Q4 2014 Results

Com Hem

Stockholm, February 10, 2015

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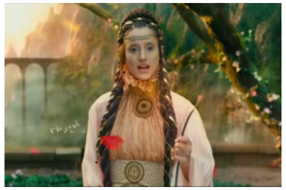
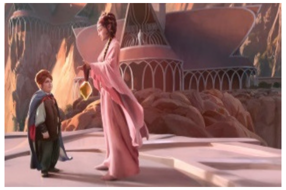
Today’s agenda



Fourth quarter in brief
Momentum in customer intake and churn reduction

Q4

Financial performance
Strong growth in revenue and improved profitability



Capital Return Programme
Proposal and new dividend policy

Operational Update
Consumer Churn, ARPU and new B2B offering

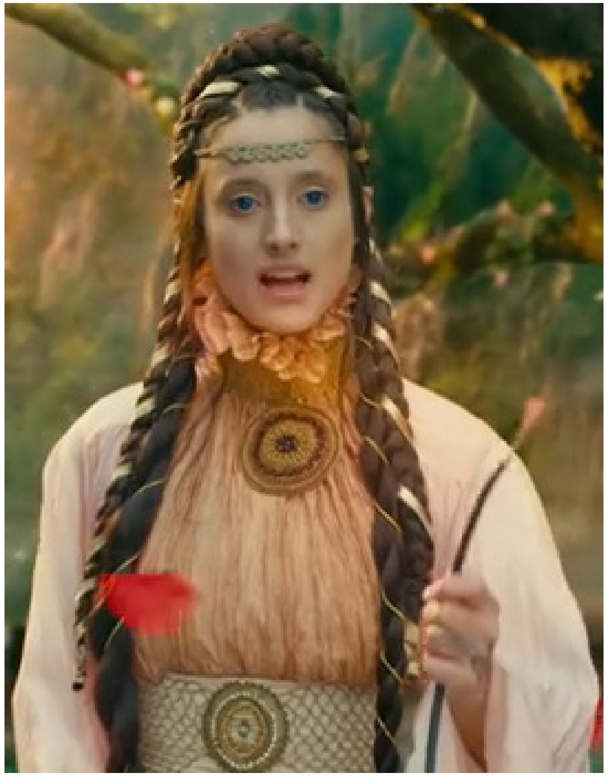
Fourth quarter in brief and operational development

Anders Nilsson, CEO

Momentum in growth and reduced churn

Successfully executing on our plan

- **Strong numbers across the board**
  - Rapid pace of churn reduction
  - Increased momentum in organic growth
  - Continued strong broadband growth
  - Steady DTV growth continues
  - Material progress in B2B
- **Strengthened cash flow**
  - Second phase of refinancing completed
  - Considerable cash interest savings
- **New CFO appointed,**
  - Mikael Larsson (CFO of Investment AB Kinnevik since 2001)



Continued progress on our growth drivers

Growth driver	Progress
Leverage our network and speed advantage	Broadband subscriber base grew by 17,000 net additions, highest intake since 2007, to 612,000 RGUs - all-time high
Drive DTV penetration with Superior DTV product	Digital TV grew for the third quarter by 10,000 to 618,000 RGUs, TiVo penetration reached 27%
Increased customer satisfaction	Churn improved to 14.2% (16.4% in Q2, 14.8% in Q3) Unique consumer base grew by 16,000 to an all-time high of 876,000
Capitalize on unique bundle opportunity	Marketing shifts to bundled propositions over the coming quarters, first educational proposition in Q4
Leverage B2B opportunity	Increased pace in On Net SoHo sales activities
Improve financial flexibility	Second phase of refinancing completed, debt significantly reduced, and savings in interest payments of approx. SEK 0.5bn

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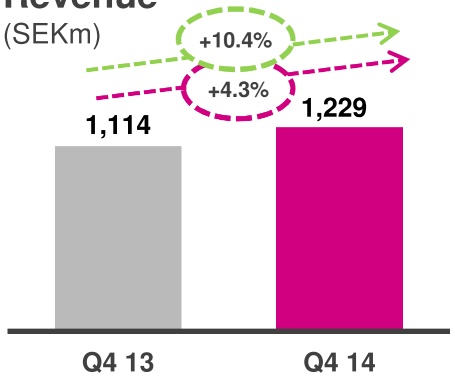
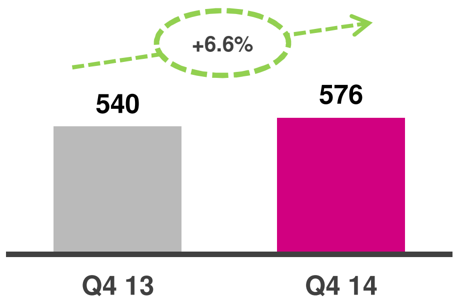
Fourth quarter financial highlights

Strong growth in revenue and Operational Free Cash Flow

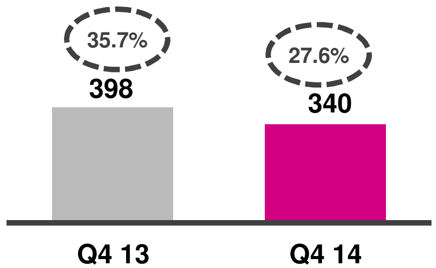
Revenue
(SEKm)



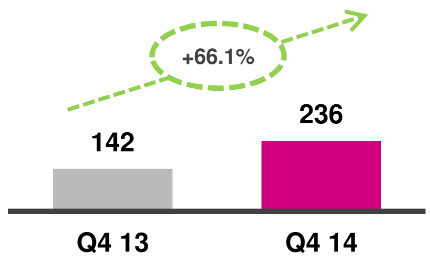
Underlying EBITDA
(SEKm)



Capex (% of revenue)
(SEKm)



Operating Free Cash Flow
(SEKm)



Total growth   Organic growth

- Increased revenue growth of 10.4% (9.6 % in Q3) underpinned by momentum in organic growth of 4.3% (3.7% in Q3)
- Underlying EBITDA margin stable at 46.9% (47.6% in Q3)
- Capex decrease due to lower investment in TiVo boxes compared to Q4 2013 as inventory is reduced
- OFCF significantly strengthened due to lower capex and lower non-recurring costs

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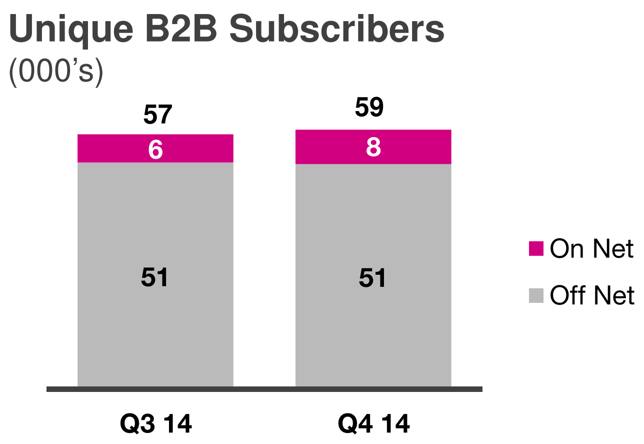
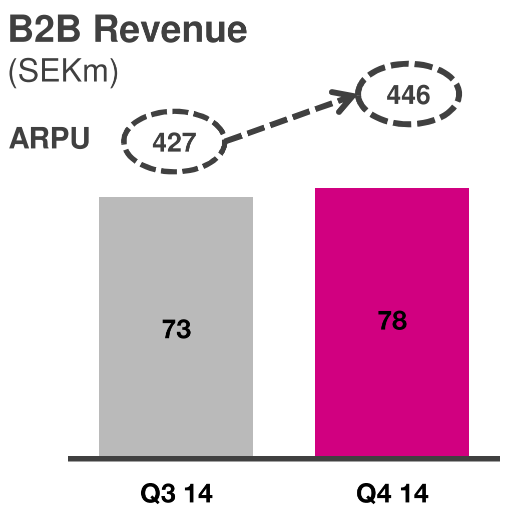
A clear positive trend in B2B

Focused sales activities increasing On Net customers and revenue





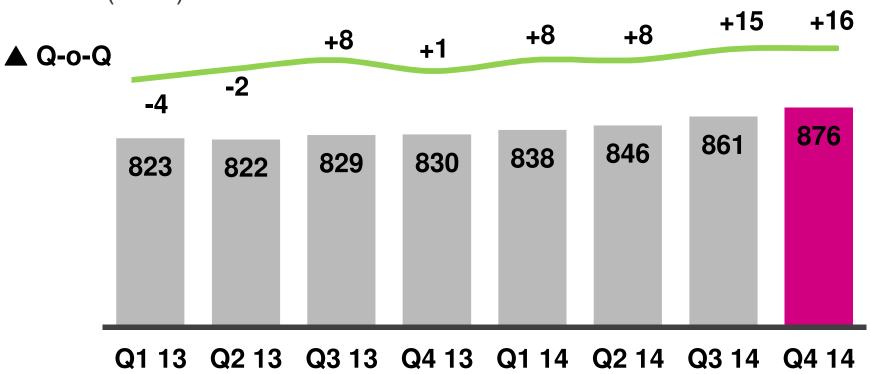
- Material progress On Net adding +2,000 unique subscribers (1,000 in Q3)
- On Net revenue up by SEK 10m compared with Q4 2013
- On Net margin substantially higher than Off Net margin translates to higher profitability and cash flow

Consumer business

Strong customer intake and rapid churn reduction

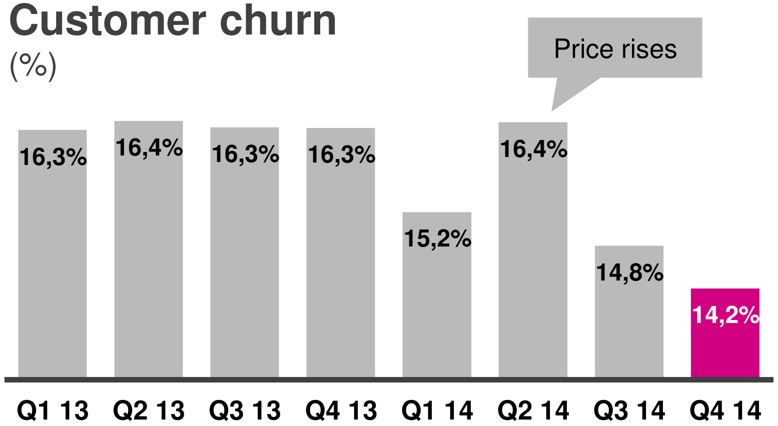
Unique consumer subscribers

(000')



Customer churn

(%)



- Strong growth in our unique consumer subscriber base, increasing 16,000 to an all-time high of 876,000
- Strength in broadband and TiVo continue to drive strong acquisition
- Churn falls to 14.2%, reflects early impact of product and customer experience improvements

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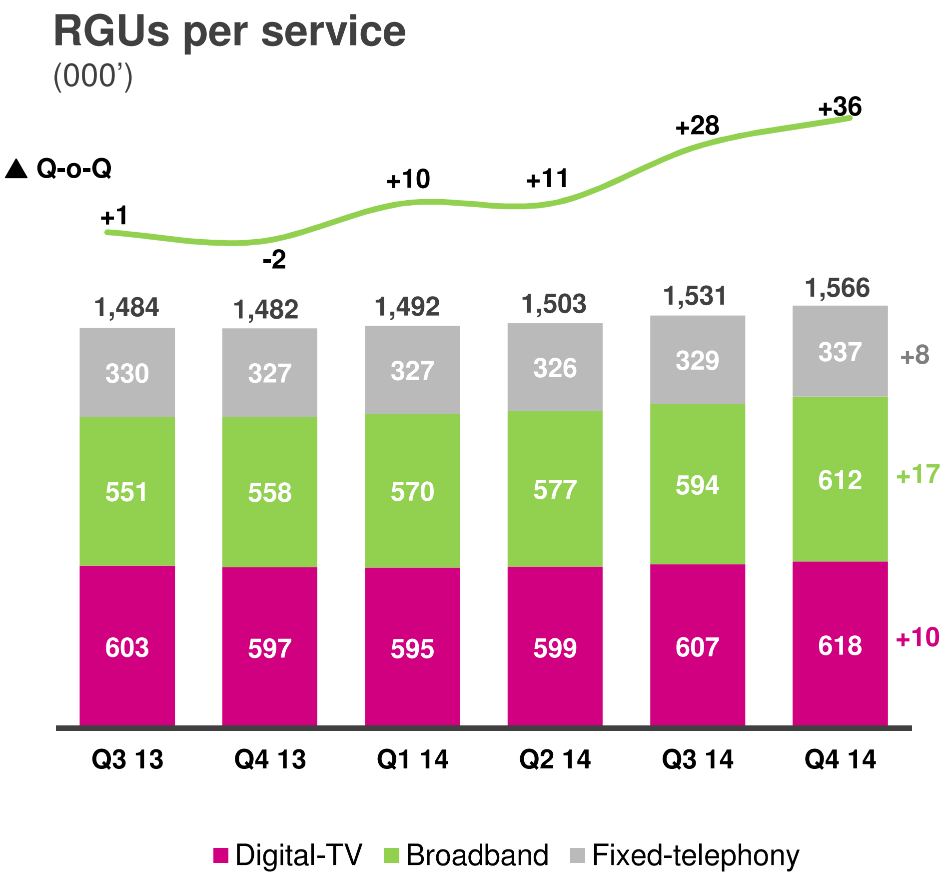
Consumer business

Strong growth across the board



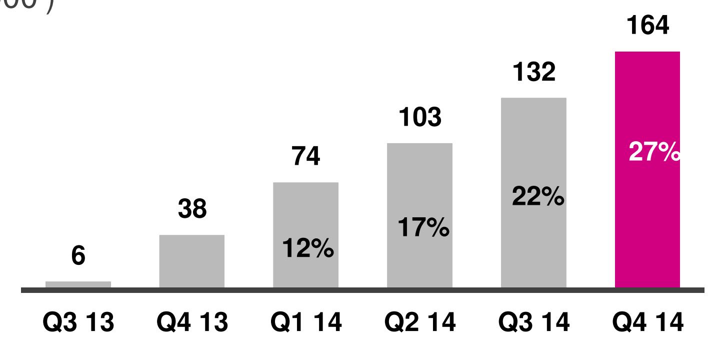
- Strong growth in total consumer RGUs growing 36,000 compared with 28,000 in Q3
- All-time high in broadband RGUs, an increase of 17,000
- Highest increase of digital television RGUs since Q4 2011, increased by 10,000 compared with 8,000 in Q3
- Fixed telephony RGUs grew for the second quarter by 8,000 RGUs
- Improvement in RGU per consumer from 1.78 in Q3 to 1.79 in Q4

Positive trend in consumer services

Strong broadband uptake and rapid TiVo growth

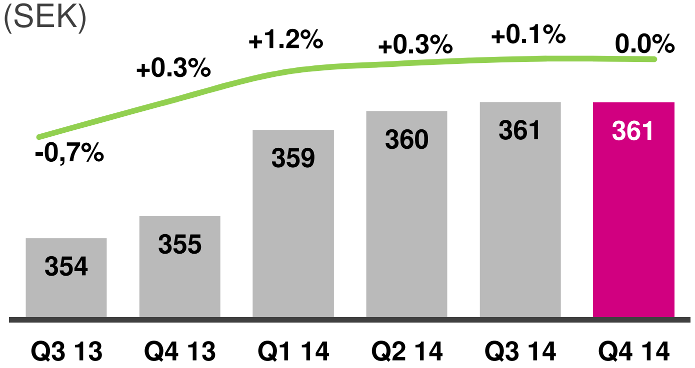
TiVo Customers

(000’)



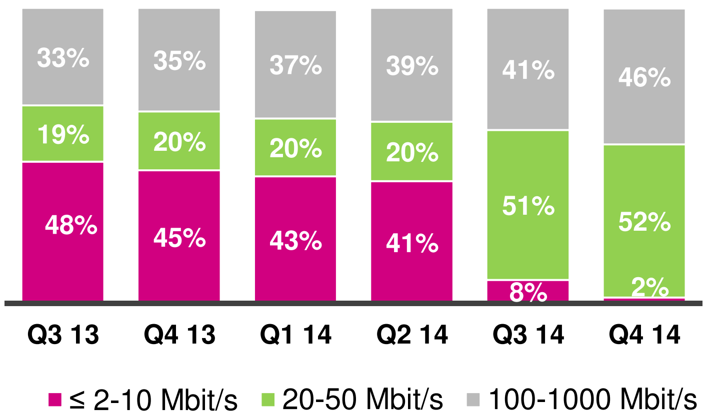
Consumer ARPU

(SEK)



Broadband speeds

(%)



- TiVo customers grew by 32,000 in Q4, 27% penetration
- 71% of new customers taking 100 Mbit/s and above in Q4 (65% in Q3)
- ARPU remains stable despite strong customer growth in Q3 and Q4

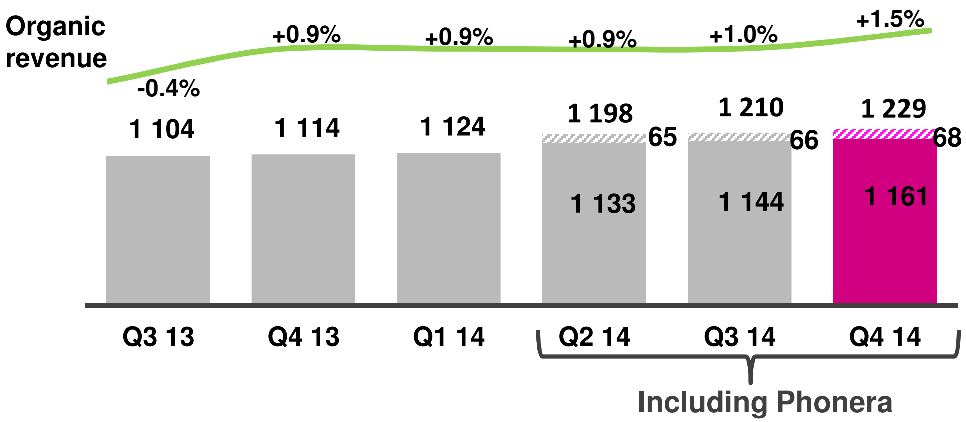
Q4 Financial performance

Daniel Johansson, Head of Controlling

Continued strong revenue growth

Organic revenue growth of 4.3%

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



(SEKm)	Q4 14	Q4 13	Change		Q3 14
Consumer revenue	908	856	52	+6.1%	889
Landlord revenue	186	196	(10)	-5.2%	192
B2B revenue	78	1	76	n/m	73
Other revenue	59	61	(2)	-3.8%	57
Total revenue	**1,229**	**1,114**	**116**	**+10.4%**	**1,210**
- Of which organic	1,161	1,114	48	+4.3%	1,144
- Of which Phonera	68	-	68	n/m	66

- Sequential revenue growth, increase to 1.5% for the quarter (1.0% in Q3)
- Consumer revenue increase driven by both growth in broadband and TiVo subscribers, improved broadband tier mix and decline consumer churn
- Landlord revenue decrease of 5.2% due to contract renegotiations and migration of customers to B2B in earlier periods (Q2 and Q3)
- Accelerating momentum in B2B On Net sales - B2B Revenue up to SEK 78m for the quarter (SEK 73m in Q3)

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Improved underlying profitability

A function of revenue growth and less non-recurring items

(SEKm)	Q4 14	Q4 13	Change		Q3 14
Revenue	**1,229**	**1,114**	**116**	**+10.4%**	**1,210**
Production costs	(340)	(306)	(34)		(343)
Gross profit*	**889**	**808**	**81**	**+10.1%**	**867**
Gross margin	72.3%	72.5%	-0.2 p.p.		71.6%
Operating costs*	(313)	(268)	(46)		(291)
Underlying EBITDA	**576**	**540**	**36**	**+6.6%**	**576**
Underlying EBITDA margin	46.9%	48.5%	-1.7 p.p.		47.6%
Non-recurring items	(23)	(72)	48		(7)
Operating currency loss/gain	(6)	(1)	(5)		(5)
Write-downs	(11)	(14)	3		0
EBITDA	**536**	**453**	**83**	**18.3%**	**563**
EBITDA margin	43.6%	40.7%	2.9 p.p		46.6%
Depreciation and amortization	(377)	(343)	(34)		(364)
EBIT	**159**	**110**	**49**	**+44.3%**	**200**
EBIT margin	12.9%	9.9%	-3.0 p.p		16.5%
Net financial items	(560)	(531)	(28)		**(190)**
Taxes	237	(1)	238		**(2)**
Net result for the period	**(164)**	**(422)**	**258**	**+61.2%**	**7**

* Excluding non-recurring items , depreciation and amortization

- Stronger performance in revenue growth translates into improved underlying profitability
- Increased EBITDA margin due to lower non-recurring items
- Net financial items affected with SEK 377m of costs related to redemption of the SEK 3,492m Senior Secured Notes during Q4 2014

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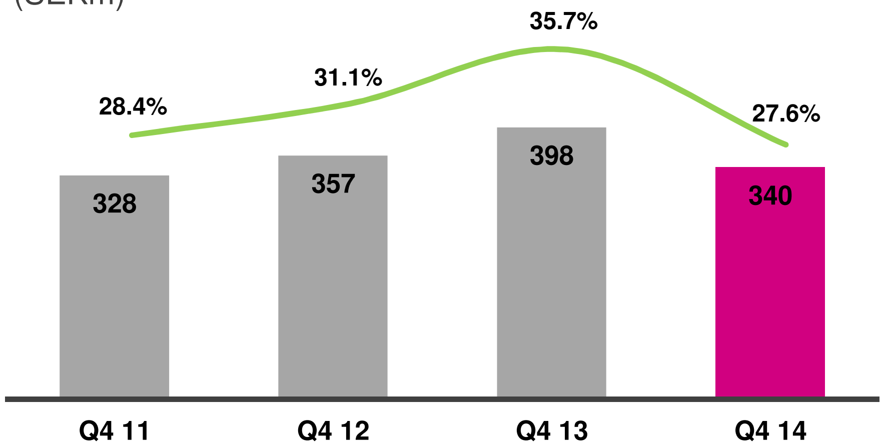
Capex down by 14.6% versus last year

Lower TiVo investments during the quarter

Capex and capex as percentage of revenue Y-o-Y
(SEKm)



(SEKm)	Q4 14	Q4 13	Change		Q3 14
Network related	147	202	(55)		73
CPE & sales costs	137	138	(2)		141
IS development	37	45	(8)		30
Other capex	19	13	6		12
Total capex	**340**	**398**	**(58)**	**-14.6%**	**257**

- Network related capex decrease due to lower investments in the TiVo platform in 2014
- CPE capex decrease due to lower investment in TiVo boxes compared to Q4 2013 as inventory is reduced
- Higher success-based capitalized sales costs due to increased sales and upsell activities
- IS development lower than previous year, partly due to no TiVo IT development during 2014
- Other capex increase slightly due to investments in the B2B business
- Full year Capex as % of revenue from 23.3% to 22.1%

Increase in the underlying cash generation

Excluding refinancing activities net cash generation turns positive

(SEKm)	Q4 14	Q4 13	Change	
Underlying EBITDA	**576**	**540**	**36**	**+6.6%**
Non-recurring items and operating currency loss/gain	(29)	(73)		
Change in net working capital	(23)	103		
Interest payments on borrowings etc.	(581)	(416)		
Adjustments for non-cash items	(2)	4		
Net cash from operating activities	**(59)**	**158**	**(216)**	**-137.3%**
One-off refinancing payments*	275	-		
Net cash from operating activities less refinancing	**217**	**158**	**59**	**+37.5%**
Gross capital expenditures	(340)	(398)		
Capital expenditures funded by financial leases	28	30		
Divestment of financial assets	(0)	-		
Net cash used in investing activities	**(312)**	**(368)**	**56**	**+15.3%**
Borrowings	3,775	200		
Amortization of borrowings	(3,498)	(34)		
Payment of borrowing costs	(45)	(1)		
Other financial activities	(53)	-		
Cash flow from financing activities	**178**	**165**	**13**	**+8.1%**
Net Cash generated (used)	**(192)**	**(46)**	**(147)**	**n/m**
Cash Balance BoP	909	1,168		
Cash balance EoP	**716**	**1,122**	**(406)**	**-36.2%**
Net Cash generated excluding one-offs refinancing	**83**	**(46)**	**129**	**n/m**

* *Redemption premiums of SEK 242m and paid interest on redeemed Notes of SEK 33m*

- Change in NWC negatively affected by paid IPO-costs of SEK 46m during the quarter
- One-off refinancing payments includes redemption premiums and interest on the notes redeemed
- Excluding one-off payments for refinancing the SSN, net cash from operating activities grew with SEK 59m or 38%
- Cash flow items from financing activities mainly relates to redemption and the refinancing of the SEK 3,492m Senior Secured Notes

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Step II of financial transformation finalized

Annualized average interest rate expected to continue to fall from current 5.3% to 4.8%

Pre-IPO	SEKm
Senior bank debt	
Term Loans incl. Capex facility	6,252
Incremental facility	-
RCF	-
Finance leases	51
Total senior bank debt	**6,303**
Bond instruments	
Senior Secured Notes @9.25%	3,492
Senior Notes* @10.75%	2,640
Senior PIK Notes* @12.40%	2,791
Gross Debt	**15,226**
Cash Balance EoP	(789)
Net Debt	**14,437**
Leverage	**6.4x**
Average interest cost	**8.4%**

Financial position end of Q4 December 31, 2014	SEKm
Senior bank debt	
Term Loans	3,500
Incremental facility	375
RCF	1,350
Finance leases	67
Total senior bank debt	**5,292**
Bond instruments	
Senior Secured Notes @ 5.25%	2,500
Senior Notes** @10.75%	1,775
Senior PIK Notes	-
Gross Debt	**9,567**
Cash Balance EoP	(716)
Net Debt	**8,851**
Leverage	**3.9x**
Average interest cost* **	**5.3%**

Annualized effect Including refinancing of theSSN****	SEKm
Senior bank debt	
Term Loans	3,500
Incremental facility	375
RCF	1,350
Finance leases	67
Total senior bank debt	**5,292**
Bond instruments	
Senior Secured Notes, @ 5.25%	2,500
Senior Notes** @ 10.75%	1,775
Senior PIK Notes	-
Gross Debt	**9,567**
Cash Balance EoP	(716)
Net Debt	**8,851**
Leverage	**3.9x**
Pro Forma average interest cost	**4.8%**

* *The exchange rate 9.197 is used to convert EUR debt to SEK debt as of Pre-IPO and June 30, 2014.*
** *The exchange rate 9.516 is used to convert EUR debt to SEK debt as of December 31, 2014.*
*** *Average interest cost of 5.3% includes one and a half months of interest for redeemed the mSEK 3,492 Senior Secured Notes.*
**** *Pro forma calculations as based on the gross debt and interest terms as of December 31, 2014*

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Capital Return Programme

A transformed balance sheet

On the back of strong operating performance

During 2014, we have made significant improvements:

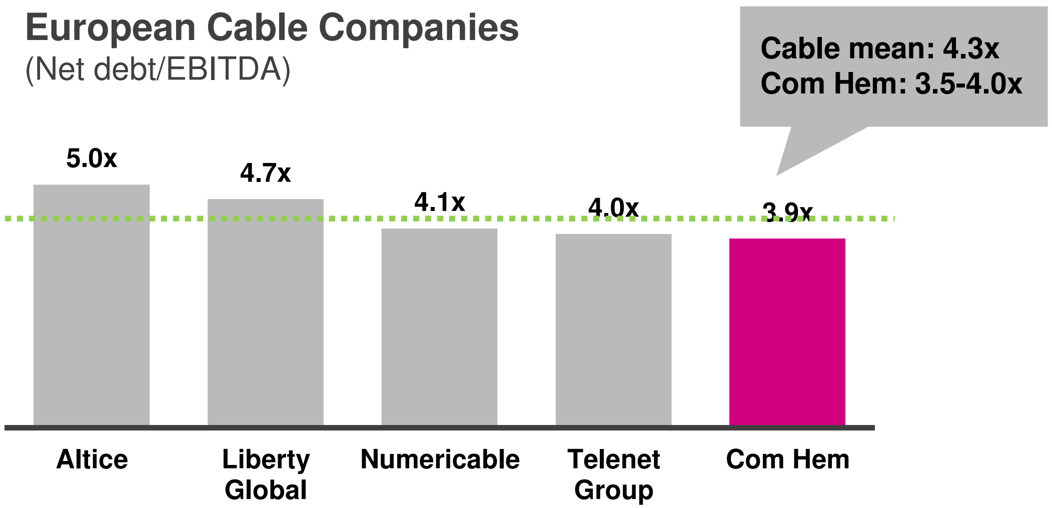
- For the full year debt has been reduced by SEK 5.7bn and the average interest rate reduced by 4 p.p. lowering our annual interest payments by approx. SEK 0.5bn per annum
- **Financials**
  - Revenue LTM +7.0%
  - Underlying EBITDA LTM +2.8%
  - OFCF LTM +4.2%
- **Operational metrics**
  - Grown our unique subscriber base from 830 000 to 876 000
  - Decreased consumer churn from 16.3% to 14.2%
  - Increased broadband RGUs from 558 000 to 612 000
  - Increased TiVo penetration to 27% of DTV RGUs, up from 6%.
- **Com Hem is now a robust business which will be highly cash generative**

→ **The BoD therefore proposes a number of measures aimed at increasing the shareholder returns. This can be achieved while investing in our business to deliver our operational plan, servicing our debt and remaining within our leverage target**

Capital return programme

Delivering strong shareholder return

- Proposed redemption and share buy-back programme of up to SEK 1.5 billion
  - One-off SEK 500m share redemption programme to be adopted by an EGM
  - An annual SEK 1,000m buy-back mandate to be adopted by the AGM
- Propose a 2015 dividend of SEK 1 per share to be adopted by the AGM
- Programme funded while remaining within our current leverage target of 3.5-4.0x LTM Underlying EBITDA, in the lower range of our peers



Redemption and buy-backs

Frequent programmes among cable/tv companies

Company	Date of Latest Authorization Announcement	Previously Remaining Authorization	Size of Latest Increase in Authorization ($mm)	Total Repurchase Capacity Available	% of Equity Value @ Announcement	Timeframe for Repurchase	Mechanism to Repurchase
com hem					11.1%*		
21st Century Fox	2014-08-05	600	6 000	6 600	9,6%	1 Year	Not Specified
at&t	2014-03-31	4 033	10 521	14 554	5,8%	Not Specified	Opportunistically
verizon	2014-03-07	0	4 715	4 715	3,5%	3 Years	Not Specified
comcast	2014-01-28	1 500	6 000	7 500	4,3%	3bn in 1 Year	Open Market or Private
sky	2013-11-22	0	809	809	3,8%	1 Year	Open Market or Private
Time Warner Cable	2013-07-25	775	3 225	4 000	9,6%	Not Specified	Not Specified
Liberty Global	2013-06-11	0	3 500	3 500	11,4%	2 Years	Open Market or Private
BT	2013-05-10	0	921	921	2,5%	2 Years	Not Specified
Virgin media	2012-12-14	197	1 612	1 809	16,7%	1 Year	Open Market or Private
Cablevision	2012-05-01	85	500	585	12,2%	Not Specified	Open Market

Source: Lion Tree

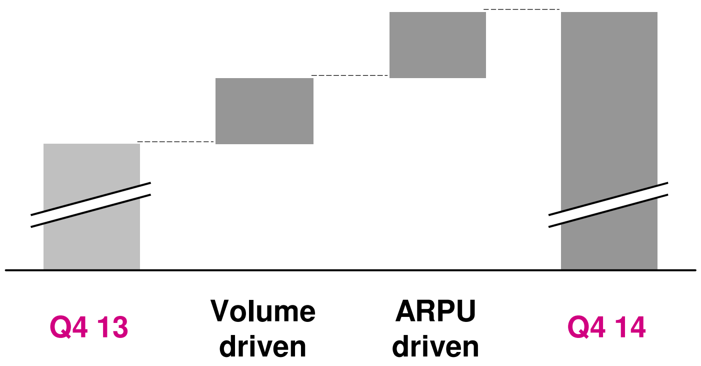
* Assuming Market Cap of approx. SEK 13.5bn and SEK 1.5bn programme fully executed

Operational Update

Jon James, COO

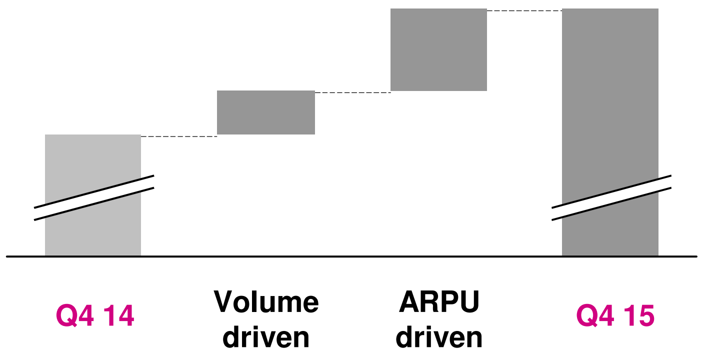
Shift in emphasis from volume driven growth to ARPU driven growth

Current revenue model



- Q4 13 to Q4 14 Consumer revenue growth from 856 to 908 MSEK, or 6% growth
- Volume growth depresses ARPU with initial discounts

Future revenue model

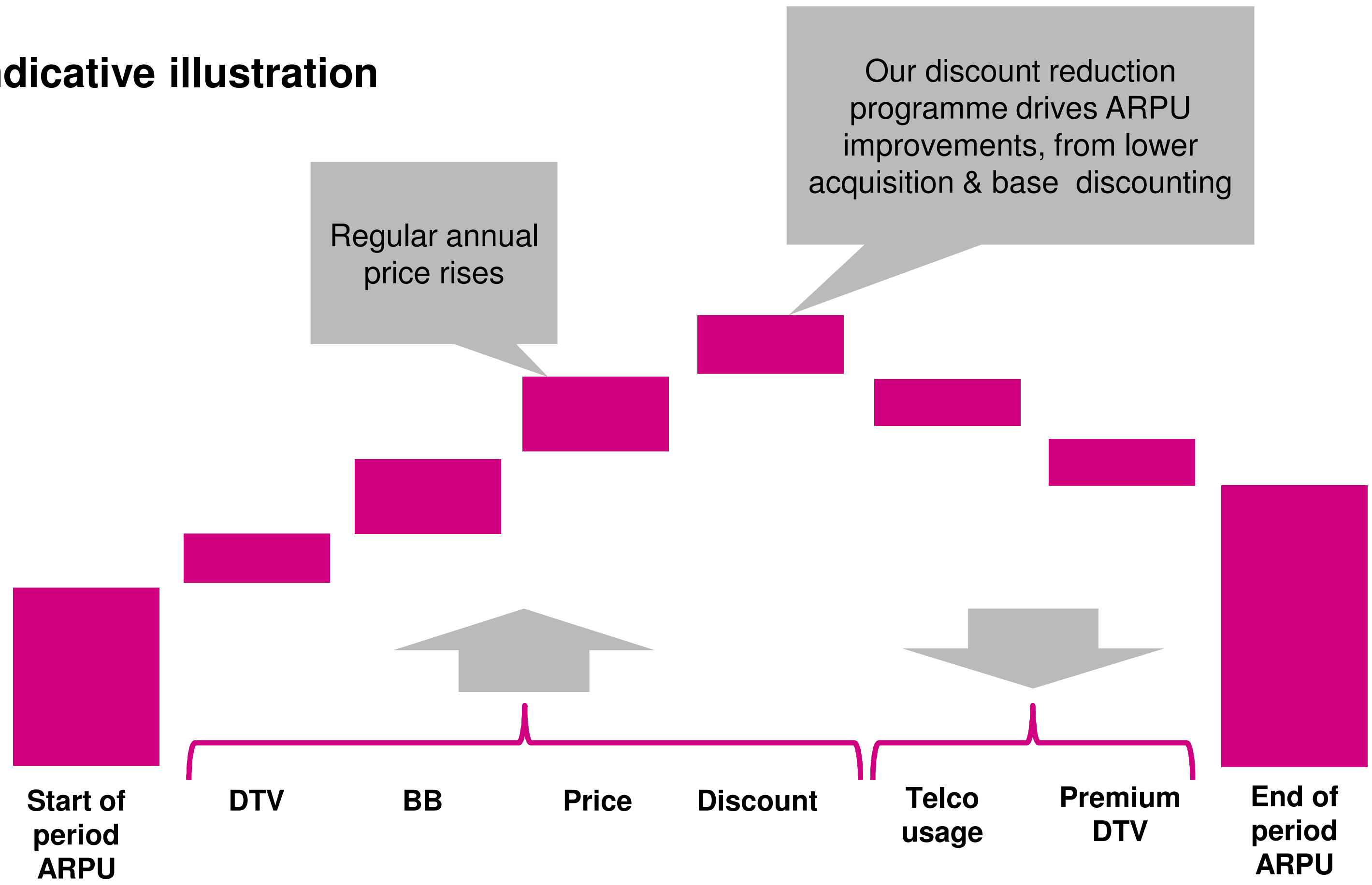


- From Q2 15, a shift in focus to a more ARPU-led strategy
- Ongoing reductions in customer discounting
- Modest price increase in Q2 15

We are planning a shift in our ARPU drivers

Key drivers of Com Hem Consumer ARPU

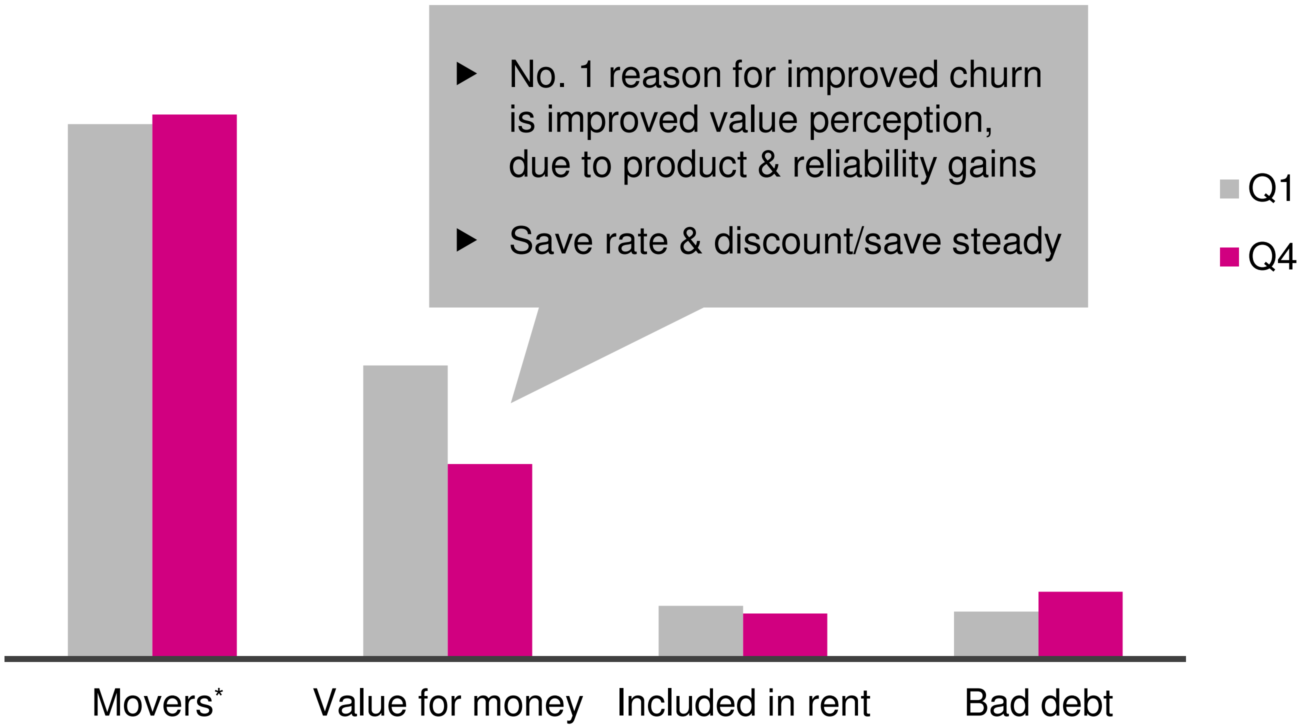
Indicative illustration



Customer churn declined in 2014

Down from 15.2% in Q1 to 14.2% in Q4

Com Hem: Top 4 reasons to churn, Q1 '14 vs. Q4 '14



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

Com Hem's new SoHo broadband offer On Net is market leading

- We launched our new SoHo offers in early January, focused On Net
- Strong response so far; highly competitive offering
- Raising the bar on speed, value for money & service levels in the SoHo market

Speed	Price Incl. SLA 48H
50/50	399
100/50	499
250/50	599
500/50	699

- Competitive pricing vs. competitors' offering
- Speeds up to 500 Mbit/s vs. ADSL 10-100
- Higher upstream; 50/50 entry level
- VOIP from 29 SEK/month
- Speed Guarantee
- 48 hours SLA as standard (vs. competitors' 72 'working hours')
- Dedicated personnel B2B Customer support

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Conclusions

- **Strong operational performance and transformed balance sheet**
  - Leading digital TV and broadband offerings
  - Improved churn reflects progress on customer satisfaction
  - Strong growth in KPI:s, revenue and underlying EBITDA
  - Refinancing significantly enhances cash generation
- **Proposed Capital Return Programme of SEK 1.5 billion**
  - Share redemption and buy-back programmes
  - 2015 dividend of SEK 1 per share
- **Leverage target unchanged**
- **Continued execution of sustainable growth strategy**
- **Strengthened management team**

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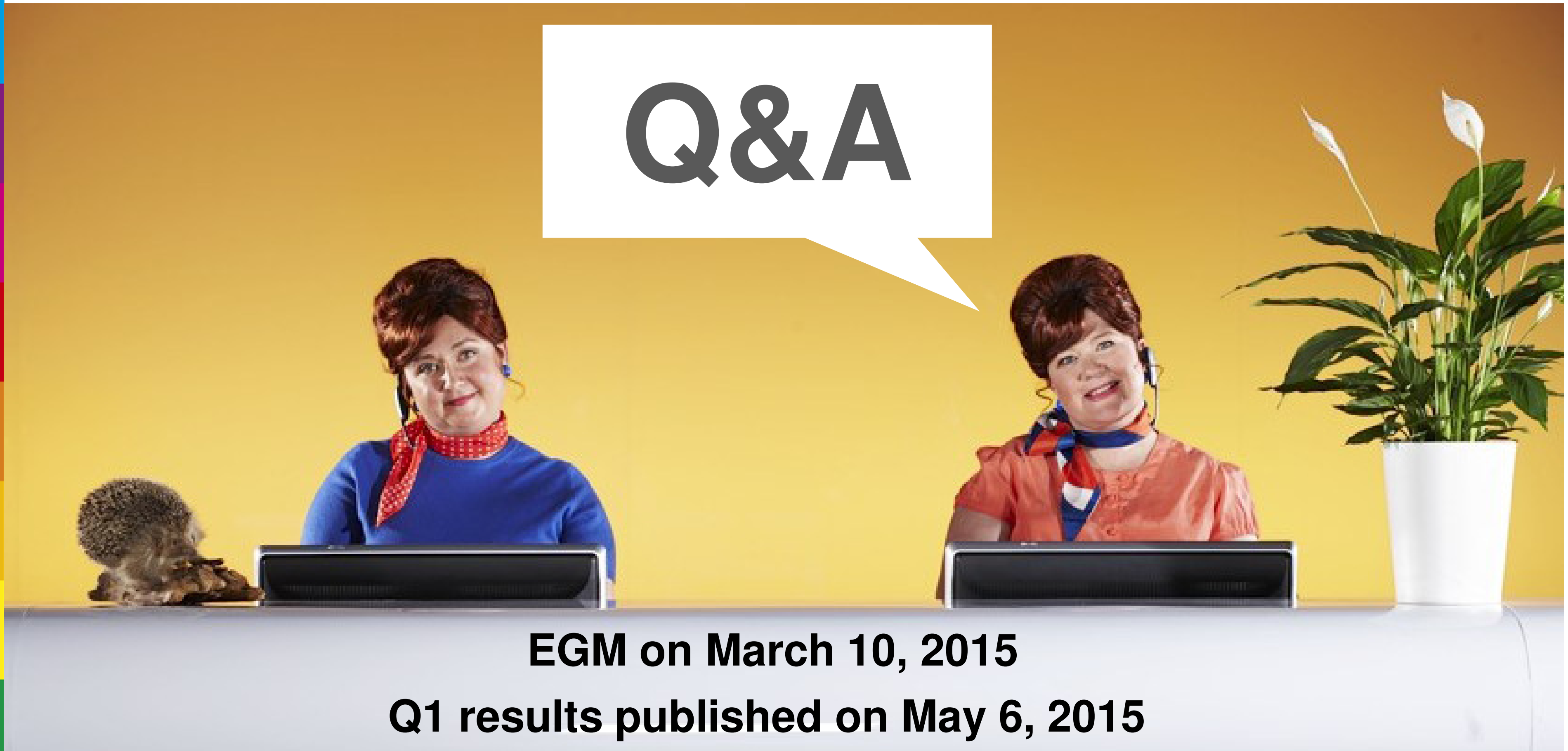
Q&A
EGM on March 10, 2015
Q1 results published on May 6, 2015

Appendix

Revenue up with 7.0% for full year

(SEKm)	FY 14	FY 13	Change	
Consumer revenue	3,540	3,423	117	+3.4%
Landlord revenue	774	797	(23)	-2.9%
B2B revenue	222	2	220	n/m
Other revenue	226	227	(1)	-0.3%
Total revenue	**4,761**	**4,448**	**313**	**+7.0%**
Production costs	(1,347)	(1,241)	(106)	
Gross profit*	**3,415**	**3,207**	**207**	**+6.5%**
Gross margin	71.7%	72.1%	-0.4 p.p.	
Operating costs*	(1,153)	(1,007)	(146)	
Underlying EBITDA	**2,262**	**2,200**	**62**	**+2.8%**
Underlying EBITDA margin	47.5%	49.5%	-2.0 p.p.	
Non-recurring items	(228)	(178)	(50)	
Operating currency loss/gain	(15)	2	(17)	
Write-downs	(15)	(15)	0	
EBITDA	**2,004**	**2,009**	**(5)**	**-0,2%**
EBITDA margin	42.1%	45.2%	-3.1 p.p.	
Depreciation and amortization	(1,438)	(1,352)	(87)	
EBIT	**566**	**657**	**(91)**	**-13.9%**
EBIT margin	11.9%	14.8%	-2.9 p.p	
Net financial items	(2,082)	(1,537)	(545)	
Taxes	465	109	357	
Net result for the period	**(1,051)**	**(771)**	**(280)**	**-36.3%**

* Excluding non-recurring items , depreciation and amortization

- Overall revenue growth supported by continued momentum in the consumer and B2B business
- Slight pressure on gross margin due to including Phonera
- Decrease in underlying EBITDA margin due to including Phonera
- Lower net result for the period due to all refinancing activities completed during 2014

Capex down with 1.3 p.p. as % of revenue

Less investments in TiVo platform and boxes during 2014

(SEKm)	FY 14	FY 13	Change	
Network related	354	441	(86)	
CPE & sales costs	498	403	95	
IS development	147	150	(2)	
Other capex	52	46	6	
Total capex	**1,051**	**1,038**	**12**	**+1.2%**
Capex as % of revenue	**22.1%**	**23.3%**	**-1.3 p.p.**	

- Network related capex decrease due to lower investments in the TiVo platform
- CPE capex decrease due to lower investment in TiVo boxes partly offset by higher investments in modems
- Higher success-based capitalized sales costs due to increased sales and up-sell activities
- IS development slightly lower compared to previous year
- Other capex increase due to investments in the B2B business

Cash Flow heavily affected by one-off activities in 2014

(SEKm)	FY 14	FY 13	Change	
Underlying EBITDA	**2,262**	**2,200**	**62**	**+2.8%**
Non-recurring items and operating currency loss/gain	(243)	(176)		
Change in net working capital	(133)	(15)		
Interest payments on borrowings etc.	(1,665)	(977)		
Adjustments for non-cash items	5	4		
Net cash from operating activities	**227**	**1,035**	**(809)**	**-78.1%**
One-off refinancing payments*	754	-		
Net cash from operating activities excluding one-off refinancing activities	**980**	**1,035**	**(55)**	**-5.3%**
Gross capital expenditures	(1,051)	(1,038)		
Capital expenditures funded by financial leases	28	42		
Acquisition of subsidiaries	(302)	(8)		
Divestment of financial assets	6	0		
Net cash used in investing activities	**(1,318)**	**(1,005)**	**(313)**	**+31.2%**
New share issue (Over-allotment option)	6,239	0		
Borrowings	8,575	800		
Amortization of borrowings	(13,945)	(354)		
Payment of borrowing costs	(108)	(16)		
Other financial activities	(77)	-		
Cash flow from financing activities	**685**	**430**	**256**	**+59.5%**
Net Cash generated (used)	**(406)**	**460**	**(866)**	**-188.2%**
Cash Balance BoP	1,122	662		
Cash balance EoP	**716**	**1,122**	**(406)**	**-36.2%**

- Non-recurring items includes SEK107m of costs related to the IPO
- One-off refinancing payments includes redemption premiums and interest on notes redeemed
- One-off acquisition of Phonera business
- Cash outflows from financing activities mainly relates refinancing bank debt, redemption of notes

* *Redemption premiums of SEK 508m, hedge termination costs of SEK 25m, paid interest on redeemed Senior Notes and Senior Secured Notes of SEK 24m, paid interest on redeemed Senior Bank Debt of SEK 33m and paid PIK interest on redeemed Senior PIK Notes of SEK 164m*

** *Excluding cash payments for IPO fees redemption premiums and interest on notes redeemed and acquisition of Phonera*