



Q3 INTERIM REPORT

OCTOBER 18, 2016

DISCLAIMER

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- Best quarter ever
- Revised 2016 guidance
- Records in churn and ARPU

OPERATIONAL PERFORMANCE

- Our new brand
- Strong broadband performance
- Expanding into the SDU market

FINANCIAL PERFORMANCE

- Strong cash flow generation
- Boxer transaction

OUTLOOK

- Com Hem is a growth and yield company
-

QUARTER HIGHLIGHTS

Record results

- Record low churn - consumer churn rate of 12.7%, 0.2p.p. decrease from previous record in Q3 and Q4 2015
- Record high ARPU – consumer ARPU increase to SEK 371 compared to SEK 369 in Q2 2016
- Record high Broadband, DTV and TiVo RGUs
- Record high Underlying EBITDA - increased by 8.7% year-on-year to SEK 642m
- Produced SEK 1.1bn of Equity Free Cash Flow in the first nine months of 2016

Significant increase of cash dividend

- Following consistently strong cash generation, the Board intends to propose a change to the mix of the shareholder remuneration to increase the cash dividend from SEK 1.50 per share to SEK 4.00 per share to be paid out semi-annually in May and October, 2017
- Alongside the cash dividend we will also continue to do buybacks from time to time

Lowering Capex guidance by SEK 150m for 2016

- Lowered Capex guidance for 2016 to a range of SEK 850-950m including Boxer in Q4 as the existing MDU business is run at a sustainably lower level

BEST QUARTER EVER

OUR GROWTH DRIVERS

RECORD LOW CHURN AND RECORD HIGH ARPU

- Consumer churn rate of 12.7%, 0.4p.p. decrease from Q2 2016, a record low. ARPU increase to SEK 371 which is an all time high

INCREASED DTV AND TIVO PENETRATION

- DTV grew by 4,000 subscribers in Q3 and TiVo grew by 7,000 in Q3, taking TiVo to 37% of our DTV base

LEVERAGED NETWORK AND SPEED ADVANTAGE

- Our broadband RGUs grew 11,000 net to another record high of 689,000, up 6% compared to Q3 2015, while revenue increased by 11% in the same period

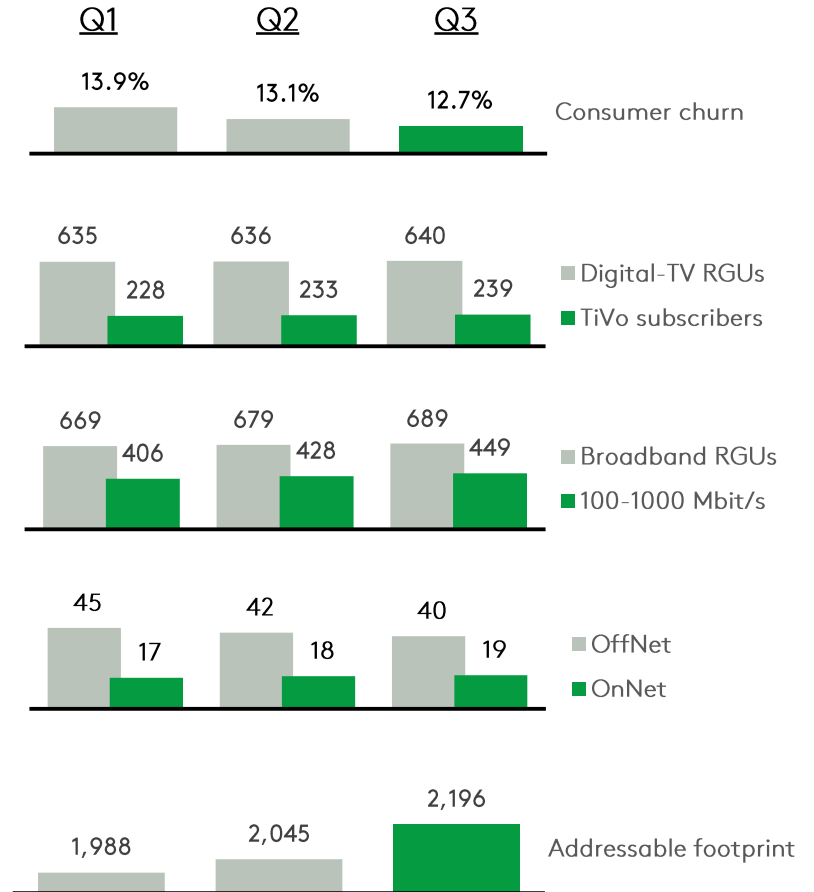
LEVERAGED B2B OPPORTUNITY

- Continued transformation of Phoneria focusing on high margin OnNet. OnNet B2B unique customers grew by 1,000 during the quarter

SDU EXPANSION PROGRAMME

- Expects to be able to reach additional 800,000 SDUs in our addressable footprint via fibre over coming years. The SDU expansion will be boosted by the acquisition of Boxer which was completed on September 30

OUTCOME 2016



SIGNIFICANTLY INCREASED DIVIDEND

1 REVENUE GROWTH TRANSLATES INTO INCREASED UNDERLYING EBITDA

- Revenue grew by 4.3% and amounted to SEK 1,309m (SEK 1,255m in Q3 2015), translating into an Underlying EBITDA growth of 8.7% to a record high of SEK 642m (SEK 590m in Q3 2015)

2 SUSTAINABLY LOWER CAPEX LEVELS FOR EXISTING BUSINESS

- Capex amounted to SEK 180m (SEK 219m in Q3 2015). We can now run the MDU business at sustainably lower level, guidance for this year lowered to SEK 850-950m

3 STABLE INTEREST EXPENSES

- Interest expenses at 3% in Q3. Continued focus on extending maturity of the debt portfolio

4 NO TAXES TO BE PAID UNTIL TAX LOSSES FULLY UTILISED

- Outstanding NOL approx. SEK 1.7bn per September 30, 2016

OPERATING FREE CASH FLOW GENERATION

Operating free cash flow generation increased by SEK 90m or 24% to a total of SEK 461m in the third quarter

SHAREHOLDER REMUNERATION

SIGNIFICANTLY INCREASED DIVIDEND

- Following consistently strong cash generation, the Board intends to propose a change to the mix of the shareholder remuneration to increase the cash dividend from SEK 1.50 per share to SEK 4.00 per share to be paid out semi-annually in May and October, 2017

- Alongside the cash dividend we will also continue to do buybacks from time to time

SHAREHOLDER REMUNERATION IN Q3

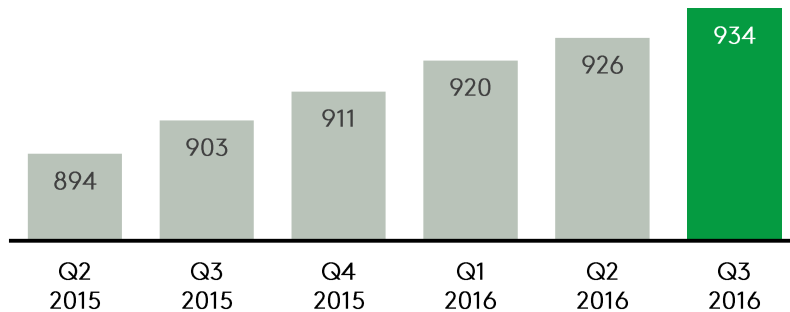
- Repurchased 3,880,079 shares for SEK 287m, representing 2.0% of total number of registered shares as of 30 September

LOWER CAPEX IN 2016 – NEW GUIDANCE

	PREVIOUS GUIDANCE FOR COM HEM	UPDATED 2016 GUIDANCE INCLUDING BOXER IN Q4
Revenue	We aim to deliver mid-single digit revenue growth on a full year basis	Mid-single digit organic revenue growth on a full year basis. In addition, Boxer is expected to contribute approximately SEK 450m in revenue in Q4 2016
Underlying EBITDA margin	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 organic growth of Underlying EBITDA on a full year basis. Boxer is expected to add approximately SEK 300m of Underlying EBITDA in the first 12 months following the acquisition which was closed on September 30, 2016
CAPEX	We expect CAPEX to be in the range of SEK 1.0-1.1bn in 2016	Lowered Capex guidance for 2016 to a range of SEK 850-950m including Boxer in Q4 as the existing MDU business is run at a sustainably lower level
Leverage target	We aim to maintain our leverage within the interval of 3.5-4.0x Underlying EBITDA LTM	Unchanged
	We expect to provide updated guidance on revenue and Capex for the medium-term when we release our Q4 results.	

ANOTHER STRONG QUARTER- ALL TIME HIGH UNIQUE SUBS AND BB SUBS

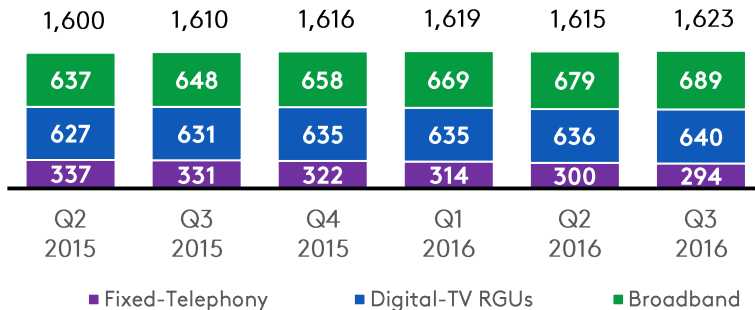
UNIQUE CONSUMER SUBSCRIBERS
(000')



HIGHLIGHTS

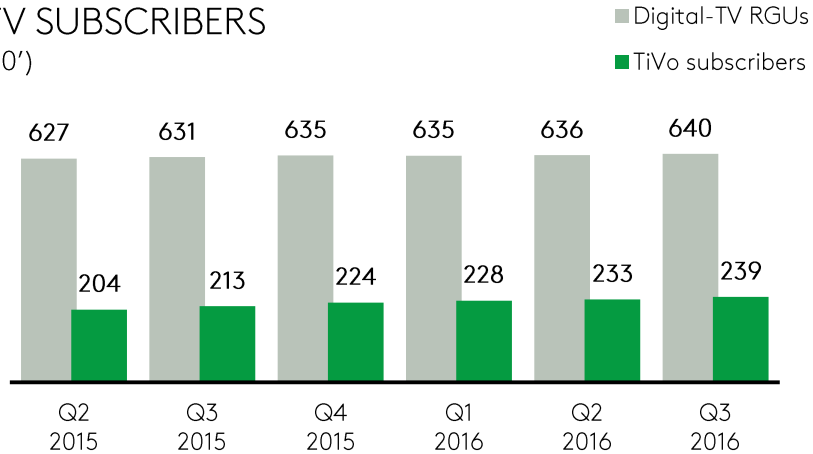
- We are starting to see the positive effects of the rebranding with unique consumer subscribers growing by 8,000 during the quarter to 934,000
- Total RGUs increased by 8,000 for the quarter to 1,623,000
- Dual subscriptions continue to grow steadily, up from 27% in Q2 to 28% in Q3
- The number of telephony RGUs dropped by 7,000

RGUs per QUARTER
(000')



CONTINUED STRONG GROWTH IN OUR HIGH-END CONSUMER SERVICES

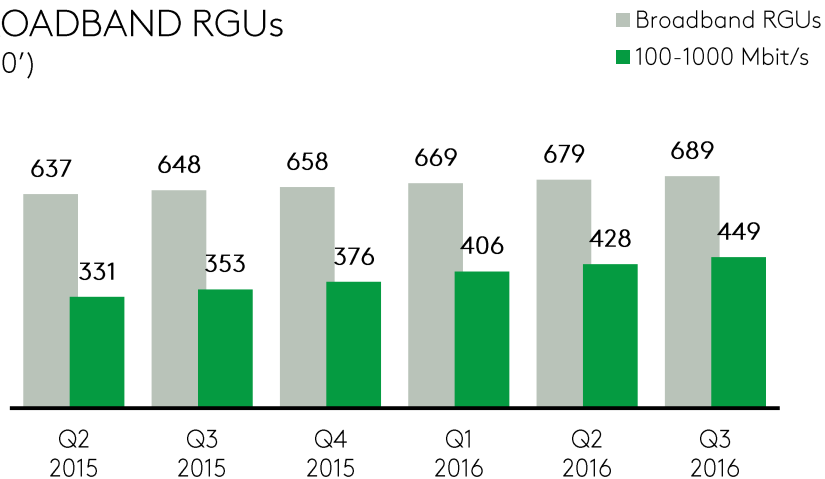
DTV SUBSCRIBERS (000')



DIGITAL-TV

- Demand for our DTV products was strong in the quarter with RGUs increasing by 4,000
- Our TiVo base grew by 7,000 customers, now at 37% of our total DTV base

BROADBAND RGUs (000')

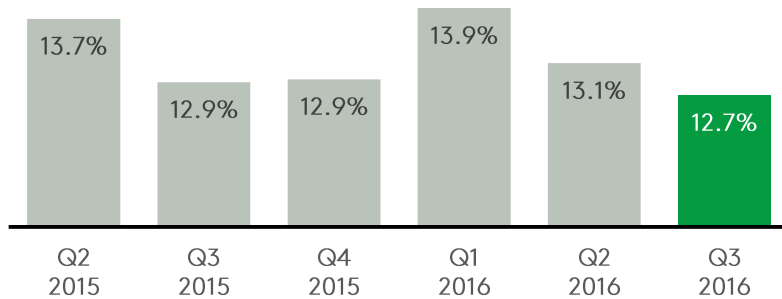


BROADBAND

- Close to 90% of new broadband RGUs choose speeds of 100 Mbit/s and above in Q3
- Over 60% of the broadband base now subscribe on a 100 Mbit/s service or higher end of Q3

NEW RECORDS IN CHURN AND ARPU

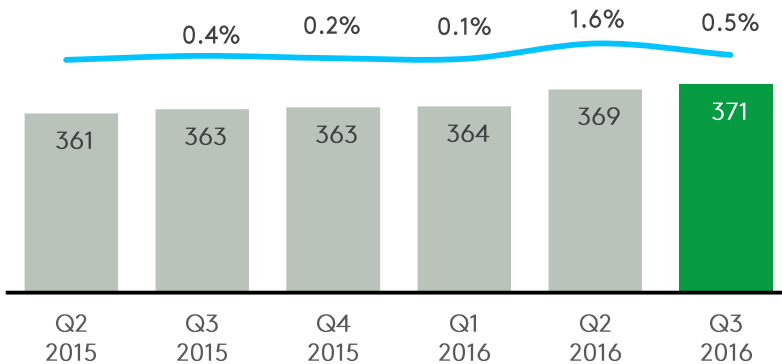
CONSUMER CHURN (%)



CONSUMER CHURN

- Churn fell to 12.7% in Q3, from 13.1% in Q2, now 0.2p.p. lower than the record low churn of 12.9% we recorded for both Q3 and Q4 2015

CONSUMER ARPU Q-o-Q (SEK)

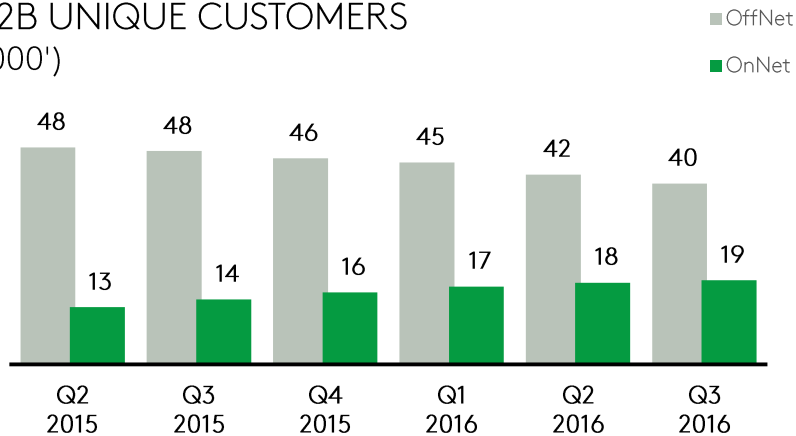


CONSUMER ARPU

- ARPU reached a record high of SEK 371, as more customers are buying higher tier services

TRANSFORMATION OF B2B ONGOING

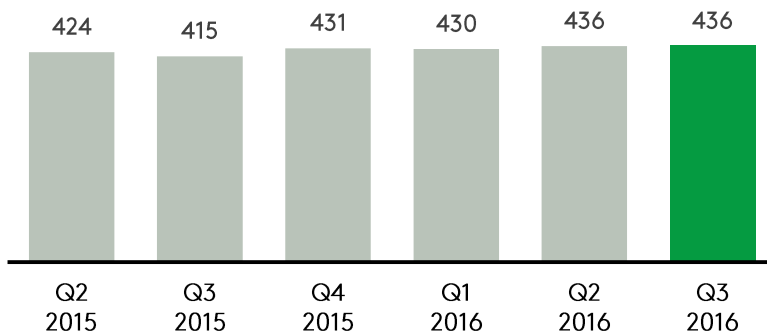
B2B UNIQUE CUSTOMERS (000')



B2B SUBSCRIBERS & ARPU

- B2B revenue grew by a modest 1% in the quarter while OnNet revenue increased by 55%
- B2B OnNet subscriber base grew by 1,000 while total subscriber base fell by 2,000 in Q3
- The focus in our B2B business continues to be on its transformation from the declining OffNet fixed telco legacy business to the future proof OnNet business
- Transformation of operations yields lower operational costs and investments going forward
- B2B ARPU stable at SEK 436 in the quarter

B2B ARPU (SEK)

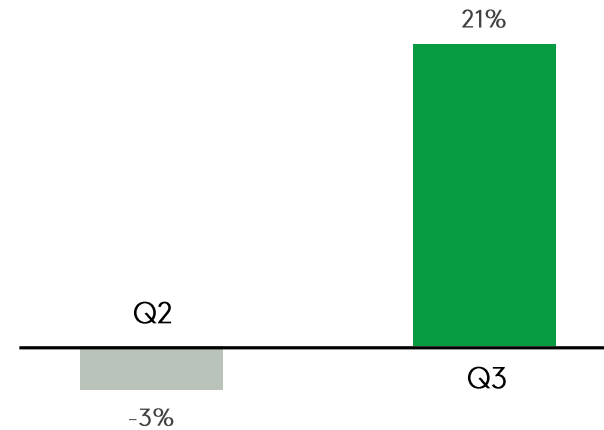


REBRAND DRIVING STRONG DEMAND FOR TV AND BROADBAND

Q3 MARKETING CAMPAIGN (Launched August 24)



SALES CALL PERFORMANCE 2016 vs 2015 (Percentage change in inbound sales calls)



- Rebrand went live on April 7th with a modern, high quality repositioning of Com Hem
- As a result Sales calls to customer services have increased by 21% in Q3 2016 compared to Q3 2015

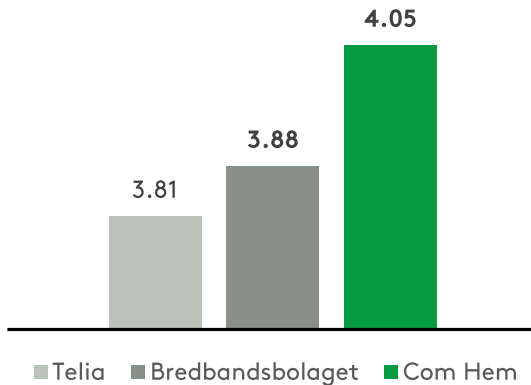
Translation of poster: "Come Home to crystal clear experiences"



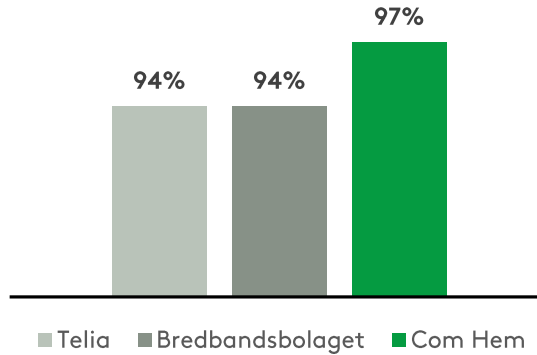
Source: Internal sales data

OUR BROADBAND PERFORMANCE

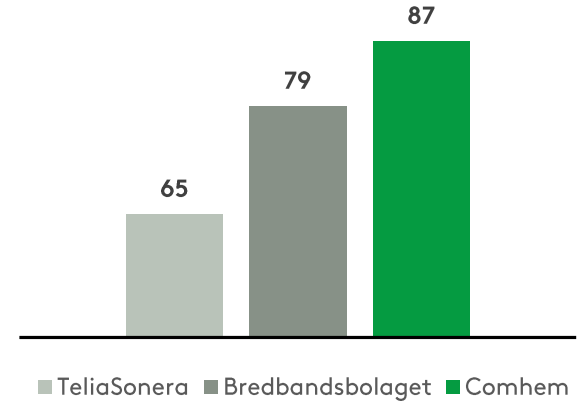
NETFLIX ISP SPEED INDEX
(SEPTEMBER 2016)



GOOGLE VIDEO QUALITY
REPORT (SEPTEMBER 2016*)



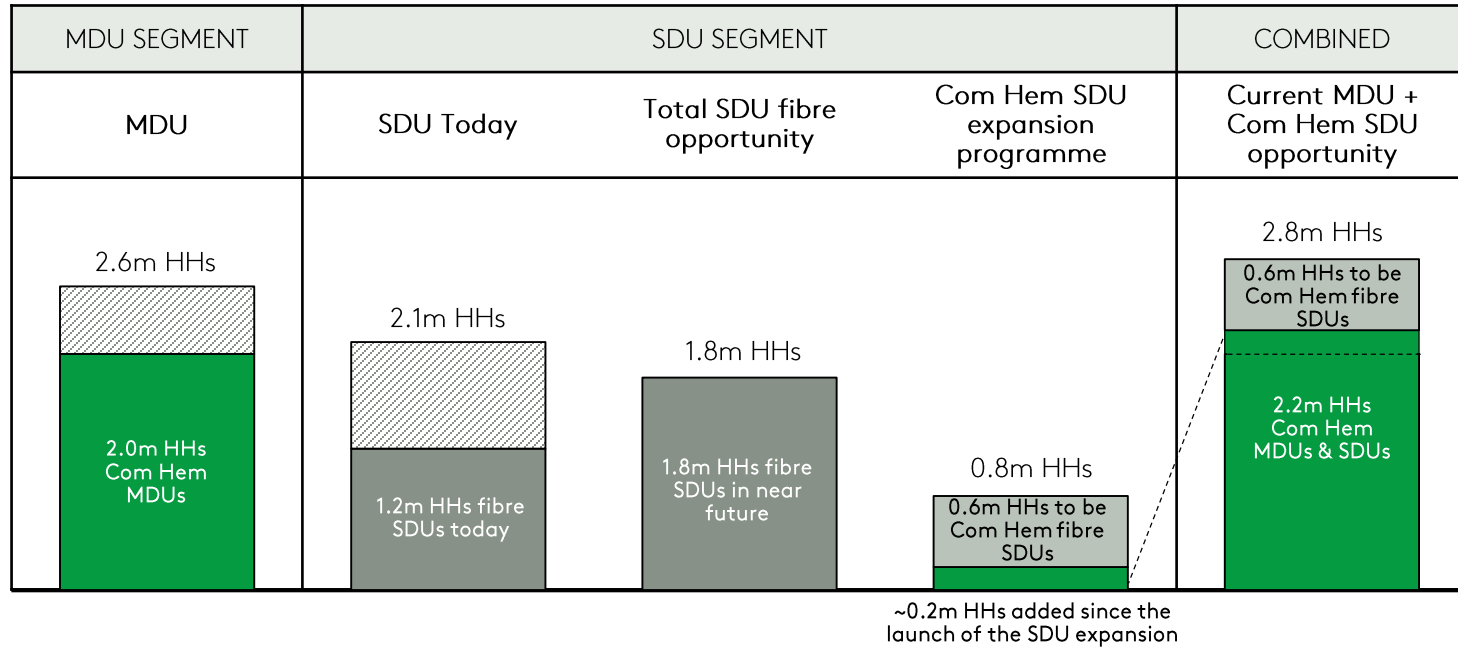
BREDBANDSKOLLEN – AVERAGE SURF
SPEEDS IN SWEDEN (RECEIVING DATA)



- Com Hem has led the Netflix ISP speed index against key competitors since 2014 and against all competitors in all 12 of the last 12 months
- Google Video's report on Sweden gives Com Hem the highest performance rating with a full 97% of streams delivered in HD
- Com Hem's coax broadband delivered the highest average download speed according to the annual Bredbandskollen survey published in February 2016
- Continued leadership in Broadband has enabled us to increase frontbook pricing on 100Mbps/s from SEK 349 to SEK 369/month

EXPANDING INTO THE SDU MARKET

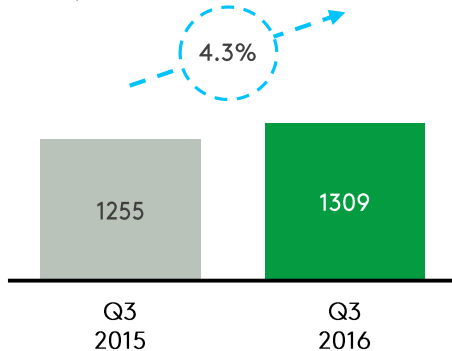
TOTAL SWEDISH MARKET – ADDRESSABLE FOOTPRINT*



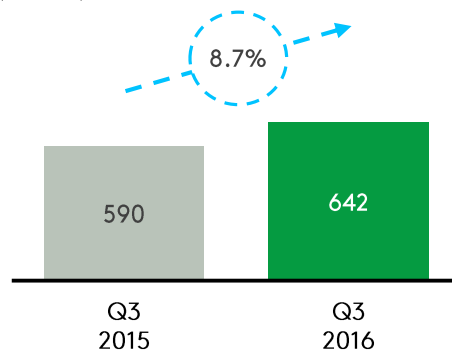
- We anticipate the SDU addressable footprint to grow to 1.8m as a result of build programmes from operators and city networks
- We expect to be able to economically reach approximately 800,000 SDUs over the coming years, through unbundling fibre, Open LANs and modest network expansion
- Since the launch of the SDU expansion programme, Com Hem has added close to 200,000 households within the SDU addressable footprint

THIRD QUARTER FINANCIAL HIGHLIGHTS

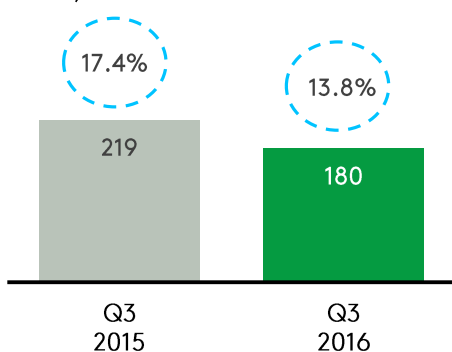
REVENUE (SEKm)



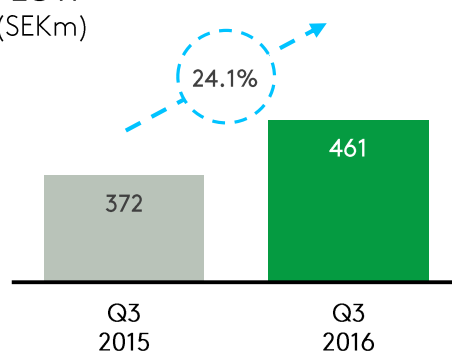
UNDERLYING EBITDA (SEKm)



CAPEX (% OF REVENUE) (SEKm)



OPERATING FREE CASH FLOW (SEKm)

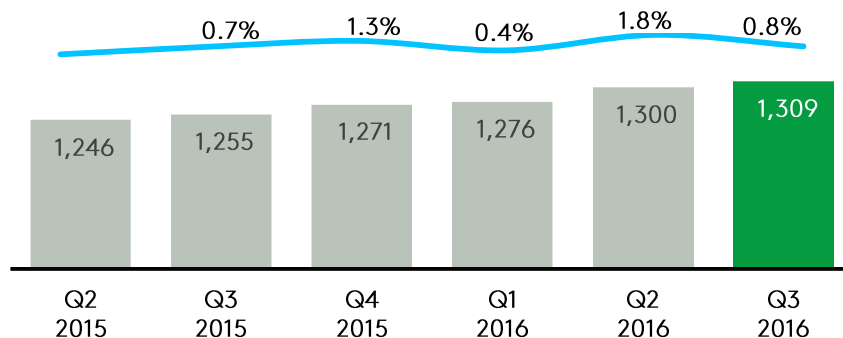


HIGHLIGHTS

- Revenue growth of 4.3% (4.3% in Q2) to SEK 1,309m on the back of successful pricing activity and continued broadband and DTV volume growth
- Underlying EBITDA increased by 8.7% (4.1% in Q2) to an all-time high of SEK 642m in a seasonally strong quarter
- Lower capex compared to Q3 2015, as we now are able to run the existing MDU business at a sustainably lower capex level
- Continued strong increase in OFCF, which grew 24.1% to SEK 461m as a result of Underlying EBITDA growth and lower capex spend in the quarter

CONTINUED REVENUE GROWTH

REVENUE Q-o-Q
(SEKm)



(SEKm)	Q3 2016	Q3 2015	Change	9M 2016	9M 2015	Change
Consumer	1,031	973	6.0%	3,048	2,877	5.9%
Network operator	193	194	(0.9%)	576	591	(2.5%)
B2B	77	76	1.0%	238	230	3.3%
Other	8	12	(28.2%)	23	31	(25.2%)
Total revenue	1,309	1,255	4.3%	3,885	3,729	4.2%

REVENUE

- Increase in consumer revenue driven by continued growth in broadband as well as DTV RGUs, combined with improved broadband tier mix
- Decrease in network operator revenue slowing down to 0.9% (Q2 2016 -3.2%). Increased revenue from network expansion is expected to offset decrease in landlord revenue caused by price pressure, leading to stable network operator revenue going forward
- B2B revenue growth of 1.0% driven by high margin OnNet business. Growth impacted by continued decline in lower margin OffNet legacy business

UNDERLYING EBITDA GROWING 8.7%

(SEKm)	Q3 2016	Q3 2015	Change	9M 2016	9M 2015	Change
Revenue	1,309	1,255	4.3%	3,885	3,729	4.2%
Production costs	(389)	(372)		(1,141)	(1,093)	
Gross profit	920	883	4.2%	2,744	2,635	4.1%
Gross margin	70.3%	70.3%		70.6%	70.7%	
Operating costs*	(278)	(292)		(892)	(885)	
Underlying EBITDA	642	590	8.7%	1,852	1,750	5.8%
Underlying EBITDA margin	49.0%	47.0%		47.7%	46.9%	
One-off items**	(13)	(11)		(34)	(62)	
EBITDA	629	580	8.5%	1,818	1,688	7.7%
Depreciation and amortisation	(402)	(388)		(1,194)	(1,154)	
EBIT	227	192	18.7%	624	535	16.7%
Net financial expenses	(89)	(126)		(256)	(363)	
Taxes	(32)	(15)		(84)	(39)	
Net result for the period	106	51	108.4%	283	133	112.8%

* Excluding items affecting comparability, disposals and depreciation and amortisation

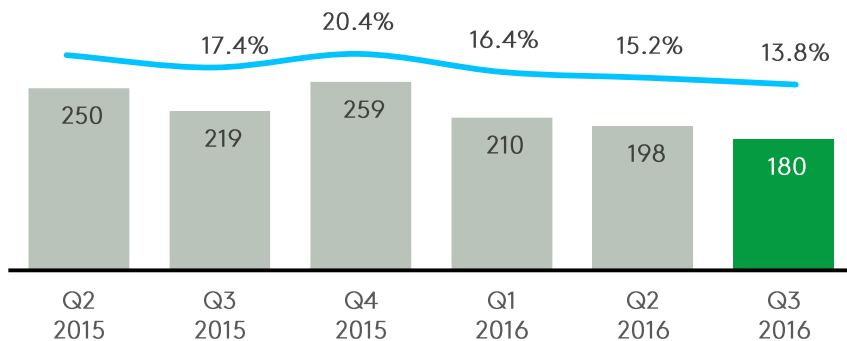
** Items affecting comparability, Operating currency loss/gains and disposals

P&L STATEMENT

- Gross margin stable at 70.3% thanks to pricing activity and cost savings, offsetting the effect that we now start to add lower margin revenue on third party infrastructure
- Operating costs lower than last year partly explained by lower marketing spend in the quarter (timing)
- Underlying EBITDA growth of 8.7% in a seasonally strong quarter
- Slight increase in depreciation and amortisation due to higher customer acquisition capex and IT development in previous quarters, EBIT still growing 18.7%
- Net financial expenses reduced by SEK 37m, or 29%, on back of the Q4 2015 refinancing as well as lower market rates
- Net result more than doubled to SEK 106m

LOWERING CAPEX GUIDANCE FOR 2016 BY SEK 150M

QUARTERLY CAPEX (% OF REVENUE)
(SEKm)



(SEKm)	Q3 2016	Q3 2015	Change	9M 2016	9M 2015	Change
Network related	62	71	(13.3%)	209	234	(10.8%)
CPE & sales costs	79	117	(33.0%)	248	372	(33.5%)
IS development	32	25	27.3%	95	91	4.2%
Other capex	8	5	56.8%	35	34	4.0%
Total capex	180	219	(17.6%)	588	732	(19.7%)

CAPEX

- Lower capex compared to Q3 2015, as we now are able to run the business at a sustainably lower capex level
- We lower capex guidance for 2016 to a range of SEK 850-950m (including Boxer Q4) compared to SEK 1.0-1.1bn previously as the core MDU business now runs at a sustainably lower level
- We expect to provide an updated capex guidance for 2017 and onward when we release our Q4 results
- Network related investments in H2 and beginning of 2017 include extension of our own backbone which will reduce the portion of leased fibre capacity in the network
- CPE investments lower than Q3 2015, mainly due to timing

CONTINUED STRONG CASH FLOW GENERATION

(SEKm)	Q3 2016	Q3 2015	Change	9M 2016	9M 2015	Change
Underlying EBITDA	642	590	51	1,852	1,750	101
Change in net working capital	2	74	(72)	(64)	(8)	(56)
Interest payments on borrowings etc.	(53)	(33)	(20)	(108)	(217)	109
Other operating cash / non-cash items	(10)	(11)	1	(29)	(59)	30
Net cash from operating activities	580	620	(40)	1,651	1,466	185
Gross capital expenditure	(180)	(219)	39	(588)	(732)	145
Capex funded by leasing	0	0	0	0	15	(15)
Acquisition of subsidiaries	(1,372)	0	(1,372)	(1,372)	0	(1,372)
Divestment of tangible assets	1	0	1	1	0	1
Net cash used in investing activities	(1,552)	(219)	(1,333)	(1,958)	(717)	(1,242)
Equity free cash flow*	410	412	(2)	1,092	793	299
Equity free cash flow per share (SEK)	2.2	2.1	0.1	5.8	3.9	1.9
Net change in borrowings	993	(9)	1,001	880	76	804
Shareholder remuneration	(288)	(281)	(6)	(931)	(681)	(250)
Other financial activities	(6)	(3)	(4)	(24)	(37)	13
Cash flow from financing activities	698	(293)	991	(75)	(642)	567
Net cash generated (used)	(273)	109	(382)	(382)	108	(490)

- Change in net working capital almost flat compared to positive movement in Q3 2015, mainly due to timing between quarters
- Interest payments higher than last year due to timing for payments on bank debt
- Equity free cash flow (excludes purchase consideration Boxer) stable at SEK 410m in the quarter, up SEK 299m year to date
- Repurchased 3,880,079 shares for SEK 287m, representing 2.0% of total number of registered shares as of 30 September
- The Board decided to cancel 3,923,379 of repurchased shares, expected in November. Following the cancellation the number of registered shares will be 188,950,640
- Net cash used of SEK 273m due to part of Boxer acquisition financed with existing cash balance

BOXER TRANSACTION CLOSED ON SEPTEMBER 30



ACQUISITION OF BOXER SWEDEN

- The acquisition was closed on September 30, 2016 following necessary approvals being obtained
- Enterprise Value of SEK 1,330m (SEK 1,372m effect on Group cash including adjustments), representing a LTM Underlying EBITDA multiple of 4.3x
- The acquisition has been financed by the new SEK 800m incremental facility signed in June together with existing unutilised credit facilities and cash

ACCOUNTING EFFECTS OF THE ACQUISITION

- Boxer is consolidated into the Group's balance sheet as per September 30, 2016
- According to preliminary purchase price allocation the acquired assets have the following fair values:

BALANCE SHEET ITEM	(SEKm)	COMMENT
Customer relationships	1,427	Will be amortised over 10 years
Trademark	101	No amortisation
Goodwill	414	No amortisation
Other intangible and tangible fixed assets	112	Mainly capitalised CPEs and sales commissions
Total fixed assets	2,054	
Deferred tax liability	(307)	Relates to identified intangible assets and liabilities
Liability transmission contract	(174)	Reflects lower future market price negotiated as part of the transaction, to be released over existing contract period
Net working capital (negative)	(201)	
Effect on Group's cash	1,372	

BOXER KPIs AND FINANCIALS



SEKm	Q3 2016	Q3 2015	Change	9m 2016	9m 2015	Change
<u>Financial overview*</u>						
Revenue	465	469	(0.8%)	1394	1411	(1.2%)
Underlying EBITDA	91	87	4.6%	244	255	(4.6%)
Total Capex	(18)	(22)	(17.7%)	(53)	(81)	(34.5%)
OFCF	72	65	12.2%	191	175	9.2%

000'	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<u>Operational overview*</u>				
Unique consumers	508	516	529	541
Consumer churn	15.7%	16.3%	16.1%	15.9%
ARPU	293	289	283	280

- Pressure on Boxer revenue and subscriber base partly as a consequence of the ongoing fibre build-out in the SDU market
- As the Com Hem SDU expansion programme overbuilds Boxer households, customers will be offered bundled broadband and TV services

COST STRUCTURE

- Two main cost items in the business:
 - DTT distribution cost paid to Teracom Boxer Group. A negotiated reduction over the coming 10 years will allow for sustainable profitability for the DTT business
 - Content costs are variable and depending on the number of subscribers and mix, similar to the Com Hem business
- Transitional services agreement signed with seller, services to be migrated over to Com Hem over the coming years

In the 12 months following the close of the acquisition, Boxer is expected to add approximately SEK 300m to the Com Hem Group's Underlying EBITDA

CAPITAL STRUCTURE – REFINANCING OPPORTUNITY FROM NOVEMBER

(SEKm)	Sept. 30, 2016	Dec. 31, 2015
Bank debt		
Term Loans	6,175	5,875
RCF	200	1,350
Finance leases	28	48
Total senior bank debt	6,403	7,273
Bond instruments		
2014/2019 Notes @ 5.25%	2,500	2,500
2016/2021 Notes @ 3.625%	1,750	-
Gross debt	10,653	9,773
Cash balance EoP	(361)	(743)
Net debt	10,292	9,030
Unutilized bank facilities and cash	2,161	1,393
Leverage		
Net Debt / Underlying EBITDA LTM*	3.7x	3.8x
Average blended interest rate year to date	2.9%	4.4%

CAPITAL STRUCTURE

- Boxer acquisition closed on September 30, financed with existing unutilised credit facilities and cash
- Well capitalised with SEK 2.2bn in cash and unutilised credit facilities at the end of September
- Opportunity to refinance the 2014/2019 Notes @ 5.25% as they become callable November 3, 2016
- Leverage down slightly since December at 3.7x Net Debt/Underlying EBITDA LTM, well within our target range of 3.5-4.0x
- The Group's average interest rate at 2.9% for 9M2016 while extending debt maturity profile following new issue of 2016/2021 Notes in June 2016

* Including SEK 306m for Boxer

OUTLOOK - COM HEM IS A GROWTH COMPANY

Since the IPO (June 2014), Com Hem has:

- Grown Revenue by 4.9% per annum*
 - Grown EBITDA by 4.8% per annum*
 - Grown Operating free cash flow by 14.3% per annum*
-
- Com Hem has built real operating momentum. This is evidenced by the latest Q3 result. Not only revenue and EBITDA, but also leading indicators like consumer churn, consumer ARPU, RGUs and B2B revenue have never been better
 - Core business and current scope of SDU expansion can grow sustainably at lower Capex level. For 2016, SEK 150m lower than previously guided
 - On September 30, 2016, Com Hem closed the acquisition of Boxer. This will materially add to EBITDA from now and onwards, starting at about SEK 300m annually
 - Boxers existing 500,000 customers will help us to accelerate our growth into the single-dwelling (SDU) market. For the first time, our business is growing materially beyond our traditional cable footprint stronghold

Hence, we are today reiterating our guidance for “mid-single digit” EBITDA growth medium term while lowering our capex guidance for the existing business. We expect annual operating free cash flow to continue to exceed EBITDA growth

OUTLOOK - COM HEM IS ALSO A YIELD COMPANY

At the IPO, Com Hem committed to return excess cash to shareholders.

- Since the IPO, Com Hem has paid total dividends of SEK 0.5bn, and bought back and redeemed SEK 1.4bn of our own stock, equivalent to 9.3% of total outstanding shares at the IPO
- Today, our strong operating performance and outlook allows us to renew that commitment. We have during the last 12 months returned SEK 1.2bn to our shareholders and we intend to continue returning excess cash to shareholders through a mix of dividends and buybacks, without increasing our leverage beyond 4.0x
- Specifically, following consistently strong cash generation, the Board intends to propose a change to the mix of the shareholder remuneration to increase the cash dividend from SEK 1.50 per share to SEK 4.00 per share to be paid out semi-annually in May and October, 2017
- Alongside the cash dividend we will also continue to do buybacks from time to time

Q&A
