, the incentive programmes include 4,949,092 warrants issued and paid at an initial fair value of SEK 10 million. The first series, which includes 2,474,546 warrants, expires in June 2017 and can be exercised at a price of SEK 73 per share. The second series, which also includes 2,474,546 warrants, expires in June 2018 and can be exercised at SEK 79 per share.

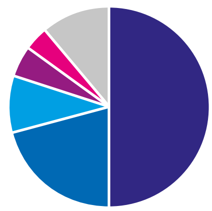
SHARE PRICE, SECTOR INDEX AND OMX



OWNERSHIP BY CATEGORY



OWNERSHIP BY COUNTRY



CHANGE IN NUMBER OF SHARES IN 2014

Change in no. of shares	Class A ordinary shares	Class B ordinary shares	Preference shares	Total no. of shares
At 1 January 2014	**13,110,717**	**73,490**	**28,987,918**	**42,172,125**
New issue	10,469	7,784	5,248	23,501
Share redemption	-	-	-36,213	-36,213
Share conversion	29,038,227	-81,274	-28,956,953	-
Bonus issue	57,840,587	-	-	57,840,587
New issue, IPO	97,754,179	-	-	97,754,179
New issue, over-allotment	9,775,418	-	-	9,775,418
At 31 December 2014	**207,529,597**	**-**	**-**	**207,529,597**

A complete description of the share capital's development is available on www.comhemgroup.com/en/investors/the-share/share-capital-development/

COM HEM'S 10 LARGEST OWNERS

At 31 December 2014

	Share capital/votes, %
NorCell S.à r.l.	47.7[1]
MFS Investment Management	5.0
Norges Bank Investment Management	2.9
Saudi Arabian Monetary Agency	1.3
Lazard Frères Gestion Funds	1.1
Swedbank Robur Funds	0.9
Nordea Funds	0.8
Echiquier fonder	0.8
Abu Dhabi Investment Authority	0.7
HBK Master Fund L.P.	0.7
Total	**61.8**

1) At the time this report was issued, NorCell S.à.r.l. had reduced its holding by 12%.

DISTRIBUTION OF COM HEM SHARES

At 31 December 2014

Shareholding	Holders, %	Number of shares	Holding/ votes,%
1–500	68.4	153,286	0.1
501–1,000	7.8	77,217	0.0
1,001–5,000	6.3	168,035	0.1
5,001–50,000	6.9	1,588,857	0.8
50,001–100,000	2.2	1,799,931	0.9
100,001–500,000	4.3	10,154,348	4.9
500,001–1,000,000	1.4	10,829,090	5.2
1,000,001–5,000,000	2.3	46,323,775	22.3
5,000,001–	0.6	136,435,058	65.7
Total	**100.0**	**207,529,597**	**100.0**

BROKERS COVERING COM HEM

ABG Sundal Collier	New Street Research
Barclays	Nordea
Berenberg	Royal Bank of Canada (RBC)
Carnegie	SEB
Citi	Swedbank
J.P. Morgan Cazenove	Ålandsbanken
Morgan Stanley	

Increased focus on B2B customers

The acquisition of Phonera accelerated our ability to offer broadband and telephony services to the B2B segment. Combining the strength of our network with Phonera's capabilities increased revenues from small and medium-sized business customers.

59,000

B2B CUSTOMERS AT YEAR-END

Board of Directors' report

The Board of Directors and the Chief Executive Officer of Com Hem Holding AB, corp. reg. no. 556858-6613, hereby submit the annual accounts for the Group and the Parent Company for 2014.

Com Hem is one of Sweden's leading suppliers of broadband, television and telephony. Approximately 40 per cent of Sweden's households are connected to Com Hem's network and have access to the market's broadest range of television services. Since 2013, Com Hem has also offered a competitive range of broadband and telephony services for the business-to-business (B2B) market.

Com Hem focuses on providing its services to subscribers who live in multi-dwelling unit buildings (MDUs). The company typically enter into contracts with landlords of MDUs to provide all of their tenants with basic television service. Once we have established a distribution and service relationship with a landlord, individual subscribers or businesses in the property tenants are able to subscribe to Com Hem's full range of digital television, high-speed broadband and fixed-telephony services.

Com Hem was established in 1983 and is headquartered in Stockholm, Sweden, and also has offices in Gothenburg, Malmö, Härnösand, Sundsvall and Örnsköldsvik. Operations are conducted mainly through three subsidiaries: Com Hem AB, Phonera Företag AB and iTUX Communication AB. Phonera Företag AB is a Malmö-based provider of business services, offering B2B broadband and telephony services. iTUX Communication AB is Com Hem's communications operator that manages open fibre local area networks (LANs).

SIGNIFICANT EVENTS DURING THE YEAR

Priority activities during the year have been to improve the customers' experience of Com Hem and the service bundles aimed at consumer and B2B customers, as well as refinancing the company to reduce indebtedness and lower the company's interest expenses.

- *Acquisitions and other changes in the Group*
  March saw the completion of the acquisition of Phonera Företag AB, including its subsidiaries (Phonera Telephony business area). Phonera has a portfolio of B2B services within IP telephony and mobility and its acquisition strengthened Com Hem's offering of services to the B2B market. During the year, the Group's B2B operations were grouped under Phonera Företag AB (see Note 3 for further information).

  In order to improve the structure of the Group, NorCell 1B AB (publ) was merged with Com Hem Holding AB in December 2014 and Phonera Företag AB's dormant subsidiaries were divested and were thereafter liquidated.

- *Changes in management and the Board*
  In April, Anders Nilsson joined as CEO and board member. In connection with this, Jon James took up duties as COO. In May, Andrew Barron replaced Nikos Stathopoulos as Chairman of the Board. The annual general meeting of the shareholders (AGM) in May elected two new Board members, Monica Caneman and Eva Lindqvist (see Note 6 for further information).

- *Listing on Nasdaq Stockholm and refinancing*
  Com Hem Holding AB was quoted on Nasdaq Stockholm's Large Cap listing on 17 June 2014, at which point the company issued SEK 6.2bn in new shares, which included the exercise of an over-allotment option. In conjunction with the IPO, the company also signed a loan agreement with a consortium of banks, as well as redeeming the Senior PIK Notes in full and 35 per cent of the amount outstanding under the Senior Notes. In November, the company redeemed the Senior Secured Notes, with refinancing taking place through the issue of new bonds of SEK 2.5bn and the utilisation of existing credit facilities and a new credit facility. Overall, Com Hem reduced its debt by SEK 5.7bn between its IPO and 31 December 2014 (see Note 25 for further information).

FINANCIAL PERFORMANCE

Consolidated total revenue and key financial metrics

SEKm	2014	2013
Revenue		
Consumer	3,540	3,423
B2B	222	2
Landlord	774	797
Other	226	227
Total revenue	**4,761**	**4,448**
Underlying EBITDA	2,262	2,200
Underlying EBITDA margin, %	47.5%	49.5%
Capital expenditure	1,051	1,038
Operating free cash flow	1,211	1,162

Revenue
Revenue increased by 7.0 per cent to SEK 4,761m (4,448). Excluding Phonera, the increase in revenue was SEK 115m, or 2.6 per cent.

Revenue from consumer services rose by SEK 117m or 3.4 per cent, to SEK 3,540m (3,423). The increase was due to higher revenue from broadband and digital television. The rise in broadband revenue to SEK 1,461m (1,323) was driven by an increased number of RGUs and higher ARPU as a result of greater demand for higher broadband speeds. Digital television revenue increased to SEK 1,737m (1,683), as a result of a better tier mix due to new sales of TiVo as well as migration of existing digital television customers to TiVo packages. The increase in revenue from digital television and broadband services was partly offset by a decrease in fixed telephony revenue to SEK 341m (417), mainly due to lower usage.

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

Revenue from landlord services decreased by SEK 23m or 2.9 per cent, to SEK 774m (797). The decrease was primarily due to a reduction in ARPU mainly as a result of contract renegotiations.

Underlying EBITDA
Underlying EBITDA increased by 2.8 per cent to SEK 2,262m (2,200) and the underlying EBITDA margin was 47.5 per cent (49.5). The increase in underlying EBITDA was mainly due the contribution from the Phonera business as well as revenue growth from consumer services. The underlying EBITDA margin was lower as a consequence of the acquisition of Phonera, as services sold by Phonera outside Com Hem's network have a lower gross margin compared to services sold inside Com Hem's network. The lower margin is also attributable to increased marketing and sales costs to support growth in RGUs and unique subscribers.

Non-recurring costs

SEKm	**2014**	2013
IPO-related costs	–107	–
Launch of TiVo and B2B	–60	–102
Acquisition costs	–9	–12
Redundancies	–40	–49
Other	–10	–16
Total non-recurring costs	**–228**	**–178**

Capital expenditure (capex)
Capital expenditure increased by SEK 12m or 1.2 per cent, to SEK 1,051m (1,038), representing 22.1 per cent (23.3) of revenue. The rise was partly due to higher capitalised sales costs as a consequence of higher sales volumes during the year and increased up-sell activities. The increase was also due to higher investments in modems due to continued strong demand for higher broadband speeds. The increase was partly offset by lower investments in network-related capex due to lower investments in the TiVo platform as well as lower investment in TiVo boxes as an effect of high purchased volumes during the second half of 2013.

Operating free cash flow
Operating free cash flow was SEK 1,211m (1,162), an increase of SEK 49m, or 4.2 per cent, due to higher underlying EBITDA, partly offset by increased capex, as detailed in the Underlying EBITDA and Capital Expenditure sections.

Consolidated income

SEKm	**2014**	2013
Total revenue	4,761	4,448
Operating profit (EBIT)	566	657
Net financial income and expenses	–2,082	–1,537
Income taxes	465	109
Net result for the year	–1,051	–771

Operating profit (EBIT)
Operating profit (EBIT) was SEK 566m (657). The decrease was mainly due to increased amortisation of capitalised sales costs as a function of higher consumer and B2B sales in previous quarters. The decrease was also attributable to higher non-recurring costs of SEK 228m (178), of which SEK 107m pertained to IPO-related expenses.

Net financial income and expenses
Financial income and expenses amounted to a net expense of SEK 2,082m (1,537). The SEK 545m increase was mainly due to costs of SEK 945m associated with the refinancing of the Senior Credit Facilities, and redemption of the Senior PIK Notes, Senior Secured Notes and 35 per cent of the outstanding Senior Notes. The non-recurring costs consist of accrued borrowing costs of SEK 431m related to the repayment of bank borrowings and the Notes with an original maturity in 2018 and 2019, respectively, and redemption premiums of SEK 508m for the Senior PIK Notes, Senior Secured Notes and Senior Notes. The non-recurring costs were partially offset by a lower interest expense for the period compared to last year, mainly due to the decrease in the amount of outstanding debt as well as lower interest rates for the total outstanding debt.

Income taxes
Deferred tax income was SEK 465m (109). The increase was due to a lower result after financial items as well as deferred tax assets on tax losses not previously recognised. The Group has accounted for deferred tax assets on all tax losses since they are expected to be used against taxable profits within the foreseeable future.

Net result for the year
The net result for the period was SEK –1,051m (–771). Excluding non-recurring costs of SEK 107m associated with the IPO and costs related to the refinancing of debt of SEK 945m, the net result for the period was SEK 1m (–771).

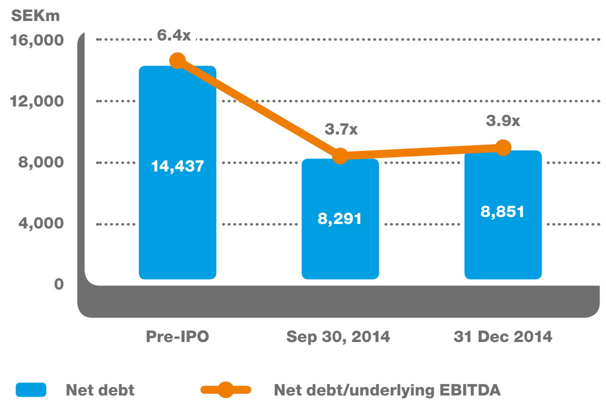
CONSOLIDATED FINANCIAL POSITION AND LIQUIDITY

Total assets decreased to SEK 18,720m (19,021). Consolidated intangible assets amounted to SEK 16,041m (16,154), of which goodwill accounted for SEK 10,899m (10,742). The increase in goodwill is due to the acquisition of Phonera Företag AB and its subsidiaries. Trade receivables rose to SEK 134m (121) as a result of the acquisition of Phonera. Prepaid expenses and accrued revenues increased to SEK 211m (104), partly as a result of the acquisition of Phonera. At 31 December 2014, the Group held SEK 716m (1,122) in cash and cash equivalents. Unutilised credit facilities amounted to SEK 595m, SEK 125m of which was an overdraft facility.

Equity increased to SEK 7,233m (2,212). In connection with the new issue carried out at the time of company's IPO on Nasdaq Stockholm, equity increased by a net amount of SEK 6,153m after transaction expenses of SEK 86m. Equity per share amounted to SEK 35 (22) and the percentage of equity amounted to 39 per cent (12) of total assets. Non-current interest-bearing liabilities decreased to SEK 9,391m (13,857), relating mainly to the bond loans which decreased by SEK 4,126m. Pension provisions amounted to SEK 234m (114). The increase is mainly due to changes in actuarial assumptions. See Note 20 for further information. Net deferred tax liabilities amounted to SEK 190m (671). The decrease is mainly due to the recognition of deferred tax assets relating to tax losses from previous periods.

SEKm	2014	2013
Cash and cash equivalents at year-end	716	1,122
Net debt	8,851	13,582
Net debt/underlying EBITDA	3.9x	6.2x

NET DEBT AND NET DEBT/UNDERLYING EBITDA



Net debt and interest
At the end of the period, the Group's net debt totaled SEK 8,851m (13,582), and the net debt/underlying EBITDA RTM ratio was 3.9x (6.2x). As a result of refinancing activities, the average interest rate on outstanding debt has fallen from 8.4 per cent at the time of the IPO to 4.8 per cent at the end of 31 December 2014.

SHARES AND OWNERSHIP STRUCTURE

Com Hem Holding AB's shares have been listed on the Nasdaq Stockholm Large Cap list since 17 June 2014.

At the start of 2014, Com Hem Holding AB had 42,172,125 shares outstanding. After the issue of new shares in connection with the IPO and the subsequent exercise of the over-allotment option on 4 July 2014, the total number of shares outstanding was 207,529,597, which is the same number as at year-end 2014. Each share has a quota value of SEK 1. The total share capital therefore amounted to SEK 207,529,597. All the shares entitle holders to the same voting rights and an equal share in the company's assets. See the table in the Com Hem Shares section on page 33 for changes in the number of shares and share classes during the year.

Prior to the IPO, NorCell S.à.r.l., which is indirectly controlled by funds advised by BC Partners Limited, was the principal and majority shareholder. At 31 December 2014, NorCell S.à.r.l. controlled 47.7 per cent of shares and votes. Com Hem Holding AB had a total of 1,149 shareholders. Com Hem Holding AB did not hold any treasury shares at year-end 2014.

At an EGM on 10 March 2015, a decision was taken regarding an voluntary share redemption programme amounting to a maximum of SEK 492m, under which 3.23 per cent of the shares may been redeemed. As a result of this, the number of shares may thereby decrease to 200,835,094.

CAPITAL STRUCTURE AND FINANCIAL GOVERNANCE

The company defines capital as interest-bearing liabilities and equity. The company's objective is to have an effective capital structure that takes account of its operational and financial risks, helps to maintain the confidence of investors, creditors and the market, and provides a stable basis for sustainable development of the company's operations, while also ensuring that the shareholders receive satisfactory returns. The key ratio which the management and external stakeholders judge capital structure by is net debt in relation to underlying EBITDA (EBITDA before impairments excluding non-recurring items and operating currency gains/losses). The loan facilities with credit institutions are conditional on the Group satisfying certain levels of net debt in relation to underlying EBITDA.

The Board and management continually analyse and assess the Group's capital structure and financial management, approve matters relating to acquisitions, investments and borrowing, and monitor ongoing exposure to financial risks. Liquidity forecasts are prepared regularly as part of the Group's budgeting process. Advance billing is usually utilised, with liabilities normally settled at the due date, which has a positive effect on the Group's liquidity. Consumers are usually billed monthly in advance and landlords usually quarterly in advance.

REFINANCING IN 2014

- *2014 Senior Facilities Agreement*

  On 22 May 2014, Com Hem entered into a new facilities agreement with a consortium of banks. The facilities available under this 2014 Senior Facilities Agreement comprise a SEK 3,500m term facility, with a final maturity date in 2019 and a SEK 2,000m multi-currency revolving credit facility, with the final maturity date in 2019. The net proceeds from the issue of new shares, together with drawdowns under the 2014 Senior Facilities Agreement, have been used to refinance part of Com Hem's borrowing.

  On 26 June 2014 the previous Senior Credit Facilities were refinanced on more attractive terms and with a longer maturity. In connection with the refinancing, certain derivative contracts were terminated.

- *Redemption of bond loans*

  On 4 July 2014, the entire debt was repaid under the Senior PIK Notes amounting to EUR 300m with an interest rate coupon of 12.4 per cent, as well as 35 per cent of the debt under the Senior Notes corresponding to EUR 100m with an interest rate coupon of 10.75 per cent.

- *Issue and redemption of bond loans*

  On 12 November 2014, the company redeemed the Senior Secured Notes of SEK 3,492m with an interest rate coupon of 9.25 per cent. The redemption was financed with new Senior Secured Notes of SEK 2,500m issued on 23 October 2014, together with a new SEK 375m credit facility and use of the existing revolving facility. The new Senior Secured Notes have a fixed interest rate coupon of 5.25 per cent and mature in November 2019.

EMPLOYEES

At year-end the Group had 1,167 (967) employees in total. The average number of employees was 1,015 (844). Of these, 323 (281) were women and 692 (563) were men. The increase was due in part to the acquisition of Phonera Företag AB. A large proportion of the company's employees work at Com Hem's customer service offices in Sundsvall, Härnösand and Örnsköldsvik. See page 27 for further information about Com Hem's employee responsibility.

REMUNERATION TO THE CEO AND OTHER EXECUTIVE MANAGEMENT

Remuneration to the CEO and other Executive Management consists of fixed salary, variable remuneration, other benefits and pension. Details are provided in Note 6. The guidelines on remuneration to Executive Management proposed to the 2015 AGM are set out in the Corporate Governance Report on page 46.

There is no agreement between the company and Board members or employees that stipulates remuneration if they resign, if their employment is terminated without reasonable grounds or if their employment ceases as a result of a public takeover bid for the shares in the company.

PARENT COMPANY

The Parent Company's total revenue in 2014 was SEK 8m. Revenue referred to internal services within the Group. Operating income was SEK –107m (0) and was charged with SEK 99m in transaction expenses relating to the public listing of the company on the Nasdaq Stockholm. Net financial income and expenses amounted to an expense of SEK –1,373m (0), which includes impairment losses on participations in group companies of SEK –1,863m (–316) as a result of shareholder contributions and Group contributions. Other financial items amounted to SEK 490m (316). Net financial income and expenses were also impacted by non-recurring costs in connection with the refinancing of SEK 242m. The Parent Company's equity amounted to SEK 8,893m (4,217), of which non-restricted equity was SEK 8,685m (4,175). The registered share capital at 31 December 2014 amounted to SEK 208m (42) and the number of ordinary shares was 207,529,597 (42,172,125). The quota value per share was SEK 1. The Parent Company has no external non-current liabilities.

The subsidiary NorCell 1B AB (publ) was merged with Com Hem Holding AB in December 2014. For further information about the merger, see Note 35.

At an EGM on 10 March 2015, a decision was taken regarding an voluntary share redemption programme amounting to a maximum of SEK 492m, under which 3.23 per cent of the shares can be redeemed. The number of shares may thereby decrease to 200,835,094.

FINANCIAL TARGETS

The company remains committed to continued implementation of the strategic medium-term plan that was presented ahead of the IPO of Com Hem, and the medium-term financial targets remain:

- To achieve a mid-single digits year-on-year revenue growth in the overall business.
- Over the medium term, our underlying EBITDA margin is expected to soften slightly as a consequence of a shift in our business mix, primarily resulting from an increasing relative contribution from digital television and B2B revenue with lower gross margins than our other business areas.
- Over the medium term, we expect capital expenditures as a percentage of revenue to decline to a level that is more in line with the industry average.
- We aim to operate within a target leverage of 3.5x to 4.0x LTM Underlying EBITDA, retaining the flexibility to distribute excess cash to shareholders in the form of dividends or other distribution of capital.

KEY EVENTS AFTER END OF PERIOD

Proposal for redemption and repurchase of shares, and dividend

On 10 February 2015 the Board of Directors announced a proposed capital return programme consisting of:

- A proposal to the 2015 AGM for a share buy-back programme of up to SEK 1,000m in the form of a buy-back mandate for the Board during the period until the 2016 AGM. The Board's intention thereafter is to annually propose a share buy-back programme of equivalent size.
- A proposed dividend of SEK 1 per share to be decided by the AGM 2015 AGM.
- A proposal for an voluntary share redemption programme amounting to a maximum of SEK 492m was approved by the EGM on 10 March 2015.

For further information, see separate press release.

Appointment of new CFO

On 10 February 2015 it was announced that Mikael Larsson had been appointed CFO of Com Hem. Mikael Larsson will start his assignment as of 1 May 2015 and will be a member of the Executive Management Team. Mikael Larsson has held the position as CFO of Investment AB Kinnevik since 2001. Mikael Larsson will replace Joachim Jaginder, who has decided to leave Com Hem after six years, and who has therefore also resigned from any duties as a board member.

MATERIAL RISKS AND RISK MANAGEMENT

Operational risks

The operations of the Parent Company and the Group are affected by a number of external factors. The following is a description of the significant risk factors for the Group's future development.

Risk	Description	Management
Increased competition	New companies are becoming established on the market for digital services using alternative technologies, which is increasing competition. Tougher competition can lead to price pressure and a negative financial impact. There has been considerable growth within IPTV via the xDSL network and LAN. State subsidies for expanding the broadband network are still regarded as a threat, although to a significantly lesser extent than previously.	To manage competition, Com Hem continually develops its service offering through new interactive digital TV services, more HD channels and improved broadband service at competitive prices. Com Hem mainly delivers its services using HFC, which competes well with LAN. The Group's communication operator iTUX operates within open LAN, which strengthens the Group's ability to deliver services regardless of infrastructure in order to tackle increasing competition.
The ability to retain and attract new customers	Tougher competition and an increasingly high degree of movement between operators are placing high demands on Com Hem's ability to attract and retain customers. Greater competition may lead to Com Hem losing contracts with landlords, who are the basis of the company's relationships with connected households. If the company fails to renew existing contracts or enter into new contracts, this may have a significant negative impact on operations. If demand for digital services does not increase as anticipated, this could have a substantially negative effect on the company's operations, financial position and earnings. Failure to introduce new services and unsuccessful acquisitions may also have a significant negative impact on the company's operations.	In 2014, Com Hem maintained a strong focus on improving the customer experience, which has resulted in consumer churn decreasing from 16.3 per cent at the end of 2013 to 14.2 per cent at the end of 2014. The rate of improvement indicates clear progress in enhancing the customer experience and customer satisfaction, which will continue to be the company's focus in future years. To attract more customers, Com Hem has also extended its services offering aimed at businesses through the acquisition of Phonera. During the fourth quarter digital television RGUs increased by the highest number of digital television RGUs since the second quarter of 2012, as the TiVo service has strengthened the company's offering.
Mobile telephony and mobile broadband replace fixed telephony and fixed broadband	An increasing share of traffic is moving to the mobile network. If more households opt for mobile over fixed telephony, this may have a negative impact on Com Hem's telephony operations. Meanwhile, prices have fallen and broadband speeds have increased for mobile broadband, which heightens the risk of it being regarded as an alternative rather than a complement to fixed broadband. The upgrading of the mobile network to 4G may also have a negative effect on Com Hem's business if high speeds in the mobile network result in the company losing broadband customers.	In the second half of 2014, the number of telephony RGUs rose as a result of strong demand for Com Hem's broadband and digital TV services, which creates an opportunity to offer bundled services that include fixed telephony. Com Hem does not currently offer mobile subscriptions. During the year Com Hem upgraded a significant portion of the company's broadband customers and consolidated the company's market position by raising the lowest entry level speed to 50 Mbit/s.
Technological advances	Com Hem's competitive edge may be affected by rapid and significant technology shifts, new services or upgrades of existing services in connection with the introduction of new technology, new industry standards and new practice through which the company's current technology and systems become outdated and the company may lack sufficient resources to upgrade existing networks.	To remain competitive, Com Hem must continue to launch new services and increase and improve the functionality, accessibility and features of the existing services and networks, in particular by ensuring that the company's bandwidth capacity is sufficient to cope with increased demand for bandwidth-intensive services.
Changes to laws and regulations	New, or more stringent requirements from government agencies regarding, for example, network security, data traffic storage and the development of credit blocking services may incur increased costs.	The Board and management closely monitor developments in the regulatory area in order to handle changes.

Other risks and uncertainties

Com Hem is affected by several risks and uncertainties in addition to those outlined above, such as ensuring that key positions in the company are held by qualified employees. The executive management works continually to identify and manage all risks and uncertainties to which the company is exposed. The Swedish Government has appointed a committee that has investigated Sweden's corporate taxation and coupon tax. On 12 June 2014, the committee presented its proposal. Although the change is proposed to be effective from 1 January 2016, it is uncertain whether the proposal will be adopted as submitted, when such a law would go into effect or what consequences these changes would have.

Financial risks

Through their operations, the Parent Company and Group are exposed to to various financial risks, including liquidity risks, interest rate risks, currency risks and credit risks. The Group's financial policy for management of financial risks has been adopted by the Board of Directors and provides a framework of guidelines and regulations in the shape of risk mandates and limits for financing activities. The overarching objective for the finance function is to provide cost effective financing and to minimise the negative effects of unfavourable market fluctuations on the Group's earnings. For further information about financial risk management, see Note 25.

+8.6%

SHARE PRICE PERFORMANCE FROM IPO UNTIL YEAR-END

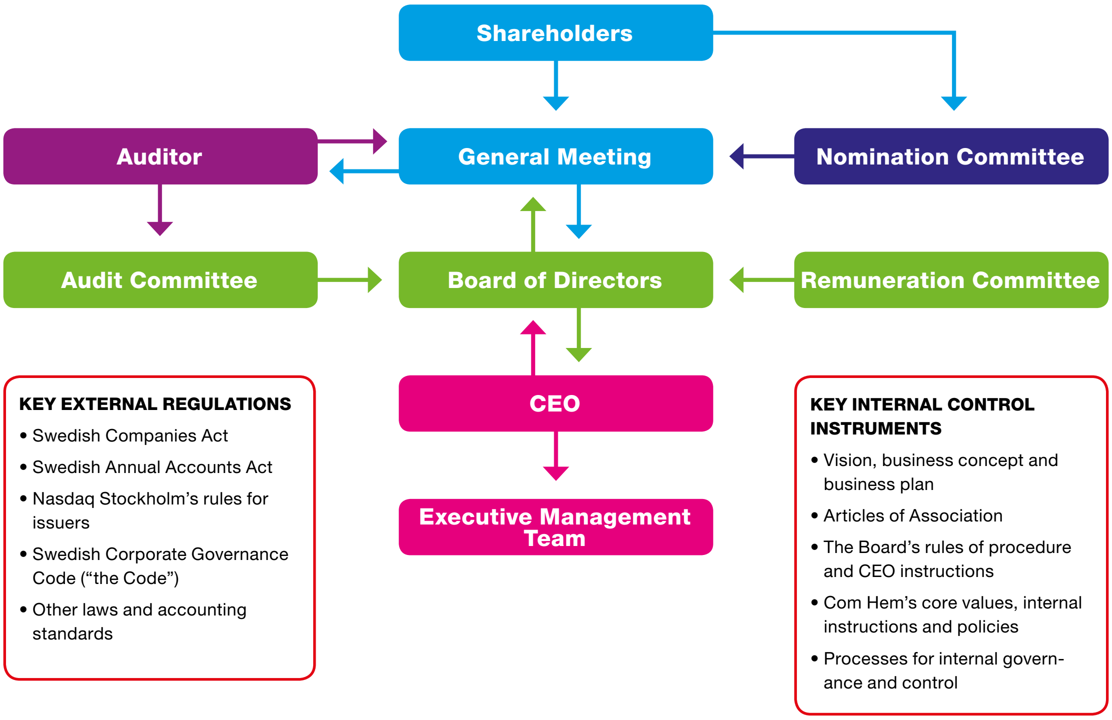
Transformed balance sheet

Our life as a listed company began in June 2014. There was a considerable level of interest from investors who have confidence in Com Hem as a business. By the end of 2014 we had more than 1,100 shareholders. The surplus from the IPO allowed us to significantly reduce our level of indebtedness, and the transformation of our balance sheet continued throughout the year.

Corporate governance report

Com Hem's corporate governance ensures that the company is managed based on the best interests of its owners. Governance shall support the company's long-term strategy, while contributing towards maintaining confidence in Com Hem among all stakeholders: shareholders, customers, suppliers, the capital market, society and employees. Good corporate governance is therefore not only about internal frameworks and effective processes, but also requires a strong ethical approach throughout the entire organisation.

How Com Hem is governed



Com Hem Holding AB is a Swedish registered limited company, whose shares were listed on the Nasdaq Stockholm stock exchange in June 2014. Com Hem was founded in 1983, and supplies TV services, telephony and high-speed broadband to Swedish consumers and businesses. Operations are run through our subsidiaries Com Hem AB, Phonera Företag AB and iTUX Communication AB. The Group has approximately 1,100 employees and its registered head office is located in Stockholm. Prior to the listing, Com Hem's corporate governance was based on Swedish law and internal rules and regulations. Since the listing, the company also follows Nasdaq Stockholm's rules for issuers, and applies the Swedish Corporate Governance Code ("the Code"), with the exceptions listed on the following page.

Shareholders and general meeting

The general meeting is Com Hem's highest decision-making body, with all shareholders entitled to attend, to raise a matter for discussion, and to exercise their voting rights. The Annual General Meeting (AGM) appoints the Board of Directors of the company, external auditors and adopts the annual accounts. The AGM also passes resolutions on the appointment of the Nomination Committee and remuneration of the Board members, and approves policies on remuneration of the executive management and makes decision regarding dividends. At the end of the year, the number of shareholders totalled 1,149. The largest single shareholder was NorCell S.à r.l., with a 47.7 per cent stake. The proportion of foreign owners amounted to just over 96 per cent. Further information regarding ownership structure, share capital and the shares can be found on pages 32–33.

Nomination Committee

The Nomination Committee represents the company's shareholders and is tasked with preparing decisions for the AGM regarding election and remuneration issues, as well as in some cases proposing procedural matters ahead of the next Nomination Committee.

Board of Directors

The Board of Directors has the overall responsibility for the company's organisation and management through continual follow-up of operations and ensuring appropriate organisation, management, guidelines and internal controls. The Board establishes strategies and objectives, and takes decisions regarding major investments and operational changes.

According to the Articles of Association, Com Hem's Board shall consist of a minimum of three and a maximum of ten members with no deputies. In addition, the Board comprises two employee representatives with two deputy employee representatives.

Chairman of the Board

The Chairman leads, and is responsible for ensuring that the work of the Board is well-organised and efficiently managed. This involves continually monitoring the company's operations in dialogue with the CEO and responsibility for ensuring that other Board members receive the information and data required for guaranteeing high quality in discussions and decisions made by the Board. The Chairman leads the evaluation of the Board's and CEO's work and represents the company with regard to ownership matters.

Audit Committee

The Audit Committee monitors the financial reporting, as well as the effectiveness of the company's internal controls and risk management. The committee keeps itself informed about the audit, examines and monitors the auditor's impartiality and independence and assists the Nomination Committee with proposals for the AGM's election of auditors.

Remuneration Committee

The Remuneration Committee prepares decisions by the Board on matters relating to remuneration principles and remuneration and employment terms for the company's executive management. The committee follows and evaluates programmes for variable remuneration, the application of the AGM's decisions on guidelines for remuneration to the executive management and the existing structures and levels of remuneration in the Group.

CEO and Executive Management

The company's CEO is responsible for the company's day-to-day management, leading the business in accordance with the Board's guidelines and instructions and is responsible for ensuring that the Board receives the information and the necessary decision-making documentation regarding the company and Group's position, earnings, liquidity and performance. The CEO reports to Board meetings. In consultation with the Chairman of the Board, the CEO prepares the information and documentation required as a basis for the work of the Board and to enable Board members to make well-informed decisions. The CEO has an Executive Management Team to provide assistance.

External auditors

The company's auditor, elected at the AGM, examines Com Hem's annual accounts and consolidated accounts, the Board and CEO's management and the annual financial accounts of the subsidiaries, and submits an audit report. The audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

Find out more about Com Hem's corporate governance at www.comhemgroup.com
- **Articles of Association**
- **Information prior to the 2015 AGM**

DEVIATIONS FROM THE CODE IN 2014

Deviation from 2.5
The company has been unable to publish the names of members of a complete Nomination Committee no later than six months prior to the AGM, i.e. no later than 21 November 2014.

Reason
The composition of the Nomination Committee is based on the instruction to the Nomination Committee adopted by the 2014 AGM and shall consist of representatives of the four largest shareholders, including the Chairman of the Board. Com Hem's shareholders consist mainly of international institutions. Since several of these have declined to be represented on the Nomination Committee, those shareholders that were identifiable and that were next in line in order of size were contacted. Two months prior to the 2015 AGM, Com Hem's Nomination Committee comprised of the three representatives listed under the 'Nomination Committee' section ahead of the 2015 AGM on page 44.

Deviation from 4.3
More than one Board member elected by the AGM has been a member of the company's management in 2014.

Reason
In 2014, both the company's CEO Anders Nilsson and the company's CFO Joachim Jaginder were members of the Board. Anders Nilsson and Joachim Jaginder were members of the Board before the IPO in June 2014 and in view of their knowledge of the company, the market and the requirements placed on listed companies, it was deemed appropriate that they continued to sit on the Board. Joachim Jaginder left Com Hem in February 2015 and therefore also his position as Board member.

Deviation from 9.8
Share options have been included in programmes aimed at the Board of Directors.

Reason
As described under 'Work during the year' on page 44, a separate issue of warrants was decided on at an EGM on 3 June 2014, within the framework of an incentive programme directed to members of the Executive Management, key personnel and Board members, which the shareholders found to be beneficial for the Group and the company's shareholders.

Work during the year

2014 AGM

The AGM was held in Stockholm on Monday, 12 May 2014. At this point the company's shares were not yet listed on Nasdaq Stockholm. Joachim Jaginder was elected Chairman of the meeting. The AGM resolved on a number of matters, including:

- to adopt the income statements and balance sheets for the company and the Group, to discharge the Board of Directors and CEO from liability and to establish that no dividend would be paid to the shareholders
- that the Board of Directors shall consist of seven ordinary members and on the re-election of the Board members Andrew Barron, Nikos Stathopoulos, Joachim Ogland, Anders Nilsson and Joachim Jaginder, the election of the new Board members Monica Caneman and Eva Lindqvist, and the re-election of Andrew Barron as Chairman of the Board, all of whom will remain in post until the end of the next AGM
- to set Board fees at SEK 907,000 for the Chairman of the Board and SEK 350,000 for each of the other members of the Board who are not employed by the company, as well as remuneration for committee work of SEK 100,000 for the chairman of the Audit Committee and SEK 70,000 for each of the other members, and of SEK 75,000 for the chairman of the Remuneration Committee and SEK 50,000 for each of the other members
- to re-elect KPMG AB as the company's auditor, with Thomas Thiel as principal auditor up until the next AGM
- to establish policies for the election of the Nomination Committee ahead of the 2015 AGM

EXTRAORDINARY GENERAL MEETING, 3 JUNE 2014

An Extraordinary General Meeting (EGM) was held in Stockholm on Tuesday, 3 June 2014. The company's shares were not yet listed on Nasdaq Stockholm at this point. Joachim Jaginder was elected Chairman of the meeting. The EGM resolved on a number of matters, including:

- the adoption of new Articles of Association, whereby the provision regarding class of share was altered so that the company may only issue preference shares and ordinary class A shares, redemption of preference shares and implementation of a bonus issue
- the issue of new warrants and new shares, and to authorise the Board of Directors to decide on the issue of new shares
- to raise the annual fee to the Chairman of the Board from SEK 907,000 to SEK 1,814,000

NOMINATION COMMITTEE AHEAD OF 2015 AGM

The 2014 AGM resolved that the Nomination Committee for the 2015 AGM shall consist of representatives of the four largest shareholders in the company as at 30 September 2014, according to the register of shareholders maintained by Euroclear Sweden, as well as the Chairman of the Board. The instruction to the Nomination Committee includes procedures for changing the composition of the Nomination Committee as required should a member leave the committee before their work is completed, or to reflect changes in the ownership structure. The Chairman of the Board shall convene the first meeting and the member representing the largest shareholder shall be appointed chairman of the Nomination Committee. The composition of the Nomination Committee for the 2015 AGM is to be announced no later than six months prior to the AGM.

Since several of Com Hem's largest shareholders have declined representation on the Nomination Committee, those shareholders that were identifiable and that were next in line in order of size have been contacted. Two months prior to the 2015 AGM, Com Hem's Nomination Committee comprised the following members:

Members of Com Hem's Nomination Committee ahead of 2015 AGM

Representative	Shareholder	Holding/votes
Pierre Stemper, chairman of the Nomination Committee	NorCell S.à r.l.	47.7%[1]
Erik Durhan	Nordea Funds	0.8%
Andrew Barron	Chairman of the Board	N/A

1) At the time this report was issued, NorCell S.à.r.l. had reduced its holding by 12%.

In order to enable effective preparation of decisions on election and remuneration issues ahead of the 2015 AGM, the Nomination Committee has met on two occasions, despite the fact that it does not yet have its full complement of members. The Chairman of the Board has informed the Nomination Committee of the work of the Board and committees and presented the Board's evaluation of its work. Information regarding how shareholders can submit proposals to the Nomination Committee has been published on the company's website, www.comhemgroup.com, where the Nomination Committee's report and proposals to the AGM will also be published in advance of the AGM on 21 May 2015.

THE BOARD OF DIRECTORS AND THE BOARD'S INDEPENDENCE

Following the 2014 AGM, the Board of Directors comprised seven members elected by the AGM and two employee representatives with two deputy employee representatives. Andrew Barron, Nikos Stathopoulos, Joachim Ogland, Anders Nilsson, Com Hem's CEO, and Joachim Jaginder, Com Hem's CFO, were re-elected as members of the Board of Directors in 2014, and newly elected members included Monica Caneman and Eva Lindqvist. Andrew Barron was appointed Chairman of the Board. Employees have elected the representatives Marianne Bolin and Tomas Kadura, and their deputies Åsa Borgman and Mattias Östlund.

In 2014, Com Hem's Board of Directors complied with the Code's requirement that the majority of the members elected by the AGM be independent in relation to the company and senior management, and that at least two of them also be independent in relation to the company's largest shareholders (i.e. those with a holding exceeding 10 per cent). Details of the Board members' independence are provided in the table on page 45.

THE WORK OF THE BOARD OF DIRECTORS

During the year, the Board of Directors held 21 Board meetings, including statutory meetings and meetings by correspondence. Prior to each ordinary Board meeting, Board members receive a written agenda in accordance with the Board's rules of procedure established by the Board of Directors, and a complete set of documents for information and as a basis for decisions. Recurring items include finances, market conditions, investments and the adoption of financial reports. Reports from the Audit and Remuneration Committees, as well as reports regarding internal controls and financing activities are also regularly addressed. The company's CFO and other members of management usually participate in the meetings to present specific items. The Group's General Counsel is secretary to the Board.

Significant matters discussed during the year included the IPO, strategic issues, the budget process for 2015, capital structure, refinancing activities, the acquisition of Phonera Företag AB and organisational issues.

EVALUATION OF THE WORK OF THE BOARD

The work of the Board and the CEO is evaluated annually via a systematic and structured process. The purpose is to obtain a sound basis for the Board's own development as regards working methods and efficiency, as well as to provide the Nomination Committee with information on which to base its nomination work. The Chairman of the Board is responsible for this evaluation. In 2014 the evaluation was conducted via a questionnaire and discussions between the Chairman and the Board members. Feedback was given to the Board of Directors after the results had been compiled and the Nomination Committee was also informed of the results.

AUDIT COMMITTEE

In 2014, the Audit Committee consisted of Monica Caneman as chairman, Joachim Ogland and Nikos Stathopoulos, who was replaced by Eva Lindqvist in the autumn. During the year the committee held three meetings that were minuted and attached to the material for the Board. In their work of monitoring financial reporting and the effectiveness of internal controls, the committee has dealt with relevant accounting issues, the extent and focus of the external audit, as well as observations in connection with the auditors' review, risks and valuation matters, impairment testing of intangible assets and the company's financial reports.

REMUNERATION COMMITTEE

In 2014, the Remuneration Committee consisted of Nikos Stathopoulos as chairman, Eva Lindqvist and Joachim Ogland. Two meetings were held during the year and the work focused primarily on remuneration and other employment terms and conditions for the executive management, as well as the current remuneration structure.

EXTERNAL AUDITORS

At the 2014 AGM, KMPG AB was appointed as the auditing firm until the 2015 AGM. KPMG AB was represented by Thomas Thiel as chief auditor. Thomas Thiel has led the audit assignment for Com Hem since 2004. The auditors participated in every meeting of the Audit Committee in 2014. At these meetings, the auditors presented the focus and extent of the planned audit, and verbally reported on the audit and review. In addition, the Board of Directors held a meeting with the company's auditor in the beginning of 2015 without the presence of the CEO or other members of management.

In addition to the review of Com Hem's interim reports for the second and third quarters and audit of the annual accounts, the auditor carried out a review of the first quarter interim report in connection with the publication of the IPO prospectus. Furthermore, KPMG AB has been consulted on issues relating to the IPO, refinancing activities and within the area of tax and on various accounting and finance issues. The auditor reports to the AGM and works independently of the Board of Directors and executive management, and must continually assess its independence with regard to decisions to provide independent advice to Com Hem alongside the audit assignment.

			Committee		Attendance		
Board of Directors since 2014 AGM	**Elected**	**Not independent[1)]**	**Audit**	**Remuneration**	**Board meetings**	**Audit Committee**	**Remuneration Committee**
Andrew Barron	2013				21/21		
Monica Caneman	2014		Chairman		19/21	3/3	
Joachim Jaginder, CFO[2)]	2011	🟧			12/21		
Eva Lindqvist[3)]	2014		X	X	20/21	1/1	2/2
Anders Nilsson, CEO[4)]	2014	🟧			21/21		
Joachim Ogland	2011	🟩	X	X	21/21	3/3	2/2
Nikos Stathopoulos	2011	🟩	X	Chairman	21/21	0/2	2/2
Marianne Bolin [E]	2013				21/21		
Tina Bergström Darrell [E][5)]	2011				19/21		
Tomas Kadura [E][5)]	2013				21/21		
Åsa Borgman [E] deputy[5)]	2014				5/21		
Mattias Östlund [E] deputy	2013				21/21		

🟩 = Not independent in relation to the company's majority shareholder, NorCell S.à r.l. 🟧 = Not independent in relation to the company and senior management.

1) According to the definition in the Swedish Corporate Governance Code.
2) The company's CFO Joachim Jaginder has been on sick leave since September 2014 and left Com Hem and stepped down from the Board on 10 February 2015.
3) Eva Lindqvist replaced Nikos Stathopoulos in the autumn of 2014.
4) The company's CEO owns 203,469 shares in the company and the holding amounts to 0.1 per cent and is not classified as significant, neither does the CEO have any co-ownership in companies that have significant business relationships with companies within the Group.
5) In September 2014, the employee representative Tina Bergström Darrell left the company and was replaced by Tomas Kadura, previously deputy employee representative, who was in turn replaced by Åsa Borgman as deputy employee representative.

Remuneration to management and the Board

REMUNERATION TO EXECUTIVE MANAGEMENT

In 2014, remuneration to the CEO comprised a fixed salary, pension and a variable bonus set by Com Hem's Board of Directors. The CEO was entitled to a fixed annual salary of SEK 4,800,000 and an annual targeted bonus corresponding to 75 per cent of fixed salary. The CEO has a contractual pension age of 65 years. Until the contractual pension age, the company shall make monthly pension provisions in an amount corresponding to 20 per cent of the fixed salary.

Remuneration to other executive management comprised a fixed salary, pension and other customary benefits, and a variable bonus of between 15–50 per cent of fixed salary. The variable remuneration was linked to defined and measurable financial and individual targets.

In addition to such remuneration, other executive management are also entitled to pension based on a percentage of their fixed salary or bound by collective agreements, ITP/PRI plans, health insurance and other customary benefits.

Total remuneration to executive management in 2014 amounted to SEK 54m and is reported under Note 6 on page 66.

REMUNERATION TO THE BOARD

Fees paid to Board members of Com Hem elected by the AGM are decided on by the AGM. From the EGM om June 3, 2014, until the next AGM, remuneration totaled SEK 1,814,000 for the Chairman of the Board and SEK 350,000 each for the other Board members who are not employed by the company. Remuneration for committee work amounted to SEK 100,000 for the chairman of the Audit Committee and SEK 70,000 for each of the other members, and SEK 75,000 for the chairman of the Remuneration Committee and SEK 50,000 for each of the other members. See Note 6 for further details.

LONG-TERM INCENTIVE PROGRAMME

At an extraordinary general meeting on 3 June 2014, a decision was made regarding the issue of warrants within the framework of two incentive programmes for executive managers and key management personnel, as well as Board members. The incentive programmes cover a total of 12 individuals and both programmes are subject to identical terms. The incentive programmes include a total of 4,949,092 warrants, corresponding to an original market value of SEK 10m. The warrants have been issued in two series of 2,474,546 options with two different maturities and subscription prices. The programmes expire in June 2017 and June 2018 and according to the terms can be utilised for subscription over three months before the end of the term at a subscription price of SEK 73 and SEK 79 respectively. Com Hem has reserved the right to repurchase warrants should the participant's employment or assignment for the company come to an end, or if the participant wishes to transfer the options. See Note 6 for further details.

REMUNERATION TO AUDITOR

Remuneration to the company's auditor for 2014 has been paid in accordance with Note 7.

REMUNERATION GUIDELINES

The 2015 AGM will resolve on remuneration guidelines for the CEO and the executive management at Com Hem. The Board's proposal for guidelines and other material in preparation for the 2015 AGM will be made available at www.comhemgroup.com.

THE BOARD OF DIRECTORS PROPOSED GUIDELINES FOR REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board of Directors of Com Hem Holding AB (publ) proposes that the annual general meeting on 21 May 2015 resolves to adopt the following guidelines for remuneration to senior executives in Com Hem to apply as of 2015.

The total amount of remuneration for a person with a senior executive position in Com Hem shall correspond to market practice and shall be competitive in order to attract, motivate and retain key employees. The aim is to create incentives for senior executives to execute strategic plans and deliver excellent operating results and to align such persons' interests with the interests of the shareholders.

Remuneration of the CEO and other senior executives shall consist of a fixed salary, short-term incentives (STI) with variable remuneration paid annually in cash which are linked to achievement of financial targets for Com Hem and individual performance targets, and long-term incentives (LTIP) that are share based or share linked, in addition to pension and other customary benefits.

- The fixed salary shall be based on the senior executives' respective competence and area of responsibility. The fixed salary shall form the basis for any STI. The fixed salary is to be reviewed annually.
- STIs shall be based on performance in relation to established targets. The targets shall be individual, measurable and linked to Com Hem's financial performance as well as to specific performances and processes (individual targets). For the CEO STIs can amount to a maximum of 113% of fixed salary provided that financial targets set in the budget are reached. Provided significant out-performance of the financial targets set in the budget, and of individual targets, and approval by the board of directors, the STI for the CEO can amount to a maximum of 169% of fixed salary. For other senior executives the STI can amount to a maximum of 68% of fixed salary provided that both financial and individual targets are reached, and up to a maximum of 113% of fixed salary provided that both financial and individual targets are significantly out-performed.
- The vesting period for LTIPs shall be at least three years. LTIPs shall always be based on shares or share linked instruments. LTIPs shall ensure a long-term commitment to the development of Com Hem. Any share based LTIP will be subject to shareholder approval before being launched.
- Other benefits may include a company car, health insurance and other customary benefits. Other benefits shall not constitute a significant part of the total remuneration.
- Senior executives shall be offered individual pension plans amounting to a maximum of 30 percent of the fixed salary or defined contribution pension plans and ITP (collective agreed pension plans).
- In the event of termination of employment initiated by the company, the notice period for the CEO shall be 12 months. For other senior executives the notice period shall be maximum 12 months.

In special circumstances, the Board of Directors may deviate from the above guidelines. In such case, the Board of Directors is obligated to provide for the reason for the deviation at the following annual general meeting.

For further information regarding the existing guidelines and remuneration for the executive managemnent in respect of 2014, please see Note 6 in the Annual Report.

Internal control regarding financial reporting

The purpose of internal control of financial reporting is to ensure that established policies for financial reporting and internal control are complied with, and that the financial statements are prepared in accordance with generally accepted accounting principles, applicable legislation and regulations and other requirements for listed companies. The Board bears overall responsibility for ensuring that the company has effective internal control.

CONTROL ENVIRONMENT

Com Hem's internal control structure is built on a clear division of responsibility between the Board of Directors and CEO, and the bodies established by the Board, such as the Audit Committee. The Board's rules of procedure, which include the CEO instruction and instruction on financial reporting, are updated and adopted annually by the Board and state which documentation and which financial information should be presented to the Board and committees in connection with each ordinary meeting. The CEO is responsible for ensuring that the Board receives the necessary reports in order to enable it to continually assess the financial position of the company and the Group. The information includes the presentation and analysis of earnings trends, cash flow and financial position, as well as the budget and forecasts and their continual monitoring.

The Audit Committee is tasked with monitoring and assuring the quality of the company's financial reporting. The work focuses on assessing the effectiveness of the company's internal controls and evaluating estimates and carrying amounts that may affect the quality of reporting. The Audit Committee stays informed about the review of interim reports, the annual accounts and the consolidated accounts through the company's auditors' regular attendance of the meetings of the Audit Committee. Com Hem's CFO and Group Accounting Manager attend the meetings of the Audit Committee and the members of the Audit Committee also maintain continual contact with the aforementioned personnel.

The control environment is the basis for internal control and comprises the core values and ethics, based on which the Board of Directors, the CEO and management communicate and operate, together with a number of company-wide instructions, policies and guidelines. These include the Board's rules of procedure, the finance policy, authorisation policy and finance handbook, which includes instructions on financial management processes such as the year-end and reporting processes. These instructions and policies are updated regularly and communicated to relevant employees. Key internal control instruments include Com Hem's policies and core values. Com Hem's core values constitute a long-term commitment and a collective basis relating to the company's business concept and strategies, which guide employees in their day-to-day operations.

RISK ASSESSMENT

Risk assessment of financial reporting aims to identify and evaluate significant risks affecting the internal control of financial reporting. To minimise these risks, a governing framework has been established with regard to accounting, procedures and detailed schedules for monthly and year-end reporting and forecasts. Com Hem's Board and management continually assess reporting from a risk perspective. In addition to assessing risks in financial reporting, the Board and management work on continually identifying and managing significant risks affecting Com Hem's operations from an operational and financial perspective. The most significant risks are described in the 'Risks and risk management' section on page 40 and under Note 25.

CONTROL ACTIVITIES AND MONITORING

Control activities aim to detect and prevent errors in financial reporting. These activities limit the risks that have been identified and ensure correct and reliable financial reporting. These consist of the monitoring of budget variances, earnings trends and key ratios, account reconciliations, checklists, examination of IT system logs, approval of business transactions, clear decision-making procedures for significant decisions such as investments and entering into contracts.

INFORMATION AND COMMUNICATION

One important aspect of internal control is information disclosure at all levels within the Group and with relevant external parties. Relevant policies, guidelines and principles for accounting are available to all relevant employees on Com Hem's internal website, to contribute towards complete, correct and timely financial reporting. Information about, and changes to accounting policies and reporting and information disclosure requirements are regularly communicated to relevant employees.

To ensure that external information disclosure is correct, complete and satisfies the requirements placed on listed companies, the company has a communication policy outlining how, by whom and in what way external information is to be communicated. All communication shall be carried out in accordance with Nasdaq Stockholm's regulations for issuers and shall be communicated in a judicious, transparent and clear manner. Financial reports, press releases, presentations and key ratios are published continually at www.comhemgroup.com.

EVALUATION OF NEED FOR SPECIAL AUDIT FUNCTION

The Board has decided not to establish a special audit function in the form of an internal audit within Com Hem. The company's CFO is responsible for monitoring and evaluating the effectiveness of the company's risk management and internal control system. The Finance Department continually monitors compliance with the company's management model, reporting principles and policies. The Finance Department also continually conducts analyses of Com Hem's financial reporting and financial outcomes, with the aim of ensuring quality and identifying areas for improvement and development. The effectiveness of internal controls carried out by the Finance Department, the Executive Management Team and the business managers is deemed sufficient in light of the existing Group structure and the fact that Com Hem only operates in Sweden, with the main part of the Finance Department based at the head office in Stockholm.

ACTIVITIES IN 2014

During the year the focus has been on further developing internal control systems and financial reporting ahead of the IPO, as well as on the integration of Phonera Företag AB. A review has also been conducted of the Finance Department's organisation and internal processes and procedures.

Board of Directors

1 ANDREW BARRON

Chairman of the Board since May 2014, Board member since 2013.

Bachelor's Degree, MBA

Born: 1965

Principal occupation: Chairman of the Board of Com Hem

Other assignments: None

Previous positions: COO of Virgin Media and MTG, CEO of Chellomedia, Executive Vice-President, Walt Disney Europe and management consultant at McKinsey & Co.

Shareholding[1]: 197,314

Warrants: 2,011,434

2 NIKOS STATHOPOULOS

Board member since 2011, Chairman of the Board 2011–2014.

Degree in Business Administration, MBA

Born: 1969

Principal occupation: Managing Partner at BC Partners Limited.

Other assignments: Member of the investment committee of BC Partners Limited and Chairman of the Board of Gruppo Coin and the Mergermarket Group. Board member of Migros Turk, Board observer for Regency Entertainment and member of the Board of Harvard Business School European Advisory, Board of Trustees for Impetus-Private Equity Foundation and the Board of AUEB. Chairman of the Board of BC Partners Limited Foundation.

Previous positions: Partner at Apax Partners and management consultant at Boston Consulting Group.

Shareholding[1]: –

Warrants: –

3 MONICA CANEMAN

Board member since 2014.

Master's Degree in Economics

Born: 1954

Principal occupation: Board work

Other assignments: Chairwoman of BIG BAG Group AB, Fourth AP Fund and Arion Bank hf and Board member of Poolia AB, Schibsted Sverige AB, SAS AB, mySafety Group AB, Intermail AS and Storebrand ASA.

Previous positions: Several leading positions at SEB over a period of 30 years.

Shareholding[1]: –

Warrants: 197,590

4 JOACHIM OGLAND

Board member since 2011.

BSc in Mechanical Engineering, MBA

Born: 1972

Principal occupation: Senior Partner at BC Partners Limited, responsible for the company's investments in the Nordic region.

Other assignments: Chairman of the Board of Nipa Holding AS. Board member of Nille Acquisition SA, Nille Finance S.à r.l. and Per Aarskog AS, as well as deputy Board member of Jonas Ogland Holding AS.

Previous positions: European leverage buy-out transactions for Morgan Stanley Capital Partners and management consultant at McKinsey & Co.

Shareholding[1]: –

Warrants: –

5 EVA LINDQVIST

Board member since 2014.

MSc Engineering Physics, MBA

Born: 1958

Principal occupation: Board work

Other assignments: Member of the boards of ASSA ABLOY AB (publ), Mycronic AB (publ), SWECO AB (publ), Tieto Oy, Caverion Oy and Bodycote plc. Elected member of the Royal Swedish Academy of Engineering Sciences.

Previous positions: Senior Vice President of TeliaSonera's mobile operations, CEO of TeliaSonera International Carrier and senior positions at Ericsson.

Shareholding[1]: 400

Warrants: 98,794

6 ANDERS NILSSON

Board member since 2014.

Law studies

Born: 1967

Principal occupation: CEO of Com Hem since April 2014.

Other assignments: None

Previous positions: Executive Vice President of Commerce and Services at Millicom, 20 years within the MTG group, including as Executive Vice President of Central European Broadcasting, COO of MTG and CEO of MTG Sweden.

Shareholding[1]: 203,469

Warrants: 1,481,920

7 JOACHIM JAGINDER*

Board member since 2011.

Master's Degree in Business Administration

Born: 1962

Principal occupation: CFO of Com Hem since August 2008.

Other assignments: None

Previous positions: CEO and CFO of Eniro, CFO of Song Networks, Teleca and AU-Systems, Chief Controller of McDonalds Sweden.

Shareholding[1]: 39,248

Warrants: 145,722

* Joachim Jaginder went on sick leave in September 2014 and left his position as CFO and Board member in 10 February 2015.

Employee representatives

8 MARIANNE BOLIN

Ordinary employee representative since 2013.

Born: 1958

Shareholding[1]: 200

9 TOMAS KADURA

Ordinary employee representative since 2013, deputy 2013-2014.

Born: 1963

Shareholding[1]: 500

10 ÅSA BORGMAN

Deputy employee representative since 2014.

Born: 1970

Shareholding[1]: –

11 MATTIAS ÖSTLUND

Deputy employee representative since 2013.

Born: 1969

Shareholding[1]: –

1) Own or related legal entity and/or natural person holding as of 31 December 2014.

1		2	3
4	5	6	
8	9	10	11

Executive Management Team 2015

1 ANDERS NILSSON

CEO since 2014.

Law studies

Born: 1967

Principal occupation: CEO of Com Hem since April 2014.

Other assignments: None

Previous positions: Executive Vice President of Commerce and Services at Millicom, 20 years within the MTG group, including as Executive Vice President of Central European Broadcasting, COO of MTG and CEO of MTG Sweden

Shareholding[1]: 203,469

Warrants: 1,481,920

2 JON JAMES

Chief Operating Officer since February 2014.

Bachelor's Degree in Economics and History

Born: 1969

Other assignments: Board member of CTAM Europe

Previous positions: Executive Director for Broadband and TV at Virgin Media, Group Strategy Director at Virgin Media, Commercial Director at Flextech & UKTV

Number of shares[1]: 184,521

Warrants: 592,768

3 HENRI CADDEO

Chief Technology Officer since February 2013.

MSc Engineering Physics, MBA

Born: 1968

Other assignments: None

Previous positions: Head of Solution at Ericsson and Development Director at Telenor

Number of shares[1]: –

Warrants: –

4 ELISABETH HELLBERG

Director of Human Resources since September 2014.

International Business Administration

Born: 1957

Other assignments: None

Previous positions: Senior Vice President Human Resources at Swedish Match, Head of HR & Recruitment at Modern Times Group MTG

Number of shares[1]: –

Warrants: –

5 PETRA VON ROHR

Director of IR and Corporate Communications since March 2015.

Master's Degree in Finance

Born: 1972

Other assignments: Board member of Takkei Training Systems AB and Novare

Previous positions: CEO of Remium, Partner and Head of Financial Communication at Kreab, Head of Swedish operations, Burson Marsteller, and equity analyst, Cazenove & Co

Number of shares[1]: –

Warrants: –

6 ROBERT ÖJFELTH

CEO of Phonera Företag AB since 2014.

Engineering studies

Born: 1972

Other assignments: None

Previous positions: CEO and Vice President of of Phonera AB (publ) and CEO of Phonera

Number of shares[1]: –

Warrants: 74,096

7 MIKAEL LARSSON*

CFO from May 2015.

Graduate in Business Administration

Born: 1968

Other assignments: Board member of Transcom WorldWide AB

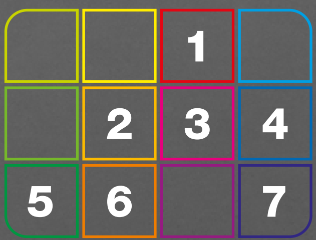
Previous positions: CFO of Investment AB Kinnevik for 14 years, Group Controller at Scandinavian Leisure Group, audit and transaction advisory services at Arthur Andersen.

Number of shares[1]: –

Warrants: –

* Joachim Jaginder was CFO up until August 2014 but went on sick leave in September and left the company on 10 February 2015. During the period from September 2014 to April 2015, Tomas Kihlstrand has carried out consultancy assignments as interim CFO.

1) Own or related legal entity and/or natural person holding as of 31 December 2014.


1
2
3
4
5
6
7

Consolidated Income Statement

1 Januray–31 December, SEK thousand	Note	2014	2013
Total revenue	2	4,761,322	4,447,902
Cost of sales and services		–2,315,394	–2,190,390
Gross profit		**2,445,928**	**2,257,512**
Selling expenses		–1,490,960	–1,377,639
Administrative expenses		–263,525	–220,259
Other operating income	4	11,848	25,325
Other operating expenses	5	–137,677	–27,897
Operating profit	6, 7, 8, 25, 26	**565,614**	**657,042**
Financial income and expenses			
Financial income		171,236	149,446
Financial expenses		–2,253,361	–1,686,679
Net financial income and expenses	9	**–2,082,125**	**–1,537,233**
Result after financial items		**–1,516,511**	**–880,191**
Income taxes	10	465,316	108,801
Net result for the year		**–1,051,195**	**–771,390**
Earnings per share	33		
Basic earnings per share (SEK)		–6.67	–7.71
Diluted earnings per share (SEK)		–6.67	–7.71

Consolidated Statement of Comprehensive Income

1 Januray–31 December, SEK thousand	2014	2013
Net result for the year	**–1,051,195**	**–771,390**
Other comprehensive income		
Items that cannot be reclassified to profit or loss		
Revaluation of defined-benefit pension obligations	–109,805	59,548
Tax attributable to items that cannot be reclassified to profit or loss	24,157	–13,100
Other comprehensive income for the year, net of tax	**–85,648**	**46,448**
Comprehensive income for the year	**–1,136,843**	**–724,942**

Consolidated Balance Sheet

SEK thousand	Note	31 Dec 2014	31 Dec 2013
Assets			
Non-current assets			
Non-current intangible assets	11	16,040,970	16,154,338
Property, plant and equipment	12	1,505,033	1,463,409
Non-current financial assets	13, 24	39,281	6,320
Total non-current assets		**17,585,284**	**17,624,067**
Current assets			
Inventories	14	38,793	33,391
Trade receivables	15, 24	134,035	120,910
Prepaid expenses and accrued income	16, 24	211,404	104,386
Other receivables	13, 24	33,765	15,778
Cash and cash equivalents	17, 24, 25	716,405	1,122,232
Total current assets		**1,134,402**	**1,396,697**
Total assets		**18,719,686**	**19,020,764**
Equity and liabilities			
Shareholders' equity	18		
Share capital		207,530	42,172
Other paid-in capital		10,167,052	4,174,658
Retained earnings incl. net result for the year		–3,142,066	–2,005,223
Total shareholders' equity		**7,232,516**	**2,211,607**
Non-current liabilities			
Non-current interest-bearing liabilities	19, 24, 25	9,391,400	13,857,321
Other non-current liabilities	22, 24	–	119,162
Pension provisions	20	233,822	114,361
Other provisions		2,398	1,421
Deferred tax liabilities	10	189,860	670,810
Total non-current liabilities		**9,817,480**	**14,763,075**
Current liabilities			
Current interest-bearing liabilities	19, 24, 25	29,927	307,848
Trade payables	21, 24	486,228	542,280
Other current liabilities	22, 24	91,458	67,721
Accrued expenses and prepaid income	23, 24	1,062,077	1,128,233
Total current liabilities		**1,669,690**	**2,046,082**
Total equity and liabilities		**18,719,686**	**19,020,764**

For information on the Group's pledged assets and contingent liabilities, see Note 28.

Consolidated Statement of Changes in Equity

Shareholders' equity attributable to Parent Company shareholders

SEK thousand	Share capital	Other paid-in capital	Retained earnings incl. net result for the year	Total shareholders' equity
Opening equity 1 Jan 2013	**13,415**	**4,203,415**	**–1,280,281**	**2,936,549**
Registered new share issue	28,757	–28,757	–	–
Comprehensive income for the year				
Net result for the year	–	–	–771,390	–771,390
Other comprehensive income for the year	–	–	46,448	46,448
Comprehensive income for the year	**–**	**–**	**–724,942**	**–724,942**
Closing equity, 31 Dec 2013	**42,172**	**4,174,658**	**–2,005,223**	**2,211,607**
Opening equity, 1 Jan 2014	**42,172**	**4,174,658**	**–2,005,223**	**2,211,607**
Bonus issue	57,841	–57,841	–	–
Comprehensive income for the year				
Net result for the year	–	–	–1,051,195	–1,051,195
Other comprehensive income for the year	–	–	–85,648	–85,648
Comprehensive income for the year	**–**	**–**	**–1,136,843**	**–1,136,843**
Contributions from and value transfers to owners				
New share issue, net of transaction expenses	107,553	6,045,174	–	6,152,727
Premium received from issue of warrants	–	9,848	–	9,848
Redemption of shares	–36	–4,787	–	–4,823
Total transactions with Group's owners	**107,517**	**6,050,235**	**–**	**6,157,752**
Closing equity, 31 Dec 2014	**207,530**	**10,167,052**	**–3,142,066**	**7,232,516**

Proceeds from the new share issue are recognised net of share issue expenses of SEK 86,432 thousand after tax.

Consolidated Statement of Cash flows

1 January–31 December	Note	2014	2013
Operating activities			
Result after financial items		–1,516,511	–880,191
Adjustment for items not included in cash flow	34	1,875,828	1,930,976
Cash flow from operating activities before changes in working capital	34	**359,317**	**1,050,785**
Change in working capital			
Increase(–)/decrease(+) in inventories		–4,594	–8,089
Increase(–)/decrease(+) in current receivables		–67,964	36,174
Increase(+)/decrease(–) in current liabilities		–60,094	–43,438
Cash flow from operating activities		**226,665**	**1,035,432**
Investing activities			
Acquisitions of subsidiaries	3	–301,584	–8,103
Divestment of subsidiaries	3	–34	–
Acquisitions of non-current intangible assets		–428,376	–383,128
Acquisition of property, plant and equipment		–594,140	–613,580
Repayment of loans from Group companies		6,320	–
Divestment of non-current financial assets		–	4
Cash flow from investing activities		**–1,317,814**	**–1,004,807**
Financing activities			
New share issue		6,239,159	–
Share issue expenses[1]		–81,679	–
Redemption of shares		–4,823	–
Issue of warrants		9,848	–
Borrowings		8,575,000	800,000
Amortisation of borrowings		–13,944,541	–354,115
Payment of borrowing costs, including discounts		–107,642	–16,250
Cash flow from financing activities		**685,322**	**429,635**
Cash flow for the year		**–405,827**	**460,260**
Cash and cash equivalents at start of year		1,122,232	661,972
Cash and cash equivalents at year-end		**716,405**	**1,122,232**

1) Share issue expenses amounted to SEK 110,810 thousand before tax, of which SEK 81,679 thousand has been paid.

Parent Company Income Statement

1 January–31 December, SEK thousand	Note	2014	2013
Total revenue	2	7,943	–
Administrative expenses		–15,116	–1
Other operating income		10	–
Other operating expenses	5	–99,563	–
Operating profit	6, 7, 8, 25	**–106,726**	**–1**
Income from financial items			
Income from participations in Group companies		–1,863,100	–315,696
Interest income and similar income items		896,528	315,698
Interest expense and similar income items		–406,339	–
Net financial income and expenses	9, 25, 29	**–1,372,911**	**2**
Result after financial items		**–1,479,637**	**1**
Income taxes	10	–2,282	–
Net result for the year		**–1,481,919**	**1**

Parent Company Statement of Comprehensive Income

1 January–31 December, SEK thousand	2014	2013
Net result for the year	**–1,481,919**	**1**
Other comprehensive income		
Items reclassified or that can be reclassified to profit or loss	–	–
Items that cannot be reclassified to profit or loss	–	–
Other comprehensive income for the year, net of tax	**–**	**–**
Comprehensive income for the year	**–1,481,919**	**1**

Parent Company Balance Sheet

SEK thousand	Note	31 Dec 2014	31 Dec 2013
Assets			
Non-current assets			
Participations in Group companies	30	2,895,745	1,342,037
Receivables from Group companies	13, 24, 29	6,501,375	3,191,441
Non-current financial assets		344	–
Deferred tax assets	10	22,096	–
Total non-current assets		**9,419,560**	**4,533,478**
Current assets			
Receivables from Group companies	13, 24, 29	3,354	–
Prepaid expenses	16	458	–
Other receivables	13, 24	4,275	–
Cash and bank balances	17, 24, 25	130,376	118
Total current assets		**138,463**	**118**
Total assets		**9,558,023**	**4,533,596**
Equity and liabilities			
Shareholders' equity	18		
Restricted equity			
Share capital (207,529,597 shares)		207,530	42,172
Unrestricted equity			
Share premium reserve		10,167,052	4,174,658
Retained earnings		0	–1
Net result for the year		–1,481,919	1
Total shareholders' equity		**8,892,663**	**4,216,830**
Provisions			
Other provisions		434	–
Total other provisions		**434**	**–**
Non-current liabilities			
Non-current liabilities to Group companies	19, 24, 29	228,044	–
Total non-current liabilities		**228,044**	**–**
Current liabilities			
Trade payables	21, 24	34,277	–
Liabilities to Group companies	19, 24, 29	375,351	316,766
Other current liabilities	22, 24	333	–
Accrued expenses	23, 24	26,922	–
Total current liabilities		**436,883**	**316,766**
Total equity and liabilities		**9,558,023**	**4,533,596**
Pledged assets and contingent liabilities	28		
Pledged assets		344	–
Contingent liabilities		3,589	–

Parent Company Statement of Changes in Equity

	Restricted equity	Unrestricted equity		Total
SEK thousand	**Share capital**	**Share premium reserve**	**Retained earnings incl. net result for the year**	**Shareholders' equity**
Opening equity, 1 Jan 2013	**13,415**	**4,203,415**	**–1**	**4,216,829**
Registered new share issue	28,757	–28,757	–	–
Comprehensive income for the year				
Net result for the year	–	–	1	1
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	**–**	**–**	**1**	**1**
Closing equity, 31 Dec 2013	**42,172**	**4,174,658**	**0**	**4,216,830**
Opening equity, 1 Jan 2014	**42,172**	**4,174,658**	**0**	**4,216,830**
Bonus issue	57,841	–57,841	–	–
Comprehensive income for the year				
Net result for the year	–	–	–1,481,919	–1,481,919
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–1,481,919**	**–1,481,919**
Contributions from and value transfers to owners				
New share issue, net of transaction expenses	107,553	6,045,174	–	6,152,727
Premium received from issue of warrants	–	9,848	–	9,848
Redemption of shares	–36	–4,787	–	–4,823
Total transactions with Group's owners	**107,517**	**6,050,235**	**–**	**6,157,752**
Closing equity, 31 Dec 2014	**207,530**	**10,167,052**	**–1,481,919**	**8,892,663**

Proceeds from the new share issue are recognised net of share issue expenses of SEK 86,432 thousand after tax.

Parent Company Cash Flow Statement

1 January–31 December, SEK thousand	Note	2014	2013
Operating activities			
Result after financial items		–1,479,637	1
Adjustment for items not included in cash flow	34	1,376,324	–1
Cash flow from operating activities before changes in working capital	34	**–103,313**	**0**
Change in working capital			
Increase(–)/decrease(+) in current receivables		–7,753	–
Increase(+)/decrease(–) in current liabilities		33,413	–
Cash flow from operating activities		**–77,653**	**–**
Investing activities			
Acquisition of non-current financial assets		–344	–
Shareholders' contributions paid		–5,954,325	–
Cash flow from investing activities		**–5,954,669**	**–**
Financing activities			
New share issue		6,239,159	–
Share issue expenses[1)]		–81,679	–
Redemption of shares		–4,823	–
Issue of warrants		9,848	–
Cash flow from financing activities		**6,162,505**	**–**
Cash flow for the year		**130,183**	**0**
Cash and cash equivalents at start of year		118	118
Cash and cash equivalents received upon merger		75	–
Cash and cash equivalents at year-end		**130,376**	**118**

1) Share issue expenses amounted to SEK 110,810 thousand before tax, of which SEK 81,679 thousand has been paid.

Notes to the financial statements

NOTE 1 ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LEGISLATION

The Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee as endorsed by the EU. Additionally, the Swedish Financial Reporting Board's (RFR) standard RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting principles as the Group except in the cases stated in the "Parent Company accounting policies" section below. The differences between the policies applied by the Parent Company and those applied by the Group are due to restrictions in the Parent Company's ability to apply IFRS as a consequence of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act, and taking account of the link between accounting and taxation.

These annual accounts and consolidated accounts were authorised for issue by the Board of Directors and CEO on 15 April 2015. The consolidated statement of comprehensive income and other comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet are subject to the approval of the AGM on 21 May 2015.

ASSUMPTIONS IN PREPARING THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company's functional currency is the Swedish krona, (SEK), which is also the reporting currency of the Parent Company and the Group. Unless otherwise stated, all amounts are rounded to the nearest thousand. The consolidated financial statements have been prepared on a historical cost basis with the exception of derivative financial instruments, which are measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives measured at fair value through profit and loss.

ESTIMATES AND JUDGMENTS IN THE FINANCIAL STATEMENTS

Preparing the financial statements in accordance with IFRSs requires the company's management to make estimates and judgments, as well as to make assumptions that affect the application of the accounting policies and the recognised amounts for assets, liabilities, income and costs. Estimates and assumptions are based on historical experience and a number of other factors which are considered reasonable in current circumstances. The result of these estimates and assumptions are then used to assess the carrying amounts of those assets and liabilities that are not otherwise clearly evident from other sources. Actual results may differ from these estimates and judgments.

Estimates and assumptions are reviewed on a periodic basis. Changes in estimates are recognised in the accounts for the period in which the change is made if the change only affects that period, or in the period the change is made and in later periods if the change affects current and future periods.

The Group's accounting policies have been consistently applied to all periods presented in these financial statements and when consolidating the Parent Company and subsidiaries.

Assessments made by management in the application of IFRS that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements of the ensuing year are described below.

Impairment testing of goodwill

In accordance with IFRS, goodwill is not amortised but is instead tested for impairment annually or when there is an indication of a need for impairment. This is done by determining the recoverable amounts of cash-generating units to which goodwill is allocated by calculating the value in use. When calculating the value in use, future cash flows are discounted, which includes assumptions of future circumstances. The test for the financial year revealed no need for impairment as the calculated recoverable amounts exceeded the carrying amount at year-end 2014. In the opinion of management and the Board, no reasonably possible changes to one of the relevant key assumptions listed would reduce the recoverable amount to a value that is lower than the carrying amount. A more detailed account is given in Note 11, which also states a carrying amount for goodwill of SEK 10,899m.

CHANGES IN ACCOUNTING POLICIES DUE TO NEW OR AMENDED IFRS

Amended accounting policies applied by the Group from 1 January 2014 are described below. Other new and revised standards and interpretative statements applicable from 1 January 2014, have not resulted in any material effects on the financial statements.

IAS 32 Financial instruments: Classification. The amendment clarifies the rules regarding when financial assets and liabilities may be offset. The change applies to financial years beginning 1 January 2014 or later and is applied retroactively. The company has no financial assets or liabilities that allow offsetting.

IAS 36 Impairment of Assets: The changes relate to a disclosure requirement regarding the recoverable amount that arose in connection with the establishment of IFRS 13. This disclosure requirement has now been removed and the information is only required to be submitted in connection with the impairment of assets. This amendment must be applied from 1 January 2014, but may be applied in advance of this date. This removal of disclosure requirements has been applied in advance.

NEW AND AMENDED IFRS NOT YET APPLIED

A number of new or revised IFRS come into effect during forthcoming financial years and have not been applied in advance when preparing these financial statements. No early application is planned for new or changed principles coming into effect in the future.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. The IASB has now established an entire package of changes regarding the recognition of financial instruments. This package contains a model for the classification and measurement of financial instruments, an "expected loss" impairment model and a significantly revised approach to hedge accounting. IFRS 9 comes into effect on 1 January 2018 and early application of the standard is permitted as the EU is adopting it, which is expected to take place in 2015.

The categories of financial assets in IAS 39 are replaced by two categories, where measurement is at fair value or amortised cost. Amortised cost is used for instruments held in a business model whose objective is to receive contractual cash flows, which will be payments of principal and interest on the principal at a specified date. Other financial assets are reported at fair value and the option to apply the "Fair Value Option" as in IAS 39 is retained. Changes in fair value shall be reported in profit or loss, apart from value changes on equity instruments not held for trading, and for which an initial choice is made to report value changes in other comprehensive income.

The majority of those aspects concerning financial liabilities correspond with the former rules included in IAS 39, except with regard to financial liabilities that are voluntarily, which are measured at fair value according to the "Fair Value Option". For these liabilities, value changes should be divided between changes attributable to the company's own creditworthiness, and changes in reference interest rates, respectively.

The new impairment model will require more regular impairment of "expected credit losses " and these will have to be recognised from the initial recognition of the asset. The new rules on hedge accounting entail, among other things, simplification of effectiveness testing and an extension of permitted hedging instruments and hedged items. The effect of the introduction of IFRS 9 has not yet been specified.

IFRS 15 Revenue from Contracts with Customers. The purpose of a new revenue standard is to have a single principle-based standard for all sectors to replace existing standards and opinions on revenue. Sectors considered to be most affected include companies in the telecom industry. However, all companies will be affected by the new, significantly extended disclosure requirements. There are three alternative methods for adopting this amendment; retrospectively in full (including alleviation rules) and an "accumulated effect method" under which equity is adjusted at 1 January 2017 for current contracts under the old regulations (IAS 11/IAS 18). IFRS 15 comes into effect in January 2017 and early application of the standard is permitted as the EU is adopting it, which is expected to take place in 2015. IFRS 15 replaces all previous standards and interpretations regarding revenue recognition. IFRS 15 uses a five-stage model for revenue recognition that entails a revenue being recognised when the obligation to supply the goods or services promised has been fulfilled; in stage one, the contract is identified; in stage two, the various obligations under the contract are identified; in stage three, the transaction

NOTE 1 CONT.

price is established; in stage four, the transaction price is allocated to the various obligations; and finally in stage five, the revenue is recognised when the respective obligation has been fulfilled. The effect of the introduction of IFRS 15 has not yet been specified.

Other published standards that will be effective from 2015 or later are not expected to affect the Group's consolidated financial statements significantly with the exception of extended disclosure requirements.

OPERATING SEGMENTS

In IFRS 8, Operating Segments, an operating segment is defined as part of a company that conducts business operations and that can generate revenues and expenses; whose operating income is regularly reviewed by the company's highest executive decision-maker as the basis for decision on the allocation of resources and evaluation of earnings and for which stand-alone financial data is available.

The operations of the Group are integrated and constitute a single operating segment that offers bundled services to Consumers (digital television, broadband and fixed telephony), B2B (broadband and telephony) and Landlord (basic television service), in a single market, Sweden. This operating segment also forms the basis for the Group's management structure and structure for internal reporting, which is controlled by the Group's CEO, who has been identified as its chief operating decision-maker. The Group's services offering (digital TV, Broadband and Telephony) can be purchased individually or on a packaged basis. The infrastructure that is the basis for enabling delivery of services to customers is the same for all services. Expenses for distribution (fiber, ducting, etc.) and for operation and servicing of services are collective. Customers connect to services through a single point in their household.

Performance and the business' earnings are evaluated based on a number of established key ratios, of which the principal key ratios in the income statement are total revenue, operating profit/loss (EBIT) and underlying EBITDA (EBITDA excluding impairment losses, non-recurring items and operating currency gains/losses).

The Group has assessed that there is only one operating segment, based on the following assumptions:

- The chief operating decision-maker takes decision based on the financial earnings of the Group as a unit.
- The Group only operates on one geographic market, Sweden.
- The Group has an integrated infrastructure for all services and investments are not allocated to the different services.

CLASSIFICATIONS, ETC.

The Group's and the Parent Company's non-current assets and long-term liabilities primarily comprise amounts that are expected to be recovered or settled subsequent to 12 months from the reporting date. The Group's and the Parent Company's current assets and short-term liabilities primarily comprise amounts expected to be recovered or settled within 12 months of the reporting date.

CONSOLIDATION POLICIES AND BUSINESS COMBINATIONS

Subsidiaries

Subsidiaries are companies over which Com Hem Holding AB has a controlling influence. Controlling influence exists if Com Hem Holding AB has control over an investment object, is exposed or entitled to variable returns on its involvement and can exercise its control of the investment to influence the size of return. In determining whether one company has control over another, potential shares with an entitlement to vote and whether de facto control exists are taken into account.

Subsidiaries are recognised in accordance with the acquisition method. The method entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The fair value of acquired identifiable assets and liabilities assumed and any identified non-controlling interests as of the acquisition date are determined in the acquisition analysis. Transaction expenses, except for those related to the associated issue of equity instruments or debt instruments, are recognised directly in profit or loss.

For business combinations for which payment made, possible non-controlling interests and fair value of previously owned participations (in the event of gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognised separately, the difference is reported as goodwill. When the difference is negative, what is known as a bargain purchase, this is recognised directly in profit or loss for the year.

Payments made in conjunction with the acquisition do not include payments relating to the settlement of previous business relationships. This type of settlement is recognised in profit or loss.

A subsidiary's financial statements are consolidated from the acquisition date until the date that control ceases.

Transactions eliminated on consolidation

Intragroup receivables, liabilities, income and expenses and unrealised gains or losses arising from intragroup transactions between Group companies are eliminated when the consolidated financial statements are prepared.

FOREIGN CURRENCY

Transactions denominated in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Functional currency is the currency in the primary economic environments in which the company operates. Foreign currency monetary assets and liabilities are translated into the functional currency at the respective exchange rate applicable at the reporting date. Exchange rate differences arising from these translations are recognised in profit or loss. Non-monetary assets and liabilities stated at historical acquisition cost are translated at the exchange rate applicable at the time of transaction. Exchange rate differences arising from these translations are recognised in profit or loss. Exchange rate differences on operating receivables and liabilities are included in operating income and differences in financial receivables and liabilities are included in financial items. The Group uses currency forward contracts to reduce its exposure to fluctuations in various exchange rates. Currency forward contracts are recorded at fair value at the reporting date.

REVENUE

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

The company's total revenue consists primarily of services to Consumers (digital television, broadband and fixed telephony), B2B (broadband and telephony) and Landlord (basic television service). Billing of consumers and business customers mainly takes place monthly in advance. Revenues from landlords relating to periodic charges predominantly for basic television service are invoiced largely quarterly in advance and recognised as they are utilised.

Start-up fees and other one-time fees are recognised at the time of sales when the fee relates to costs incurred when a customer signs an agreement. If one-time fees exceed the related costs incurred regarding a customer signing an agreement, the exceeding amount is deferred over the duration of the associated subscription.

Revenue is recognised at the fair value of the consideration received or receivable, net of any discounts given.

OPERATING COSTS

Operating expenses

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

Cost of sales and services

Cost of sales and services includes content expenses, costs for fiber and ducting, call fees for telephony, internet capacity, maintenance and servicing, as well as other production costs. Personnel costs related to field service and other units related to production are also included. Cost of sales and services include depreciation and amortisation of fixed assets related to production.

Selling expenses

Selling expenses relate to costs for sales, product and marketing. Costs for customer service, advertising, telemarketing, sales commissions, bad debt losses and other sales related costs are included, as well as personnel costs related to sales, product and marketing. Selling expenses include depreciation and amortisation of fixed assets related to sales functions.

Administrative expenses

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

OTHER OPERATING INCOME

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

OTHER OPERATING EXPENSES

Other operating expenses include exchange rate losses, losses on the sale of subsidiaries, intangible assets and property, plant and equipment, and transaction expenses in conjunction with business combinations.

NOTE 1 CONT.

LEASING

Operating leasing agreements

Expenses for operating lease arrangements are reported in net result for the year on a straight-line basis over the lease term. Benefits received in conjunction with signing an agreement are recognised in net result for the year as a reduction in lease payments on a straight-line basis over the term of the lease. Variable expenses are expensed in the period they arise.

Finance leases

Minimum lease payments are allocated between interest expense and amortisation of the outstanding liability. Interest expenses are allocated over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability reported in the relevant period. Variable expenses are expensed in the period in which they arise.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income on bank balances and receivables, dividend income, exchange rate differences, interest expenses on borrowings, unrealised and realised gains and losses on derivative instruments used in financing activities.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the rate at which the net present value of all future inward and outward payments during the anticipated interest period is equal to the carrying amount of the receivable or liability. Interest income includes allocated amounts of transaction expenses and potential discounts, premiums and other differences between the original value of the receivable and the amount received at maturity. Interest expenses include allocated amounts of issue expenses and similar direct transaction expenses to raise borrowings.

FINANCIAL INSTRUMENTS

Financial instruments recognised in the balance sheet include cash and cash equivalents, trade receivables, loans receivable and derivatives on the asset side. The liabilities side includes trade payables, borrowings and derivatives. Initially, all financial instruments that are not derivatives are recognised at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments, except those in the category of financial assets and liabilities measured at fair value through profit or loss, which are reported at fair value excluding transaction costs. The classification of a financial instrument determines how it is measured after initial recognition as described below.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the company has performed and a contractual obligation exists for the counterparty to pay, even if the invoice has not been sent. Trade receivables are recognised in the balance sheet when an invoice is sent. Liabilities are recognised when the counterparty has performed under the agreement and the company is contractually obliged to settle the obligation, even if the invoice has not yet been received. Trade payables are recognised when an invoice is received.

A financial asset is derecognised when the contracted rights are realised, expire, or when control of the contractual rights is lost. This also applies to a portion of a financial asset. A financial liability is derecognised when the contracted commitment is discharged, or otherwise expires. This also applies to a portion of a financial liability.

A financial asset and a financial liability are offset and recognised at a net amount in the balance sheet only when there is a legal right to offset the amount and there is an intention to settle the items with a net amount or simultaneously realise the asset and settle the liability.

Acquisitions and divestments of financial assets are reported on the transaction date, which is the date the company undertakes to purchase or sell the asset.

The company evaluates whether there are objective indications that a financial asset or group of financial assets is impaired at each reporting date.

For measurement purposes, financial instruments are allocated to categories pursuant to IAS 39. The category an asset or liability belongs to depends on the purpose of holding and is determined on initial recognition.

The categories are as follows:

Financial assets at fair value through profit or loss

This category comprises two sub-groups: held-for-trading financial assets and other financial assets that the company has initially chosen to classify in this category (according to what is termed the Fair Value Option). Financial instruments in this category are measured at fair value on an ongoing basis, with any change in value recognised in profit or loss. Derivatives with a positive fair value are included in the first sub-group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise when the company supplies funds, goods and services directly to the borrower without the intention of trading in the claim. This category also includes acquired receivables. Assets in this category are measured at amortised cost. Amortised cost is based on the effective interest calculated at the time of acquisition. Trade receivables are reported at the amount expected to be received, i.e. after deducting for doubtful debt.

Financial liabilities at fair value through profit or loss

This category consists of two sub-categories, financial liabilities held for trading and other financial liabilities that the company has recognised this category (the Fair Value Option). For further information see above ''Financial assets at fair value through profit or loss''. Derivatives with negative fair value are included in the first category. Changes in fair value are recognised in net result for the year

Other financial liabilities

Financial liabilities not held for trading are measured at amortised cost. Amortised cost is based on the effective interest calculated when the liability was assumed. This means that surplus and deficit values and other direct issue costs are allocated over the term of the liability.

Cash and cash equivalents

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions.

Derivatives

Derivative instruments comprise forward contracts and swaps utilised to hedge risks of exchange rate fluctuations, and for exposure to interest rate risks. Terms embedded in other contracts are also derivatives. The embedded derivatives should be recognised separately unless they are closely related to the host contract.

Derivative instruments are initially reported at fair value, which means that transaction expenses reduce net result for the period. After the initial recognition, derivative instruments are accounted for as described below. Hedge accounting is not applied. Increases or decreases in the value of derivatives are recognised as income or expenses in operating income or in net finance cost on the basis of the purpose of the use of the derivative and whether such use relates to an operating item or a financial item. When using interest swaps, interest coupons are reported as an interest expense and other value changes on the interest rate swap are reported as a financial income or financial expense.

Foreign currency receivables and liabilities

Currency forward contracts are used to hedge assets or liabilities against currency risk. The hedged item is measured at the price at the reporting date and the hedging instrument is measured at fair value, with value changes recognised in net profit or loss as exchange rate differences. The value changes relating to trade receivables and liabilities are recognised in operating income, while value changes relating to financial receivables and liabilities are recognised in net finance costs.

Impairment of financial assets

At each reporting date, the company evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence consists of observable circumstances that have occurred and have a negative impact on the prospects of recovering the cost.

The recoverable value of assets in the loan receivables and trade receivables categories that are reported at amortised cost is calculated as the present value of future cash flows discounted by the effective interest that is applied on the asset's initial recognition. Assets with a short maturity are not discounted. Impairment losses are recognised as an expense in profit or loss. Trade receivables are classified as doubtful from a collective assessment based on age and potential recovery attempts via debt collection agencies.

Reversal of impairment

Impairment losses for loan receivables and trade receivables that are measured at amortised cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment loss was recognised.

NOTE 1 CONT.

INTANGIBLE ASSETS

Intangible assets are recognised only when the asset is identifiable, there is control over the asset and it is expected to generate future economic benefits.

Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is subject to an annual impairment test.

Acquisition costs for subscriptions

Acquisition costs for subscriptions are recognised as intangible assets, and consist of sales commissions and reseller subsidies for boxes that arise in conjunction with the customer entering a fixed-term agreement. The key condition for this treatment is that the relevant sales commission or subsidy can be associated with an individual customer agreement.

Other intangible assets

Other intangible assets that the Group acquires are measured at cost less accumulated amortisation and impairment losses.

Subsequent costs

Subsequent costs for capitalised intangible assets are recognised as assets in the balance sheet only when they increase the future economic benefits of the asset to which they relate. All other costs are charged to the income statement when incurred.

Amortisation policies

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is subject to impairment tests annually, or whenever there is an indication that the asset is impaired. Intangible assets with finite useful lives are amortised from the date that they are available for use.

Estimated useful lives:	
Customer relationships	7–18 years
Other	
- Capitalised development expenses	3–5 years
- Licenses	3–5 years
- Acquisition costs for subscriptions	1–2 years
- Other intangible assets	3–20 years

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price and expenses directly attributable to bringing the asset to the location and condition for use pursuant to the purpose of the acquisition. Borrowing costs that relate directly to the purchase, construction or production of assets that take significant time to complete for intended use or sale are included in cost. The accounting policies for impairment are stated below.

Property, plant and equipment that comprise components with varying useful lives are considered as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or divestment, or when no future economic benefits are expected from its use or disposal or divestment. Gains or losses that arise from the disposal or divestment of an asset comprise the difference between selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognised as other operating income or other operating expenses.

Subsequent costs

Subsequent costs are added to the cost base of the asset only if it is likely that the future economic benefits associated with the asset will flow to the company, and the cost can be measured reliably. All other subsequent costs are recognised as expense in the period they arise. Whether a charge relates to the exchange of identified components, or parts thereof, is decisive to the judgment of whether an additional charge is added to costs, whereupon such charges are capitalised. Even in cases where new components are constructed, the expense is added to the cost. Potential undepreciated carrying amounts of exchanged components, or parts of components, are retired and expensed in conjunction with replacement. Repairs are expensed when incurred.

Depreciation policies

Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Component depreciation is applied, which means that the estimated useful lives of components form the basis for depreciation.

Estimated useful lives:	
Machinery, equipment	5 years
Computers	3 years
Production facilities	
- Backbone network	10 years
- Equipment in switching centers	5 years
- Residential network	5 years
- PlayOut (transmission stations for TV)	3–5 years
- Telephony equipment	5 years
Customer equipment	
- Modems	3 years
- Set-top-boxes	3–5 years

Capitalised conversion expenses on rented premises are amortised over the rental contract term including a supplement for exercise of extension options. The residual value, depreciation method and useful life of assets are reviewed annually.

INVENTORIES

Inventories consist mainly of equipment for upgrading the Group's cable network.

Inventories are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is calculated by applying the first in first out (FIFO) formula, and includes costs from the acquisition of inventory items and transportation to their current place and condition.

IMPAIRMENT

The Group's recognised assets are reviewed at each reporting date to decide whether there is an indication of impairment. IAS 36 is applied for the impairment of assets other than financial assets (which are recognised according to IAS 39), inventories, plan assets for financing employee benefits and deferred tax assets. For assets exempt from the above, carrying amounts are reviewed according to the relevant standards.

Impairment is recognised when an asset's or cash-generating unit's (group of units) carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in profit or loss. When an impairment is identified for a cash-generating unit (group of units), the impaired amount is primarily assigned to goodwill. After this, a proportional impairment of all other assets included in the unit (group of units) is implemented.

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted by a discount factor that considers risk-free interest and the risk associated with the specific asset.

Reversal of impairment

An impairment of assets included in the application segment of IAS 36 is reversed if there is both an indication that the impairment no longer exists and the assumptions that formed the basis of the calculation of the recoverable amount have changed. However, goodwill impairment is never reversed. Reversals are only conducted to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been reported, with a deduction for the depreciation or amortisation where relevant, if no impairment was applied. Impairment of loan receivables and trade receivables are reported at amortised cost and are reversed if the previous reasons for impairment no longer apply, and full payment is expected from the customer.

EARNINGS PER SHARE

Computation of earnings per share is based on the net profit or loss of the Group attributable to equity holders of the parent and the weighted average number of shares outstanding in the year. See Note 33 Earnings per Share for further information on outstanding warrants.

NOTE 1 CONT.

EMPLOYEE BENEFITS

Defined-contribution pension plans

In defined-contribution plans, the company pays fixed fees to a separate legal entity and has no commitment for additional fees. In such cases, the size of an employee's pension depends on the fees paid by the company into the plan or to an insurance company and the return on capital generated by the fees. Consequently, it is the employee who bears the actuarial risk (of the compensation being lower than expected) and the investment risk (of the invested assets being insufficient to generate the expected compensation). The costs are charged to Group income as earnings are generated.

Defined-benefit plans

In the Group, the pension expense and pension commitment for defined-benefit pension plans is computed using the "Projected Unit Credit Method" individually for each plan. This method allocates the expense for the pension as employees render services for the company that increase their entitlement to future benefits. The company's commitment is computed annually by independent actuaries. The commitment consists of the present value of expected future disbursements. The discount rate applied corresponds to the yield on special mortgage bonds with a maturity corresponding to the average duration of the commitments and currency. The key actuarial assumptions are stated in Note 20. The net of the computed value of the commitments and the fair value of the plan assets is recognised in the balance sheet as a provision. Special employer's contributions form part of the actuarial assumptions and are recognised in the net pension provision, adjusted for any asset limits.

Defined-benefit pension plans may be unfunded or (partly or wholly) funded. In funded plans, assets are separated, mainly in pension funds. These plan assets may only be used to pay benefits pursuant to pension agreements.

Interest on pension liabilities and interest on the associated plan assets are recognised in financial income and expenses. Net interest expense is based on the interest that arises from the discounting of net obligations, i.e. interest on obligations, plan assets and interest on the effect of any asset ceiling. Other components are recognised in operating income.

Revaluation effects comprise actuarial gains and losses, the difference between the actual return on associated plan assets and interest recognised in net finance and any changes in the effect of the asset ceiling (excluding interest recognised in net finance). Revaluation effects are recognised in other comprehensive income.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the lower of the pension plan surplus and the limitation of asset value calculated using the discount rate. The limitation of asset value is based on the present value of future financial benefits in the form of reduced future contributions or a cash refund. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Commitments for old-age and family pensions for salaried employees are underwritten by an insurance policy with Alecta. Pursuant to statement UFR 6 from the Swedish Financial Reporting Board, this is a defined-benefit multi-employer plan. For the financial year 2014, the company does not have access to information that would enable it to report the plan as a defined-benefit plan.

Termination of employment remuneration

Costs associated with termination of employment are only recognised if the company is proven to be under obligation to terminate employment before the normal time through a formal and detailed plan, without any realistic possibility of withdrawal. When remuneration is offered as an incentive to voluntary termination of employment, a cost is posted to accounts if it is probable that the offer will be accepted and the number of employees that are likely to accept the offer can be reliably estimated.

Short-term remuneration

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

Personnel information

The Swedish Annual Accounts Act stipulates additional information compared to IFRS, including information regarding gender differences within the Board of Directors and management. Information on gender statistics is presented based on the Group's gender profile at year-end. Members of the Board refers to Board members of the Parent Company elected by the AGM. Executive management refers to the Executive Management Team, including the CEO.

PROVISIONS

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

INCOME TAXES

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

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

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amounts and taxable values of assets and liabilities. The following temporary differences are not considered: the temporary differences arising from the initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither reported, nor taxable earnings, moreover, temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the near future. The measurement of deferred tax depends on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates or tax regulations enacted or substantively enacted by the reporting date. Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognised to the extent that the company management considers it probable that they can be utilised against taxable profits in subsequent years. The carrying amount of deferred tax assets is reduced when it is no longer considered probable that they can be utilised.

CONTINGENT LIABILITIES

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

STATEMENT OF CASH FLOWS

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

THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation Accounting for Legal Entities, RFR 2. It has also applied the opinions on listed companies, published by the Swedish Financial Reporting Board. RFR 2 entails, in the annual accounts of the legal entity, the Parent Company applying all IFRS and opinions adopted by the EU where possible within the scope of the Annual Accounts Act and taking account of the link between accounting and taxation. The recommendation specifies which exceptions and additions should be made compared with the IFRS.

Differences between the Group's and Parent Company's accounting policies

The differences between the Group's and Parent Company's accounting policies are shown below. The accounting policies shown below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Classifications and presentation

The Parent Company income statement and balance sheet have been prepared in accordance with regulations stipulated in the Annual Accounts Act,

NOTE 1 CONT.

while the statement of comprehensive income, summary of changes in equity and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Cash Flow Statements. The difference from IAS 1 Presentation of Financial Statements, which is applied for the consolidated accounts, mainly concerns reporting of financial income and expenses, fixed assets, equity and the use of provisions in the balance sheet.

Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method. This means that transaction expenses are included in the carrying amount. In the consolidated accounts, transaction expenses attributable to subsidiaries are recognised directly in profit or loss as they are incurred.

Conditional purchase prices are valued based on the likelihood that the purchase price will be paid. Possible changes in the provision/receivable are added to/reduce the cost. In the consolidated accounts, conditional purchase prices are recognised at fair value with changes in value over profit/loss.

Group contributions and shareholder contributions for legal entities

The company applies the main principle of RFR 2 and recognises Group contributions received from subsidiaries as financial revenue in accordance with the same principles as for dividends received. Group contributions received from the Parent Company are recognised directly in the equity of the subsidiary. Group contributions provided to subsidiaries are equated with shareholder's contributions and are recognised as participations in subsidiaries to the extent that no impairment is required.

Mergers

Mergers of wholly owned subsidiaries are recognised in accordance with Swedish Accounting Standards Board recommendation BFNAR 1999:1.

NOTE 2 CATEGORIES OF REVENUE

Operations are integrated and cover one operating segment. Consumer, B2B and Landlord services are delivered to customers in Sweden.

Group **Revenue by service, SEK thousand**	**1 Jan–** **31 Dec 2014**	1 Jan– 31 Dec 2013
Revenue		
Consumer	3,539,573	3,422,707
- of which digital television	*1,737,157*	*1,712,073*
- of which broadband	*1,460,915*	*1,295,606*
- of which telephony	*341,501*	*415,028*
B2B[1)]	222,038	1,868
Landlord	773,850	796,798
Other	225,861	226,529
Total	**4,761,322**	**4,447,902**

[1)] Historically the company has reported B2B revenue as Other Revenue. As of Q2 2014, B2B revenue is reported separately.

RECLASSIFICATION AND PRESENTATION OF REVENUE

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

Parent Company **SEK thousand**	**1 Jan–** **31 Dec 2014**	1 Jan– 31 Dec 2013
Intragroup service assignments	7,943	–
Total	**7,943**	**–**

NOTE 3 ACQUISITIONS OF BUSINESSES

Group

BUSINESS COMBINATIONS 2014

Phonera Företag AB

The acquisition of Phonera Företag AB, including its subsidiaries, all 1,000 shares, was completed on 31 March 2014 and controlling influence over the operations was obtained. Phonera Företag AB has been part of the Group since that date. The acquisition has been recognised by applying the purchase method, and the table below states the acquired fair values. The acquisition was funded through external borrowings and the purchaser's own cash and cash equivalents. No equity instruments were issued in conjunction with the acquisition.

SEK thousand	**Carrying amounts in the Group**
Non-current intangible assets	160,800
Other non-current intangible assets	9,878
Property, plant and equipment	2,803
Other current assets	71,032
Cash and cash equivalents	9,124
Deferred tax liabilities	–35,376
Non-current liabilities	–248
Current liabilities	–64,680
Net identifiable assets	**153,333**
Goodwill	157,375
Purchase price (paid in cash)	**310,708**

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

For the acquisition, the total cash outflow was SEK 301,584 thousand after deducting for acquired cash and cash equivalents of SEK 9,124 thousand. Acquisition-related expenses were SEK 10,631 thousand and have been recognised as other operating expenses in the income statement. SEK 4,633 thousand has been charged to 2013 and SEK 5,998 thousand has been charged to 2014. The acquired company contributed SEK 198,379 thousand in total revenue and SEK 34,243 thousand in operating income from the acquisition date.

If the acquisition had been conducted on 1 January 2014, management estimates that the contribution to consolidated revenue would have been SEK 263,477 thousand and the contribution to operating income would have been SEK 46,001 thousand for 2014.

DISPOSALS

As described above, at the acquisition date, Phonera Företag AB had four subsidiaries that were inactive during the year. These four subsidiaries have been divested and wound up during the year, which had a negative impact of SEK 34 thousand on cash and cash equivalents.

BUSINESS COMBINATIONS 2013

Örnsat, Örnsköldsviks Satellit- och kabel- TV AB

Com Hem AB signed an agreement with Övik Energi AB in December 2012, to acquire Örnsat, Örnsköldsviks Satellit och Kabel TV AB, a local network operator in Örnsköldsvik. Örnsat had approximately 6,000 connected households. The acquisition of all 3,000 shares in Örnsat was completed on 1 March 2013, since when Örnsat has been part of the Group. The acquisition has been recognised by applying the purchase method, and the table below states the acquired fair values. The acquisition was funded solely with the purchaser's own cash and cash equivalents.

SEK thousand	**Carrying amounts in the Group**
Non-current intangible assets	12,266
Financial investment, non-current assets	8
Other current assets	3,994
Cash and cash equivalents	4,600
Deferred tax liabilities	–2,772
Current liabilities	–5,393
Net identifiable assets	**12,703**
Goodwill	–
Purchase price (paid in cash)	**12,703**

NOTE 3 CONT.

In 2013, the acquired company contributed SEK 4,708 thousand to revenue and SEK –243 thousand to operating income, excluding depreciation and amortisation, from the acquisition date.

If the acquisition had been conducted on 1 January 2013 management estimates that the contribution to consolidated revenue would have been SEK 7,271 thousand and the contribution to operating income, excluding depreciation and amortisation, would have been SEK 318 thousand for 2013.

On 26 June 2013 Com Hem AB acquired all customer agreements from Örnsat. In December 2013 Örnsat was merged with its fellow subsidiary Com Hem Acquisition AB.

NOTE 4 OTHER OPERATING INCOME

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Exchange gains on trade receivables/liabilities	1,654	8,175
Recovered trade receivables	6,417	5,874
Other	3,777	11,276
Total	**11,848**	**25,325**

NOTE 5 OTHER OPERATING EXPENSES

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Losses from disposals of non-current assets	–15,107	–15,200
Loss from divestment of subsidiaries	–91	–
Exchange losses on trade receivables/ liabilities	–16,917	–5,826
Acquisition costs	–5,998	–4,633
IPO transaction costs	–99,448	–
Other operating expenses	–116	–2,238
Total	**–137,677**	**–27,897**

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Exchange losses on trade receivables/ liabilities	–115	–
IPO transaction costs	–99,448	–
Total	**–99,563**	**–**

NOTE 6 EMPLOYEES AND PERSONNEL EXPENSES

Group Average number of employees	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Women	323	281
Men	692	563
Total	**1,015**	**844**

The number of employees at year-end was 1,167 (967).

Female members of the Board and Executive Management, %	31 Dec 2014	31 Dec 2013
Board of Directors, excluding trade union representatives	29%	0%
Executive Management	31%	7%

Wages and other compensation, social security expenses and other personnel costs

SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Wages and remuneration	522,715	436,831
Social security expenses	169,056	145,722
Pension expenses	54,191	61,865
Capitalised work by employees	–120,480	–88,922
Other personnel costs	20,423	27,033
Total personnel expenses	**645,905**	**582,529**

Remuneration and other benefits to the Board

SEK thousand	Board fee	Other fees[1]	Total recognised expenses in 2014	Total recognised expenses in 2013[3]
Chairman of the Board				
Andrew Barron, as of 5 May 2014	1,436	–	1,436	–
Nikos Stathopoulos, through 5 May 2014	–	–	–	–
Other Board members				
Anders Nilsson[4], as of 30 April 2014	–	–	–	–
Joachim Jaginder[4]	–	–	–	–
Andrew Barron, through 5 May 2014	–	–	–	–
Nikos Stathopoulos, through 5 May 2014	204	80	284	–
Joachim Ogland	204	70	274	–
Monica Caneman[2], as of 12 May 2014	268	77	345	–
Eva Lindqvist[2], as of 12 May 2014	268	44	312	–
Moritz Von Oheimb Hauenschild, through 12 May 2014	–	–	–	–
Michael Wunderlich, through 12 May 2014	–	–	–	–
Employee representative[3]	174	–	174	150
Total	**2,554**	**271**	**2,825**	**150**

1) Relates to remuneration for work on Board committees.
2) Monica Caneman and Eva Lindqvist have invoiced their fees. Fees received include compensation for social security expenses.
3) With the exception of a preparation fee for employee representatives of SEK 150 thousand, no Board fees were paid to the Board members for 2013.
4) No Board fees were paid to the Board members who receive a salary from the company.

Consolidated outstanding pension obligations to the Board amount to SEK 0 (0).

Remuneration and other benefits to the Executive Management

	1 Jan–31 Dec 2014					
SEK thousand	Fixed remuneration	Variable remuneration[3]	Other remuneration	Other benefits	Pension expenses	Total recognised expense
Chief Executive Officer						
Anders Nilsson[1]	3,636	2,962	–	1,031	677	8,306
Tomas Franzén[2]	1,037	–	–	33	267	1,337
Other Executive Management[4]	25,205	7,667	4,322	1,776	5,735	44,705
Total	**29,878**	**10,629**	**4,322**	**2,840**	**6,679**	**54,348**

NOTE 6 CONT.

SEK thousand	1 Jan–31 Dec 2013 Fixed remuneration	Variable remuneration	Other remuneration	Other benefits	Pension expenses	Total recognised expense
Chief Executive Officer						
Tomas Franzén	4,458	3,294	–	127	1,620	9,499
Other executive management[4]	22,852	4,792	–	1,264	7,363	36,271
Total	**27,310**	**8,086**	**–**	**1,391**	**8,983**	**45,770**

1) Anders Nilsson started work as Group CEO on 7 April 2014.
2) Tomas Franzén ended his work as Group CEO on 24 March 2014.
3) Relates to variable remuneration earned in 2014 to be paid in 2015.
4) 15 (14) positions. Recognised other remuneration relates to remuneration in connection with the termination of employment.

Executive Management consisted of 16 individuals at the end of the financial year. The Group's CEO has been employed by Com Hem Holding AB since May 2014, prior to which the CEO was employed by subsidiary NorCell Sweden Holding 3 AB (publ).

Consolidated outstanding pension obligations to the CEO amounted to SEK 0 (0). When the subsidiary Com Hem AB was part of TeliaSonera AB, the CEO had pension agreements in addition to the ITP plan (supplementary pensions for salaried employees) for the portion of salary exceeding 30 basic amounts, in relation to retirement pensions and family pension. The Group's outstanding pension obligations for these amounted to SEK 2,309 thousand (SEK 2,178 thousand) at year-end.

REMUNERATION PAID TO BOARD MEMBERS, THE CEO AND OTHER EXECUTIVE MANAGEMENT

Guidelines on remuneration to the Executive Management

Guidelines on remuneration to the Executive Management are approved by shareholders at the AGM. The AGM to be held on 21 May 2015 will resolve on guidelines on remuneration to the Executive Management. The remuneration proposed to the AGM is set out in the Corporate Governance Report.

Board members

The remuneration and fees approved for 2014 are described in the table on the previous page. According to the decision of the AGM on 12 May 2014 in Com Hem Holding AB, an annual fee of SEK 350 thousand shall be paid to members of the Board elected by the AGM that do not receive a salary from the company. At the EGM on 3 June 2014, it was resolved that SEK 1,814 thousand would be paid to the Chairman of the Board. It was also resolved that an annual fee of SEK 100 thousand would be paid to the chairman of the Audit Committee and SEK 70 thousand to the other members of the committee who do not receive a salary from the company. In addition, an annual fee of SEK 75 thousand is paid to the chairman of the Board's Remuneration Committee and SEK 50 thousand to the other members of the committee who do not receive a salary from the company. Employee representatives do not receive any board fees beyond a preparation fee.

CEO and other Executive Management

Remuneration to the CEO consists of fixed salary, pension and other customary benefits, as well as bonus. The CEO is entitled to a fixed annual salary of SEK 4,800,000 and an annual targeted bonus corresponding to 75 per cent of the fixed salary. The CEO's contractual pension age is 65. Until the contractual pension age, the company shall pay a monthly provision for the CEO's pension corresponding to 20 per cent of the fixed salary.

Remuneration to other Executive Management consists of fixed salary, pension and other customary benefits, as well as variable remuneration in the form of a bonus of between 15–50 per cent of their fixed salary. The pension for other Executive Management is based on a percentage of the fixed salary or bound by collective agreements, ITP/PRI plans.

Notice period

The Company and CEO have a 12-month mutual notice period. According to the CEO's employment contract, the CEO is not entitled to severance pay if the company terminates his/her employment. However, there is a competition restriction clause which entitles the CEO to a maximum of 60 per cent of the fixed salary per month (subject to reduction for other income) if the CEO does not obtain new work within 12 months of the end of the notice period.

In the event of the company terminating the employment of other Executive Management, a notice period of 6–12 months applies. If he/she terminates the employment, a notice period of 3–12 months applies.

One of the other executive managers is entitled to severance pay corresponding to six months' salary in addition to the notice period in the event of termination of employment by the company.

Remuneration Committee

The task of the Remuneration Committee is to address matters regarding remuneration and other terms of employment for Executive Management. Its work includes preparing proposals for guidelines on the allocation between fixed and variable remuneration and the relationship between earnings and compensation, the principal terms for bonus and incentive schemes, terms for other benefits, pensions, notice of termination and severance pay and preparing proposals for individual compensation packages for Executive Management. The Remuneration Committee is also tasked with monitoring and assessing the outcomes of variable remuneration and how the company adheres to the guidelines adopted by the AGM. In 2014, the members of the Remuneration Committee were Nikos Stathopoulos (chairman), Eva Lindqvist and Joachim Ogland. For 2015, the committee will make proposals on remuneration to the CEO for approval by the Board, and the committee will also assist the CEO in setting remuneration for other Executive Management.

Incentive scheme

The EGM of 3 June 2014, approved two incentive schemes for Executive Management, key personnel and Board members. The scheme comprises a total of 4,949,092 warrants, of which 2,474,546 warrants expire in June 2017 and 2,474,546 warrants expire in June 2018. The options were issued in June 2014 at a market value of SEK 9,848 thousand, which was paid in cash. Each option entitles the holder to subscribe for one share. According to their terms, the warrants that expire in June 2017 may be used to subscribe for shares during the three months before they expire at a subscription price corresponding to SEK 73.08 per share. The warrants that expire in June 2018 may be used to subscribe for shares during the three months before they expire at a subscription price corresponding to SEK 78.94 per share. If a shift in controlling ownership (as defined in the terms of the warrants) occurs during the tenor of the warrants, the warrants may be used immediately to subscribe for new shares at a recalculated subscription price. The company has reserved the right to repurchase warrants if a participant's employment or position in the Group cease or if a participant wishes to reassign the warrants.

Parent Company salaries, other remunerations and social security expenses

Parent Company SEK thousand	**1 Jan–31 Dec 2014** Wages and remuneration	Social security expenses	1 Jan–31 Dec 2013 Wages and remuneration	Social security expenses
Anders Nilsson, Chief Executive Officer	6,273	1,980	–	–
- of which bonuses	*2,962*	*930*	–	–
Pension expenses	640	155	–	–
Board members	2,444	55	–	–
Total	**9,357**	**2,190**	**–**	**–**

During the year, the Parent Company had 1 (0) employee, the CEO, who has been employed by Com Hem Holding AB since May 2014, prior to which the CEO was employed by subsidiary NorCell Sweden Holding 3 AB (publ).

Remuneration to the respective Board member of the Parent Company is the same as the information provided for the Group above, with the exception of information regarding Andrew Barron, who also received a Board fee from subsidiary Com Hem Communications AB of SEK 381 thousand.

NOTE 7 FEES AND REIMBURSEMENTS TO AUDITOR

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
KPMG AB		
Audit assignments	2,600	2,500
Assignments in addition to audit	190	89
Tax consulting	–	30
Other assignments	221	183
Total	**3,011**	**2,802**

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Audit assignments	600	–
Total	**600**	**–**

In addition to the above fees, the auditors received remuneration of SEK 4,500 thousand for assignments relating to the IPO in June 2014.

No audit fee was paid by the Parent Company in 2013. The fee was paid by other companies in the Group.

NOTE 8 OPERATING EXPENSES BY TYPE

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Personnel expenses	–645,906	–582,529
Depreciation and amortisation	–1,438,446	–1,351,666
Cost of sales and services	–1,347,658	–1,245,646
Sales and marketing expenses	–262,953	–267,676
Acquisition costs	–5,998	–4,633
IPO transaction costs	–99,448	–
Other operating expenses	–395,299	–338,710
Total	**–4,195,708**	**–3,790,860**

Other operating costs include consulting fees and IT costs.

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Personnel expenses	–8,494	–
Sales and marketing expenses	–9	–
IPO transaction costs	–99,448	–
Other operating expenses	–6,718	–1
Total	**–114,669**	**–1**

NOTE 9 NET FINANCIAL INCOME AND EXPENSES

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Financial income		
Interest income		
Bank balances	4,246	2,768
Loans and receivables	2,421	2,008
Loan receivables from Group companies	164	254
Plan assets	5,608	4,050
Change in fair value		
Financial liabilities measured at fair value through profit or loss (derivatives)	157,974	140,337
Other financial income	823	29
Total	**171,236**	**149,446**
Financial expenses		
Interest expenses		
Financial liabilities measured at amortised cost[1]	–1,964,130	–1,308,140
Interest coupon on derivatives including redemption charges	–77,642	–100,399
Defined-benefit pension commitments	–10,246	–9,093
Foreign exchange losses, net	–184,013	–252,593
Other financial expenses	–17,330	–16,454
Total	**–2,253,361**	**–1,686,679**
Total net financial income and expenses	**–2,082,125**	**–1,537,233**

1) The item 'Financial liabilities measured at amortised cost' above includes non-recurring expenses regarding deferred borrowing costs of SEK 431,742 thousand relating to the repayment of bank loans and bonds with an original amortisation period of 2018–2019, and a redemption premium for bonds amounting to a total of SEK 507,864 thousand.

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Income from participations in Group companies		
Impairment of participations in Group companies	–1,863,100	–315,696
Total	**–1,863,100**	**–315,696**

Impairment of participations in Group companies took place as a result of shareholder and Group contributions.

SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Interest income and similar income items		
Interest income		
Bank balances	966	1
Loan receivables from Group companies	743,423	315,697
Foreign exchange gains, net	151,357	–
Other financial income	782	–
Total	**896,528**	**315,698**
Interest expenses and similar expense items		
Interest expenses		
Financial liabilities measured at amortised cost[1]	–405,857	–
Other financial expenses	–482	–
Total	**–406,339**	**–**
Total net financial income and expenses	**–1,372,911**	**2**

1) The item 'Financial liabilities measured at amortised cost' for 2014 above includes non-recurring expenses regarding deferred borrowing costs of SEK 68,996 thousand regarding the repayment of bonds with an original amortisation period until 2019, and redemption premiums for bonds amounting to a total of SEK 168,094 thousand. All of these costs are attributable to the subsidiary that merged with the parent, NorCell 1B AB (publ). See Note 35 for further information on this merger.

NOTE 10 INCOME TAXES

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Current tax		
Income taxes for the period	–2,476	–
	–2,476	**–**
Deferred tax		
Deferred tax on capitalised loss carryforward	360,346	–11
Deferred tax relating to temporary differences	107,446	108,812
Total deferred tax	**467,792**	**108,801**
Total recognised tax income in the Group	**465,316**	**108,801**

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Current tax		
Income taxes for the period	–	–
	–	**–**
Deferred tax		
Deferred tax on capitalised loss carryforward	–2,378	–
Deferred tax relating to temporary differences	96	–
Total deferred tax	**–2,282**	**–**
Total reported tax expense in the Parent Company	**–2,282**	**–**

Reconciliation of effective tax

Group SEK thousand	%	1 Jan – 31 Dec 2014	%	1 Jan – 31 Dec 2013
Result before tax		–1,516,511		–880,191
Tax according to the current tax rate for the Parent Company	22.0	333,632	22.0	193,642
Non-taxable income		1		4
Non-deductible expenses		–2,253		–2,891
Utilisation of previously non-capitalised loss carryforwards		134,151		–
Increase in loss carryforwards without corresponding capitalisation of deferred tax		–		–81,664
Deferred tax relating to previous years		–215		–290
Recognised effective tax	**30.7**	**465,316**	**12.4**	**108,801**

Parent Company SEK thousand	%	1 Jan – 31 Dec 2014	%	1 Jan – 31 Dec 2013
Result before tax		–1,479,637		1
Tax according to the current tax rate for the Parent Company	22.0	325,520	22.0	0
Non-taxable income		0		–
Non-deductible expenses		–409,884		–69,453
Tax effect of Group contributions is recognised as an increase in shares in subsidiaries		82,082		69,453
Recognised effective tax	**–0.2**	**–2,282**	**0.0**	**0**

For the 2013 financial year, deferred tax income was only recognised for a small portion of the tax losses that arose during the year. In 2014, deferred tax income was recognised for all losses as the company's management assesses that the loss carryforwards that have arisen can be used against taxable profits in subsequent years.

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Actuarial gains/losses, before tax	–109,805	59,548
Tax attributable to actuarial gains/losses	24,157	–13,100
Total	**–85,648**	**46,448**

DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

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

	31 Dec 2014			31 Dec 2013		
Group SEK thousand	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Non-current intangible assets	8,075	–981,367	–973,292	–	–1,053,412	–1,053,412
Property, plant and equipment	3,694	–7,591	–3,897	3,518	–11,267	–7,749
Trade receivables	1,100	–	1,100	941	–	941
Provisions	48,667	–	48,667	21,034	–	21,034
Financial liabilities	14,579	–	14,579	17,851	–2,339	15,512
Derivatives	–	–8,641	–8,641	26,216	–	26,216
Current liabilities	818	–	818	290	–	290
Tax allocation reserve	–	–1,043	–1,043	–	–	–
Other	19,052	–	19,052	–	–1,716	–1,716
Loss carryforwards	712,797	–	712,797	328,074	–	328,074
Tax receivables/liabilities	**808,782**	**–998,642**	**–189,860**	**397,924**	**–1,068,734**	**–670,810**
Set-off	–808,782	808,782	–	–397,924	397,924	–
Net tax receivables/liabilities	**–**	**–189,860**	**–189,860**	**–**	**–670,810**	**–670,810**

NOTE 10 CONT.

Parent Company SEK thousand	31 Dec 2014 Deferred tax assets	Deferred tax liabilities	Net	31 Dec 2013 Deferred tax assets	Deferred tax liabilities	Net
Provisions	96	–	96	–	–	–
Loss carryforwards	22,000	–	22,000	–	–	–
Net tax receivables/liabilities	**22,096**	**–**	**22,096**	**–**	**–**	**–**

The company management assesses that the recognised tax loss carryforwards can be used against taxable profits in subsequent years.

Change in deferred tax in temporary differences and loss carryforwards

Group SEK thousand	1 Jan 2014	Recognised in profit or loss	Recognised in other comprehensive income	Other[1]	31 Dec 2014
Non-current intangible assets	–1,053,412	118,604	–	–38,484	–973,292
Property, plant and equipment	–7,749	6,960	–	–3,108	–3,897
Trade receivables	941	159	–	–	1,100
Provisions	21,034	3,476	24,157	–	48,667
Financial liabilities	15,512	–7,149	–	6,216	14,579
Derivatives	26,216	–34,857	–	–	–8,641
Current liabilities	290	528	–	–	818
Tax allocation reserve	–	–1,043	–	–	–1,043
Other	–1,716	20,768	–	–	19,052
Loss carryforwards	328,074	360,346	–	24,377	712,797
Total	**–670,810**	**467,792**	**24,157**	**–10,999**	**–189,860**

1) The item 'Non-current intangible assets' in the Other column above refers primarily to deferred income tax liabilities resulting from business combinations. The item 'Loss carryforwards' in the Other column above refers to deferred tax relating to share issue expenses recognised in equity.

SEK thousand	1 Jan 2013	Recognised in profit or loss	Recognised in other comprehensive income	Other	31 Dec 2013
Non-current intangible assets	–1,173,094	126,127	–	–6,445	–1,053,412
Property, plant and equipment	–29,402	27,087	–	–5,434	–7,749
Trade receivables	1,422	–481	–	–	941
Provisions	31,657	2,477	–13,100	–	21,034
Financial liabilities	28,665	–22,333	–	9,180	15,512
Derivatives	56,987	–30,771	–	–	26,216
Current liabilities	288	2	–	–	290
Tax allocation reserve	–	73	–	–73	–
Other	–8,347	6,631	–	–	–1,716
Loss carryforwards	328,085	–11	–	–	328,074
Total	**–763,739**	**108,801**	**–13,100**	**–2,772**	**–670,810**

Parent Company SEK thousand	1 Jan 2014	Recognised in profit or loss	Recognised in other comprehensive income	Other[1]	31 Dec 2014
Provisions	–	96	–	–	96
Loss carryforwards	–	–2,378	–	24,377	22,000
Total	**–**	**–2,282**	**–**	**24,377**	**22,096**

1) The item 'Loss carryforwards' in the Other column above refers to deferred tax relating to share issue expenses recognised in equity.

SEK thousand	1 Jan 2014	Recognised in profit or loss	Recognised in other comprehensive income	Other	31 Dec 2013
Provisions	–	–	–	–	–
Loss carryforwards	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**

Deferred tax assets not recognised

Group SEK thousand	31 Dec 2014	31 Dec 2013
Tax losses	–	134,151
Total	**–**	**134,151**

NOTE 11 NON-CURRENT INTANGIBLE ASSETS

Group SEK thousand	Externally acquired Goodwill	Customer relations[1]	Trademark	Other[3]	Total
Accumulated cost					
At start of year	10,742,121	5,296,000	691,000	1,589,751	18,318,872
Business combinations	157,375	160,800	–	10,461	328,636
Capital expenditure[2]	–	–	–	442,518	442,518
Divestments and disposals	–	–	–	–35,116	–35,116
At year-end 2014	**10,899,496**	**5,456,800**	**691,000**	**2,007,614**	**19,054,910**
Accumulated amortisation and impairment					
At start of year	–	–1,227,783	–	–936,751	–2,164,534
Business combinations	–	–	–	–583	–583
Depreciation for the year	–	–562,909	–	–314,444	–877,353
Divestments and disposals	–	–	–	28,530	28,530
At year-end 2014	**–**	**–1,790,692**	**–**	**–1,223,248**	**–3,013,940**
Carrying amount at year-end 2014[4]	**10,899,496**	**3,666,108**	**691,000**	**784,366**	**16,040,970**

Group SEK thousand	Externally acquired Goodwill	Customer relations[1]	Trademark	Other[3]	Total
Accumulated cost					
At start of year	10,742,121	5,296,000	691,000	1,269,133	17,998,254
Capital expenditure[2]	–	–	–	412,394	412,394
Divestments and disposals	–	–	–	–91,776	–91,776
At year-end 2013	**10,742,121**	**5,296,000**	**691,000**	**1,589,751**	**18,318,872**
Accumulated amortisation and impairment					
At start of year	–	–682,101	–	–803,377	–1,485,478
Depreciation for the year	–	–545,682	–	–218,058	–763,740
Divestments and disposals	–	–	–	84,684	84,684
At year-end 2013	**–**	**–1,227,783**	**–**	**–936,751**	**–2,164,534**
Carrying amount at year-end 2013[4]	**10,742,121**	**4,068,217**	**691,000**	**653,000**	**16,154,338**

1) The remaining amortisation period of the customer relationships is considered to be approximately 5–15 years.
2) Non-current assets funded through finance lease arrangements of SEK 14,131 thousand (SEK 17,026 thousand) are included in capital expenditure, see Note 26.
3) The Other column primarily comprises capitalised development expenses of SEK 1,042,764 thousand (SEK 436,859 thousand) and investments in licenses and acquisition costs for subscriptions totaling SEK 619,160 thousand (SEK 216,141 thousand). Of the total costs of SEK 2,007,614 thousand (SEK 1,589,751 thousand), SEK 1,899,444 thousand (SEK 1,534,690 thousand) are externally acquired and SEK 108,170 thousand (SEK 55,061 thousand) are incurred internally. The Other column also includes customer relationships to a value of SEK 12,266 thousand, attributable to the acquisition of Örnsat, Örnsköldsviks Satellit- och kabel-TV AB in 2013. For further information see Note 3.
4) All Intangible assets, except goodwill and trademark with indefinite useful lives, are amortised. The trademark represents "Com Hem" and the company management is of the opinion that this trademark is to be used for an indefinite period. For further information on depreciation, amortisation and impairment see Note 1.

Amortisation

Amortisation is included in the following lines of the income statement:

SEK thousand	**1 Jan–31 Dec 2014**	1 Jan–31 Dec 2013
Cost of sales and services	195,847	139,970
Selling expenses	681,129	623,662
Administrative expenses	377	108
Total	**877,353**	**763,740**

Impairment testing

For impairment testing, the Group is viewed as a single cash-generating unit. The infrastructure that is the base for supplying the services (digital TV, broadband and fixed telephony) is common for all services. The cost for distribution, operation and service as well as the organisation in place for the delivery is collective for all the services.

The test is based on calculating value in use. The key assumptions are sales growth, changes in EBITDA margin, the discount rate (Weighted Average Cost of Capital) and the growth in terminal value in free cash flows. Value in use consists of the present value of future cash flows. This value is based on cash flow forecasts based on a five-year business plan approved by the Executive Management Team and the Board of Directors.

The forecasts for sales growth are based on estimates of market penetration for each service and estimated market shares over time. This is based partly on external and internal market research and partly on comparisons with other cable TV operators. Estimated ARPU (average revenue per unit) is based partly on Com Hem's product strategies and partly on external information as outlined above. The number of forecast periods is assumed to perpetuity, where cash flows further out than five years are assigned an annual growth rate of 2 per cent (2 per cent). The present value of forecast cash flows has been calculated by applying a discount rate of 9.08 per cent (11.29 per cent) after tax, which corresponds to 11.64 per cent (14.47 per cent) before tax. The IPO during the year and the refinancing of the Group's outstanding loans with more favorable terms has resulted in a lower discount rate than previous years.

The conclusion of the aforementioned impairment test is that the recoverable amount exceeded the carrying amount at year-end. In the opinion of management and the Board no reasonably possible changes of one of the relevant key assumptions listed would reduce the recoverable amount to a value that is lower than the carrying amount.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Group SEK thousand	Production facilities	Customer equipment	Machinery, equipment and computers	Total
Accumulated cost				
At start of year	6,590,263	1,157,235	437,951	8,185,449
Business combinations	3,066	5,558	11,416	20,040
Capital expenditure*	280,006	309,066	19,422	608,494
Divestments and disposals	–143,964	–226,069	–25,612	–395,645
At year-end 2014	**6,729,371**	**1,245,790**	**443,177**	**8,418,338**
Accumulated depreciation and impairment				
At start of year	–5,669,170	–679,714	–373,156	–6,722,040
Business combinations	–3,066	–5,166	–9,005	–17,237
Depreciation for the year	–319,217	–204,413	–37,463	–561,093
Divestments and disposals	139,033	222,421	25,611	387,065
At year-end 2014	**–5,852,420**	**–666,872**	**–394,013**	**–6,913,305**
Carrying amount at year-end 2014	**876,951**	**578,918**	**49,164**	**1,505,033**

SEK thousand	Production facilities	Customer equipment	Machinery, equipment and computers	Total
Accumulated cost				
At start of year	6,458,798	1,019,952	474,538	7,953,288
Capital expenditure*	280,625	334,499	23,186	638,310
Divestments and and disposals	–149,160	–197,216	–59,773	–406,149
At year-end 2013	**6,590,263**	**1,157,235**	**437,951**	**8,185,449**
Accumulated depreciation and impairment				
At start of year	–5,461,671	–685,868	–384,615	–6,532,154
Depreciation for the year	–350,992	–189,133	–47,802	–587,927
Divestments and disposals	143,493	195,287	59,261	398,041
At year-end 2013	**–5,669,170**	**–679,714**	**–373,156**	**–6,722,040**
Carrying amount at year-end 2013	**921,093**	**477,521**	**64,795**	**1,463,409**

* Non-current assets funded through finance lease arrangements of SEK 14,131 thousand (SEK 24,704 thousand) are included in capital expenditure, see Note 26.

Depreciation

Depreciation is included in the following lines of the income statement:

SEK thousand	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cost of sales and services	523,778	540,686
Selling expenses	2,332	4,693
Administrative expenses	34,983	42,548
Total	**561,093**	**587,927**

NOTE 13 NON-CURRENT FINANCIAL ASSETS AND OTHER RECEIVABLES

Group SEK thousand	31 Dec 2014	31 Dec 2013
Non-current financial assets		
Non-current receivables from Group companies	–	6,320
Derivatives	39,281	–
Total	**39,281**	**6,320**

SEK thousand	31 Dec 2014	31 Dec 2013
Other receivables that are current assets		
Receivables, PRI	2,024	1,776
Other receivables	31,741	14,002
Total	**33,765**	**15,778**

Parent Company SEK thousand	31 Dec 2014	31 Dec 2013
Non-current receivables that are non-current assets		
Receivables from Group companies	6,501,375	3,191,441
Total	**6,501,375**	**3,191,441**

SEK thousand	31 Dec 2014	31 Dec 2013
At start of year	3,191,441	2,875,744
Effect of merger	2,653,497	–
Net future and settled receivables	409,589	315,697
Exchange rate differences	246,848	–
Total	**6,501,375**	**3,191,441**

SEK thousand	31 Dec 2014	31 Dec 2013
Other receivables that are current assets		
Receivables from Group companies	3,354	–
Other receivables	4,275	–
Total	**7,629**	**–**

NOTE 14 INVENTORIES

GROUP

Inventories consist primarily of equipment for upgrading the Group's cable network. Impairments amounting to SEK 0 (0) took place during the financial year.

NOTE 15 TRADE RECEIVABLES

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Invoiced receivables	139,275	125,185
Provision for doubtful debts	–5,240	–4,275
Total	**134,035**	**120,910**
Invoiced receivables are due as follows:		
Not overdue	18,195	20,449
1–30 days overdue	108,013	89,633
31–60 days overdue	8,123	5,844
61–90 days overdue	2,799	2,404
91 and more days overdue	2,145	6,855
Total	**139,275**	**125,185**

Change in provision for doubtful trade receivables

SEK thousand	**31 Dec 2014**	31 Dec 2013
Provision for doubtful trade receivables at start of year	–4,275	–6,468
New provisions	–2,541	–2,373
Utilisation of provisions during the period	2,178	5,368
Reversal of unutilised provisions	–602	–802
Total	**–5,240**	**–4,275**

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Prepaid support expenses	39,135	34,546
Prepaid leases	37,268	26,366
Accrued income telephony	40,631	14,494
Other prepaid expenses and accrued income	94,370	28,980
Total	**211,404**	**104,386**

Parent Company **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Other prepaid expenses	458	–
Total	**458**	**–**

NOTE 17 CASH AND CASH EQUIVALENTS

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Cash and bank balances	716,405	1,122,232
Total	**716,405**	**1,122,232**

Parent Company **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Cash and bank balances	130,376	118
Total	**130,376**	**118**

The Group has bank overdraft facilities granted of SEK 125,000 thousand (SEK 125,000 thousand), of which 0 (0) was drawn down as of 31 December 2014. For information on other available credit facilities, see Note 25, Financial Risks and Financial Policy.

The cash and bank balances as at 31 December 2013 included SEK 500,000 thousand held in bank accounts which could only be used for the purposes of financing acquisitions and investment in fixed assets. A part of these funds were used to finance the acquisition of Phonera Företag AB in late March 2014.

NOTE 18 EQUITY

Changes in no. of shares	Class A shares	Class B shares	Preference-shares	Total number of shares
1 Jan 2013	**13,110,717**	**73,490**	**230,455**	**13,414,662**
New share issue	–	–	28,757,463	28,757,463
31 Dec 2013	**13,110,717**	**73,490**	**28,987,918**	**42,172,125**
1 Jan 2014	**13,110,717**	**73,490**	**28,987,918**	**42,172,125**
New share issue	10,469	7,784	5,248	23,501
Redemption of shares	–	–	–36,213	–36,213
Share conversion	29,038,227	–81,274	–28,956,953	–
Bonus issue	57,840,587	–	–	57,840,587
New issue, IPO	97,754,179	–	–	97,754,179
New share issue overallotment	9,775,418	–	–	9,775,418
31 Dec 2014	**207,529,597**	**–**	**–**	**207,529,597**

The company has a total of 4,949,092 warrants issued. See Note 6 Employees and Personnel Expenses for further information on outstanding warrants.

GROUP

Share capital

As at 31 December 2014, registered share capital comprised 207,529,597 shares. The nominal value per share was SEK 1. Each share equals one vote. According to the Articles of Association, share capital shall be a minimum of SEK 100,000,000 and a maximum of SEK 400,000,000.

Other paid-in capital

Refers to equity contributed by the owners. This includes premiums paid in connection with new issues.

Retained earnings including net result for the year

Retained earnings including net result for the year include profit earned in the Parent Company and its subsidiaries.

PARENT COMPANY

Unrestricted equity

Share premium reserve

When shares are issued at a premium, i.e. when more than the nominal is to be paid for the shares, an amount corresponding to the amount received above the nominal value of the shares must be transferred to the share premium reserve.

Retained earnings

Together with retained earnings, net result for the year and the share premium reserve, these comprise total unrestricted equity, i.e. the amount that is available for dividend payments to shareholders.

Dividends

The Board of Directors proposes a dividend of SEK 1 (0) per share, totaling SEK 207,529,597 (0), based on the number of shares outstanding on 31 December 2014. For further information see the appropriation of profits.

NOTE 19 INTEREST-BEARING LIABILITIES

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Non-current liabilities		
Bond loans	4,191,017	8,316,685
Non-current liabilities to credit institutions	5,163,728	5,503,363
Finance lease liabilities[1)]	36,655	37,273
Total	**9,391,400**	**13,857,321**

1) See Note 26 for information.

In 2014 the Group refinanced a significant portion of its outstanding borrowings. The Group has two outstanding bond loans maturing in 2019. A bond listed on Nasdaq Stockholm amounting to SEK 2,500,000 thousand with an

NOTE 19 CONT.

interest rate coupon of 5.25 per cent. The other bond is listed on the Luxembourg exchange and amounts to EUR 186,588 thousand with an interest rate coupon of 10.75 per cent.

At 31 December 2013 the Group had three outstanding bond loans, SEK 3,492,306 thousand maturing in 2018, as well as EUR 287,058 thousand and EUR 282,876 thousand maturing in 2019. During the 2013 financial year the company elected to pay pay-in-kind interest on the bond loan of EUR 282,876 thousand by increasing the nominal amount of the bond. All bonds reported for 2013 are registered on the Luxembourg exchange and had an interest rate coupon of 9.25 per cent, 10.75 per cent and 12.40 per cent, respectively.

Liabilities to credit institutions accrue interest at STIBOR plus a margin of 2.25–2.50 per cent.

SEK thousand	31 Dec 2014	31 Dec 2013
Current liabilities		
Current liabilities to credit institutions	–	263,976
Finance lease liabilities[1]	29,927	43,872
Total	**29,927**	**307,848**

1) See Note 26 for information.

Loan covenants

The loan facilities with credit institutions are conditional on the Group continually satisfying a number of predetermined financial key ratios, referred to as covenants. The covenant for 2014 is consolidated net debt in relation to consolidated underlying rolling twelve month (RTM) EBITDA. At 31 December 2014 and 2013, the conditions had been met.

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

Parent Company SEK thousand	31 Dec 2014	31 Dec 2013
Non-current liabilities		
Non-current liabilities to Group companies	228,044	–
Total	**228,044**	**–**

The company's liabilities to Group companies are subordinate to other financing and carry interest equal to STIBOR plus 3.00 per cent.

SEK thousand	31 Dec 2014	31 Dec 2013
Current liabilities		
Current liabilities to Group companies	375,351	316,766
Total	**375,351**	**316,766**

NOTE 20 PENSION PROVISIONS

Group SEK thousand	31 Dec 2014	31 Dec 2013
Defined-benefit commitments and value of plan assets		
Fully or partly funded commitments		
Present value of defined-benefit commitments	382,338	247,370
Fair value of plan assets	–156,682	–140,192
Total fully or partly funded commitments	**225,656**	**107,178**
Present value of non-funded defined-benefit commitments	8,166	7,183
Net amount on balance sheet (commitments +, assets –)	**233,822**	**114,361**
Net amount is recognised in the following items on the balance sheet:		
Pension provisions	233,822	114,361
Net amount on balance sheet (commitments +, assets –)	**233,822**	**114,361**

DEFINED-BENEFIT PLANS

Overview of defined-benefit plans

Com Hem AB is bound by collective agreements and has pension benefits for all employees under separate pension plans, which are either defined-benefit or defined-contribution plans in accordance with the descriptions below. Phonera Företag AB and iTUX Communication AB are not bound by any collective agreements and pension benefits are based on individual pension agreements.

Com Hem has four separate pension plans for the Group's employees. Three of these are defined-benefit plans:

- *ITP/PRI:* A defined-benefit plan underwritten in Com Hem AB's former Parent Company TeliaSonera's pension fund, generating benefits based on final salary (funded).
- *Management pension:* Pension obligations to former members of senior management pursuant to TeliaSonera's management pension plan (non-funded).
- *Conditional early retirement pension:* Conditional right to early retirement (non-funded).

In addition to defined-benefit plans Com Hem has defined-contribution plans in which premiums are paid on an ongoing basis. The defined-benefit pension plans are exposed to actuarial risks such as longevity risk, currency risk, interest rate risk, and investment risk.

ITP/PRI

For companies utilising the FPG/PRI system, the company's obligation for the ITP (Supplementary Pensions for Salaried Employees) retirement pension plan is recognised as a liability in the balance sheet. PRI Pensionsgaranti's main duty is to calculate the value of pension commitments to be recognised in the balance sheet and to calculate and manage pension disbursements. Companies must take credit insurance with PRI Pensionsgaranti to be able to utilise the FPG/PRI system.

One alternative to provisioning in income statements and balance sheets is to incorporate a fund for pension commitments. Com Hem AB's trust assets are invested in TeliaSonera AB's pension fund, which was incorporated in 1998. Com Hem AB's total deposits to the fund are SEK 73,558 thousand (SEK 73,558 thousand) as of 31 December 2014.

Management pension

During the period when operations were part of TeliaSonera AB, the then CEOs of Com Hem AB had pension agreements over and above the ITP plan for that portion of salary exceeding 30 basic amounts, for retirement pensions and family pensions. Provisioning for obligations over and above the ITP plan is recognised as non-deductible expenses.

Conditional early retirement pension

Some employees have the right to pension before age 65, pursuant to transition rules. This applies to staff who had this right as of 31 December 1991 pursuant to the previous PA 91 central government collective agreement, and that have remained in the same employment as when the transition rules came into effect. TeliaSonera AB has effected provisioning for this expense, and invoiced Com Hem AB quarterly up to and including 5 June 2003 for the associated provisioning of additional vested conditional pension entitlements. Subsequently, Com Hem AB recognises a provision for this expense. The expense is viewed as non-deductible for tax purposes. When early pension is exercised, funds are partly returned from TeliaSonera AB to Com Hem AB, and the remaining is utilised from Com Hem AB's provision.

Changes in the present value of the commitment for defined-benefit plans

Group SEK thousand	ITP/PRI	Management pension	Conditional early retirement pension	Total
Change in pension commitments				
At start of 2014	247,370	1,294	5,889	254,553
Expense for pension benefits earned in the period	9,131	–14	376	9,493
Interest expenses	9,954	51	241	10,246
Pension disbursements	–4,418	–56	–	–4,474
Actuarial gains and losses on amended financial assumptions	122,402	233	546	123,181
Experience adjustments	–2,101	–58	–336	–2,495
At year-end 2014	**382,338**	**1,450**	**6,716**	**390,504**

NOTE 20 CONT.

SEK thousand	ITP/PRI	Manage-ment pension	Condition-al early retirement pension	Total
Change in pension commitments				
At start of 2013	289,154	1,405	6,066	296,625
Expense for pension benefits earned in the period	9,417	–14	–92	9,311
Interest expenses	8,863	42	188	9,093
Pension disbursements	–4,033	–54	–	–4,087
Actuarial gains and losses on amended financial assumptions	–72,238	–162	–399	–72,799
Experience adjustments	16,207	77	126	16,410
At year-end 2013	**247,370**	**1,294**	**5,889**	**254,553**

The present values of the commitments are distributed among members of the plans as follows:

- Active members 47% (44%)
- Former employees 36% (36%)
- Pensioners 17% (20%)

Change in fair value of plan assets

Group SEK thousand	ITP/PRI	Manage-ment pension	Condition-al early retirement pension	Total
Change in fair value of plan assets				
At start of 2014	140,192	–	–	140,192
Interest income recognised in net result	5,608	–	–	5,608
Actuarial gain/loss	10,882	–	–	10,882
At year-end 2014	**156,682**	**–**	**–**	**156,682**

SEK thousand	ITP/PRI	Manage-ment pension	Condition-al early retirement pension	Total
Change in fair value of plan assets				
At start of 2013	132,983	–	–	132,983
Interest income recognised in net result	4,050	–	–	4,050
Actuarial gain/loss	3,159	–	–	3,159
At year-end 2013	**140,192**	**–**	**–**	**140,192**

Com Hem AB's trust assets are invested in TeliaSonera AB's pension fund. The pension fund's capital, except for index-linked bonds, is managed by various asset management companies. Any change in the real interest portfolio is decided by the Board. The pension fund has revised the fund management process in order to achieve a better balance between risk and return. During the year a new Managing Director was appointed with responsibility for the fund's continued development work. Com Hem AB's share of the pension fund is revalued monthly to market value. The market value of Com Hem AB's share of the assets in the pension fund at 31 December 2014 amounted to SEK 156,682 thousand (SEK 140,192 thousand).

The assets in the pension fund are as follows:

%	31 Dec 2014	31 Dec 2013
Equity securities		
Swedish shares	7.2%	8.2%
Global shares	30.7%	24.6%
Interest-bearing securities		
Index-linked bonds	14.5%	22.2%
Mortgage bonds	21.4%	22.4%
Other Swedish fixed-interest securities	12.3%	7.7%
Alternative investments		
Hedge funds	13.3%	14.1%
Private equity	0.6%	0.8%
Total	**100%**	**100%**

Expenses recognised in net result for the year

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Pension expense		
Defined-benefit plans		
Expenses for pensions earned in the period	9,493	9,311
Interest expenses	10,246	9,093
Interest income	–5,608	–4,050
Expense, defined-benefit plans	**14,131**	**14,354**
Expense, defined-contribution plans	44,754	52,608
Special employer's contribution	10,851	13,089
Total expense for post-employment remuneration	**69,736**	**80,051**
Expenses for defined-benefit plans are recognised in the following income statement items:		
Administrative expenses	9,493	9,311
Financial income	–5,608	–4,050
Financial expenses	10,246	9,093
Expense, defined-benefit plans	**14,131**	**14,354**
Actual return on plan assets	**16,489**	**7,210**
Expenses recognised in other comprehensive income		
Revaluations		
Actuarial gain (+)/loss (–)	–120,686	56,389
Difference between actual return and return under the discount rate on plan assets	10,881	3,159
Recognised in other comprehensive income, net	**–109,805**	**59,548**

Actuarial assumptions

The following material actuarial assumptions have been applied to calculate commitments:

Group Weighted average values	31 Dec 2014	31 Dec 2013
Discount rate	2.50%	4.00%
Expected return on plan assets	2.50%	4.00%
Increase in income base amount	3.00%	3.00%
Expected inflation assumption	2.00%	2.00%
Future salary increases	3.00%	3.00%
Termination rate	5.00%	5.00%
Mortality assumption	FFFS[1]	FFFS[1]
Utilisation ratio, conditional pension entitlement	70.00%	70.00%

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

NOTE 20 CONT.

Longevity assumptions are based on published statistics and mortality. Commitments are calculated based on the longevity assumptions in the table below:

31 Dec 2014	ITP/PRI	Management pension	Conditional early retirement pension
Longevity assumptions at age 65 for current pensioners:			
Men	19.6	19.6	19.6
Women	22.8	22.8	22.8
Longevity assumptions at age 65 for current members aged 45:			
Men	21.6	21.6	21.6
Women	24.1	24.1	24.1

31 Dec 2013	ITP/PRI	Management pension	Conditional early retirement pension
Longevity assumptions at age 65 for current pensioners:			
Men	19.6	19.6	19.6
Women	22.8	22.8	22.8
Longevity assumptions at age 65 for current members aged 45:			
Men	21.6	21.6	21.6
Women	24.1	24.1	24.1

Sensitivity analysis

The table below sets out possible changes of actuarial assumptions at the reporting date, holding other assumptions constant, and how these would affect the defined-benefit commitment.

Group **SEK thousand**	Increase	Decrease
Discount rate (1% change)	–70,946	97,302
Expected inflation assumption (1% change)	95,142	–70,815

Financing

At 31 December 2014, the weighted-average duration of the commitment was 24.1 years (21.6 years). The Group's assumption is that SEK 4,684 thousand (SEK 4,454 thousand) will be paid during 2015 to funded and non-funded defined-benefit plans which are recognised as defined-benefit plans.

Obligations associated with the ITP 2 plan for retirement and family pensions for salaried employees in Sweden are underwritten with insurance provided by Alecta. Pursuant to statement UFR 10 from the Financial Reporting Board, the classification of the ITP-plans underwritten by Alecta is a defined-benefit multi-employer plan. For the 2014 financial period, the company has had no access to information regarding its proportionate share of the plan's obligations, assets and costs. Consequently it was not feasible to account for the plan as a defined-benefit plan. The pension plan ITP 2, which is secured through insurance with Alecta, was therefore recognised as a defined-contribution plan. The premiums associated with this defined-benefit retirement and family pension are calculated individually and are dependent upon each individual's salary, previously earned pension, expected remaining service and assumptions regarding interest rates, longevity, operating costs and policyholder tax. Annual fees paid to Alecta amounted to SEK 15.7m (12.9). For 2015, the fee is estimated to be SEK 19.3m.

The collective funding ratio is the market value of Alecta assets as a percentage of insurance commitments and is calculated according to Alecta actuarial methods and assumptions. These are noted to not comply with IAS 19. The collective consolidation level is typically permissible to vary between 125–155 per cent. If the Alecta collective consolidation level is less than 125 per cent or greater than 155 per cent, measures shall be taken in order to create the conditions for the consolidation level to return to a normal range. A low consolidation level can serve as an indication to raise the agreed price for new, and/or the expansion of existing benefits. A high consolidation level can serve as an indication to introduce premium reductions. At the end of 2014, Alecta's surplus in the form of the collective funding ratio was 143 per cent (148 per cent). There is currently no framework in place to handle any deficit that should arise. In the first instance, losses will be borne by Alecta's collective capital and thus will not lead to increased costs through higher contractual premiums. There are no guidelines stipulating how any surpluses or deficits shall be distributed in the settlement of the plan or the company's withdrawal from the plan.

NOTE 21 TRADE PAYABLES

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Outstanding trade payables	482,782	542,532
Revaluation of foreign-currency liabilities	3,448	–252
Total	**486,230**	**542,280**

Parent Company **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Outstanding trade payables	34,277	–
Total	**34,277**	**–**

NOTE 22 OTHER LIABILITIES

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Other non-current liabilities		
Derivatives	–	119,162
Total	**–**	**119,162**

SEK thousand	**31 Dec 2014**	31 Dec 2013
Other current liabilities		
Employee withholding taxes	13,502	11,694
Value-added taxes	67,972	46,523
Other liabilities	9,984	9,504
Total	**91,458**	**67,721**

Parent Company **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Other current liabilities		
Employee withholding taxes	333	–
Total	**333**	**–**

NOTE 23 ACCRUED EXPENSES AND PREPAID INCOME

Group **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Prepaid income	517,016	506,239
Accrued personnel expenses	131,677	92,461
Accrued content expenses	97,689	66,879
Accrued expenses for capitalised noncurrent assets	71,824	115,278
Accrued interest expenses	110,861	234,968
Other accrued expenses	133,010	112,408
Total	**1,062,077**	**1,128,233**

Other accrued expenses consist primarily of production costs and copyright fees.

Parent Company **SEK thousand**	**31 Dec 2014**	31 Dec 2013
Accrued personnel expenses	3,542	–
Other accrued expenses	23,380	–
Total	**26,922**	**–**

NOTE 24 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Fair values and carrying amounts are measured in the balance sheet as follows:

Group SEK thousand	Financial assets at fair value through profit or loss	Loan receivables and trade receivables measured at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Carrying amount	Fair value
31 Dec 2014						
Derivatives	39,281	–	–	–	39,281	39,281
Trade receivables	–	134,035	–	–	134,035	134,035
Accrued income	–	46,409	–	–	46,409	46,409
Other receivables	–	33,765	–	–	33,765	33,765
Cash and cash equivalents	–	716,405	–	–	716,405	716,405
Non-current interest-bearing liabilities, bond loans	–	–	–	–4,191,017	–4,191,017	–4,520,032
Non-current interest-bearing liabilities, credit institutions	–	–	–	–5,200,383	–5,200,383	–5,200,383
Current interest-bearing liabilities	–	–	–	–29,927	–29,927	–29,927
Trade payables	–	–	–	–486,228	–486,228	–486,228
Other current liabilities	–	–	–	–9,985	–9,985	–9,985
Accrued expenses	–	–	–	–485,265	–485,265	–485,265
Total financial assets and liabilities by category	**39,281**	**930,614**	**–**	**–10,402,805**	**–9,432,910**	**–9,761,925**
31 Dec 2013						
Non-current receivables from Group companies	–	6,320	–	–	6,320	6,320
Trade receivables	–	120,910	–	–	120,910	120,910
Accrued income telephony	–	14,494	–	–	14,494	14,494
Other receivables	–	15,778	–	–	15,778	15,778
Cash and cash equivalents	–	1,122,232	–	–	1,122,232	1,122,232
Non-current interest-bearing liabilities, bond loans	–	–	–	–8,316,685	–8,316,685	–8,912,859
Non-current interest-bearing liabilities, credit institutions	–	–	–	–5,540,636	–5,540,636	–5,540,636
Derivatives	–	–	–119,162	–	–119,162	–119,162
Current interest-bearing liabilities	–	–	–	–307,848	–307,848	–307,848
Trade payables	–	–	–	–542,280	–542,280	–542,280
Other current liabilities	–	–	–	–9,504	–9,504	–9,504
Accrued expenses	–	–	–	–583,156	–583,156	–583,156
Total financial assets and liabilities by category	**–**	**1,279,734**	**–119,162**	**–15,300,109**	**–14,139,537**	**–14,735,711**

Parent Company SEK thousand	Financial assets at fair value through profit or loss	Loan receivables and trade receivables measured at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Carrying amount	Fair value
31 Dec 2014						
Non-current receivables from Group companies	–	6,501,375	–	–	6,501,375	6,501,375
Current receivables from Group companies	–	3,354	–	–	3,354	3,354
Other current assets	–	115	–	–	115	115
Cash and cash equivalents	–	130,376	–	–	130,376	130,376
Non-current interest-bearing liabilities to Group companies	–	–	–	–228,044	–228,044	–228,044
Trade payables	–	–	–	–34,277	–34,277	–34,277
Other current liabilities	–	–	–	0	0	0
Current liabilities to Group companies	–	–	–	–375,351	–375,351	–375,351
Accrued expenses	–	–	–	–25,915	–25,915	–25,915
Total financial assets and liabilities by category	**–**	**6,635,220**	**–**	**–663,587**	**5,971,633**	**5,971,633**
31 Dec 2013						
Non-current receivables from Group companies	–	3,191,441	–	–	3,191,441	3,191,441
Cash and cash equivalents	–	118	–	–	118	118
Current liabilities to Group companies	–	–	–	–316,766	–316,766	–316,766
Total financial assets and liabilities by category	**–**	**3,191,559**	**–**	**–316,766**	**2,874,793**	**2,874,793**

NOTE 24 CONT.

FAIR VALUE OF ASSETS AND LIABILITIES

Fair values are based on market values or, in the absence of an active market, derived from an assumed yield curve. The amounts indicated are unrealised and will not necessarily be realised.

Derivative instruments

The fair value of collars, cross currency interest rate swaps and currency forward contracts are based on valuations conducted by intermediary credit institutions, with accuracy tested by discounting estimated future cash flows pursuant to contract terms and maturity dates, and proceeding from market interest rates for similar instruments at the reporting date. The discount rate applied is based at interest rates of similar instruments at the reporting date.

Interest-bearing liabilities

The fair value of financial liabilities that are not derivative instruments is calculated based on future cash flows of the principal and interest discounted to current market interest rates at the reporting date. The fair value of the Group's listed bonds are established based on market price.

Trade receivables and trade payables

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

Fair value hierarchy

The following table illustrates financial instruments measured at fair value by measurement method. Each level is defined as follows:

Level 1

Financial instruments where fair value is determined according to prices quoted on an active marketplace for the same instrument. Such instruments include: shares, bonds and standard options that are actively traded.

Level 2

Financial instruments where fair value is determined on the basis of either direct (as price) or indirect (derived from prices) observable market data that is not included in level 1. Such instruments include: bonds and certain OTC-traded products such as interest rate swaps, currency forwards, collars and shares. The Group has only level 2 instruments comprising collars, cross currency interest rate swap and currency forward contract derivatives. See table below.

Level 3

Financial instruments where fair value is determined on the basis of input data that is not observable on the market. Such instruments include: Unlisted shares and options where the underlying instrument is not priced on an active marketplace.

Group **SEK thousand**	Level 1	Level 2	Level 3	**31 Dec 2014**
Derivatives (collars)	–	–	–	–
Derivatives (cross currency interest rate swaps)	–	39,281	–	39,281
Derivatives (currency forward contracts)	–	–	–	–
Financial liabilities	**–**	**39,281**	**–**	**39,281**

SEK thousand	Level 1	Level 2	Level 3	**31 Dec 2013**
Derivatives (collars)	–	–6,212	–	–6,212
Derivatives (cross currency interest rate swaps)	–	–96,774	–	–96,774
Derivatives (currency forward contracts)	–	–16,176	–	–16,176
Financial liabilities	**–**	**–119,162**	**–**	**–119,162**

Amounts of SEK 158,443 thousand (SEK 139,868 thousand) regarding changes in fair value for derivatives are recognised in the income statement for financial year 2014, of which SEK 157,974 thousand (SEK 140,337 thousand) is recognised in net financial items and SEK 469 thousand (SEK –469 thousand) is recognised in other operating expenses. Hedge accounting is not applied.

NOTE 25 FINANCIAL RISKS AND POLICY

The Group is exposed to various types of financial risk through its daily operating activities.

Financial risk refers to fluctuations in the company's income statement, balance sheet and cash flows resulting from variations in exchange rates, interest levels and credit margins. The Board of Directors has formulated the Group's financial policy for managing financial risks, which sets a framework of guidelines and regulations for financing activities.

Refinancing and liquidity risks

Refinancing risk is defined as the risk of existing lenders being unwilling to renew their outstanding loans or the Group's loans and credit facilities not being sufficient to satisfy the company's need for capital. The policy stipulates that there should be a liquidity reserve of a minimum of SEK 100m as a buffer for unforeseen events. This liquidity reserve consists of cash and cash equivalents, potential short-term financial assets and unutilised confirmed credit facilities.

The liquidity reserve as of 31 December 2014 and 2013 is divided as follows:

SEK thousand	**31 Dec 2014**	31 Dec 2013
Cash and bank balances	716,405	1,122,232
Unutilised credit facilities	595,345	895,345
Total liquidity reserve	**1,311,750**	**2,017,577**

On 22 May 2014, Com Hem entered into a loan agreement, 2014 Senior Facilities Agreement, with a consortium of banks. The facilities available under the 2014 Senior Facilities Agreement comprise a SEK 3,500m term facility, with a final maturity date in 2019 and a SEK 2,000m multi-currency revolving credit facility, with the final maturity date in 2019. The net proceeds from the issue of new shares, together with drawdowns under the 2014 Senior Facilities Agreement, have been used to refinance part of Com Hem's borrowing.

On 26 June 2014 the previous Senior Credit Facilities were refinanced at more attractive terms and with a longer maturity. In connection with the refinancing, Com Hem terminated certain derivative contracts.

On 4 July Com Hem redeemed the Senior PIK Notes in full and 35 per cent of the amount outstanding for the Senior Notes.

On 12 November 2014, the company redeemed the Senior Secured Notes of SEK 3,492m with an interest rate coupon of 9.25 per cent. The redemption was financed with new Senior Secured Notes of SEK 2,500m issued on 23 October 2014 maturing in 2019, together with an new SEK 375m credit facility and use of the existing Revolving Credit Facility. The new Senior Secured Notes have a fixed interest rate coupon of 5.25 per cent and mature in November 2019.

At 31 December 2014 the unutilised Senior Facilities Agreement included a multi-currency Revolving Credit Facility of SEK 2,000,000 thousand, of which SEK 1,529,655 thousand was utilised. In addition to this, an overdraft facility of SEK 125,000 thousand was also available.

At 31 December 2013 the unutilised credit facilities included a loan facility of SEK 500,000 thousand, of which SEK 54,655 thousand was utilised and SEK 125,000 thousand was available as an overdraft facility, as well as SEK 450,000 thousand in the form of a capex facility intended for investments. The cash and bank balances as at 31 December 2013 included SEK 500,000 thousand held in bank accounts which could only be used for the purposes of financing acquisitions and investment in fixed assets. A part of these funds were used to finance the acquisition of Phonera Företag AB.

Liquidity forecasts are prepared regularly as part of the Group's budgeting process. Advance billing is usually utilised, with liabilities normally settled at due date, which has a positive effect on the Group's liquidity. Consumers are usually billed monthly in advance and landlords usually quarterly in advance.

For the Group's interest-bearing borrowings as of 31 December 2014, contracted undiscounted cash flows corresponded to the following expected maturity structure, including repayments, estimated interest payments and derivatives. Translations to SEK of foreign currency amounts have been calculated at current rates of exchange applicable at the end of the reporting period. Forward rates have been used for estimated future interest payments related to instruments with variable interest. In cases where settlement is made on a gross basis (cross currency interest rate swaps and currency forwards), all amounts have been recognised as gross values.

NOTE 25 CONT.

Group

Expected maturities of financial liabilities as of 31 December 2014

SEK thousand	Nominal amount	Within 0–1 years	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Beyond 5 years	Matures
Liabilities to credit institutions	5,225,000	–	–	–	–	5,225,000	–	2019
Bond loans	4,275,475	–	–	–	–	4,275,475	–	2019
Finance lease liabilities	66,582	29,927	23,863	12,519	273	–	–	–
Total interest-bearing liabilities	**9,567,057**	**29,927**	**23,863**	**12,519**	**273**	**9,500,475**	**–**	
Interest payments		466,266	468,899	476,677	496,208	404,224	–	
Cross currency interest rate swaps								
- Liabilities		119,407	40,437	41,704	10,797	–	–	
- Receivables		–102,483	–28,750	–29,214	–7,498	–	–	
Total expected interest payments		**483,190**	**480,586**	**489,167**	**499,507**	**404,224**	**–**	
Net total	**9,567,057**	**513,117**	**504,449**	**501,686**	**499,780**	**9,904,699**	**–**	

The Group terminated most derivative contracts in connection with the refinancing in June 2014.

Expected maturities of financial liabilities as of 31 December 2013

SEK thousand	Nominal amount	Within 0–1 years	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Beyond 5 years	Matures
Liabilities to credit institutions	6,008,209	263,977	401,687	431,856	477,109	4,433,580	–	2017–2018
Bond loans	8,589,130	–	–	–	–	3,492,306	5,096,824	2018–2019
Finance lease liabilities	81,145	43,872	22,325	12,660	2,015	273	–	–
Total interest-bearing liabilities	**14,678,484**	**307,849**	**424,012**	**444,516**	**479,124**	**7,926,159**	**5,096,824**	
Interest payments		930,971	924,184	925,940	924,760	674,247	2,956,556	
Collars								
- Liabilities		3,848	676	–	–	–	–	
- Receivables		–	–	–	–	–	–	
Cross currency interest rate swaps								
- Liabilities		314,975	136,385	63,354	69,830	18,233	–	
- Receivables		–241,964	–101,328	–35,025	–41,209	–11,238	–	
Currency forward contracts								
- Liabilities		187,426	187,426	–	–	–	–	
- Receivables		–182,330	–182,330	–	–	–	–	
Total expected interest payments		**1,012,926**	**965,013**	**954,269**	**953,381**	**681,242**	**2,956,556**	
Net total	**14,678,484**	**1,320,775**	**1,389,025**	**1,398,785**	**1,432,505**	**8,607,401**	**8,053,380**	

Current liabilities (short-term interest-bearing liabilities, trade payables, other current liabilities and accrued expenses) are mostly due within 1 year of the reporting date.

Parent Company

Expected maturities of financial liabilities as of 31 December 2014

SEK thousand	Nominal amount	Within 0–1 years	Within 1–2 years	Within 2–3 years	Within 3–4 years	Within 4–5 years	Beyond 5 years	Matures
Liabilities to Group companies	228,044	–	–	–	–	–	228,044	2019–later
Total	**228,044**	**–**	**–**	**–**	**–**	**–**	**228,044**	

Current liabilities (short-term liabilities to Group companies, trade payables, other current liabilities and accrued expenses) are essentially all due within 1 year of the reporting date.

The Parent Company had no outstanding interest-bearing liabilities at 31 December 2013.

NOTE 25 CONT.

GROUP

Interest rate risks

Interest risk is the risk of changes in interest rates affecting the Group's income statement and balance sheet negatively, which could cause difficulties in meeting the restrictions in loan agreements. The Group previously used interest rate derivative instruments to change the fixed interest period, but these were terminated in connection with the refinancing in June 2014.

Fixed interest structure

The Group's interest expenses would increase by approximately SEK 53m (24) annualised given a 1 per cent increase in interest rates and the same hedging conditions as applied at the reporting date.

SEK thousand	Nominal amount	Net exposure	Distribution, %
2015	5,291,582	5,291,582	55%
2016	–	–	–
2017	–	–	–
2018	–	–	–
2019	4,275,475	4,275,475	45%
Later	–	–	–
Total	**9,567,057**	**9,567,057**	**100%**

Currency risks

Currency risk is the risk that the Group's income statement and balance sheet are negatively affected by fluctuations in exchange rates.

Transaction exposure—operational flows

All the Group's billing is in SEK, as are the majority of the Group's expenses. However, some purchases are denominated in other currencies, and accordingly, to reduce the earnings effect of exchange rates, the Group may hedge contracted currency flows using forward contracts. Currency hedging is typically initiated when the Group enters an agreement that has a minimum exposure of SEK 10m in a foreign currency which must be met in a maximum period of 12 months. Currency hedges are reported at fair value in the balance sheet with value changes recognised in profit or loss. At year-end 2014 there were no (three) transaction-related currency forward contracts, with a fair value of SEK – (SEK –469 thousand).

Exchange rate differences arising in operations are reported in profit or loss and have been allocated between other operating income of SEK 1,654 thousand (SEK 8,175 thousand) and other operating costs of SEK –16,917 thousand (SEK –5,826 thousand).

Transaction exposure by currency

SEK thousand	**1 Jan–31 Dec 2014**		1 Jan–31 Dec 2013	
Currency	Amount	%	Amount	%
EUR	–78,401	13%	–114,039	19%
NOK	–18,520	3%	–21,695	4%
USD	–452,469	78%	–444,353	76%
GBP	–33,266	6%	–5,780	1%
DKK	–12	0%	–13	0%
Total	**–582,668**	**100%**	**–585,880**	**100%**

Consolidated cash flows would decrease by approximately SEK 29m (29) in the period if the Swedish krona had depreciated by 5 per cent against the above currencies assuming the same transaction exposure as in the financial period and assuming no hedging.

Translation exposure—financial items

The Group's translation exposure arises as a result of portions of its financial liabilities being denominated in EUR. At year-end 2014, there were liabilities of EUR 186,588 thousand (EUR 569,934 thousand) in bond loans and EUR – (EUR 303,906 thousand) in liabilities to credit institutions. Currency derivatives are used to reduce translation exposure.

Currency allocation of interest-bearing nominal liabilities, with and without currency derivatives

31 Dec 2014 Liabilities in SEK thousand	Nominal amount	Currency derivatives	Net exposure	Distribution %
Liabilities to credit institutions	5,225,000	–	5,225,000	55%
Bond loans	2,500,000	–	2,500,000	26%
Finance lease liabilities	66,582	–	66,582	1%
Derivatives	–	1,665,213	1,665,213	17%
Total	**7,791,582**	**1,665,213**	**9,456,795**	**99%**

31 Dec 2014 Liabilities in EUR thousand	Nominal amount	Currency derivatives	Net exposure	Distribution %
Bond loans	186,588	–	186,588	19%
Derivatives	–	–175,000	–175,000	18%
Total	**186,588**	**–175,000**	**11,588**	**1%**

31 Dec 2013 Liabilities in SEK thousand	Nominal amount	Currency derivatives	Net exposure	Distribution %
Liabilities to credit institutions	3,290,375	–	3,290,375	22%
Bond loans	3,492,306	–	3,492,306	24%
Finance lease liabilities	81,145	–	81,145	1%
Derivatives	–	2,017,015	2,017,015	14%
Total	**6,863,826**	**2,017,015**	**8,880,841**	**61%**

31 Dec 2013 Liabilities in EUR thousand	Nominal amount	Currency derivatives	Net exposure	Distribution %
Liabilities to credit institutions	303,906	–	303,906	18%
Bond loans	569,934	–	569,934	35%
Derivatives	–	–225,540	–225,540	–14%
Total	**873,840**	**–225,540**	**648,300**	**39%**

If the Swedish krona had appreciated/depreciated by 5 per cent versus the Euro at the reporting date, with all other variables constant, debt would have been SEK 6m (290) higher/lower as a result of gains/losses when translating monetary liabilities. However, the Group measures euro-denominated financial liabilities at the rate on the reporting date without reference to currency derivatives.

Credit risk

Credit risk is the risk that the Group incurs losses due to a counterparty not fulfilling their obligations. The Group's exposure to credit risk is limited because advance billing is used for consumer, B2B and landlord services. Credit assessments are conducted for new customers, and the Group applies an active debt recovery process, which includes the termination of the customer's service if payments are not made. Due to the size of the Group's customer base, there is no concentration of risks on a small number of large customers. Trade receivables are classified as doubtful from a collective assessment based on age and potential recovery attempts via debt collection agencies. Credit losses are small in relation to the Group's operations. The Group's total credit losses in the financial year were 0.4 per cent (0.5 per cent) of revenue.

Capital structure

The company defines capital as interest-bearing liabilities and equity. The company's objective is to have an effective capital structure that takes account of its operational and financial risks, helps maintain the confidence of investors, creditors and the market, and provides a stable basis for the sustainable development of the company's operations, while also ensuring shareholders receive satisfactory returns. The key ratio management and external stakeholders mainly judge capital structure by, is net debt in relation to underlying EBITDA (EBITDA before impairments excluding non-recurring items and operating currency gains/losses). At the end of the period, the Group's net debt totaled

NOTE 25 CONT.

SEK 8,851m (13,582), and the net debt/underlying EBITDA RTM ratio was 3.9x (6.2x). The loan facilities with credit institutions are conditional on the Group satisfying certain levels of net debt in relation to underlying EBITDA.

The Board of Directors has adopted a profit distribution policy whereby the company maintain flexibility to distribute excess funds to shareholders via a dividend or other forms of value transfer, while the company in medium-term may maintain indebtedness in the targeted range of 3.5x–4.0x underlying RTM EBITDA. The Board proposes to the 2015 AGM a dividend of SEK 1 per share and a share buy-back programme of up to SEK 1,000m in the form of a buy-back mandate for the Board during the time until the 2016 AGM. The Board's intention thereafter is to annually propose a share buy-back programme of equivalent size.

At an EGM on 10 March 2015, a decision was taken regarding an voluntary share redemption programme amounting to a maximum of SEK 492m, Applications to redeem shares must be made no later than 21 April 2015.

The Board and Management regularly monitor and analyse the key ratios, which ultimately set the framework for the Group's capital structure.

NOTE 26 LEASING

GROUP

Operating lease arrangements in which the company is the lessee

There are assets used in operations held through operating lease arrangements. Lease payments are included in operating expenses and amounted to SEK 303,625 thousand (SEK 288,123 thousand) for the financial year, of which SEK 28,776 thousand (SEK 29,558 thousand) relates to premises.

The Group's future commitments comprise rental agreements for infrastructure (such as fiber) with Skanova, the Swedish Rail Administration, Ericsson and Stockholm regional ICT network provider Stokab, as well as property leases. None of these contracts imply the transfer of ownership rights at termination of contracts. The contracts for infrastructure contain a fixed cost for current connected households and a variable component for new connections of households. The contracts are indexed annually.

	31 Dec 2014		31 Dec 2013	
Group SEK thousand	Future minimum lease fees	Of which for premises	Future minimum lease fees	Of which for premises
Within 1 year	217,522	36,837	221,098	32,006
1–5 years	496,943	56,790	552,081	85,340
More than 5 years	11,999	–	8,312	–
Total	**726,464**	**93,627**	**781,491**	**117,346**

Finance lease arrangements in which the company is the lessee

There are assets in operations held through finance lease arrangements, which are primarily associated with customer equipment and equipment for switching centers. At 31 December 2014 the carrying amount of these was SEK 65,440 thousand (SEK 80,232 thousand): customer equipment SEK 0 (SEK 13,566 thousand), production facilities of SEK 33,355 thousand (SEK 37,647 thousand) and other non-current intangible assets of SEK 32,085 thousand (SEK 29,019 thousand). For most of the lease arrangements, the assets held can be acquired after 36 months. Future payments in these lease arrangements are due as follows:

	31 Dec 2014		31 Dec 2013	
Group SEK thousand	Minimum lease fee	Nominal value	Minimum lease fee	Nominal value
Within 1 year	29,927	31,540	43,872	46,247
1–5 years	36,655	37,722	37,273	39,004
More than 5 years	–	–	–	–
Total finance lease liabilities	**66,582**	**69,262**	**81,145**	**85,251**
Less interest portion		–2,680		–4,106
Total finance leases	**66,582**	**66,582**	**81,145**	**81,145**

NOTE 27 INVESTMENT COMMITMENTS

The Group has signed agreements to acquire tangible and intangible fixed assets pursuant to the following table. These commitments are expected to be settled in the next financial year.

Group SEK thousand	**31 Dec 2014**	31 Dec 2013
Production facilities	2,764	–
Customer equipment	70,508	66,000
Non-current intangible assets	447	210
Total	**73,719**	**66,210**

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Group SEK thousand	**31 Dec 2014**	31 Dec 2013
Pledged assets		
Trademark	–	691,000
Participations in Group companies	239,187	neg.
Bank guarantee PRI	54,500	54,500
Other bank guarantees	155	155
Total	**293,842**	**745,655**

SEK thousand	**31 Dec 2014**	31 Dec 2013
Contingent liabilities		
Guarantee commitments, FPG/PRI	3,589	3,324
Total	**3,589**	**3,324**

Parent Company SEK thousand	**31 Dec 2014**	31 Dec 2013
Pledged assets		
Endowment insurance	344	–
Total	**344**	**–**

SEK thousand	**31 Dec 2014**	31 Dec 2013
Contingent liabilities		
Guarantee obligations for subsidiaries	3,589	–
Total	**3,589**	**–**

The subsidiary Com Hem AB has taken out credit insurance, with the current policy applicable until 2016, for the PRI Pensionsgaranti (PRI) pension liabilities. Com Hem AB has also pledged assets in the form of a bank guarantee amounting to SEK 54,500 thousand for the pension liabilities. In addition to this, the Parent Company has a guarantee undertaking for the subsidiary's pension liability.

NOTE 29 RELATED PARTIES

GROUP

Relations and transactions with related parties

The Group has related party relationships with the company's owners and with Board members and the Executive Management Team.

As of 31 December 2014 the Group had non-current receivables of SEK – (SEK 6,320 thousand) with the company's former Parent Company NorCell S.à.r.l. (corp. reg. no. B162416).

The Group's interest income includes interest from the company's previous Parent Company of SEK 164 thousand (SEK 254 thousand). All intragroup transactions are on an arm's length basis.

PARENT COMPANY

Relations and transactions with related parties

The Parent Company has related party relationships with the company's owner, subsidiaries and with Board members and the Executive Management Team. The Parent Company's directly and indirectly owned subsidiaries are listed in Note 30.

The company's non-current receivables from subsidiaries amounted to SEK 6,501,375 thousand. These receivables were taken over in conjunction with the merger with wholly owned subsidiary NorCell 1B AB (publ) and amounted in 2013 to SEK 3,191,441 thousand. See Note 35 Merger for further information. The company's non-current liabilities to subsidiaries amounted to SEK 228,044 thousand (–).

In addition to the above-stated receivables and liabilities, the company has current receivables from subsidiaries amounting to SEK 3,354 thousand (–) and current liabilities of SEK 375,351 thousand (SEK 316,766 thousand).

The company's revenues include management fees from subsidiaries amounting to SEK 7,943 thousand (–) and the company's interest income includes interest from subsidiaries of SEK 743,423 thousand (SEK 315,697 thousand). All intragroup transactions are on an arm's length basis.

No related-party transactions took place with persons in senior positions during the financial year except for the information provided in Note 6.

NOTE 30 PARTICIPATIONS IN GROUP COMPANIES

Parent Company SEK thousand	31 Dec 2014	31 Dec 2013
Accumulated cost		
At start of year	1,657,733	1,342,037
Shareholders' contributions paid	5,954,325	–
Group contributions paid	373,100	315,696
Effect of merger	–2,937,792	–
At year-end	**5,047,366**	**1,657,733**
Accumulated impairments		
At start of year	–315,696	–
Impairment of participations in Group companies	–1,863,100	–
Effect of merger	27,175	–315,696
At year-end	**–2,151,621**	**–315,696**
Carrying amount at year-end	**2,895,745**	**1,342,037**

Breakdown of Parent Company's direct and indirect holdings of participations in subsidiaries

Subsidiaries Corporate identity number/ Registered office	No. of shares	Holding %	31 Dec 2014 Carrying amount
NorCell Sweden Holding 2 AB (publ), 556859-4187, Stockholm	600,000	100	2,895,745
NorCell Sweden Holding 3 AB (publ), 556859-4195, Stockholm	600,000	100	–
Com Hem Communications AB, 556689-2104, Stockholm	7,286,446	100	–
Com Hem AB, 556181-8724, Stockholm	50,000	100	–
iTUX Communication AB, 556699-4843, Stockholm	100,000	100	–
Phonera Företag AB, 556434-4397, Malmö	1,000	100	–
Com Hem Acquisition AB, 556940-1788, Stockholm	500	100	–
Total			**2,895,745**

In December 2014 the subsidiary NorCell 1B AB (publ) (corp. reg. no. 556863-3472) was merged with the Parent Company Com Hem Holding AB (corp. reg. no. 556858-6613). See Note 35 Merger for more information about the merger.

NOTE 31 KEY EVENTS AFTER THE CLOSING DATE

Proposal for redemption and repurchase of shares, and dividend

On 10 February 2015 the Board of Directors announced a proposed capital return programme consisting of:

- A proposal to the 2015 AGM for a share buy-back programme of up to SEK 1,000m in the form of a buy-back mandate for the Board during the period until the 2016 AGM. The Board's intention thereafter is to annually propose a share buy-back programme of equivalent size.
- A proposed dividend of SEK 1 per share to be decided by the AGM 2015 AGM.
- A proposal for an voluntary share redemption programme amounting to a maximum of SEK 492m was approved by the EGM on 10 March 2015.

For further information, see separate press release.

Appointment of new CFO

On 10 February 2015 it was announced that Mikael Larsson had been appointed CFO of Com Hem. Mikael Larsson will start his assignment as of 1 May 2015 and will be a member of the Executive Management Team. Mikael Larsson has held the position as CFO of Investment AB Kinnevik since 2001. Mikael Larsson will replace Joachim Jaginder, who has decided to leave Com Hem after six years, and who has therefore also resigned from any duties as a board member.

NOTE 32 DETAILS OF THE PARENT COMPANY

Com Hem Holding AB is a Swedish registered limited company, (corp. reg. no. 556858-6613) with its registered office in Stockholm, Sweden. Com Hem's shares have been listed on Nasdaq Stockholm, Large Cap list, since June 2014. The consolidated accounts are available at Com Hem Holding AB's head office at Fleminggatan 18, 104 20 Stockholm, Sweden.

NOTE 33 EARNINGS PER SHARE

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Basic earnings per share	–6.67	–7.71
Diluted earnings per share	–6.67	–7.71

The above computation of earnings per share is based on the net result and the number of shares as stated below.

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated based on the net result for the year attributable to owners of the Parent Company and the weighted average number of outstanding shares.

SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Net result for the year attributable to shareholders of the Parent Company	–1,051,195	–771,390
Average number of outstanding shares – before dilution	157,482,824	100,012,712
Average number of outstanding shares – after dilution	157,482,824	100,012,712

The average number of shares outstanding for 2013 has been adjusted for the bonus issue carried out in June 2014.

Instruments with potential dilutive effect

At 31 December 2014 Com Hem Holding AB had a total of 4,949,092 warrants outstanding, of which 2,474,546 warrants expire in June 2017 and 2,474,546 warrants expire in June 2018. The exercise price for the warrants expiring in June 2017 is SEK 73.08/share and the exercise price for the warrants expiring in June 2018 is SEK 78.94/share. The exercise price for all warrants exceeded the average share price for the company's ordinary shares in 2014. The warrants are therefore not considered to have a dilutive effect and have been excluded from the calculation of diluted earnings per share. These warrants will result in dilution if the future average share price exceeds the exercise price.

NOTE 34 DISCLOSURES FOR THE STATEMENT OF CASH FLOWS

Adjustment for items not included in cash flow

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Depreciation/amortisation and impairment of assets	1,438,447	1,351,666
Unrealised exchange rate differences	187,707	252,893
Unrealised change in fair value of derivatives	–158,442	–139,868
Change in accrued borrowing costs and discounts	506,564	113,185
Change in accrued interest expense	–124,107	44,792
Capital gain/loss on sale/disposal of non-current assets	14,933	15,200
Capital gain/loss on sale of non-current financial assets	–	4
Capital gain/loss on divestment of subsidiaries	91	–
Pension provisions	9,656	10,267
Other provisions	979	248
Interest not settled with cash, notes	–	285,082
Interest not settled with cash, Group companies	–	–254
Other profit/loss items not settled with cash	–	–2,239
Total	**1,875,828**	**1,930,976**

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Depreciation/amortisation and impairment of assets	1,863,100	315,696
Unrealised exchange rate differences	–22,240	–
Provisions	434	–
Interest not settled with cash, Group companies	–24,970	–315,697
Merged unit's earnings before merger date	–440,068	–
Other profit/loss items not settled with cash	68	–
Total	**1,376,324**	**–1**

Interest received and paid

Group SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Interest received	6,874	5,058
Interest paid	–1,121,547	–966,179

Parent Company SEK thousand	1 Jan– 31 Dec 2014	1 Jan– 31 Dec 2013
Interest received	967	–
Interest paid	–	–

NOTE 35 MERGER

During the year, the wholly owned subsidiary NorCell 1B AB (publ) (corp. reg. no. 556863-3472) merged with the Parent Company. The summary income statement and balance sheet at the date of the merger, 18 December 2014, is set out below. The merger has been recognised in accordance with the Swedish Accounting Standards Board recommendation BFNAR 1999:1.

SEK thousand	1 Jan–18 Dec 2014
Total revenue	–
Operating profit	–557

SEK thousand	18 Dec 2014
Non-current assets	10,350,850
Other current assets	27,870
Cash and cash equivalents	75
Shareholders' equity	6,848,867
Liabilities to Group companies	3,529,928

Proposed appropriation of profits

The profit at the disposal of the annual general meeting is as follows (SEK thousand):

Retained earnings	0
Share premium reserve	10,167,052
Net result for the year	–1,481,919
Total	**8,685,133**

The Board of Directors proposes that the available profit and unrestricted reserves be distributed in the following manner, based on the number of outstanding shares at 31 December 2014 (SEK thousand):

Dividend, 207,529,597 shares * SEK 1	207,530
Brought forward to new account	8,477,603
Of which share premium reserve	*8,477,603*
Total	**8,685,133**

During the year the company provided SEK 373,100 thousand in Group contributions, of which SEK 250,914 thousand was to subsidiaries NorCell Sweden Holding 2 AB (publ) (corp. reg. no. 556859-4187) and SEK 122,186 thousand was to NorCell Sweden Holding 3 AB (publ) (corp. reg. no. 556859-4195).

Details of earnings and financial position in other regards are presented in the income statements and balance sheets and related supplementary disclosures.

VOLUNTARY REDEMPTION OF SHARES FOR REPAYMENT TO SHAREHOLDERS

At the EGM on 10 March 2014, it was decided that the company's share capital would be reduced by up to SEK 6,695 thousand. The share capital can consequently be reduced to a minimum of SEK 200,835 thousand. The reduction in the share capital is to be carried out by means of a voluntary redemption of up to 6,694,503 shares, each with a quota value of SEK 1 for repayment to shareholders. The number of shares can consequently be reduced to a minimum of 200,835,094 shares. One redemption right will be received for every share in the company and 31 redemption rights entitle the holder to the redemption of 1 share in the company. The company will pay SEK 73.50 for each share redeemed. In total, a maximum of SEK 492,046 thousand can be issued as consideration. In order to restore the share capital, the EGM also resolved to increase the share capital by SEK 6,695 thousand through a bonus issue without issuing new shares.

Attestation by the Board and CEO

The Board and CEO declare that the annual accounts were prepared in accordance with generally accepted accounting principles in Sweden and the Group's consolidated accounts were prepared in accordance with the international accounting standards referred to in the European Parliament's and Council's regulation (EG) No. 1606/2002 of 19 July 2002 concerning the application of international accounting standards. The annual accounts and the Group's consolidated accounts provide a true and fair picture of the performance and financial position of the Parent Company and the Group. The Board of Directors' Report for the Parent Company and the Group provides a true and fair picture of the development of the operations, financial position and performance of the Group and the Parent Company and also describes material risks and uncertainties to which the Parent Company and the other companies in the Group are exposed.

Stockholm, 15 April 2015

Andrew Barron
Chairman

Joachim Ogland
Board member

Monica Caneman
Board member

Nicholas Stathopoulos
Board member

Eva Lindqvist
Board member

Marianne Bolin
Employee representative

Tomas Kadura
Employee representative

Anders Nilsson
Board member and Chief Executive Officer

Our audit report was submitted on 15 April 2015
KPMG AB

Thomas Thiel
Authorised Public Accountant

Audit Report

To the annual general meeting of the shareholders in Com Hem Holding AB, corp. reg. no. 556858-6613

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Com Hem Holding AB for the year 2014, with the exception of the corporate governance report on pages 42–51. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 35–84.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of its financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinion does not apply to the corporate governance report pages 42–51. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Com Hem Holding AB for the year 2014. We have also carried out a statutory review of the corporate governance report.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit, and the Board of Directors and the CEO are responsible for administration under the Companies Act and for the corporate governance report on pages 42–51 being prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained as stated above is sufficient and appropriate to provide a basis for our opinions.

In addition, we have read the corporate governance report and based on such reading and our knowledge of the company and the group, we consider that we have a sufficient basis for our opinions. This means that our statutory review of the corporate governance report has a different focus and a substantially smaller scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the director' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

A corporate governance report has been prepared and the statutory information that it contains is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm 15 April 2015

KPMG AB

Thomas Thiel
Authorised Public Accountant

Three-year Group summary

SEKm	2014	2013	2012
Development of key operating metrics			
Homes connected, thousands	1,876	1,817	1,749
Unique consumer subscribers, thousands	876	830	828
Consumer Churn, %	14.2%	16.3%	16.7%
Total consumer RGUs, thousands	1,566	1,482	1,502
Digital television RGUs, thousands	618	597	612
– of which TiVo, thousands	*164*	*38*	–
Broadband RGUs, thousands	612	558	543
Fixed telephony RGUs, thousands	337	327	348
Consumer ARPU, SEK	360	356	362
Revenue and earnings			
Total revenue	4,761	4,448	4,562
Underlying EBITDA	2,262	2,200	2,232
Underlying EBITDA margin, %	47.5%	49.5%	48.9%
EBITDA	2,004	2,009	2,161
EBITDA margin, %	42.1%	45.2%	47.4%
Operating profit (EBIT)	566	657	748
EBIT margin, %	11.9%	14.8%	16.4%
Financial income and expenses	–2,082	–1,537	–1,759
Result after financial items	–1,517	–880	–1,010
Net result for the year	–1,051	–771	–597
Capex[1)]	1,051	1,051	913
Cash flow summary			
Cash flow from operating activities	227	1,035	569
Cash flow from investing activities	–1,318	–1,005	–880
Cash flow from financing activities	685	430	–71
Net change in cash and cash equivalents	–406	460	–383
Cash and cash equivalents at year-end	716	1,122	662
Financial position			
Total assets	18,720	19,021	18,901
Net debt/underlying EBITDA	3.9x	6.2x	5.8x
Shareholders' equity	7,233	2,212	2,937
Per share metrics			
Earnings per share, before/after dilution, SEK	–6.67	–7.71	–8.37
Equity per share, SEK	35	22	41
Average number of outstanding shares[2)]	157,482,824	100,012,712	71,255,249
Number of shares at year-end[2)]	207,529,597	100,012,712	71,255,249
Employees			
Average number of employees	1,015	844	791

1) 2013 includes customer agreements at a cost amounting to SEK 12,266 thousand attributable to business combinations, see Note 11.
2) The number of shares outstanding for 2013 and 2012 has been adjusted for the bonus issue carried out in June 2014.

Definitions

Financial metrics

Capital expenditure (capex): Capital expenditure in fixed tangible and intangible assets, including capital expenditure funded by leasing.

Consumer ARPU: Consumer ARPU is calculated by dividing all digital television, broadband, fixed telephony and other revenue that can be allocated to each consumer service, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of subscribers is calculated as the number of unique residential subscribers on the first day in the respective period plus the number of unique residential subscribers on the last day of the respective period, divided by two.

Earnings per share: Net result for the period attributable to owners of the parent divided by the average number of shares.

EBIT (Operating profit): Revenue less operating expenses.

EBITA margin: EBIT as a percentage of revenue.

EBITDA: Operating profit excluding depreciation and amortisation.

EBITDA margin: EBITDA as a percentage of revenue.

Equity per share: Shareholders' equity divided by the total number of shares.

Landlord ARPU: Landlord ARPU is calculated by dividing the revenue for the respective period by the average number of homes connected for that period and further by the number of months in the period. The average number of homes connected is calculated as the number of homes connected on the first day in the respective period plus the number of homes connected on the last day of the respective period divided by two.

Net debt: Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.

Net debt/Underlying EBITDA: Net debt at the end of the period indicated divided by underlying EBITDA for the last 12 months.

Operating free cash flow: Underlying EBITDA less capex.

Underlying EBITDA: EBITDA before impairments excluding non-recurring items and operating currency gains/losses.

Underlying EBITDA margin: Underlying EBITDA as a percentage of revenue.

Industry terms

Analog: Derived from the word "analogous" which means "similar to" in phone transmission, the signal being transmitted (phone, video or image) is "analogous" to the original signal.

ARPU: Average monthly revenue per user for the referenced period.

Backbone: A backbone refers to the principal data routes between large, interconnected networks.

Bandwidth: The transmission capacity of a communication line or transmission link at any given time. The bandwidth is generally indicated in bits per second.

Bundling: Bundling is a marketing strategy that involves offering several services for sale as one combined service.

Churn: The voluntary or involuntary discontinuance of services by a subscriber.

Consumer Churn: The voluntary or involuntary discontinuance of services by a subscriber.

Digital: The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as phone or music, are encoded digitally by sampling the phone or music analog signals many times a second and assigning a number to each sample.

DOCSIS: Data Over Cable Interface Specification is an international standard that defines the communications and operation support interface requirements for a data over cable system. It permits the addition of high-speed data transfer to an existing cable television system.

DOCSIS 3.0: Next generation of DOCSIS.

HFC: Hybrid fiber-coaxial is a technology used by the cable television industry to provide a variety of services, including analog television, digital television (both standard an high definition), VoD, telephony and high-speed data access using a combination of fiber optics and traditional coaxial cable.

Footprint: Units to which the company can deliver digital services through its HFC cable network, vertical LAN and open LAN.

FTTB: Fiber to the Building. Refers to a broadband network architecture where the optical fiber reaches the boundary of the building, such as the outer wall of a multi-dwelling unit building.

FTTH: Fiber To The House. Refers to a broadband network architecture where the optical fiber reaches the boundary of the living space.

FTTx: A generic term for any broadband network architecture where optical fiber comprises all or part of the local loop.

HD: High definition.

Homes connected: Homes connected represent the number of residential units to which Com Hem provides basic TV services, primarily through long-term contracts with the landlords of MDUs and households connected through third-party communication operator open networks through which consumers can purchase digital services from Com Hem.

IP: Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the Internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.

IP-Centrex: An internet protocol system that provides switching at a central location instead of at the customer's premises.

IP Television (IPTV): Internet Protocol Television is the transmission of television content using IP over a network infrastructure, such as a broadband Internet connection.

LAN: Local Area Network based on Ethernet-based access technology.

Mbt/s: Megabits per second; a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband Internet networks are often indicated in Mbit/s.

MDU: Multi-Dwelling Unit.

MVNO/MVNE: Refers to a mobile virtual network operator or mobile virtual network enabler.

NOC: Network Operation Center.

OTT: Refers to internet-based over the top video and linear TV services.

PVR: Personal Video Recorder.

RGU: Revenue Generating Units. Refer to each subscriber receiving basic or digital cable television, Internet access or telephony services over our network. Thus, one subscriber who receives all three services would be counted as three RGUs.

SDU: Single-dwelling Unit.

SoHo: Single offices Home offices.

SME: Small and Medium Enterprises.

Subscription: Revenue sources, which refer to each customer who subscribes to a digital TV, broadband or telephony service from Com Hem. A customer that has all three services is counted as three subscriptions but one unique customer.

Triple-play: Offering of digital television, broadband Internet and phone services packaged in a bundle.

TV Everywhere: Refers to a concept whereby certain television content (e.g., movies and television shows) is accessible online via a variety of display devices, including personal computers, smartphones, tablets and televisions. TV Everywhere solutions often require that the customer/user prove (or ''authenticate'') that he/she has a subscription to a multiservice operator.

Unique subscribers: Unique subscribers represent the number of individual end-users who have subscribed for one or more of our digital services. Com Hem refer to the end-users receiving Com Hem's products and services directly through our network as unique subscribers even if the billing relationship for that end-user is with the end-user's landlord or housing association.

Vertical LAN: A LAN that is usually built and controlled by an individual operator with an exclusive right to provide its services to end-customers.

VoD: Video on Demand is the transmission of digital video data on demand, by either streaming data or allowing data to be downloaded over a broadband connection.

VoIP: Voice over IP.

WiFi: Wireless LAN.

xDSL: Digital Subscriber Line is a generic name for a range of digital technologies relating to the transmission of Internet and data signals from the telecommunication service provider's central office to the end customer's premises over the standard copper wire used for voice services.

Open LAN: A LAN, which is most commonly managed by a communications operator and characterised by third-party ownership and by various service providers. The service providers offer their services directly to end customers.

Com Hem's history

1983

Com Hem founded
Com Hem founded by Televerket, the former Swedish state telephone monopoly and predecessor of Telia.

1992

Svenska Kabel-TV
The television division established as a separate subsidiary of Telia. Renamed Com Hem in 1999.

1997

Digital television
Svenska Kabel-TV AB launched digital television.

1999

Com Hem
High-speed broadband services launched.

2003

EQT new owner
Com Hem acquired by the Swedish private equity firm EQT in June.

2004

Fixed-telephony
Cable based fixed-telephony services launched.

2006

Com Hem and UPC Sweden
Com Hem is acquired by The Carlyle Group and Providence Equity Partners in January. The Carlyle Group and Providence Equity Partners acquire UPC Sweden. The two companies are integrated under the Com Hem brand.

2011

BC Partners acquires Com Hem
BC Partners Limited and certain members of existing and former management acquire Com Hem.

2013

Phonera is acquired
High-speed broadband and fixed-telephony services to Single office/Home office business customers are launched. The B2B focus is accelerated and expanded by the acquisition of Phonera Företag AB.

2013

TiVo launched
Com Hem's new digital television service TiVo commercially launched.

2014

New management and listing on Nasdaq Stockholm
New management is appointed with Anders Nilsson as CEO and Jon James as COO. Com Hem's shares are listed on Nasdaq Stockholm in June, Large Cap list.

Shareholder information

Annual general meeting 2015

Com Hem's annual general meeting (AGM) will be held on Thursday, 21 May 2015, at 4 p.m. at Lundqvist & Lindqvist Konferens, Klarabergsviadukten 90 in Stockholm. Registration at the AGM starts at 3 p.m.

PARTICIPATION

Shareholders who wish to participate in the AGM must:

- be registered in the shareholder register maintained by Euroclear AB on Friday, 15 May 2015.
- give notice of attendance to the company at www.comhemgroup.com/agm2015, by telephone to +46 (0)8-402 92 48 or by post to Com Hem Holding AB, c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden, by no later than Friday, 15 May 2015

When applying, shareholders must state their name, personal ID or corporate identity number, address and telephone number and registered shareholding, and, where applicable, information about proxies and assistants.

If shareholders are participating by proxy, this must be indicated in writing. The application must signed and dated. An original copy of the letter granting proxy authorisation must be submitted to Com Hem Holding AB well in advance of the AGM. The proxy form is available at www.comhemgroup.com/agm2015. Representatives of legal entities must also submit a certified copy of the certificate of incorporation or equivalent authorisation documentation.

Shareholders must bring to the AGM the admission pass that will be sent before the AGM to those shareholders who have applied. The admission pass must be shown upon entry to the AGM premises. If a shareholder does not have an admission pass, a new admission pass can be issued at the registration desk upon proof of identification.

The notice convening the AGM and other information is available at www.comhemgroup.com/agm2015 no later than four weeks before the meeting.

SHARES REGISTERED IN THE NAME OF A TRUSTEE

In order to be entitled to participate at the AGM, shareholders who have their shares registered in the name of a trustee must have temporarily re-registered their shares in the own name with Euroclear Sweden AB by no later than Friday, 15 May. A request to register the share's in one's own name must be submitted to the trustee well in advance of this date.

Financial information 2015–2016

Interim Report January–March 2015	**6 May 2015**
AGM, Stockholm	**21 May 2015**
Interim Report January–June 2015	**14 July 2015**
Interim Report January–September 2015	**3 November 2015**
Year-end Report January–December 2015	**9 February 2016**

DISTRIBUTION POLICY
Hard copies of the annual report are sent upon request and can be ordered by e-mailing investor.relations@comhem.com.

SUBSCRIBE TO NEWS AND REPORTS
Follow Com Hem by subscribing to press releases and financial reports by e-mail. Register at www.comhemgroup.com.

IR CONTACTS:
Petra von Rohr
Tel. +46 734 39 06 54

Carolina Haglund Strömlid
Tel. +46 708 80 71 73

investor.relations@comhem.com

PRODUCTION: COM HEM IN COLLABORATION WITH FOGEL & PARTNERS, ADDIRA AND SJÖ&BERG PHOTO: URBAN JÖRÉN PRINTING: ÅTTA45, SOLNA 2015

Com Hem Holding AB

Box 8093, SE-104 20 Stockholm, Sweden
Visiting address: Fleminggatan 18
Tel. +46 8 553 630 00
Corporate identity number: 556858-6613

www.comhemgroup.com

Contact customer service
Tel. 90 222