Q1 2015 Results

Com Hem

Stockholm, May 6, 2015

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Today's agenda

First quarter in brief

Another quarter of significant RGU growth and reduced churn

Q1

Financial performance

Strong net profit and cash flow growth

Operational Update

Price rises, discounts and key churn drivers

Conclusions and summary

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First quarter in brief and operational development

Anders Nilsson, CEO

Continued strong financial and operational performance

- **Focus on customer experience yields strong operational numbers**
  - Churn reduction, now at historic lows
  - An all time high of 888,000 unique consumer customers
  - RGU growth within all product areas; broadband, digital TV and telephony
  - Trend shift as broadband RGUs overtake digital-TV RGUs for the first time
- **Operational improvements leads to continued strong financial performance**
  - Revenue grew by 9.2%
  - Highest net profit since Q3 2010
  - Significantly improved cash generation

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Continued progress on our growth drivers

Leverage our network and speed advantage

Broadband subscriber base grew by 16,000 net additions to an all-time high of 628,000 RGUs. Average speed now exceeds 100 Mbit/s.

Drive DTV penetration with Superior DTV product

Digital TV grew by 8,000 to 625,000 RGUs, TiVo penetration reaches 30% penetration with 189,000 RGUs.

Increased customer satisfaction

Churn improved to 13.3% (14.8% in Q3 2014, 14.2% in Q4 2014). Unique consumer base grew by 12,000 to an all-time high of 888,000.

Capitalize on unique bundle opportunity

Progress in shift to bundles with RGUs per customer moving from 1.78 in Q1 2014 to 1.80.

Leverage B2B opportunity

Continued good pace in OnNet SoHo sales activities.

Improve financial flexibility

Reduced interest payments by 50% compared to Q1 2014 improves cash flow generation.

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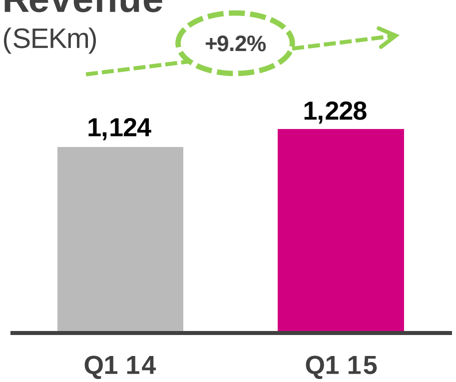
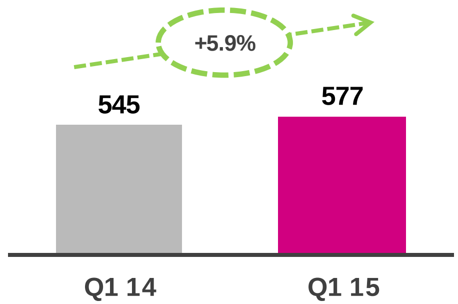
First quarter financial highlights

Strong growth in revenue and net cash flow

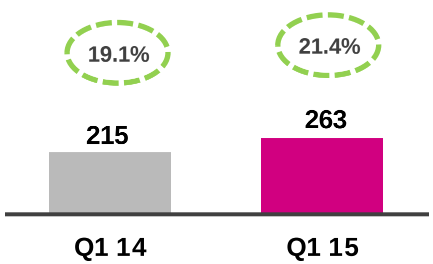
Revenue
(SEKm)



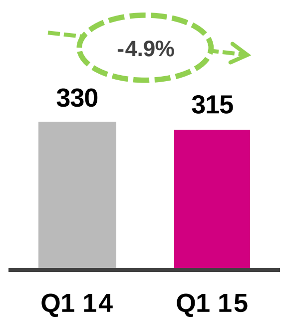
Underlying EBITDA
(SEKm)



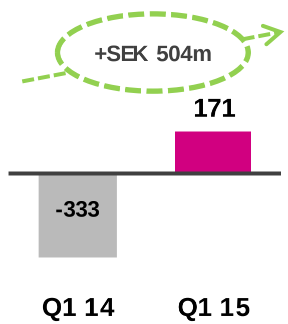
Capex (% of revenue)
(SEKm)



Operating free cash flow
(SEKm)



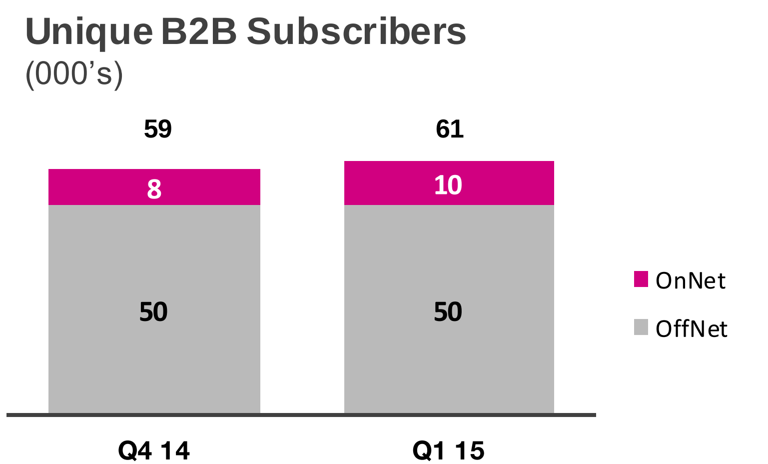
Net cash flow
(SEKm)

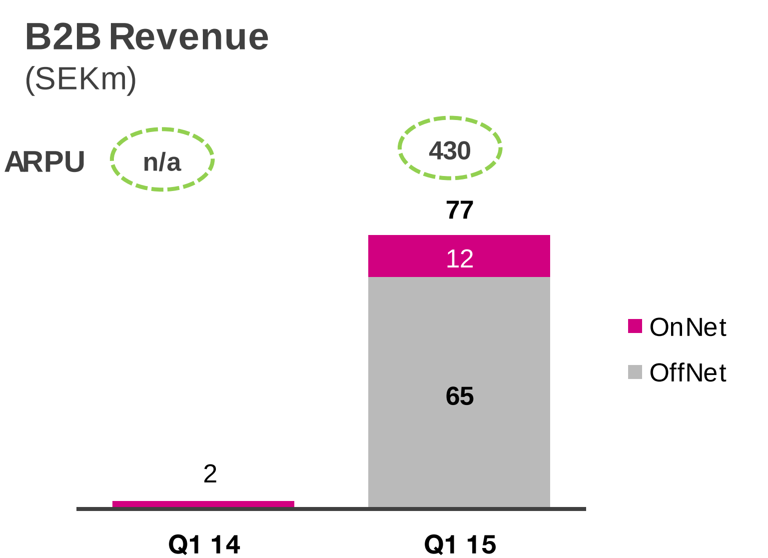


- Increased revenue of 9.2% underpinned by momentum in organic growth of 3.5%. On track to grow mid single digits for the full year
- Underlying EBITDA grows from SEK 545m to 577m with underlying EBITDA margin of 47.0%
- Capex increase due to frontloaded investment in customer acquisitions (CPEs and capitalized sales costs)
- This leads to a slight decrease in OFCF
- Excluding last years' acquisition of Phonera, net cash flow for the period improved by SEK 213m

Continued positive trend in B2B

Focused sales activity drives OnNet customers



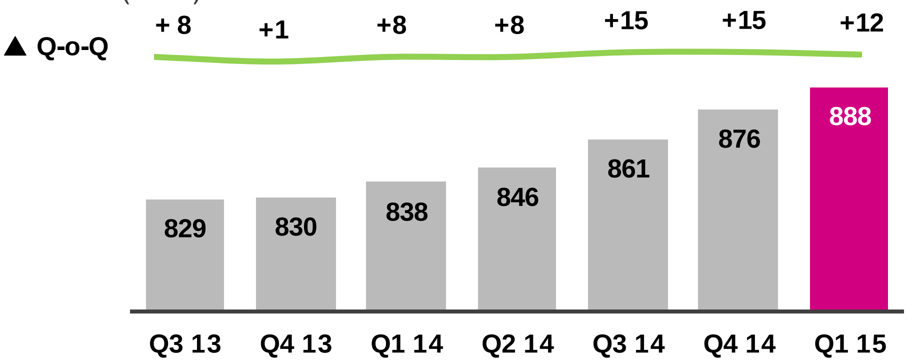


- Strong OnNet revenue growth, from SEK 2m in Q1 2014 to SEK 12m
- OnNet SoHo adding +2,000 unique subscribers (2,000 in Q4)
- Substantial growth opportunity as we target the potential of 140,000 connected SoHo businesses
- OnNet margin substantially higher than OffNet margin translates to higher profitability and cash flow

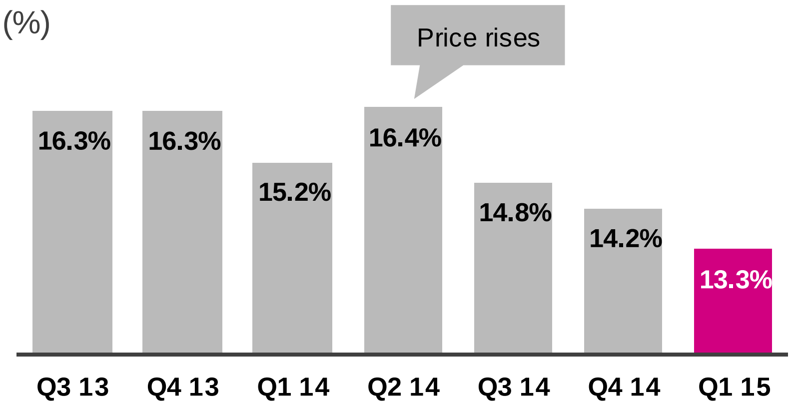
Consumer business

Strong momentum in customer intake and churn reduction

Unique consumer subscribers
(000')



Customer churn
(%)

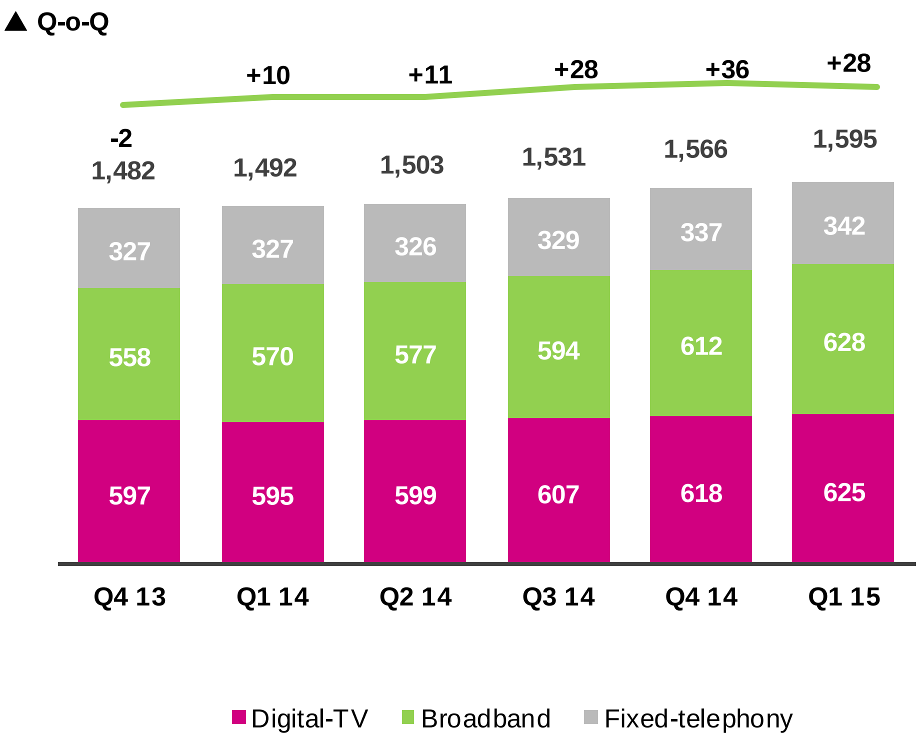


- Unique consumer subscriber base increased by 12,000 to an all-time high of 888,000
- Churn falls to an all time low of 13.3%
- Reflects our continued focus on customer experience improvements.

Consumer business

Strong growth across the board

RGUs per quarter
(000')

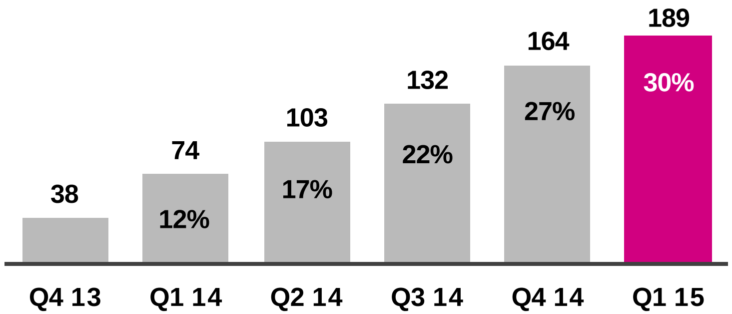


- Total consumer RGUs increased by 28,000
- Broadband grew by 16,000 RGUs to an all time high
- 8,000 RGUs added in digital television
- Fixed telephony RGUs grew by 4,000
- Increase in RGUs per unique subscriber for the second sequential quarter to 1.80 (1.78 in Q3 2014 and 1.79 in Q4)

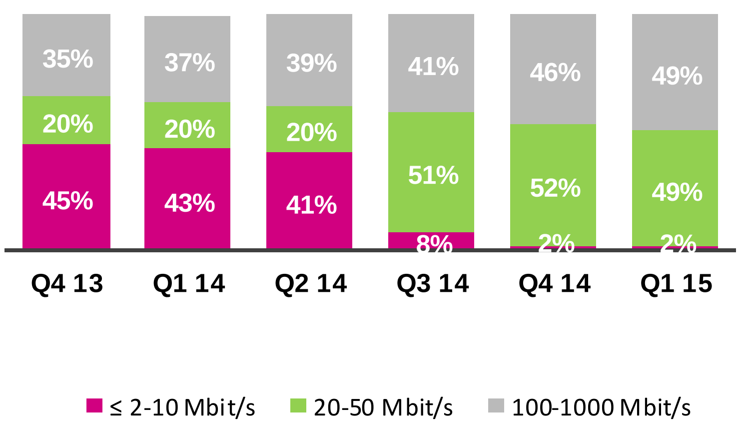
Continued positive trend in consumer services

Average broadband speed in customer base now exceeds 100 Mbit/s

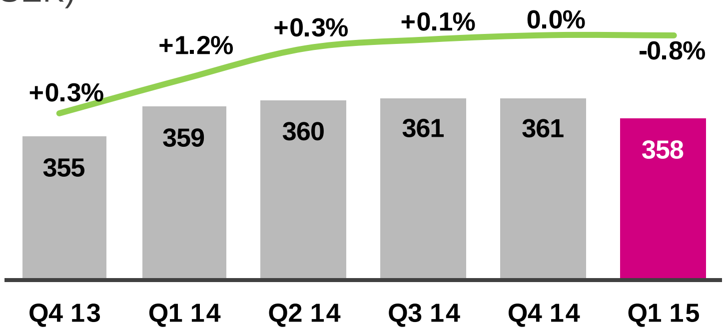
TiVo Customers
(000')



Broadband speeds
(%)



Consumer ARPU
(SEK)



- TiVo customers grew by 25,000 in Q1, representing 30% penetration of the DTV-base
- 74% of new customers took 100 Mbit/s and above in Q1 (71% in Q4)
- High customer intake contributed to lower ARPU in early Q1. However ARPU recovered to Q4 levels in March
- Price rises will increase consumer ARPU from Q2

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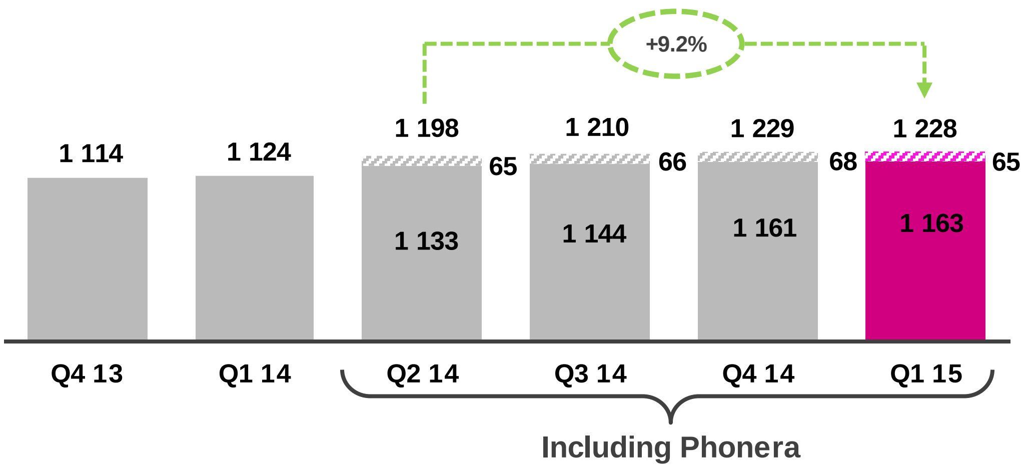
Q1 Financial performance

Daniel Johansson, Head of Controlling

Continued strong revenue growth

Organic revenue growth of 3.5% Y-o-Y

Total and organic revenue Q-o-Q (SEKm)



(SEKm)	Q1 15	Q1 14	Change		Q4 14
Consumer revenue	914	866	49	+5.6%	908
Landlord revenue	179	201	(22)	-11.0%	186
B2B revenue	77	2	74	n/m	78
Other revenue	58	55	3	+4.8%	59
Total revenue	**1,228**	**1,124**	**104**	**+9.2%**	**1,229**
- Of which organic	1,163	1,124	*39*	*+3.5%*	1,161
- Of which Phonera	65	-			68

- Consumer revenue increase driven by growth in broadband and TiVo subscribers, improved broadband tier mix and declining consumer churn
- Landlord revenue decrease due to contract renegotiations, lower index pricing and 2014 one-offs including migration of customers to B2B
- B2B OnNet shows good growth, revenue up SEK 10m Y-o-Y. Decline in Q-o-Q B2B revenue due to seasonality effects in our legacy OffNet SoHo voice business

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Best net results since Q3 2010

Company transformation successfully translated to improved profitability

(SEKm)	Q1 15	Q1 14	Change		Q4 14
Revenue	**1,228**	**1,124**	**104**	**+9.2%**	**1,229**
Production costs	(354)	(315)	(39)		(340)
Gross profit	**873**	**808**	**65**	**+8.0%**	**889**
Gross margin	*71.1%*	*71.9%*	*-0.8 p.p.*		*72.3%*
Operating costs*	(297)	(264)	(33)		(313)
Underlying EBITDA	**577**	**545**	**32**	**+5.9%**	**576**
Underlying EBITDA margin	*47.0%*	*48.5%*	*-1.5 p.p.*		*46.9%*
Non-recurring items	(39)	(57)	18		(40)
EBITDA	**538**	**488**	**50**	**+10.2%**	**536**
EBITDA margin	*43.8%*	*43.4%*	*+0.4 p.p.*		*43.6%*
Depreciation and amortization	(376)	(341)	(36)		(377)
EBIT	**161**	**147**	**14**	**+9.8%**	**159**
EBIT margin	*13.1%*	*13.1%*	*+0.1 p.p*		*12.9%*
Net financial expenses	(110)	(349)	239		(560)
Taxes	(11)	26	(37)		237
Net result for the period	**40**	**(176)**	**216**	**n/m**	**(164)**

* Excluding non-recurring items, depreciation and amortization

- Slight pressure on gross margin due to Phonera
- Decrease in underlying EBITDA margin due to Phonera and increased marketing and sales costs
- EBIT margin stable around 13%
- Net results turns positive back on last year balance sheet transformation
- Q1 net results of SEK 40m is the best result since Q3 2010

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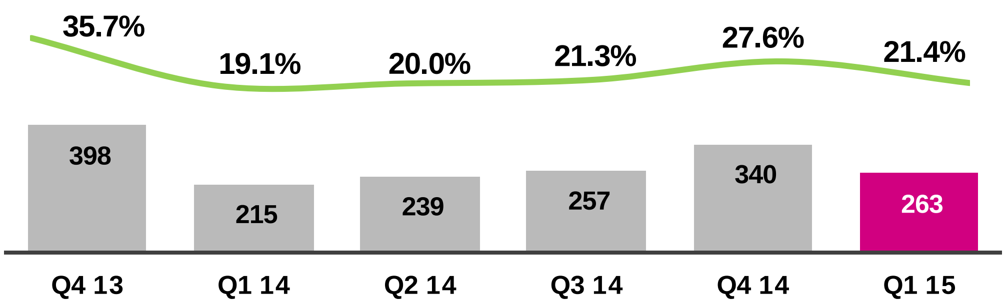
Frontloaded capex in Q1

Higher investments in customer acquisition-related capex

Quarterly capex (% revenue and SEKm)



(SEKm)	Q1 15	Q1 14	Change		Q4 14
Network related	65	58	6		147
CPE & sales costs	149	107	42		137
IS development	35	41	(6)		37
Other capex	15	8	6		19
Total capex	**263**	**215**	**48**	**+22.5%**	**340**

- CPE capex principally higher due to more modem capex
- Higher capitalized sales costs due to increased sales activity
- IS development lower than previous year due to improved efficiency
- Other capex increase due to investments in the B2B business

Significantly improved cash generation

2014 balance sheet transformation now visible

(SEKm)	Q1 15	Q1 14	Change		Q4 14
Underlying EBITDA	**577**	**545**	**32**	**+5.9%**	**576**
Non-recurring items and operating currency loss	(39)	(57)			(29)
Change in net working capital	(13)	(73)			(23)
Interest payments on borrowings etc.	(52)	(97)			(581)
Adjustments for non-cash items	1	3			(2)
Net cash from operating activities	**474**	**321**	**153**	**+47.7%**	**(59)**
Gross capital expenditure	(263)	(215)			(340)
Capital expenditure funded by financial leasing	-	-			28
Acquistion of Phonera	-	(291)			-
Divestment of financial assets	-	-			(0)
Net cash used in investing activities	**(263)**	**(507)**	**243**	**+48.1%**	**(312)**
Borrowings	-	-			3,775
Amortization of borrowings	(7)	(147)			(3,498)
Payment of borrowing costs	(11)	(0)			(45)
Other financial activities	(21)	-			(53)
Cash flow from financing activities	**(40)**	**(148)**	**108**	**+73.1%**	**178**
Net cash generated (used)	**171**	**(333)**	**504**	**n/m**	**(192)**
Cash Balance BoP	716	1,122			909
Cash balance EoP	**888**	**789**	**99**	**+12.5%**	**716**

- Lower one-offs, ~50% reduction in interest payments and improved movement in NWC drive cash generation from operating activities
- SEK 21m outflow in Q1 relates to payments of IPO fees
- Net cash generation improved by 0.5 billion for the quarter

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Cost of debt reduced by additional 0.6 p.p

The refinancing of the 9.25% Senior Secured Notes now visible

(SEKm)	Q1 15*	Q4 14**	Change
Senior bank debt			
Term Loans	3,500	3,500	
Incremental facility	375	375	
RCF	1,350	1,350	
Finance leases	58	67	
Total senior bank debt	**5,283**	**5,292**	**(9)**
Bond instruments			
Senior Secured Notes, @ 5.25%	2,500	2,500	
Senior Notes @ 10.75%	1,733	1,775	
Gross debt	**9,516**	**9,567**	**(51)**
Cash balance EoP	(888)	(716)	
Net debt	**8,628**	**8,851**	**(222)**
Leverage	**3.8x**	**3.9x**	**(0.1)x**
Average interest cost	**4.7%**	**5.3%**	**(0.6) p.p.**

* *The exchange rate 9.287 is used to convert EUR debt to SEK debt as of March 31, 2015.*

** *The exchange rate 9.516 is used to convert EUR debt to SEK debt as December 31, 2014.*

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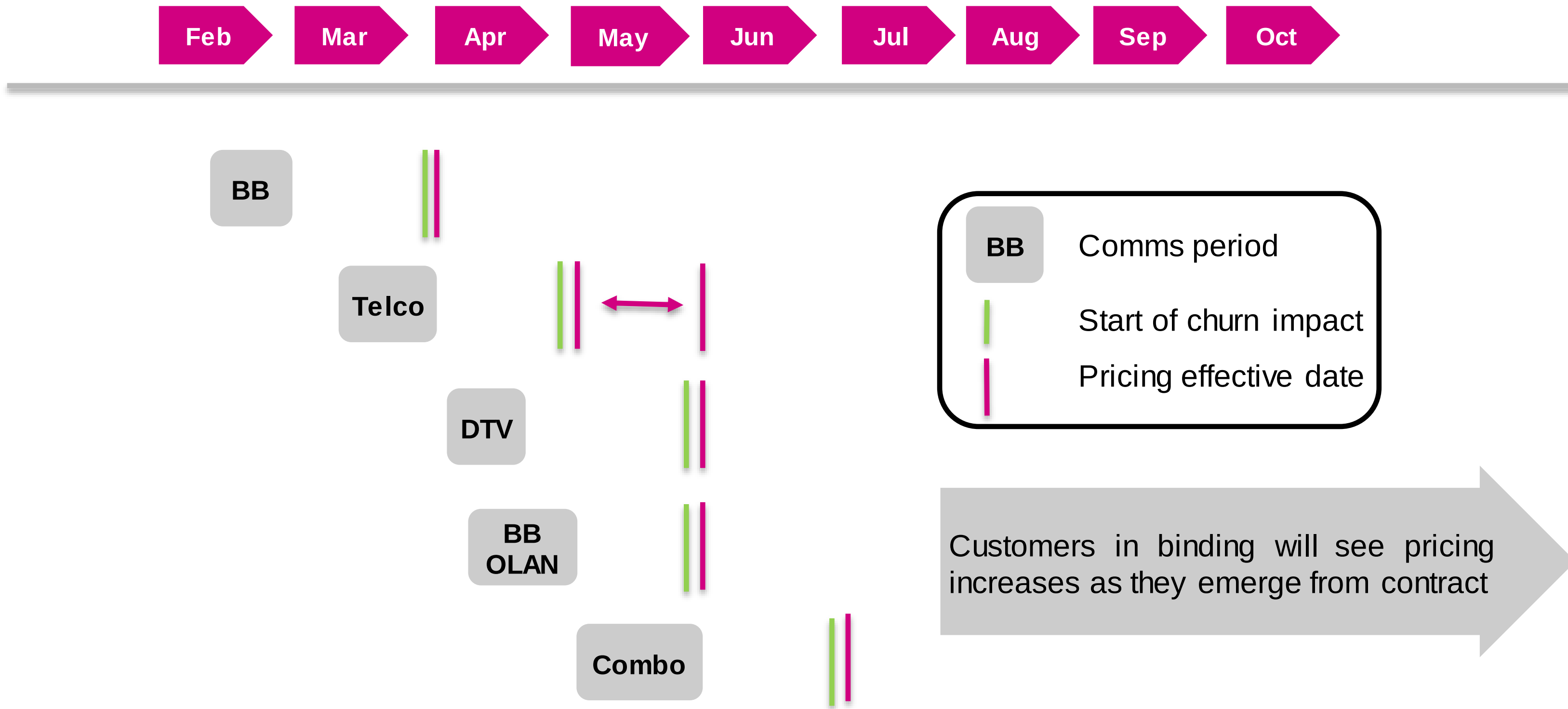
Operational Update

Jon James, COO

Executing the shift towards price driven growth

Roughly half of our customers will see changes in price or discounts in Q2

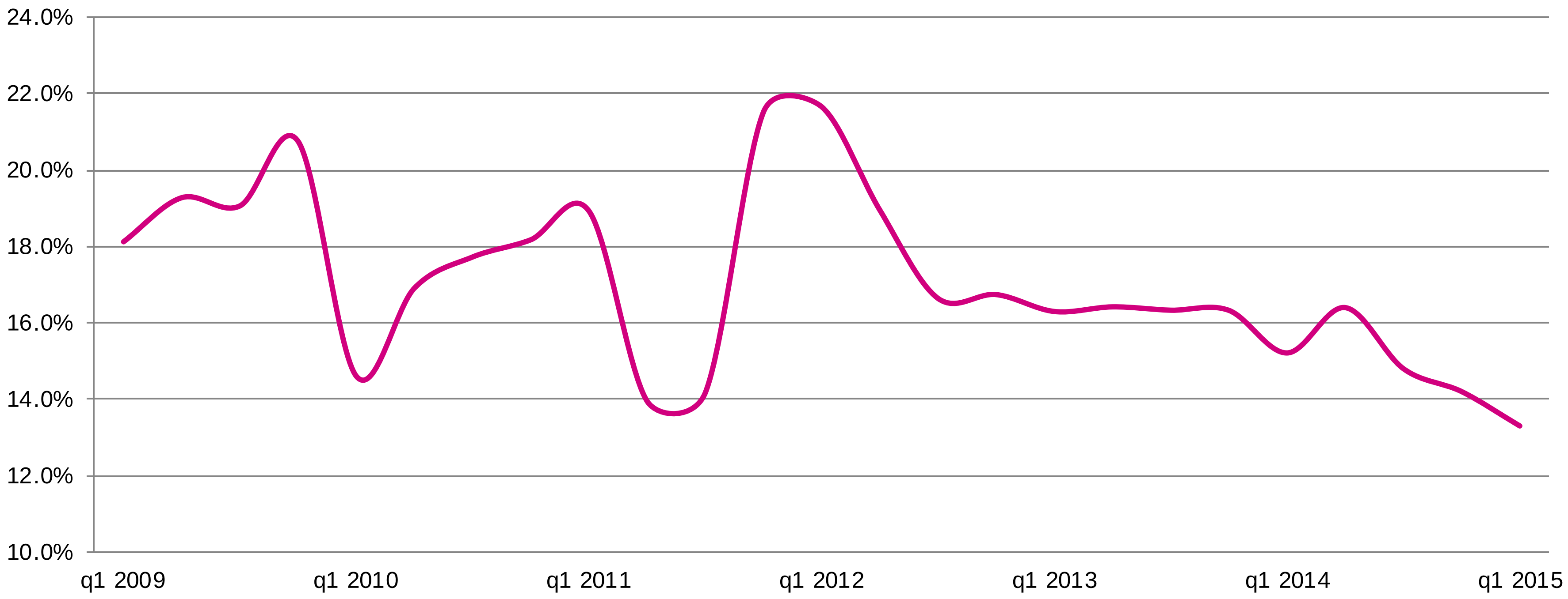


- Price rise takes effect in Q2. No churn, revenue or ARPU impact in Q1
  - Applying the Q1 frontbook broadband pricing change to our backbook
  - Also addressing legacy disparities in broadband, telco, combo and DTV pricing
  - We exclude customers in binding, pricing > frontbook, no double pricing BB-DTV

Customer churn at all-time low of 13.3%

Since Q2 ’14, average of > 1% fall per quarter

Com Hem Historic churn development: 2009-2015

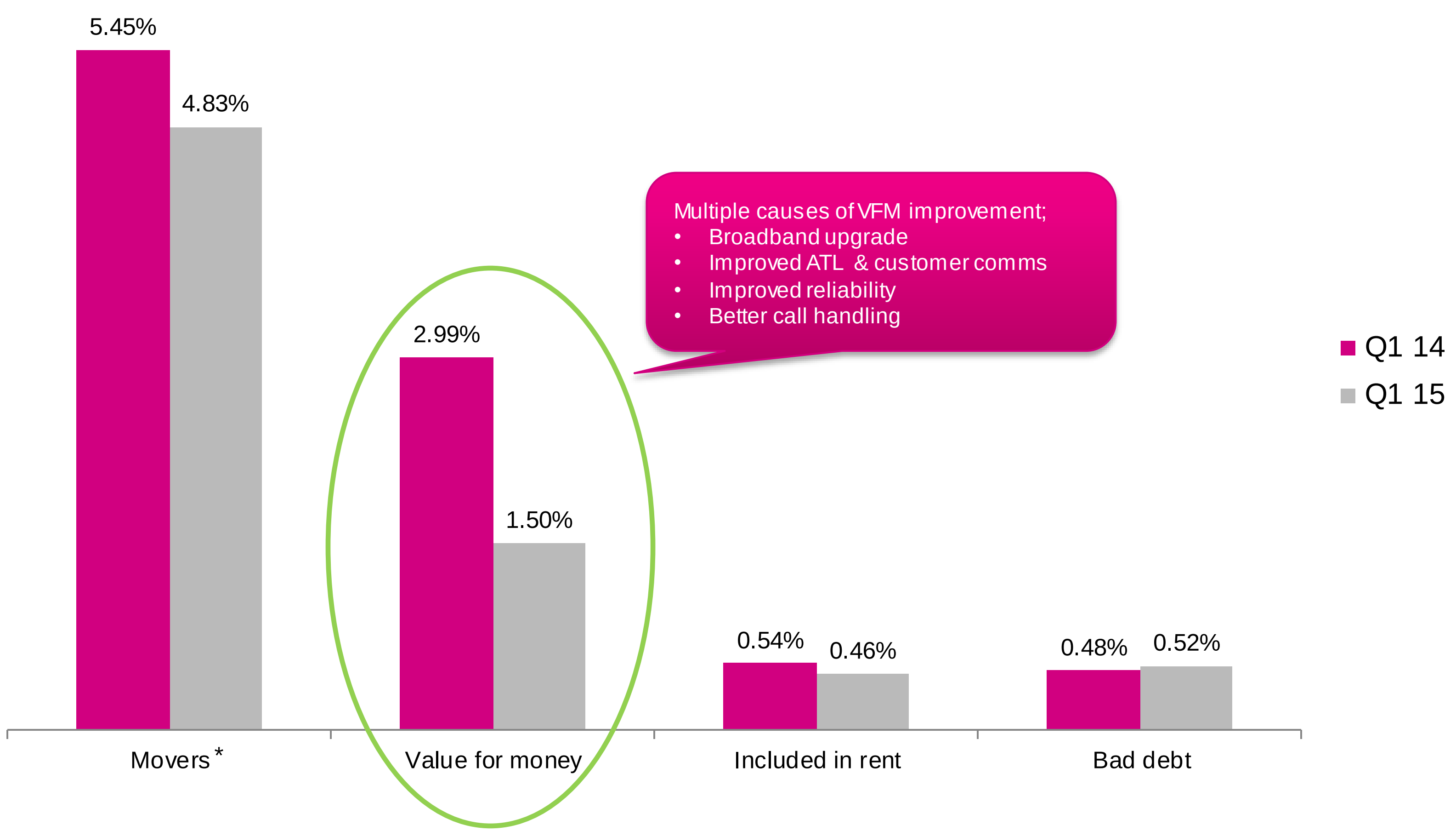


- We continue to experience rapid falls in our underlying churn rate
- Q2 churn will be higher than Q1, as includes the large majority of price rise-related churn

Value for money the key driver of lower churn

VFM-driven churn has halved in 12 months

Com Hem: Top 4 reasons to churn, Q1 ‘14 vs. Q1 ‘15



* Includes moves outside Com Hem foot print, and deceased, excluding movers within Com Hem foot print.

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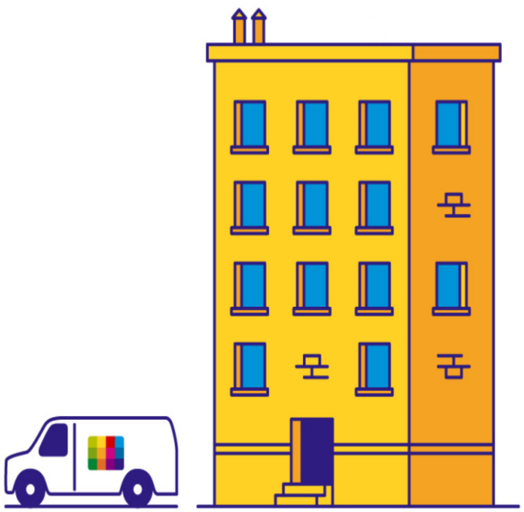
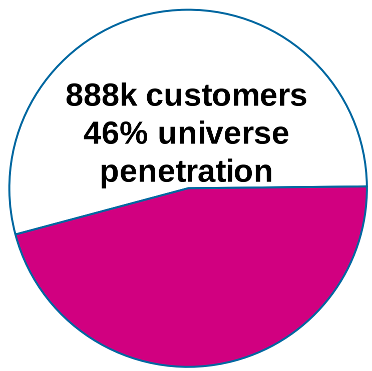
Our room for core growth remains substantial

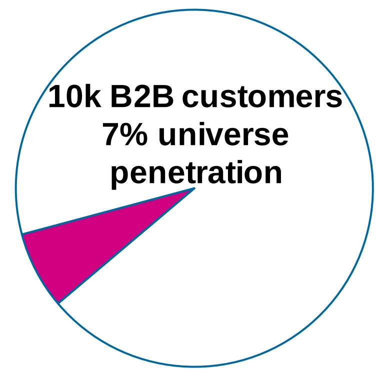
B2C
- Broadband leadership
- Low growth in overbuild/OLAN
- No impact so far from 700/700, Telia
- Opportunity in higher value collective deals

B2B
- Com Hem leadership for SoHo on speed, price, service
- Strong volume & ARPU growth
- Driven by internal TM





1.92m connected households



150k SoHo

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Shareholder remuneration

Redemption programme

- SEK 65m will be paid to shareholders around May 11, 2015 for a total of 886,221 shares that were applied for redemption
- Final size of redemption programme lower than originally planned due to the recent strong share price performance

Buy-Back programme

- Board of Directors proposes to extend this year's buy-back programme to up to SEK 1,500m (previously up to SEK 1,000m) including the SEK 65m already spent on the one-time redemption programme
- Board of Directors proposal subject to shareholder approval at AGM on May 21

Cash dividend

- Board of Directors proposal of SEK 1 per share in cash dividend
- Proposal subject to shareholder approval on May 21

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Summary

- **Continued execution on our plan for sustainable growth**
  - Our main operational focus remains improving the customer experience
  - From Q2 we are shifting from RGU driven growth to a mix of RGUs and price
  - Full year guidance is unchanged:
    - To grow the revenue of the overall business in the mid-single digits year-on-year
    - The underlying EBITDA margin is expected to soften slightly due to a shift in business mix
    - 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 operate within a target leverage of 3.5x to 4.0x LTM underlying EBITDA

- **Capital return programme to be executed subject to AGM approval**

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Q&A

AGM on May 21

Q2 results published July 14