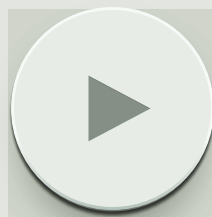


# COM HEM



INTERIM REPORT  
Q2 2016

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# INTERIM REPORT JANUARY-JUNE 2016

## COM HEM ADDS NEXT MAJOR GROWTH DRIVER

### SECOND QUARTER SUMMARY 2016

#### Our consumer growth continues steadily:

- Number of unique consumer subscribers rose by 6,000 to record high 926,000.
- Consumer churn rate of 13.1%, 0.8p.p. decrease from Q1 2016.
- Record high consumer ARPU of 369 SEK.
- Continued strong volume growth in broadband, up 10,000 to 679,000 RGUs.
- Digital-TV RGU's totalled 636,000, with a continued growth of 4,000 TiVo customers (penetration rate of 37%).

**B2B** continued to grow with 1,000 unique OnNet customers to a total of 18,000.

**Expansion into the Swedish SDU market and acquisition of Boxer Sweden** communicated in June as next major growth driver, see further page 5.

- Expected to expand footprint by 40%, or 800,000 households, in coming years (homes passed).
- Boxer adds 500,000 new customers, primarily in SDUs.
- Acquisition expected to add SEK 300m in Underlying EBITDA annually from 2017.
- Com Hem becomes a national operator with more than 1.4 million customers.

**Revenue** totalled SEK 1,300m (1,246 in Q2 2015), up 4.3%.

**Operating profit (EBIT)** increased by 5.5% to SEK 192m (182).

**Underlying EBITDA** increased by 4.1% to SEK 607m (583).

**Operating free cash flow** increased by 23.0% reaching SEK 409m (333) as a result of improved Underlying EBITDA and lower investments compared to Q2 last year.

**Net result** for the period almost doubled and amounted to SEK 82m (42).

**Earnings per share** increased to SEK 0.43 (0.20).

**In the quarter** total shareholder remuneration amounted to SEK 385m with unchanged leverage, including SEK 96m of buybacks and a dividend payout of SEK 1.50/share. Com Hem cancelled treasury shares amounting to 6.7% of registered number of shares.

**Issue of SEK 1,750m Senior Unsecured Notes** extending maturity of debt portfolio at attractive interest rate.

#### Financial key metrics<sup>1)</sup>

	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
Revenue, SEKm	1,300	1,246	4.3%	2,576	2,474	4.1%	5,000
Underlying EBITDA, SEKm	607	583	4.1%	1,210	1,160	4.3%	2,346
Underlying EBITDA margin, %	46.7	46.8	-0.1 p.p.	47.0	46.9	0.1 p.p.	46.9
EBITDA, SEKm	589	571	3.1%	1,189	1,108	7.3%	2,269
Operating profit (EBIT), SEKm	192	182	5.5%	396	343	15.6%	724
Net result for the period, SEKm	82	42	94.5%	177	82	115.6%	92
Earnings per share, SEK	0.43	0.20	108.4%	0.91	0.40	130.2%	0.45
Capex, SEKm	198	250	-21.0%	407	513	-20.7%	991
Capex as % of revenue	15.2	20.1	-4.9 p.p.	15.8	20.8	-4.9 p.p.	19.8
Operating free cash flow, SEKm	409	333	23.0%	803	647	24.2%	1,355
Net debt at end of period, SEKm	9,026	8,896	1.5%	9,026	8,896	1.5%	9,030
Net debt/Underlying EBITDA LTM, multiple	3.8x	3.8x	-0.1x	3.8x	3.8x	-0.1x	3.8x

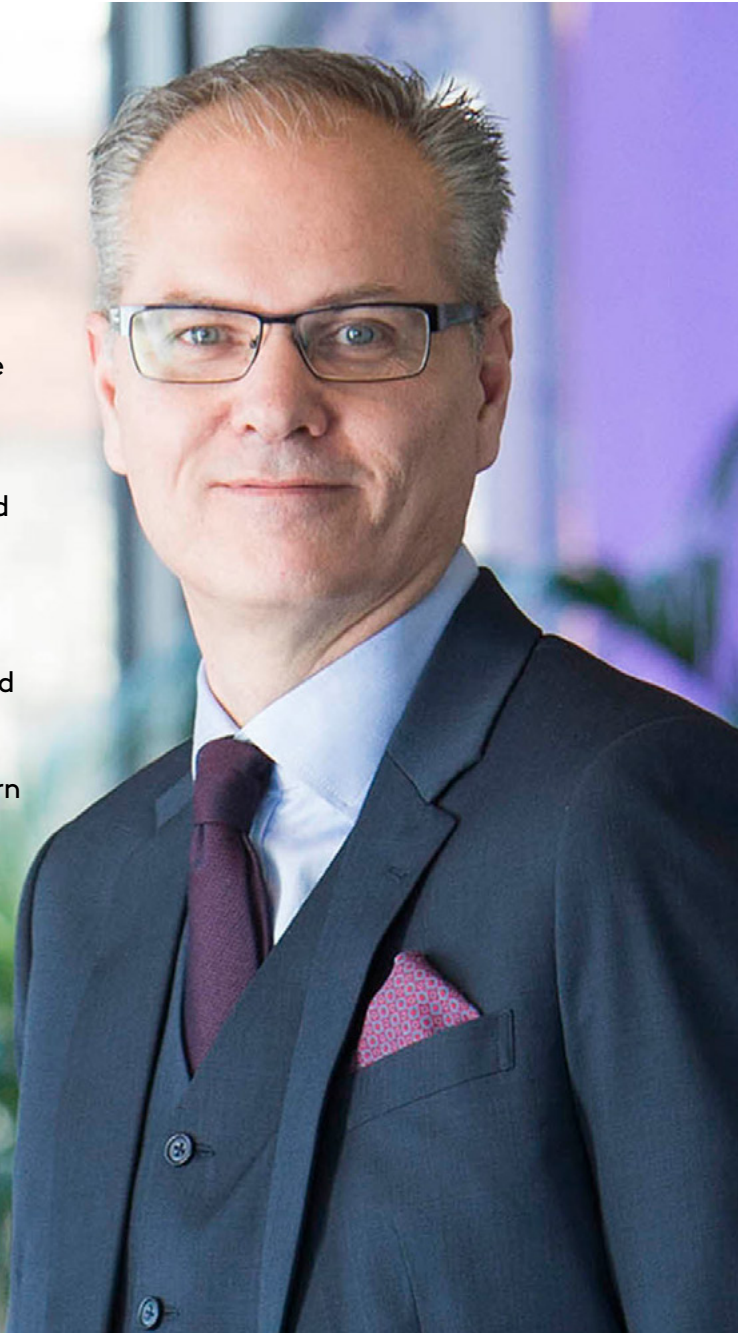
<sup>1)</sup> See page 18 for definitions.

The figures in this report refer to the second quarter of 2016 unless otherwise stated. Figures in brackets refer to the corresponding period last year.

## RECORD HIGH CONSUMER ARPU DRIVES STRONG CASH FLOW GENERATION

Com Hem continued to deliver strong results in the second quarter providing further confidence in our growth strategy. The second quarter saw the full impact of the recent price adjustments with consumer ARPU rising to record high SEK 369 from SEK 364 in Q1 2016. We are also pleased to see the consumer churn rate return toward its previous downward trajectory, now at 13.1%, compared to 13.9% in the first quarter.

The Com Hem brand has been strengthened and rejuvenated within both DTV and broadband since the launch of our rebranding campaign in April. We see our public image moving in a positive direction: onward toward a more modern company and upward toward higher quality.



” Customer satisfaction remains our main operational focus which in this quarter led to an increased consumer customer base growing by 6,000 and a continued strong broadband growth of 10,000 RGUs. DTV subscribers increased by 1,000 in the quarter, and our TiVo base grew by 4,000 customers reaching 37% of our total DTV base. The number of telephony subscribers dropped by 14,000 following price adjustments.

Consumer churn decreased by 0.8 p.p. compared to Q1 and was 13.1% in the quarter, now only 0.2 p.p. higher than the record low churn of 12.9% we recorded for both Q3 and Q4 2015. We expect the churn rate to continue trending downward somewhat over time as we improve customer satisfaction.

As expected, the implementation of this year's price adjustments was well received and drove a SEK 6 uptick in consumer ARPU (average monthly revenue per user) to SEK 369 in the

quarter. In total, over half of our customers were affected by the price adjustments which on average were somewhat larger than 2015. We continued to focus on the elimination of discounts, rather than raising front book prices, and left the prices of our most popular broadband and TiVo services unchanged.

Demand for our high speed broadband continued to be strong in the quarter, with more than 80% of new broadband subscribers choosing speeds of 100 Mbit/s and above. This brought average speeds in the base up to 129 Mbit/s, compared to 104 Mbit/s a year ago.

Com Hem's fibreCoax infrastructure continues to deliver the fastest average download speed amongst our peers according to external tests by Bredbandskollen, Netflix Speed Index and Google Video Index.

During the quarter we have also past the milestone of 2 million connected households, by adding almost 60,000 new households

during the quarter and compared to last year, we have increased our footprint with 6%, or 115,000 households.

Within B2B our focus remains on growing the high-margin OnNet business, while we see a structural decline in the OffNet legacy fixed telco business. During the quarter we added 1,000 new OnNet B2B customers, and compared to last year the OnNet B2B customer base have grown with over 40%.

#### **Continued growth resulting in strong cash flow generation**

Revenue grew by 4.3% compared to the second quarter 2015, driven by a 6.0% growth in our consumer business and a 3.9% growth in B2B, partly offset by a decline of 3.2% in the network operator business. Underlying EBITDA grew by 4.1% to SEK 607m, with an Underlying EBITDA margin of 46.7%.

Capex amounted to SEK 198m in the quarter compared to SEK 250m in the second quarter 2015. The decrease is explained by a combination of a frontloaded investment cycle in 2015 and 2016 investment phasing which is more weighted towards the second half of the year where we, among other things, will focus investments on extending our own backbone and over time reduce the portion of leased fibre capacity in the network. The lower capex level is also partly due to a decline in CPE (customer premises equipment) investments and capitalised sales commissions as a result of a shift in growth, from purely volume-driven growth to a combination of volume and price-driven growth. Together, Underlying EBITDA growth and lower capex than last year led to continued strong operating free cash flow, which grew by 23% to SEK 409m.

In June, Com Hem issued SEK 1,750m Senior Unsecured Notes, successfully extending the maturity of the debt portfolio at attractive interest rates. Including the new notes, the average interest rate of the Group's debt portfolio is expected to remain at approximately 3% given current market interest rates.

Our strong equity free cash flow allowed us to continue executing on our share buyback program. In June 2016, 13,769,357 shares that had been repurchased since the 2015 Annual General Meeting were cancelled representing 6.7% of registered number of shares. In the quarter we repurchased 1,347,273 shares, representing 0.7% of the total number of registered shares as at June 30, for SEK 96m while remaining within our leverage target. The 2016 Annual General Meeting resolved to distribute a dividend of SEK 1.50 per

share for the 2015 financial year which was paid in the end of May, and to renew the mandate to the board to repurchase up to 10% of the total number of shares.

#### **Focus for the upcoming quarters**

Following successful trials, we did in June decide to expand into the single dwelling unit ("SDU") market in Sweden and we expect to be able to reach additional 800,000 SDUs via fibre (homes passed) over the coming years. Our ambition is to make the SDU market the next major growth pillar for Com Hem turning the company into a true national operator in broadband- and TV-services.

To boost this expansion Com Hem has entered into an agreement to acquire the Swedish digital terrestrial pay television operator Boxer TV-Access AB. The acquisition of Boxer is a significant opportunity for Com Hem and is expected to generate approximately SEK 300m in additional Underlying EBITDA and an annual operating free cash flow of approximately SEK 200m to the Com Hem Group. Boxer's approximately 500,000 DTV customer base is primarily situated in the SDU market, and will to a large extent be passed by fibre over the coming years.

We are working to obtain all necessary approvals for the Boxer transaction which is expected to close in the second half of 2016. We have already started planning the process of integration and we are confident that Boxer will be a great fit for the Com Hem portfolio.

We are very happy with our progress so far in 2016 including our new focus on the SDU market, the acquisition of Boxer, and the rebranding campaign. We firmly believe that these initiatives will lay the foundation for further success in the second half of 2016 and beyond.



Anders Nilsson  
CEO

# EXPANSION INTO THE SDU MARKET AND ACQUISITION OF BOXER SWEDEN

Following successful trials, Com Hem did in the second quarter decide to start its expansion into the single dwelling unit ("SDU") market in Sweden. To boost this expansion Com Hem did on June 8, enter into an agreement to acquire Boxer TV Access AB ("Boxer"), the pay TV operator in the digital terrestrial television ("DTT") network in Sweden, a wholly-owned subsidiary of Teracom Boxer Group AB ("Teracom") for an enterprise value of SEK 1,330m. Com Hem's trials in the SDU market, which began in the autumn 2015, have been successful. A significant rollout to fibre based networks beyond the coax footprint has begun and is estimated to be able to reach 800,000 SDU households via fibre (homes passed) over the coming years. The Com Hem SDU expansion programme is done by a combination of techniques including unbundling fibre, using third party open LAN networks and to a smaller extent building out Com Hem's own fibre coax network. Our ambition is that the SDU market will become the next major growth pillar for Com Hem turning the company into a true national operator in broadband- and TV-services.

Boxer is the pay TV operator in the DTT network in Sweden with approximately 500,000 subscribers predominantly in the SDU market. The fibre expansion in the SDU market has over the last years put pressure on Boxer's customer base. The Com Hem SDU expansion programme will enable Boxer to sell market leading bundled broadband- and TV-services to its customer base. The acquisition of Boxer thereby represents a highly attractive opportunity for Com Hem to accelerate its reach in the SDU market. The Boxer brand will be included in the acquisition and continue to operate as part of the Com Hem Group.

The acquisition is conditional on approval by the Government of Sweden and the Swedish Competition Authority and is expected to close in the second half of 2016.

## Financial effects of the SDU expansion

The total consideration for the Boxer transaction is SEK 1,550m (based on balance sheet as per March 31, 2016), payable in cash at closing. Including Boxer's net cash position of approximately SEK 220m (as per March 31, 2016), the acquisition is expected to impact Com Hem's net debt position by approximately SEK 1,330m. The acquisition will be financed by a new three year SEK 800m credit facility and existing unutilised credit facilities.

Com Hem expects that the acquisition of Boxer will on an annual basis add approximately SEK 300m of additional Underlying EBITDA to the Com Hem Group (adjusted to Com Hem's accounting principles and including synergies of at least SEK 50m), and an annual operating free cash flow of approximately SEK 200m. The Enterprise Value represents a multiple of 4.4x estimated Underlying EBITDA LTM (adjusted for Com Hem's accounting principles). Adjusted for the acquisition, Com Hem's net debt/Underlying EBITDA LTM multiple would have been 3.9x as per March 31, 2016 versus 3.8x reported. Com Hem expects restructuring charges of approximately SEK 75m as part of the transaction.

## FINANCIAL GUIDANCE

	COM HEM EXISTING	COM HEM INCLUDING BOXER
<b>Revenue</b>	We aim to deliver mid-single-digit revenue growth on a full year basis	Structural decline in DTT (Digital Terrestrial Television) revenue being replaced by fibre revenue leading to somewhat lower revenue growth for combined business
<b>Underlying EBITDA</b>	We aim to maintain a stable Underlying EBITDA margin for the Group, resulting in mid-single digit growth of Underlying EBITDA on a full year basis	Mid single digit growth, following approximately SEK 300m increase in 2017 once Boxer is consolidated into the Group
<b>CAPEX</b>	We expect CAPEX to be in the range of SEK 1.0-1.1bn in 2016	CAPEX is expected to increase slightly over the current level of SEK 1.0-1.1bn
<b>Leverage target</b>	We aim to maintain our leverage within the interval of 3.5-4.0x Underlying EBITDA LTM	Unchanged

# OPERATIONAL DEVELOPMENT

Operational key metrics <sup>1)</sup>	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Homes connected, thousands</b>	<b>1,920</b>	<b>1,930</b>	<b>1,942</b>	<b>1,968</b>	<b>1,988</b>	<b>2,045</b>
Unique consumer subscribers, thousands	888	894	903	911	920	926
Unique consumer subscribers as % of homes connected, %	46.3	46.3	46.5	46.3	46.3	45.3
Consumer RGUs per unique consumer subscriber, ratio	1.80	1.79	1.78	1.77	1.76	1.74
Consumer churn as % of unique consumer subscribers, %	13.3	13.7	12.9	12.9	13.9	13.1
<b>Consumer RGUs thousands</b>						
Broadband	628	637	648	658	669	679
Digital-TV	625	627	631	635	635	636
- of which TiVo customers	189	204	213	224	228	233
Fixed telephony	342	337	331	322	314	300
<b>Total consumer RGUs</b>	<b>1,595</b>	<b>1,600</b>	<b>1,610</b>	<b>1,616</b>	<b>1,619</b>	<b>1,615</b>
<b>Unique B2B subscribers, thousands</b>						
OnNet	10	13	14	16	17	18
OffNet	50	48	48	46	45	42
<b>Total unique B2B subscribers</b>	<b>61</b>	<b>61</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>61</b>
<b>ARPU, SEK</b>						
Consumer	358	361	363	363	364	369
Network operator <sup>2)</sup>	35	34	33	33	32	31
B2B	429	424	415	431	430	436

<sup>1)</sup> For the quarter, and on the last date of each quarter.

<sup>2)</sup> Revenue previously reported as landlord revenue and revenue from communication operator services (ITUX), divided by homes connected.

Comparison between second quarter 2016 and second quarter 2015, unless otherwise stated.

## Homes connected

In the second quarter, the number of homes connected increased by 57,000 homes to 2,045,000 at the end of the period. The increase was derived from the addition of open LANs.

## Unique consumer subscribers

The number of unique consumer subscribers continued to increase in the second quarter, up 6,000 to 926,000. The increase was mainly a result of strong growth in broadband subscribers.

## Consumer churn rate

The churn rate, expressed as the percentage of consumer subscribers, was 13.1% in the second quarter, which is a decrease of 0.8 p.p. compared to the consumer churn of 13.9 % for the first quarter 2016. The decreased churn for the second quarter was expected following the pricing activities in the first quarter. Staying committed to our customer satisfaction focus, we expect the churn rate to continue trending slightly downward over time.

## Consumer RGUs

In the second quarter, the number of consumer RGUs was 1,615,000 a decrease of 3,000 compared to last quarter which is caused by a reduction of fixed telephony RGUs offset by continued growth in broadband RGUs.

The number of broadband RGUs rose by 10,000 in the second quarter to an all time high of 679,000 which was in line with the growth seen in previous quarters, despite the pricing activities carried out in the first quarter. The proportion of new broadband subscribers who purchased broadband speeds of 100 Mbit/s exceeded 80%.

The number of digital-TV RGUs increased by 1,000 during the quarter to a total of 636,000 RGUs, that also an all time high. During the quarter, TiVo customers grew by 4,000 to 233,000, corresponding to 37% of the total digital-TV base.

The number of fixed-line telephony RGUs was 300,000, down

14,000 compared with the preceding quarter which is a consequence of the pricing activities.

## Consumer ARPU

Consumer ARPU increased by SEK 6 in the quarter to SEK 369 following the pricing activities carried out in the first quarter as well as an improved mix for broadband and digital-TV.

## Network operator ARPU

Network operator ARPU amounted to SEK 31 for the quarter, which is SEK 1 down compared to the preceding quarter. The decline in ARPU is partly due to growth of homes connected via open LANs, where Com Hem does not provide any basic TV package and does not, therefore, receive any landlord revenue. The remaining portion of the decline was mainly attributable to lower prices arising from contract renegotiations.

## Unique B2B subscribers

The number of unique B2B subscribers was 61,000. Our high margin OnNet subscribers continued to grow by 1,000, but was offset by a decline in the legacy OffNet business of 3,000 subscribers. The decrease is a consequence of increased focus on adding new customers to the OnNet business.

## B2B ARPU

B2B ARPU was SEK 436 in the second quarter, which is an increase of SEK 6 compared to the preceding quarter. The increase was an effect of improved ARPU for both OnNet and OffNet customers.

# FINANCIAL OVERVIEW

Financial summary, SEKm	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
<b>Revenue</b>							
Consumer	1,020	962	6.0%	2,016	1,904	5.9%	3,863
Network operator	191	197	-3.2%	383	396	-3.5%	786
B2B	80	77	3.9%	161	154	4.4%	311
Other revenue	8	9	-7.1%	16	19	-19.2%	40
<b>Revenue</b>	<b>1,300</b>	<b>1,246</b>	<b>4.3%</b>	<b>2,576</b>	<b>2,474</b>	<b>4.1%</b>	<b>5,000</b>
Operating expenses	-1,108	-1,065	4.1%	-2,179	-2,131	2.3%	-4,276
<b>Operating profit (EBIT)</b>	<b>192</b>	<b>182</b>	<b>5.5%</b>	<b>396</b>	<b>343</b>	<b>15.6%</b>	<b>724</b>
Net financial income and expenses	-84	-126	-33.6%	-167	-237	-29.4%	-605
Income taxes	-25	-13	96.5%	-52	-24	115.7%	-27
<b>Net result for the period</b>	<b>82</b>	<b>42</b>	<b>94.5%</b>	<b>177</b>	<b>82</b>	<b>115.6%</b>	<b>92</b>

Comparisons between second quarter of 2016 and second quarter of 2015, unless otherwise stated.

## Total revenue

Total revenue for the quarter rose SEK 53m, or 4.3% to SEK 1,300m, compared with the second quarter of 2015. For the first six months, revenue rose by SEK 102m to a total of SEK 2,576m, corresponding to a growth of 4.1% compared to last year.

## Consumer services

For the quarter, revenue from consumer services rose by 6.0% or SEK 57m, to a total of SEK 1,020m. For the first six months, revenue from consumer services rose by 5.9% or SEK 113m to SEK 2,016m. The increase for the quarter as well as the first six months was attributable to higher revenue from broadband and digital-TV services, partly offset by a decline in revenue from fixed-telephony services.

For the quarter, revenue from broadband services rose SEK 49m, or 11.7%, and amounted to SEK 462m. For the first six months, revenue from broadband services rose by SEK 97m, or 12.0%, to a total of SEK 905m. The increase in broadband revenue is attributable to RGU growth, an improved speed mix due to continued strong demand for our high-speed broadband packages, and the price adjustments implemented during the first quarter of 2016.

For the quarter, revenue from digital-TV rose by SEK 20m or 4.5%, to a total of SEK 465m. For the first six months, revenue from digital-TV rose by SEK 34m or 3.8%, to a total of SEK 921m. The increase in digital-TV revenue was mainly due to RGU growth versus Q2 last year, a higher proportion of customers with TiVo packages, and the price adjustments implemented during the first quarter of 2016.

For the quarter, revenue from fixed-line telephony decreased by SEK 12m and amounted to SEK 66m. For the first six months, revenue from fixed-line telephony decreased by SEK 19m, to a total of SEK 136m. The decrease is mainly explained by a structural decline in fixed telephony variable usage.

## Network Operator services

Revenue from network operator services declined SEK 6m and amounted to SEK 191m for the second quarter. For the first six months, revenue from network operator services declined SEK 14m and amounted to SEK 383m. The decline was attributable to a decline in landlord revenue, partly offset by higher communication operator revenue from iTUX.

## B2B services

Revenue from B2B services rose by SEK 3m to SEK 80m for the second quarter. For the first six months, revenue from B2B services

rose by SEK 7m or 4.4% to a total of SEK 161m.

For the quarter, OnNet revenue increased by SEK 9m corresponding to a growth of 62.9%. The increase in the high margin OnNet revenue was partly offset by lower revenue from the low margin OffNet legacy business, mainly due to lower variable telephony revenue.

## Operating expenses

Operating expenses amounted to SEK 1,108m, up SEK 43m compared to the second quarter 2015. The increase was driven by higher variable costs as a result of volume driven revenue growth, as well as additional marketing costs related to the rebranding that took place in the beginning of April. For the first six months operating expenses amounted to SEK 2,179m, up SEK 48m or 2.3% compared to the same period 2015.

## Operating profit (EBIT)

Operating profit for the second quarter amounted to SEK 192m, an increase of SEK 10m or 5.5% compared to the second quarter 2015, as a result of revenue growth. For the first six months, operating profit amounted to SEK 396m, an increase of SEK 53m or 15.6% compared to the same period in 2015.

## Net financial income and expenses

Net financial income and expenses amounted to a net expense of SEK 84m, compared with a net expense of SEK 126m in the second quarter 2015. For the first six months, net financial income and expenses amounted to a net expense of SEK 167m, compared with a net expense of SEK 237m in 2015. The positive change is a result of a reduced blended interest rate on the Group's debt, following refinancing of the EUR Senior Notes in the fourth quarter last year as well as lower market rates. Average blended interest rates declined to 2.9% compared with 4.4% for the full year 2015.

## Income taxes

The Group recognised a deferred tax expense of SEK 25m for the quarter and SEK 52m for the first six months. The taxable profit for the quarter was offset against previously recognised tax losses carry forwards, which had a remaining balance of approximately SEK 2.0bn at the end of the quarter.

## Net result for the period

Net result for the quarter totalled SEK 82m, compared to SEK 42m for the second quarter of 2015. For the first six months, net result totalled SEK 177m, compared to SEK 82m for the first six months in 2015.



Reconciliation between Operating profit (EBIT) and Underlying EBITDA, SEKm	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
<b>Operating profit (EBIT)</b>	<b>192</b>	<b>182</b>	<b>5.5%</b>	<b>396</b>	<b>343</b>	<b>15.6%</b>	<b>724</b>
Depreciation & amortisation per function							
- Cost of services sold	209	195	7.2%	414	380	8.9%	778
- Selling expenses	183	188	-2.7%	367	372	-1.3%	742
- Administrative expenses	5	6	-14.5%	11	13	-15.3%	25
<b>Total depreciation &amp; amortisation</b>	<b>397</b>	<b>389</b>	<b>2.0%</b>	<b>793</b>	<b>765</b>	<b>3.5%</b>	<b>1,545</b>
<b>EBITDA</b>	<b>589</b>	<b>571</b>	<b>3.1%</b>	<b>1,189</b>	<b>1,108</b>	<b>7.3%</b>	<b>2,269</b>
EBITDA margin, %	45.3	45.8	-0.5 p.p.	46.2	44.8	1.3 p.p.	45.4
Disposals	3	9	-64.1%	3	9	-64.1%	9
Operating currency loss/gains	-1	-2	-57.2%	-2	9	-122.4%	9
Non-recurring items	16	5	231.3%	20	33	-38.5%	58
<b>Underlying EBITDA</b>	<b>607</b>	<b>583</b>	<b>4.1%</b>	<b>1,210</b>	<b>1,160</b>	<b>4.3%</b>	<b>2,346</b>
Underlying EBITDA margin, %	46.7	46.8	-0.1 p.p.	47.0	46.9	0.1 p.p.	46.9

Comparisons between second quarter of 2016 and second quarter of 2015, unless otherwise stated.

### Underlying EBITDA

For the quarter, Underlying EBITDA rose by SEK 24m or 4.1% to SEK 607m and the Underlying EBITDA margin was 46.7%. For the first six months, Underlying EBITDA rose by SEK 50m to SEK 1,210m and the Underlying EBITDA margin was 47.0%. The increase in Underlying EBITDA was due to revenue growth, partly offset by additional marketing costs attributable to the rebranding of Com Hem in the beginning of April. In spite of the additional marketing costs during the second quarter, the Underlying EBITDA margin remained stable for the second quarter as well as for the first six months.

### EBITDA

EBITDA rose by SEK 18m reaching SEK 589m for the quarter. The increase in EBITDA was attributable to increased Underlying EBITDA

contribution of SEK 24m compared with the second quarter of 2015. The EBITDA margin decreased to 45.3%, from 45.8% for the second quarter 2015. For the first six months, EBITDA rose by SEK 80m reaching SEK 1,189m. The EBITDA margin was equal to 46.2% compared to 44.8% for 2015.

### Depreciation and amortisation

Depreciation and amortisation rose by SEK 8m to SEK 397m for the quarter. For the first six months, depreciation and amortisation rose by SEK 27m to a total of SEK 793m. The increase for the quarter as well as the first six months was explained by higher depreciation and amortisation on IT investments (cost of services sold) and CPEs (cost of services sold), partly offset by lower amortisation of capitalised sales commission (selling expenses).

Operating free cash flow, SEKm	APR-JUN / Q2			JAN-JUN / 6 MONTHS			JAN-DEC
	2016	2015	Change	2016	2015	Change	2015
<b>Underlying EBITDA</b>	<b>607</b>	<b>583</b>	<b>4.1%</b>	<b>1,210</b>	<b>1,160</b>	<b>4.3%</b>	<b>2,346</b>
<b>Capital expenditure</b>							
Network related	-76	-99	-23.0%	-148	-163	-9.7%	-332
CPEs and capitalised sales commissions	-68	-106	-35.9%	-169	-255	-33.7%	-486
IT investments	-33	-31	6.6%	-63	-66	-4.5%	-128
Other capex	-20	-14	42.7%	-27	-29	-5.3%	-45
<b>Total capital expenditure</b>	<b>-198</b>	<b>-250</b>	<b>-21.0%</b>	<b>-407</b>	<b>-513</b>	<b>-20.7%</b>	<b>-991</b>
Operating free cash flow	409	333	23.0%	803	647	24.2%	1,355

Comparisons between second quarter of 2016 and second quarter of 2015, unless otherwise stated.

### Capital expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 198m, comprising 15.2% of total revenue. The decline of SEK 53m, compared to the second quarter 2015, was largely a result of lower investments in the Network, CPE and capitalised sales commission. For the first six months, capital expenditure amounted to SEK 407m, comprising 15.8% of total revenue. The decline in capital expenditure compared to same periods in 2015 is explained by a combination of a frontloaded investment cycle in 2015 and 2016 investment phasing which is more weighted towards the second half of the year where we, among other things, will focus investments on extending our own backbone and over time reduce the portion of

leased fibre capacity in the network. The lower capital expenditure level in CPE investments and capitalised sales commissions is a result of a shift in growth, from purely volume-driven growth to a combination of volume and price-driven growth.

### Operating free cash flow

Operating free cash flow increased by SEK 76m or 23.0% in the second quarter, reaching SEK 409m. The increase in operating free cash flow for the first six months equalled SEK 156m or 24.2%, reaching a total of SEK 803m. The increase was a result of higher Underlying EBITDA contribution as well as lower investments compared with the same period in 2015.



# FINANCIAL POSITION

## Liquidity

At June 30, 2016, the Group's total available funds amounted to SEK 3,434m (SEK 1,393m at December 31, 2015), of which cash and cash equivalents was SEK 634m (SEK 743m at December 31, 2015) and unutilised credit facilities was SEK 2,800m (SEK 650m at December 31, 2015).

## Net debt

At June 30, 2016, the Group's net debt amounted to SEK 9,026m (SEK 9,030m at December 31, 2015), while net debt/Underlying EBITDA LTM was a multiple of 3.8x (3.8x at December 31, 2015), which is in line with the targeted leverage of 3.5-4.0x.

## OUTSTANDING DEBT

June 30, 2016, SEKm	Maturity date	Interest base/coupon	Total credit	Utilised amount	Unutilised amount
<b>Bank debt</b>					
Facility A	Jun 26, 2019	Floating	3,500	3,500	-
Revolving Credit Facility	Jun 26, 2019	Floating	2,000	0	2,000
Incremental Facility 2	Jun 26, 2019	Floating	375	375	-
Incremental Facility 4	Jun 26, 2019	Floating	1,000	1,000	-
Incremental Facility 6	Dec 31, 2017	Floating	500	500	-
Incremental Facility 7	Jun 26, 2019	Floating	800	-	800
<b>Outstanding notes at fixed interest rates</b>					
SEK 2,500m Senior Notes	Nov 4, 2019	Fixed   5.25%	2,500	2,500	-
SEK 1,750m Senior Notes	Jun 23, 2021	Fixed   3.625%	1,750	1,750	-
<b>Total credit facilities<sup>1)</sup></b>			<b>12,425</b>	<b>9,625</b>	<b>2,800</b>

<sup>1)</sup> In addition to the above credit facilities Com Hem holds interest-bearing financial lease liabilities totalling SEK 35m.

## Financing

On June 10, 2016, Com Hem announced the issue of new Senior Notes, in the total amount of SEK 1,750m. The new notes have a fixed rate coupon of 3.625% and matures in June 2021. The proceeds from the issue was used to prepay Incremental Facility 3 (SEK 500m) due in March 2017, and to amortise on the Revolving Credit Facility. Including the new notes, the average interest rate of the Group's debt portfolio is, and is expected to remain, at approximately 3% given current market interest rates.

The announced Boxer acquisition is expected to impact Com Hem's net debt position by approximately SEK 1,330m. The acquisition will be financed with a combination of a new three year SEK 800m credit facility (Incremental Facility 7 in the table above), cash and drawings under the Revolving Credit Facility.

At June 30, 2016, the Group's total credit facilities, including the two outstanding SEK bonds and the newly committed credit facility, amounted to SEK 12,425m, with an average remaining term of 3.3 years.

## Loan conditions

The loan facilities with credit institutions are conditional on the Group continually satisfying a predetermined financial key metric, referred to as the covenant. The covenant is consolidated net debt in relation to consolidated Underlying EBITDA LTM.

In addition, there are provisions and limitations in loan agreements for the credit facilities with credit institutions and the bond loans regarding further debt gearing, guarantee commitments and pledging, material changes to operating activities, as well as acquisitions and divestments. The conditions were met with a solid margin as per June 30, 2016.

## Dividend and share repurchases

The Annual General Meeting held on May 19, 2016 resolved to distribute SEK 1.50 per share for the 2015 financial year. The record date for the dividend was May 23, 2016 and the dividend payment was distributed on May 26, 2016.

The AGM also authorised the board to, until the next AGM, on one or more occasions, resolve on acquisition of own shares to the extent that the holding at any time does not exceed a tenth of the total number of shares.

On June 8, 2016 the board resolved to initiate such a share buyback program for a total amount of up to SEK 150m up until July 11, 2016. During the second quarter, Com Hem repurchased 1,347,273 shares for SEK 96m in total.

Share repurchases	No of shares	Average price per share, SEK	SEKm
May 2015 - December 2015	9,645,123	73,73	711
January 2016 - May 2016	4,124,234	73,01	301
Cancellation June 9, 2016	-13,769,357	-	-
June 2016	716,813	70,17	50
<b>Treasury shares, June 30, 2016</b>	<b>716,813</b>	<b>73,35</b>	<b>1,063</b>

In accordance with the resolution at the AGM, Com Hem has on June 9, 2016 executed a reduction of the share capital by way of cancellation of all the 13,769,357 treasury shares that at the time had been repurchased (a reduction of approximately 6.7%). Simultaneously, for the purpose of restoring the share capital, Com Hem executed a bonus issue with an amount corresponding to the amount with which the share capital was reduced. As per 30 June, 2016, the number of registered shares amounted to 192,874,019.

## CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
Revenue	1,300	1,246	2,576	2,474	5,000
Cost of services sold	-642	-619	-1,282	-1,213	-2,464
<b>Gross profit</b>	<b>657</b>	<b>627</b>	<b>1,293</b>	<b>1,261</b>	<b>2,536</b>
Selling expenses	-381	-380	-744	-770	-1,516
Administrative expenses	-80	-65	-153	-139	-295
Other operating income and expenses	-5	0	0	-8	-1
<b>Operating profit</b>	<b>192</b>	<b>182</b>	<b>396</b>	<b>343</b>	<b>724</b>
Financial income and expenses	-84	-126	-167	-237	-605
<b>Result after financial items</b>	<b>108</b>	<b>55</b>	<b>229</b>	<b>106</b>	<b>119</b>
Income taxes	-25	-13	-52	-24	-27
<b>Net result for the period</b>	<b>82</b>	<b>42</b>	<b>177</b>	<b>82</b>	<b>92</b>
Average number of outstanding shares, thousands	192,847	206,629	193,959	207,083	204,068
Basic earnings per share, SEK	0.43	0.20	0.91	0.40	0.45
Average number of outstanding shares, diluted, thousands	192,937	206,709	194,050	207,086	204,112
Diluted earnings per share, SEK	0.43	0.20	0.91	0.40	0.45

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
<b>Net result for the period</b>	<b>82</b>	<b>42</b>	<b>177</b>	<b>82</b>	<b>92</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to net profit or loss					
Revaluation of defined-benefit pension obligations	-38	40	-65	40	75
Tax on items that will not be reclassified to profit or loss	8	-9	14	-9	-16
<b>Other comprehensive income for the period, net of tax</b>	<b>-30</b>	<b>31</b>	<b>-50</b>	<b>31</b>	<b>58</b>
<b>Total comprehensive income for the period</b>	<b>53</b>	<b>74</b>	<b>127</b>	<b>114</b>	<b>150</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

SEKm	JUN 30 2016	JUN 30 2015	DEC 31 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15,128	15,780	15,451
Property, plant and equipment	1,465	1,505	1,531
Financial assets	0	9	0
<b>Total non-current assets</b>	<b>16,593</b>	<b>17,294</b>	<b>16,982</b>
<b>Current assets</b>			
Other current assets	352	419	352
Cash and cash equivalents	634	715	743
<b>Total current assets</b>	<b>986</b>	<b>1,134</b>	<b>1,095</b>
<b>TOTAL ASSETS</b>	<b>17,579</b>	<b>18,427</b>	<b>18,078</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>5,890</b>	<b>6,938</b>	<b>6,403</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	9,541	9,442	9,151
Other non-current liabilities	246	204	176
Deferred tax liabilities	272	224	234
<b>Total non-current liabilities</b>	<b>10,059</b>	<b>9,871</b>	<b>9,561</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	23	32	528
Other current liabilities	1,606	1,588	1,585
<b>Total current liabilities</b>	<b>1,629</b>	<b>1,619</b>	<b>2,113</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,579</b>	<b>18,427</b>	<b>18,078</b>
Number of outstanding shares, at end of period, thousands	192,157	204,823	196,998
Equity per share, SEK	31	34	33

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	JUN 30 2016	JUN 30 2015	DEC 31 2015
<b>Opening equity</b>	<b>6,403</b>	<b>7,233</b>	<b>7,233</b>
<b>Comprehensive income for the period</b>			
Net result for the period	177	82	92
Other comprehensive income for the period	-50	31	58
<b>Total comprehensive income for the period</b>	<b>127</b>	<b>114</b>	<b>150</b>
<b>Transactions with the owners</b>			
Redemption of shares	-	-65	-65
Repurchase of shares and warrants	-351	-141	-713
Issue expenses, net after tax	-	4	4
Dividend	-289	-207	-207
Share-based remuneration	1	-	1
<b>Total transactions with the owners</b>	<b>-639</b>	<b>-408</b>	<b>-979</b>
<b>Closing equity</b>	<b>5,890</b>	<b>6,938</b>	<b>6,403</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
<b>Operating activities</b>					
Result after financial items	108	55	229	106	119
Adjustments for non-cash items	469	386	907	821	1,551
<b>Cash flow from operating activities before changes in working capital</b>	<b>577</b>	<b>441</b>	<b>1 137</b>	<b>927</b>	<b>1,670</b>
Change in working capital	-23	-69	-66	-82	100
<b>Cash flow from operating activities</b>	<b>554</b>	<b>372</b>	<b>1 071</b>	<b>846</b>	<b>1,770</b>
<b>Investing activities</b>					
Acquisition of intangible assets	-91	-103	-177	-214	-381
Acquisition of property, plant and equipment	-107	-132	-231	-284	-594
Divestment of property, plant and equipment	1	-	1	-	-
Divestment of financial assets	-	-	-	-	0
<b>Cash flow from investing activities</b>	<b>-197</b>	<b>-235</b>	<b>-407</b>	<b>-498</b>	<b>-976</b>
<b>Financing activities</b>					
Share issue expenses	-	-1	-	-22	-22
Repurchases of shares and warrants	-88	-128	-353	-128	-703
Redemption of shares	-	-65	-	-65	-65
Dividend	-289	-207	-289	-207	-207
Borrowings	2,300	100	2,300	100	2,000
Amortisation of borrowings	-2,306	-8	-2,413	-15	-1,749
Payment of borrowing costs	-18	-	-18	-11	-21
<b>Cash flow from financing activities</b>	<b>-401</b>	<b>-309</b>	<b>-774</b>	<b>-349</b>	<b>-768</b>
Net change in cash and cash equivalents	-44	-173	-109	-1	27
Cash and cash equivalents at beginning of period	679	888	743	716	716
<b>Cash and cash equivalents at end of period</b>	<b>634</b>	<b>715</b>	<b>634</b>	<b>715</b>	<b>743</b>

## ADJUSTMENT FOR NON-CASH ITEMS

SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
Depreciation/amortisation	397	389	793	765	1,545
Unrealised exchange-rate differences	4	-16	3	-59	-64
Capital gain/loss on sale/disposal of non-current assets	3	9	3	9	9
Change in fair value of derivatives	0	11	0	30	39
Change in capitalised borrowing costs and discounts	9	9	16	18	71
Change in accrued interest expenses	51	-21	87	49	-66
Other profit/loss items not settled with cash	4	4	7	7	16
<b>Total</b>	<b>469</b>	<b>386</b>	<b>907</b>	<b>821</b>	<b>1,551</b>

# PARENT COMPANY CONDENSED FINANCIAL REPORTS

INCOME STATEMENT SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
Revenue	3	4	5	6	13
Administrative expenses	-7	-8	-13	-18	-40
Other operating income and expenses	-1	5	-1	5	6
<b>Operating profit/loss</b>	<b>-4</b>	<b>2</b>	<b>-9</b>	<b>-7</b>	<b>-21</b>
Financial income and expenses	39	513	80	620	361
<b>Result after financial items</b>	<b>35</b>	<b>514</b>	<b>71</b>	<b>613</b>	<b>340</b>
Income taxes	-	-1	0	-1	4
<b>Net result for the period</b>	<b>35</b>	<b>513</b>	<b>71</b>	<b>612</b>	<b>344</b>

STATEMENT OF COMPREHENSIVE INCOME SEKm	APR-JUN/Q2		JAN-JUN/6 MONTHS		JAN-DEC
	2016	2015	2016	2015	2015
Net result for the period	35	513	71	612	344
Other comprehensive income	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>35</b>	<b>513</b>	<b>71</b>	<b>612</b>	<b>344</b>

BALANCE SHEET SEKm	JUN 30	JUN 30	DEC 31
	2016	2015	2015
<b>ASSETS</b>			
Financial assets	9,868	9,665	9,771
Deferred tax assets	25	20	25
Current assets	2	2	4
Cash and bank balances	12	34	30
<b>TOTAL ASSETS</b>	<b>9,907</b>	<b>9,721</b>	<b>9,830</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	213	213	213
Unrestricted equity	7,474	8,884	8,046
Provisions	1	0	1
Non-current liabilities to Group companies	1,596	232	942
Current liabilities to Group companies	607	-	607
Other current liabilities	16	392	21
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,907</b>	<b>9,721</b>	<b>9,830</b>

## OTHER INFORMATION

Com Hem Holding AB (publ) is a Swedish limited liability company (Corp. ID. No. 556858-6613), with its registered office in Stockholm, Sweden. Com Hem's share is listed on Nasdaq Stockholm, Large Cap list.

### Accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and described in the Group's 2015 Annual Report. The Group's functional currency is the Swedish krona (SEK), which is also the presentation currency of the Group. All amounts have been rounded to the nearest million (SEKm), unless otherwise stated. New or amended IFRSs that became effective on January 1, 2016 had no material effect on the consolidated financial statements. The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. Condensed financial statements for the Parent Company have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Disclosures in accordance with IAS 34.16A are incorporated in the financial statements and its accompanying notes or in other parts of this interim report.

### Reclassification of revenue

All revenue derived from securing our connected households, earlier reported separately as "Landlord revenue" for our vertical network as well as income from the Group's communication operator business (iTUX), previously included within "Other revenue", has from Q1 2016 been grouped together and reported on the line "Network operator revenue". In addition, billing fees related to our consumer business, which have earlier also been reported within "Other revenue", have been reported under "Consumer revenue". Consumer revenue together with reported unique consumer subscribers will now reconcile with the reported consumer ARPU as ARPU was also previously calculated on this basis. All earlier reported periods have been recalculated in accordance with the above.

### Adjustments

Certain financial information and other amounts and percentages presented in this report have been rounded and therefore the tables may not tally. The abbreviation "n/m" ("not meaningful") is used in this report if the information is not relevant.

### Fair value of financial instruments

The fair value of the Group's financial assets and liabilities are estimated to be equal to the carrying amounts except for outstanding notes. Fair value of derivatives as of June 30, 2016 amounted to SEK 0m (9).

### Related parties

For information on related parties, see the Group's Annual report 2015, page 74. No significant changes or transactions have occurred in the interim period, in excess of paid dividend.

### Operating segment

The operations of the Group are integrated and constitute a single operating segment that offers bundled services to consumers (digital-TV, broadband and fixed telephony), B2B (broadband and telephony) and landlords (basic TV service), in a single market, Sweden. This is also the base of the Group's management structure and the structure for internal reporting, which is controlled by the Group's Chief Executive Officer, who has been identified as the chief operating decision maker. As such, the Group does not present any operating segment information.

### Risks and uncertainties

The Group and the Parent Company have identified a number of operational and financial risks. Operational risks include increased competition, changes to laws and regulations, the ability to retain and attract key employees, substitution from fixed to mobile telephony, technological advances, the ability to retain and attract customers, programme content and risks associated with suppliers. Financial risks include refinancing, liquidity, credit, interest rate, and currency risks. For a detailed description of the significant risk factors for the Group's future development, see the Group's 2015 Annual Report. The Group believes that the risk environment has not changed from the description in the 2015 Annual Report.

### Changes in share capital and share repurchases

In accordance with the resolution by the Annual General Meeting on May 19, 2016 13,769,357 own shares were cancelled in June 2016, corresponding to a reduction of the share capital of SEK 14m. In connection to the reduction of the share capital a bonus issue of SEK 14m was completed. The reduction of share capital and the bonus issue were registered at the Swedish Companies Registration office on June 9, 2016 and the shares were cancelled by Euroclear.

At the Annual General Meeting on May 19, 2016 the Board of Directors was given the mandate to until the end of the next Annual General Meeting, on one or more occasions, resolve on buy backs of shares to such extent that the Company's holding at any time does not exceed a tenth of the total number of shares in the Company. In accordance with the mandate given by the Annual General Meeting the Board of Directors resolved on June 8, 2016 to initiate a share buyback program for a total amount of up to SEK 150m up until July 11, 2016. The programme is, up until July 2, 2016, being carried out in accordance with the European Commission's ordinance (EC) No 2273/2003 of December 22, 2003 (the "EC ordinance"), and thereafter in accordance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 (the "New EC ordinance"). The buy-back programme will be managed by a credit institution that makes its trading decisions regarding Com Hem's shares independently of, and without influence by, Com Hem with regard to the timing of the repurchases.

Change in no. of shares	Total no. of shares
No. of registered shares, December 31, 2015	206,643,376
Cancellation of shares	-13,769,357
<b>Total no. of registered shares, June 30, 2016</b>	<b>192,874,019</b>
Repurchased shares held by Com Hem	-716,813
<b>Total no. of outstanding shares, June 30, 2016</b>	<b>192,157,206</b>

### Incentive programmes

The Group has two incentive programmes established for executive management, key employees and Board members. The programmes comprise a total of 4,949,944 issued and paid warrants.

The Group also has two long-term share-savings incentive programmes "LTIP 2015" and "LTIP 2016". LTIP 2015 comprising a maximum of 343,000 shares and LTIP 2016 a maximum of 420,000 shares. LTIP 2016 was resolved by the Annual General Meeting 2016 and has similar conditions as the long-term share-savings incentive programme resolved by the Annual General Meeting 2015 (LTIP 2015). For more information regarding LTIP 2015 and the other incentive programmes see the Group's Annual Report 2015.

## Largest shareholders

As per June 30, 2016, NorCell S.à.r.l., (indirectly controlled by funds managed by BC Partners Limited) controlled 38.5% of the outstanding shares and votes. Com Hem Holding AB (publ) had a total of 1,201 shareholders.

As per June 30, 2016	No. of shares	Capital / votes, % <sup>1)</sup>
NorCell S.à.r.l.	73,911,671	38.5
Adelphi Capital LLP	10,616,235	5.5
MFS Investment Management	10,440,158	5.4
Norges Bank	2,590,639	1.3
Lazard Funds	2,334,850	1.2
Henderson Funds	2,230,815	1.2
Abu Dhabi Investment Authority	1,741,841	0.9
Saudi Arabian Monetary Agency	1,659,929	0.9
Echiquier Funds	1,478,770	0.8
Stichting Pensioenfond ABP	1,385,502	0.7
<b>Total 10 largest shareholders</b>	<b>108,390,410</b>	<b>56.4</b>
Other shareholders	83,766,796	43.6
<b>Total no. of outstanding shares</b>	<b>192,157,206</b>	<b>100.0</b>

Source: Holdings/Euroclear as per June 30, 2016.

<sup>1)</sup>The participating interest has been adjusted for the Parent Company's holdings of treasury shares. The ten largest public shareholders are listed above. Holdings with depositories are reported as "other shareholders."

## Events after the end of the reporting period

During the period from July 1 to July 11, 2016 an additional 500,907 shares were repurchased by the independent credit institute for an amount of SEK 37m in accordance with the European Commission's ordinance (EC) No 2273/2003 of December 22, 2003 (the "EC ordinance"), up until July 2, 2016, and thereafter in accordance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 (the "New EC ordinance"). Com Hem held 1,217,720 own shares as of July 11 corresponding to 0.6% of the total number of registered shares.

## Disclosure

Com Hem Holding AB (publ) discloses the information provided in this interim report pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was published at 7.30 a.m. CET on Tuesday July 12, 2016.

**Board’s assurance**

The Board of Directors and the CEO certify that the Interim Report gives a true and fair overview of the Parent Company’s and Group’s operations, their financial position and results of operations, and describes the material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm July 12, 2016

Andrew Barron  
Chairman of the Board

Monica Caneman  
Board member

Eva Lindqvist  
Board member

Joachim Ogland  
Board member

Nicholas Stathopoulos  
Board member

Tomas Kadura  
Employee representative

Marianne Bohlin  
Employee representative

Anders Nilsson  
Board member and CEO

**Review report**

Com Hem Holding AB, Corp. id. 556858-6613

**Introduction**

We have reviewed the condensed interim financial information (the interim report) of Com Hem Holding AB as of June 30, 2016 and the six-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit

conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm July 12, 2016

KPMG AB

Tomas Gerhardsson  
Authorized Public Accountant



## ABOUT COM HEM

- More than 2 million Swedish homes are connected to Com Hem's network.
- A market-leading provider of broadband up to 1 Gbit/s, and the fastest download speed according to the Netflix Speed Index.
- The largest range of TV services in Sweden, with more than 80 channels.
- Since 2013, Com Hem has offered a competitive range of broadband and telephony services for B2B customers.
- The company was founded in 1983, has approximately 1,200 employees and its head office in Stockholm.
- Com Hem's share is listed on Nasdaq Stockholm, Large Cap list, under the ticker symbol COMH.
- For more information, visit [www.comhemgroup.com](http://www.comhemgroup.com)

### VISION:

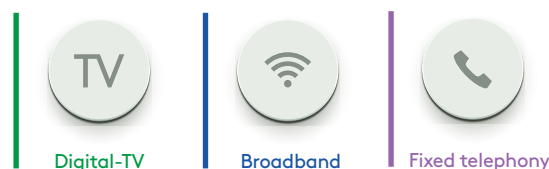
The most satisfied customers in Sweden within digital-TV, broadband and fixed telephony.

### Total revenue H1 2016 - SEK 2.6bn

#### CONSUMER

Share of revenue H1 2016

**78%**



We sell broadband, digital-TV and fixed telephony to households within our footprint. By the end of June 2016, we delivered 1,6 million RGUs to 926,000 customers across our footprint.

#### BUSINESS TO BUSINESS

Share of revenue H1 2016

**6%**



We have more than 60,000 business customers. 18,000 of these customers subscribe to our services via Com Hem's vertical network.

#### NETWORK OPERATOR (LANDLORD AND iTUX)

Share of revenue H1 2016

**15%**

Our consumer services require that we also have a contract with a landlord or a communication operator. We have contracts with over 20,000 separate landlords and 13 communication operators. Our own communication operator iTUX serves approximately 135,000 households.

Com Hem operates and maintains one of the fastest and most technologically advanced networks in the world. It gives us a competitive advantage over other industry players as we are able to use the same platform for all our services. Com Hem takes total responsibility for the customer experience – from a leading range of services and a reliable network to a fully insourced customer service.

Our goal is to convert as many as possible of our more than 2 million households – whether via the vertical or open infrastructures – into subscribers of our digital services. In H1 2016, we grew our consumer customer base by 2.0% or 15,000 unique consumers.

# INDUSTRY TERMS AND FINANCIAL METRICS

## INDUSTRY TERMS

**ARPU** Average monthly revenue per user for the referenced period. ARPU is calculated by dividing the monthly revenue for the respective period by the average number of unique consumer subscribers for that period. The average number of unique consumer subscribers is calculated as the number of unique consumer subscribers on the first day in the respective period plus the number of unique consumer subscribers on the last day of the respective period, divided by two.

**Churn** The voluntary or involuntary discontinuance of services by a subscriber.

**Customer Premises Equipment or "CPE"** Telecommunications hardware, such as set-top boxes, xDSL or other broadband Internet routers, VoIP base stations, phone headsets, etc., which is located at the home or business of a customer.

**Homes connected** Homes connected represents the number of residential units to which Com Hem provides basic TV service, primarily through long-term contracts with the landlords of multiple dwelling units (MDUs) and homes connected through third-party communication operator's open networks through which consumers can purchase digital services from Com Hem.

**RGUs** Revenue generating units, which refer to each subscriber receiving basic or digital-TV, broadband or telephony services from Com Hem. A customer who has all three services is counted as three RGUs but one unique subscriber.

**SME** Small and medium enterprises. Refers to offices with 10-99 employees.

**SoHo** Single office/Home office. Refers to offices with 1-9 employees.

**Unique consumer subscribers** Unique consumer subscribers represent the number of individual end-users who have subscribed for one or more of Com Hem's digital services (digital-TV, broadband and fixed telephony). Com Hem refers 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.

## FINANCIAL METRICS

AND ALTERNATIVE PERFORMANCE MEASURES

**Capital expenditure (Capex)** Capital expenditure in intangible assets and property, plant and equipment, including capital expenditure financed by leasing.

**Consumer ARPU** Consumer ARPU is calculated by dividing all digital-TV, broadband, fixed telephony and other revenue that can be allocated to each consumer service for the period in question, by the average number of total unique consumer 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 consumer subscribers on the first day in the respective period plus the number of unique consumer 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 Company divided by the average number of shares.

**EBITDA** EBIT excluding depreciation and amortisation.

**EBITDA margin** EBITDA as a percentage of revenue.

**Equity/assets ratio** Equity as a percentage of total assets.

**Equity free cash flow** Underlying EBITDA less Capex, interest, taxes and change in net working capital.

**Equity per share** Equity divided by the total number of outstanding shares.

**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 LTM.

**Network operator ARPU** is calculated by dividing the revenue for the respective period by the average number of homes connected for that period and divided by the number of months in the period. The average number of homes connected is calculated as the period plus the number of homes connected on the last day of the respective period divided by two.

**Operating free cash flow (OFCF)** Underlying EBITDA less capital expenditure.

**Operating profit (EBIT)** Revenue less operating expenses.

**Underlying EBITDA** EBITDA before disposals excluding non-recurring items and operating currency gains/losses.

**Underlying EBITDA margin** Underlying EBITDA as a percentage of revenue.

# FINANCIAL KEY METRICS PER QUARTER

Group	2014		2015				2016	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue, SEKm	1,210	1,229	1,228	1,246	1,255	1,271	1,276	1,300
Underlying EBITDA, SEKm	576	576	577	583	590	595	603	607
Underlying EBITDA margin, %	47.6	46.9	47.0	46.8	47.0	46.8	47.3	46.7
EBITDA, SEKm	563	536	538	571	580	581	600	589
EBITDA margin, %	46.6	43.6	43.8	45.8	46.2	45.7	47.0	45.3
Operating profit (EBIT), SEKm	200	159	161	182	192	190	205	192
Operating margin (EBIT margin), %	16.5	12.9	13.1	14.6	15.3	14.9	16.0	14.7
Capex, SEKm	257	340	263	250	219	259	210	198
Capex as % of revenue	21.3	27.6	21.4	20.1	17.4	20.4	16.4	15.2
Operating free cash flow, SEKm	318	236	314	333	372	336	394	409
Equity/assets ratio, %	39	39	39	38	37	35	35	34
Net debt at end of period, SEKm	8,291	8,851	8,628	8,896	8,815	9,030	8,988	9,026
Net debt/Underlying EBITDA LTM, multiple	3,7x	3,9x	3,8x	3,8x	3,8x	3,8x	3,8x	3,8x
Earnings per share, SEK <sup>1)</sup>	0.03	-0.79	0.19	0.20	0.25	-0.21	0.49	0.43
Equity per share, SEK <sup>1)</sup>	36	35	35	34	33	33	32	31

<sup>1)</sup> In the calculation the number and average number of shares for 2014 has been adjusted for the bonus issue in June 2014.

## OTHER INFORMATION

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### Financial information

All financial information is published on [www.comhemgroup.com](http://www.comhemgroup.com) directly after release.

You are welcome to subscribe to our press releases and financial statements via e-mail. Subscribe here: <http://www.comhemgroup.se/en/investors/subscribe/>

### Webcast teleconference

Com Hem will present the second quarter results for analysts and investors via a webcast teleconference in English on Tuesday, July 12, 2016 at 10:00 a.m CET.

To participate, use the following link: [http://cloud.magneetto.com/comhem/2016\\_0711\\_q2/view](http://cloud.magneetto.com/comhem/2016_0711_q2/view)

### Alternatively, use one of the following dial-in numbers:

Sweden: +46 8 5052 0110  
 UK: +44 20 7162 0077  
 US: +1 646 851 2407

### Financial calendar

Interim Report January - September 2016    October 18, 2016  
 Year-end Report January - December 2016    January 31, 2017