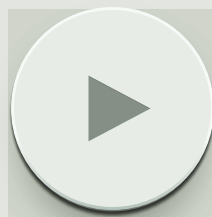


# COM HEM



YEAR-END REPORT  
JANUARY-DECEMBER 2016

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# YEAR-END REPORT JANUARY-DECEMBER 2016

## STRONG CASH FLOW CREATES INCREASED SCOPE FOR YIELD

### FOURTH QUARTER SUMMARY 2016

**Revenue:** SEK 1,780m (1,271), up 40.0%. SEK 1,333m organic, up 4.9%.

**Operating profit (EBIT):** SEK 228m (190), up 20.0%.

**Underlying EBITDA:** SEK 696m (595), up 16.9%. SEK 618m organic, up 3.8%.

**Cash flow from operating activities:** SEK 565m (304), up 85.7%.

**Operating free cash flow:** SEK 390m (336), up 16.0%. SEK 354m organic, up 5.3%.

**Net result:** SEK 34m (-41).

**Earnings per share:** SEK 0.18 (-0.21).

**Shareholder remuneration:** 1.6% of the number of shares was repurchased for SEK 250m in Q4, leverage remained at 3.7x. The Board is proposing to the AGM an increase of the cash dividend from SEK 1.50 per share to SEK 4.00 per share to be paid out semi-annually. It also proposes a renewed mandate to repurchase up to 10% of the outstanding shares. The Annual General Meeting has been rescheduled from May 3 to March 23, 2017.

**Com Hem segment consumer growth continues steadily:**

- Unique consumer subscribers rose by 11,000 to record high 945,000
- Strong volume growth in broadband, up 13,000 to 702,000 RGUs
- Digital-TV RGU's totalled 644,000, with a continued growth of 6,000 TiVo customers (penetration rate of 38%)
- Consumer ARPU flat at record high SEK 371 (371 in Q3 2016)
- Consumer churn of 13.1%, 0.4p.p. increase from Q3 2016

**Expansion into the SDU market proceeding well:**

- Expected to expand footprint by 40%, or 800,000 households, in coming years (addressable footprint)
- Added ~250k households in the SDU market since the launch of the expansion programme
- Commencing trials for new build of own fibre

**Boxer integration under way and fibre launch set for Q1:**

- Boxer integration is proceeding according to plan
- We are launching the Boxer fibre expansion in Q1. We see this as an excellent opportunity to increase profitability of the existing Boxer customer base as well as retaining customers that are being overbuilt by competitor fibre
- Boxer delivered SEK 446m of revenue and SEK 78m of Underlying EBITDA in the fourth quarter
- ARPU remained at SEK 293
- Unique subscribers fell by 13,000 to 495,000
- The churn rate rose by 2.0 p.p. to 17.7%

**Integrating the B2B business:**

- Integration of Phonera is being executed in parallel to the Boxer integration to fully utilise synergies across the Group
- The process will run through 1H17 and result in increased Underlying EBITDA and operating free cash flow due to lower operational costs and investments going forward
- Increased focus on the high-margin OnNet business

**Full year results in-line with guidance and new guidance updated:**

- Organic revenue SEK 5,218m in FY16, up 4.4% – in-line with guidance
- Organic Underlying EBITDA of SEK 2,470m in FY16, up 5.3% – in-line with guidance
- Group Capex at SEK 893m in FY16, down 9.9% - significantly below original guidance
- Updated guidance with Capex down SEK 100m from previous guidance for the Com Hem segment (see page 4)

### Financial key metrics

	OCT-DEC / Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Revenue, SEKm	1,780	1,271	40.0%	5,665	5,000	13.3%
Operating profit (EBIT), SEKm	228	190	20.0%	851	724	17.6%
EBITDA, SEKm	701	581	20.5%	2,518	2,269	11.0%
Underlying EBITDA, SEKm	696	595	16.9%	2,547	2,346	8.6%
Underlying EBITDA margin, %	39.1	46.8	-7.7 p.p.	45.0	46.9	-1.9 p.p.
Net result for the period, SEKm	34	-41	n/m	317	92	n/m
Earnings per share, SEK	0.18	-0.21	n/m	1.66	0.45	n/m
Capex, SEKm	305	259	18.0%	893	991	-9.9%
Capex as % of revenue	17.2	20.4	-3.2 p.p.	15.8	19.8	-4.1 p.p.
Cash flow from operating activities	565	304	85.7%	2,216	1,770	25.2%
Operating free cash flow, SEKm	390	336	16.0%	1,655	1,355	22.1%
Net debt at end of period, SEKm	10,326	9,030	14.3%	10,326	9,030	14.3%
Net debt/Underlying EBITDA LTM, multiple <sup>1)</sup>	3.7x	3.8x	-0.2x	3.7x	3.8x	-0.2x

<sup>1)</sup> See page 22 for definitions of financial key metrics and Alternative Performance Measures (APM).

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

## STRONG CASH FLOW CREATES INCREASED SCOPE FOR YIELD

The final quarter of 2016 was strong both operationally and financially. We reached our guidance for 2016 with mid-single digit growth in revenue and Underlying EBITDA, and capex well below the initial guidance.

We passed the milestone of 700k broadband RGUs and maintained our consumer ARPU at record high level of SEK 371 in the Com Hem segment. The SDU expansion is getting traction and the Boxer integration is proceeding according to plan.



” In the fourth quarter we saw strong demand for our products in the Com Hem segment as our customer base grew by 11,000 unique subscribers, the highest quarterly growth in almost two years. Broadband sales were particularly strong in the quarter where we added 13,000 RGUs and passed the milestone of 700,000 RGUs. DTV RGUs increased by 3,000 and our TiVo base grew by 6,000 customers, now at 38% of our total DTV base. The number of telephony RGUs dropped by 12,000.

Consumer ARPU remained at record high SEK 371 as a large portion of customers now subscribe to higher tier products. Consumer churn was 13.1% in the quarter, an increase of 0.4 p.p. compared to Q3 as a result of an adjustment of low-ARPU DTV customers who are no longer eligible for the service. The underlying trend remains the same and churn would have been similar to Q3 excluding the adjustment. We continue to expect churn to come down marginally over time.

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

Within B2B we added 1,000 new OnNet customers in the quarter and compared to last year the OnNet revenues have grown by 26.7%.

### Continued growth resulting in strong cash flow generation

Organic revenue grew by 4.9% compared to the fourth quarter 2015, driven by a 6.0% growth in our consumer business and a 3.5% growth in the network operator business, partly offset by a decline of 1.9% in B2B. Underlying EBITDA grew by 3.8% for the Com Hem segment to SEK 618m, with an Underlying EBITDA margin of 46.3%. Including Boxer, revenue increased by 40.0% to SEK 1,780m and Underlying EBITDA grew by 16.9% to SEK 696m.

Total Group Capex amounted to SEK 305m in the quarter compared to SEK 259m in the fourth quarter 2015. As Underlying EBITDA growth for the Group outpaced higher capex spend in the quarter and interest payments were lower, Equity Free Cash Flow increased by 113% to SEK 332m.

In November, Com Hem issued SEK 2,250m notes which lowered

the average blended interest rate of the Group's debt portfolio from approximately 3% in the first nine months of 2016 to approximately 2.5% in December at current market interest rates.

Our strong cash flow allowed us to continue executing on our share buyback program. In the quarter we repurchased shares for SEK 250m, representing 1.6% of total number of registered shares as of December 31, while remaining within our leverage target.

Com Hem remains committed to return excess cash to shareholders through both buybacks and cash dividend. Through the proposed cash dividend of SEK 4.00 per share and the share buyback program Com Hem has capacity to produce a yield that is attractive relative to European peers.

### Improved quality of services creates pricing power

As part of our ongoing effort to improve customer satisfaction and gain further pricing power in the Com Hem segment we continue to develop our products and improve the customer experience. We have rolled out Com Hem Play as a core part of all of our DTV packages and added support for Chromecast. We introduced a new router that, according to independent testing, delivers up to four times higher WiFi speeds and is on average 57 percent faster than competitor routers. We have also upgraded the minimum speed for most of our existing customer base to 100 mbit/s.

On the back of these improvements we have started executing on our 2017 price adjustment activity. The price adjustments will be of a similar scale to 2016 but with more focus on list price adjustments. There will be two main pricing batches effective from 1 March and 1 April 2017. As a consequence of the price changes, we anticipate a temporary higher consumer churn in the beginning of the year, with revenue and consumer ARPU impact taking effect from Q2.

### Integrating the B2B business

Because of the slow growth in the B2B business stemming from low-margin legacy OffNet fixed-line telephony, we will initiate re-organisation of the B2B business. This will reduce costs of servicing the legacy business and increase focus on the high-margin OnNet



business. Integration into Com Hem is being executed in parallel to the Boxer integration with most functions moved to shared functions within Com Hem in order to fully utilise synergies across the Group. This will result in a reduction of the workforce within B2B. We expect to incur SEK 30m in integration costs during 2017 in relation to Phonera. The process will run through the first half of 2017 and result in increased Underlying EBITDA and cash flow due to lower operational costs and investments going forward.

### Exploring new opportunities in the SDU market

In the Com Hem segment we are getting traction in the SDU market with close to 250,000 households added to the addressable footprint since the launch. Given the good economics of the market and the positive momentum thus far, we have started trials to build our own network at a small scale in addition to unbundling Skanova fibre and entering open networks. We are currently doing tests and hope to be able to launch phase II of the SDU programme and scale up new build during 2017.

The potential investment would be financed through debt. Given the high margins and initial connection fee revenue, this would not materially affect our leverage level, making it a unique and timely opportunity to gain profitable growth with no change to shareholder remuneration.

### Boxer integration and fibre launch

The Boxer integration is well underway and is proceeding according to plan. In addition to integrating Boxer into the Com Hem platform, we are launching the Boxer fibre expansion in Q1. We see this as an excellent opportunity to increase profitability of the existing Boxer customer base as well as retaining customers that are being overbuilt by competitor fibre. Com Hem has first-hand experience of

turning a well-known TV brand into a profitable broadband provider. With a strong brand and large customer base in the SDU market, we see great potential in Boxer to further capitalise on the SDU market outside of the current Com Hem SDU expansion programme.

### Updated guidance

We reiterate mid-single digit annual growth in revenue and Underlying EBITDA for the Com Hem segment. Including Boxer, the Group expects revenue growth of 25-30% in 2017. Boxer is expected to add SEK 300m in Underlying EBITDA in 2017 and then grow at the same rate as the Group. We lower Capex for the Com Hem segment by SEK 100m to SEK 900-1,000m leading to SEK 1-1.1bn for the Group. For 2017, we will also incur some SEK 50m in Capex for integration of Boxer.

We have made great progress toward our goals this year with the rebranding campaign, the SDU expansion programme, the acquisition of Boxer and continued improvement on our products and services to further improve customer satisfaction. 2017 will be a pivotal year for Com Hem as we fully enter the SDU market, launch another leg in the SDU growth story with the Boxer integration and fibre launch, and reorganise the B2B business. With the progress made in 2016 and the ambitions for 2017 we align the company to deliver steady growth and create return for our shareholders for many years to come.

Anders Nilsson  
CEO

## UPDATED FINANCIAL GUIDANCE

	PREVIOUS GUIDANCE FOR COM HEM	UPDATED GUIDANCE FOR THE GROUP
<b>Revenue</b>	We aim to deliver mid-single digit revenue growth on a full year basis	We aim to deliver mid-single digit revenue growth for the Com Hem segment annually  Including Boxer, the Group expects a growth rate of 25-30% for 2017
<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	We aim to deliver mid-single digit Underlying EBITDA growth for the Com Hem segment annually  In 2017, Boxer is expected to add ~SEK 300m of Underlying EBITDA to the Group. Thereafter we aim to deliver mid-single digit Underlying EBITDA growth for the entire Group annually
<b>CAPEX</b>	We expect Capex to be in the range of SEK 1-1.1bn in 2016 (in October updated to SEK 850-950m for 2016)	We expect Capex to be in the range of SEK 1-1.1bn annually including Boxer, i.e. for the Com Hem segment some SEK 100m lower than previous guidance. For 2017, we will also incur some SEK 50m in Capex for integration of Boxer
<b>Leverage target</b>	We aim to maintain our leverage within the interval of 3.5-4.0x Underlying EBITDA LTM	Unchanged

# GROUP FINANCIAL OVERVIEW

Financial summary, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
Revenue	1,780	1,271	40.0%	5,665	5,000	13.3%
Operating expenses	-1,552	-1,081	43.5%	-4,813	-4,276	12.6%
Operating profit (EBIT)	228	190	20.0%	851	724	17.6%
Net financial income and expenses	-184	-243	-24.3%	-440	-605	-27.3%
Income taxes	-10	12	n/m	-94	-27	n/m
<b>Net result for the period</b>	<b>34</b>	<b>-41</b>	<b>n/m</b>	<b>317</b>	<b>92</b>	<b>n/m</b>

Comparisons between fourth quarter of 2016 and fourth quarter of 2015, unless otherwise stated. Boxer is consolidated from September 30, 2016, affecting comparables with previous periods.

## Total revenue

Total revenue for the Group rose by 40.0% compared to the fourth quarter in 2015 and amounted to SEK 1,780m. Organic revenue growth, excluding Boxer that is part of the Group from the fourth quarter, was 4.9%. For the full year revenue rose by 13.3% compared to previous year (4.4% excluding Boxer in the fourth quarter) to SEK 5,665m. Organic revenue growth is explained by continued good growth in Com Hem's consumer business which grew by 5.9% for the full year driven by volume as well as price growth.

## Operating expenses

Operating expenses amounted to SEK 1,552m, up 43.5% compared to the fourth quarter 2015. For the full year operating expenses increased by 12.6% compared to 2015 and amounted to SEK 4,813m. The increase for the quarter as well as the full year is explained by Boxer being consolidated into the group from the fourth quarter, and by higher variable costs within the Com Hem segment as a result of volume driven revenue growth, partly offset against savings in fixed costs.

## Operating profit (EBIT)

Operating profit for the fourth quarter increased by 20.0% and amounted to SEK 228m. For the full year, the increase was 17.6% resulting in an operating profit of SEK 851m.

## Net financial income and expenses

Net financial income and expenses were improved by 24.3% for the fourth quarter, which was in line with a 27.3% improvement for the full year. The positive change is a result of a reduced blended interest rate on the Group's debt portfolio following a number of refinancing activities, as well as lower market interest rates. Average blended interest rates was 2.9% for the full year 2016 compared with 4.4% in 2015. This resulted in lower interest expenses in 2016 despite an increase in net debt of approximately SEK 1.3bn during the year which is mainly explained by the Boxer acquisition.

## Income taxes

The Group recognised a tax expense of SEK 10m for the quarter and SEK 94m for the full year, of which SEK 7m for the quarter and SEK 91m for the full year refers to a deferred tax expense. Current taxes amounted to SEK 3m in the quarter and full year referring to Boxer in the fourth quarter.

The taxable profit within the Com Hem segment will be offset against previously recognised tax losses carry forwards, which had a remaining balance of approximately SEK 1.5bn at the end of the year.

## Net result for the period

Net result amounted to SEK 34m for the quarter. Net result for the full year more than tripled compared to 2015 and reached SEK 317m.

Reconciliation between Operating profit (EBIT) and Underlying EBITDA, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
<b>Operating profit (EBIT)</b>	<b>228</b>	<b>190</b>	<b>20.0%</b>	<b>851</b>	<b>724</b>	<b>17.6%</b>
Depreciation & amortisation per function						
- Cost of services sold	238	201	18.6%	867	778	11.4%
- Selling expenses	229	184	24.4%	779	742	4.9%
- Administrative expenses	5	6	-16.7%	22	25	-13.9%
<b>Total depreciation &amp; amortisation</b>	<b>473</b>	<b>392</b>	<b>20.8%</b>	<b>1,667</b>	<b>1,545</b>	<b>7.9%</b>
<b>EBITDA</b>	<b>701</b>	<b>581</b>	<b>20.5%</b>	<b>2,518</b>	<b>2,269</b>	<b>11.0%</b>
EBITDA margin, %	39.4	45.7	-6.4 p.p.	44.5	45.4	-0.9 p.p.
Disposals	1	0	n/m	4	9	-54.6%
Operating currency loss/gains	4	-1	n/m	7	9	-16.6%
Items affecting comparability	-10	14	n/m	18	58	-69.7%
<b>Underlying EBITDA</b>	<b>696</b>	<b>595</b>	<b>16.9%</b>	<b>2,547</b>	<b>2,346</b>	<b>8.6%</b>
Underlying EBITDA margin, %	39.1	46.8	-7.7 p.p.	45.0	46.9	-1.9 p.p.

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

### Underlying EBITDA

Underlying EBITDA rose by 16.9% reaching SEK 696m and the Underlying EBITDA margin was 39.1% in the fourth quarter. The increase in Underlying EBITDA is explained by Boxer being consolidated per the fourth quarter combined with revenue growth within the Com Hem segment, which is offset against somewhat higher operating costs compared to the fourth quarter 2015 due to the on-going expansion into the SDU market. For the full year, Underlying EBITDA rose by 8.6% to SEK 2,547m and the Underlying EBITDA margin was 45.0%. Excluding Boxer, the organic increase in Underlying EBITDA was 3.8% for the fourth quarter and 5.3% for the full year.

### EBITDA

EBITDA rose by 20.5% reaching SEK 701m for the quarter. For the full year EBITDA rose by 11.0% reaching SEK 2,518m. The increase in

EBITDA is explained by higher Underlying EBITDA in combination with lower items affecting comparability in 2016 (for the fourth quarter items affecting comparability were positive as a result of insurance compensation related to previous years).

### Depreciation and amortisation

Depreciation and amortisation rose by SEK 81m to SEK 473m for the quarter and by SEK 122m to a total of SEK 1,667m for the full year. The increase is explained by Boxer being included in the Group from October 1, 2016 as well as higher depreciation and amortisation on IT development projects (cost of services sold) and CPEs (cost of services sold), partly offset by lower amortisation of capitalised sales commissions (selling expenses) within the Com Hem segment.

Operating free cash flow, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
<b>Underlying EBITDA</b>	<b>696</b>	<b>595</b>	<b>16.9%</b>	<b>2,547</b>	<b>2,346</b>	<b>8.6%</b>
<b>Capital expenditure</b>						
Network related	-114	-97	17.3%	-323	-332	-2.5%
CPEs and capitalised sales commissions	-140	-113	23.5%	-388	-486	-20.2%
IT investments	-38	-37	4.0%	-134	-128	4.2%
Other capex	-13	-11	14.1%	-48	-45	6.5%
<b>Total capital expenditure</b>	<b>-305</b>	<b>-259</b>	<b>18.0%</b>	<b>-893</b>	<b>-991</b>	<b>-190.1%</b>
<b>Operating free cash flow</b>	<b>390</b>	<b>336</b>	<b>16.0%</b>	<b>1,655</b>	<b>1,355</b>	<b>22.1%</b>
Interest payments	-170	-289	-41.1%	-278	-507	-45.0%
Change in working capital	112	108	3.5%	48	100	-52.0%
<b>Equity free cash flow</b>	<b>332</b>	<b>156</b>	<b>113.4%</b>	<b>1,424</b>	<b>948</b>	<b>50.2%</b>

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

### Capital expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 305m, corresponding to 17.2% of revenue. For the full year, capital expenditure amounted to SEK 893m, corresponding 15.8% of revenue. The decline compared to 2015 is mainly a result of lower network related investments and CPEs within the Com Hem segment. Boxer is included with capex of SEK 42m in the fourth quarter 2016.

### Operating free cash flow

Operating free cash flow increased by 16.0% in the fourth quarter, reaching SEK 390m. For the full year operating free cash flow in-

creased by 22.1% reaching a total of SEK 1,655m. The increase was a result of higher Underlying EBITDA contribution as well as lower capex compared with the full year 2015.

### Equity free cash flow

Equity free cash flow increased by 113.4% for the fourth quarter reaching SEK 332m. For the full year equity free cash flow increased by 50.2% reaching a total of SEK 1,424m. The increase is explained by higher operating free cash flow combined with lower interest payments following refinancing activities.

	DEC 31		
Net debt, SEKm	2016	2015	Change
<b>Non-current interest-bearing liabilities</b>	<b>10,180</b>	<b>9,151</b>	<b>11.3%</b>
Add back of capitalised borrowing costs	98	95	2.7%
<b>Non-current interest-bearing liabilities, nominal value</b>	<b>10,278</b>	<b>9,246</b>	<b>11.2%</b>
Current interest-bearing liabilities	517	528	-2.1%
Cash and cash equivalents	-470	-743	-36.8%
<b>Net debt</b>	<b>10,326</b>	<b>9,030</b>	<b>14.3%</b>

## Liquidity

At December 31, 2016, the Group's total available funds amounted to SEK 1,870m (SEK 1,393m at December 31, 2015), of which cash and cash equivalents was SEK 470m (SEK 743m at December 31, 2015) and unutilised credit facilities was SEK 1,400m (SEK 650m at December 31, 2015).

## Net debt

At December 31, 2016, the Group's net debt amounted to SEK 10,326m (SEK 9,030m at December 31, 2015). The increase in net debt is mainly explained by the Boxer acquisition. Net debt/Underlying EBITDA LTM was a multiple of 3.7x (3.8x at December 31, 2015), which is in line with the targeted leverage of 3.5-4.0x.

## OUTSTANDING DEBT

December 31, 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	600	1,400
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 1,750m 2016/2021 Notes	Jun 23, 2021	Fixed   3.625%	1,750	1,750	-
SEK 2,250m 2016/2022 Notes	Feb 25, 2022	Fixed   3.50%	2,250	2,250	-
<b>Total credit facilities<sup>1)</sup></b>			<b>12,175</b>	<b>10,775</b>	<b>1,400</b>

<sup>1)</sup> In addition to the above credit facilities Com Hem holds interest-bearing financial lease liabilities totalling SEK 20m.

## Financing

At December 31, 2016, the Group's total credit facilities, including the two outstanding SEK notes, amounted to SEK 12,175m, which had an average remaining term of 3.3 years.

On November 11, 2016, Com Hem announced that its subsidiary NorCell Sweden Holding 3 AB (publ) had issued new notes in the total amount of SEK 2,250m. The new notes have a fixed rate coupon of 3.50% and matures February 25, 2022. Com Hem will prepare a prospectus and intends to apply for listing of the new notes on Nasdaq Stockholm.

The proceeds from the new notes were, together with existing unutilised credit facilities, used to redeem the SEK 2,500m 2014/2019 Notes in full, which was completed on November 25, 2016. In connection with the redemption a premium of SEK 66m was paid. Following the refinancing the average blended interest rate of the Group's debt portfolio decreased from approximately 3% in the first nine months of 2016 to 2.5% in December, where it is expected to remain in coming quarters given current market interest rates.

On November 18, 2016 Com Hem announced that NorCell Sweden Holding 3 AB (publ) had given notice to initiate a written procedure under its SEK 1,750m 2016/2021 Notes requesting that certain terms should be harmonised with those of the SEK 2,250m 2016/2022 Notes. The written procedure was closed on December 12, 2016 after a sufficient majority of the noteholders had ap-

proved the request. Following the amendments of certain terms, which had previously been approved in relation to the loan facilities by the credit institutions, Com Hem was able to terminate an Intercreditor agreement and release certain securities.

## Loan conditions

The loan facilities with credit institutions are conditional on the Group continually satisfying a predetermined financial key metric (covenant), which 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 at December 31, 2016.

## Dividend and share repurchases

The 2016 AGM 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.

During the year the board has resolved on a number of share buyback programmes, of which the latest comprises shares for a total amount of up to SEK 50m to be repurchased in the period December 1, 2016 to December 31, 2016 and for a total amount of up to SEK 50m in the period January 1, 2017 to January 30, 2017.

During the fourth quarter, Com Hem repurchased a total of 3,066,942 shares for SEK 250m.

During 2016, shareholders were remunerated by a total of SEK 1,178m in the form of ordinary cash dividend (SEK 289m) and share repurchases (11,788,068 shares for a total amount of SEK 888m), representing 7.2 per cent of the market capitalisation at year-end.

In accordance with the resolution at the Annual General Meeting, Com Hem has during the year cancelled 17,692,736 treasury shares, a reduction of approximately 8.6%. Hence, as per December 31, 2016, the number of registered shares and votes in Com Hem amounted to 188,950,640, out of which 3,740,455 were held in treasury. The share capital amounted to SEK 208,998,231 and the quota value was therefore SEK 1.106 per share.

## Significant increase in cash dividend in 2017

At the IPO the Board of Directors adopted a dividend policy pursuant to which Com Hem retains the flexibility to distribute excess cash to shareholders in the form of dividends or other forms of capital distribution, while operating in the medium term within our target leverage of 3.5x to 4.0x Underlying EBITDA LTM. Com Hem expects to declare dividends or other forms of capital distributions in each financial year of at least 50% of equity free cash flow.

Up until 2016 the majority of shareholder remuneration has been made through share buybacks. For 2017, the Board proposes a change to the mix of the shareholder remuneration to increase the cash dividend from SEK 1.50 per share in 2016 to SEK 4.00 per share to be paid out semi-annually in March and September 2017. Alongside the cash dividend the Company will also continue to do share buybacks from time to time while remaining within the target leverage of 3.5x to 4.0x Underlying EBITDA LTM.

Share repurchases	No of shares	Average price per share, SEK	SEKm
Redemption, April 23, 2015	886,221	73,50	65
Year 2015	9,645,123	73,73	711
1st quarter, 2016	3,493,774	73,16	256
2nd quarter, 2016	1,347,273	71,11	96
3rd quarter, 2016	3,880,079	73,98	287
4th quarter, 2016	3,066,942	81,51	250
Cancellation June 9, 2016	-13,769,357	-	-
Cancellation Nov 30, 2016	-3,923,379	-	-
<b>Treasury shares</b>			
<b>December 31, 2016</b>	<b>3,740,455</b>	<b>74,59</b>	<b>1,665</b>



# OVERVIEW PER OPERATING SEGMENT

## SEGMENT COM HEM

Operational key metrics <sup>1)</sup>	2015				2016	
	Q3	Q4	Q1	Q2	Q3	Q4
<b>Addressable footprint, thousands</b>	<b>1,942</b>	<b>1,968</b>	<b>1,988</b>	<b>2,045</b>	<b>2,196</b>	<b>2,265</b>
Unique consumer subscribers, thousands	903	911	920	926	934	945
Consumer churn as % of unique consumer subscribers, %	12.9	12.9	13.9	13.1	12.7	13.1
<b>Consumer RGUs thousands</b>						
Broadband	648	658	669	679	689	702
Digital-TV	631	635	635	636	640	644
- of which TiVo customers	213	224	228	233	239	246
Fixed telephony	331	322	314	300	294	282
<b>Total consumer RGUs</b>	<b>1,610</b>	<b>1,616</b>	<b>1,619</b>	<b>1,615</b>	<b>1,623</b>	<b>1,627</b>
<b>Unique B2B subscribers, thousands</b>						
OnNet	14	16	17	18	19	20
OffNet	48	46	45	42	40	38
<b>Total unique B2B subscribers</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>61</b>	<b>59</b>	<b>58</b>
<b>ARPU, SEK</b>						
Consumer	363	363	364	369	371	371
B2B	415	431	430	436	436	454

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

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

### Addressable footprint

In the fourth quarter, our addressable footprint increased by 69,000 homes to 2,265,000 at the end of the period. The increase is mainly a result of our expansion into the SDU market where we at the end of December had added some 250,000 addressable households since the start of the expansion programme through the addition of open LANs as well as unbundling of Skanova networks.

### Unique consumer subscribers

The number of unique consumer subscribers continued to increase in the fourth quarter, up 11,000 to 945,000. 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 fourth quarter, an increase of 0.4 p.p. compared to the record low consumer churn of 12.7% for the third quarter 2016. The slight increase is a result of an adjustment of low-ARPU DTV customers who are no longer eligible for the service.

### Consumer RGUs

The number of consumer RGUs was 1,627,000 an increase of 4,000 compared to previous quarter, caused by strong growth in broadband RGUs offset by continued decline in fixed-telephony RGUs.

The number of broadband RGUs rose by 13,000 in the fourth quarter to an all time high of 702,000 which was a somewhat higher growth than seen in previous quarters. The proportion of new broadband subscribers who purchased broadband speeds of 100 Mbit/s or more was close to 90%. Following upgrade of the customer base, close to 90% of the entire broadband base

subscribes to a 100 Mbit/s or higher service.

The number of digital-TV RGUs increased by 3,000 during the fourth quarter to a total of 644,000 RGUs. During the quarter the number of TiVo customers grew by 6,000 to 246,000, corresponding to 38% of the total digital-TV base.

The number of fixed-line telephony RGUs was 282,000, down 12,000 compared with the preceding quarter, which is in line with the underlying trend in the market.

### Consumer ARPU

ARPU remained at the record high level of SEK 371 as a large amount of customers continued buying higher tier services.

### Unique B2B subscribers

The number of unique B2B subscribers was 58,000 at the end of the quarter. The 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.

### B2B ARPU

B2B ARPU was SEK 454 in the fourth quarter, compared to SEK 436 the preceding quarter.

# OVERVIEW PER OPERATING SEGMENT

## SEGMENT COM HEM

Financial summary, SEKm	OCT-DEC/Q4			JAN-DEC		
	2016	2015	Change	2016	2015	Change
<b>Revenue external</b>						
Consumer	1,045	986	6.0%	4,093	3,863	5.9%
- of which Digital-TV	465	451	3.1%	1,855	1,785	3.9%
- of which Broadband	485	433	11.9%	1,862	1,666	11.7%
- of which Telephony	57	75	-23.2%	253	304	-16.9%
Network operator	202	195	3.5%	777	786	-1.1%
B2B	79	81	-1.9%	317	311	1.9%
Other revenue	7	9	-23.1%	31	40	-22.7%
<b>Revenue</b>	<b>1,333</b>	<b>1,271</b>	<b>4.9%</b>	<b>5,218</b>	<b>5,000</b>	<b>4.4%</b>
<b>Underlying EBITDA</b>	<b>618</b>	<b>595</b>	<b>3.8%</b>	<b>2,470</b>	<b>2,346</b>	<b>5.3%</b>
Underlying EBITDA margin, %	46.3	46.8	-0.5 p.p.	47.3	46.9	0.4 p.p.
Total capital expenditure	-264	-259	1.9%	-851	-991	-14.1%
<b>Operating free cash flow</b>	<b>354</b>	<b>336</b>	<b>5.3%</b>	<b>1,618</b>	<b>1,355</b>	<b>19.5%</b>

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

### Revenue

Revenue for the fourth quarter rose by 4.9% compared to the same period last year and amounted SEK 1,333m. For the full year, revenue increased by 4.4% to a total of SEK 5,218m. The increase is a result of a continued strong growth in consumer services.

### Consumer Services

Revenue from consumer services rose by 6.0% to total of SEK 1,045m for the fourth quarter and by 5.9% to a total of SEK 4,093m for the full year. The increase for the quarter and the full year is driven by increased revenue from broadband and digital TV, partly offset by decreased revenue from fixed telephony.

Revenue from broadband services rose by 11.9% for the quarter and by 11.7% for the full year. 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.

Revenue from digital-TV rose by 3.1% for the quarter and by 3.9% for the full year. The increase in digital-TV revenue was mainly attributable to RGU growth, a higher proportion of customers with TiVo packages, and the price adjustments implemented during the first quarter of 2016.

Revenue from fixed-line telephony decreased by SEK 17m for the quarter and by SEK 52m for the full year. The decrease is mainly explained by a structural decline in fixed telephony variable usage.

### Network Operator Services

Revenue from network operator services increased by 3.5% and amounted to SEK 202m for the fourth quarter. The increase was attributable to higher revenue from network expansion including communication operator revenue from iTUX. For the full year, revenue from network operator services declined by 1.1% and amounted to SEK 777m. The decline was attributable to a decline in landlord revenue, partly offset by higher revenue from network expansion including communication operator revenue from iTUX.

### Business to Business

Revenue from B2B services declined by SEK 2m to SEK 79m for the fourth quarter. For the full year, revenue from B2B services rose by SEK 6m or 1.9% to a total of SEK 317m.

For the quarter, OnNet revenue grew by 26.7% and amounted to SEK 29m. For the full year the increase was 53.9% to a total of SEK 102m. The increase in the high margin OnNet revenue was offset by lower revenue from the lower margin OffNet legacy business, mainly due to lower variable telephony revenue.

### Underlying EBITDA

Underlying EBITDA rose by 3.8% or SEK 23m, reaching SEK 618m and the Underlying EBITDA margin was 46.3% in the fourth quarter. The increase in Underlying EBITDA is explained by revenue growth, partly with somewhat lower margin as revenue with lower gross margin within third party infrastructure increases. The decline in gross margin is partly offset by savings in other operating expenses. For the full year, Underlying EBITDA rose by 5.3% to SEK 2,470m and the Underlying EBITDA margin was 47.3%.

### Capital Expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 264m, corresponding to 19.8% of revenue. The increase of SEK 5m compared to the fourth quarter in 2015 is mainly a result of higher network related investments, partly offset by lower investments in CPEs. For the full year, capital expenditure amounted to SEK 851m, corresponding to 16.3% of revenue. The decline compared to 2015 is mainly explained by the core MDU business now being managed at a sustainably lower capex level.

### Operating Free Cash Flow

Operating free cash flow increased by 5.3% or SEK 18m in the fourth quarter, reaching SEK 354m. For the full year operating free cash flow increased by 19.5% or SEK 264m, reaching a total of SEK 1,618m. The increase was a result of higher Underlying EBITDA contribution as well as lower investments compared with the full year 2015.

# OVERVIEW PER OPERATING SEGMENT

## SEGMENT BOXER

Operational overview <sup>1)</sup>	2015		2016			
	Q3	Q4	Q1	Q2	Q3	Q4
Unique consumer subscribers, thousands	546	541	529	516	508	495
Consumer churn as % of unique consumer subscribers, %	11.7	15.9	16.1	16.3	15.7	17.7
Consumer RGUs, thousands	548	545	536	525	520	511
Average revenue per user (ARPU), SEK	276	280	283	289	293	293

<sup>1)</sup>Boxer was acquired on September 30, 2016 when controlling influence of operations was obtained and the entity was consolidated from that date. Figures relating to quarters before the acquisition date are included for comparability purposes.

### Unique consumer subscribers

The number of unique consumer subscribers continued to decrease by 13,000 in the fourth quarter, to a total of 495,000 by the end of the period. The decline is mainly explained by the structural decline within the digital terrestrial TV ("DTT") distribution as a consequence of Boxer subscribers getting access to fibre broadband.

### Consumer churn rate

The churn rate, expressed as the percentage of consumer subscribers, was 17.7% in the fourth quarter, which is an increase of 2.0 p.p. compared to the preceding quarter. The increase in the fourth quarter is partly explained by Boxer subscribers getting access to fibre Broadband and partly by a channel redistribution in certain areas following the migration from the 700 band. The migration from the 700 Mhz band is based on a Government

decision (February 27, 2014) that some of the frequencies currently used for television broadcasting shall be reserved for telecommunication services, including mobile broadband. This meaning that the 700 Band must be vacated no later than October 31, 2017.

### Consumer RGUs

The number of consumer RGUs was 511,000 a decrease of 9,000 compared to previous quarter, hence a smaller decline than in unique consumer subscribers, implying that an increasing number of Boxer subscribers choose to subscribe to more than one service.

### Consumer ARPU

ARPU was SEK 293 for the fourth quarter, which is at the same level as the preceding quarter.

Financial summary, SEKm	OCT-DEC/Q4
	2016
<b>Revenue external</b>	
Consumer	446
<b>Revenue</b>	<b>446</b>
<b>Underlying EBITDA</b>	<b>78</b>
Underlying EBITDA margin, %	17.4
Total capital expenditure	-42
<b>Operating free cash flow</b>	<b>36</b>

### Revenue

Revenue for the fourth quarter amounted to SEK 446m. The ongoing fibre build-out in Sweden had a negative impact on Boxer revenue, as increasing number of customers choose digital TV through broadband instead of DTT. In January 2017, Boxer launched a new broadband service on the Swedish market.

### Underlying EBITDA

The Boxer business has two main cost items; content costs that are variable and depending on the number of subscribers and mix, similar to the Com Hem business, and DTT distribution costs. As part of the negotiation at acquisition, the DTT distribution costs will be reduced over the coming ten years.

In the quarter, Boxer continued to purchase additional administrative services from the seller, services that over the coming quarters will be migrated to Com Hem, which will lead to savings in operating costs.

Boxer's Underlying EBITDA amounted to SEK 78m for the fourth quarter. Boxer is expected to add approximately SEK 300m to the Com Hem Group's Underlying EBITDA in 2017.

### Capital Expenditure (Capex)

Boxer reported investments in CPEs and sales commissions of SEK 42m in the fourth quarter. CPE investments were temporarily affected by the ongoing 700 band migration causing new CPE's being purchased for some existing customers.

### Operating Free Cash Flow

Operating free cash flow amounted to SEK 36m in the fourth quarter. Boxer is expected to add approximately SEK 200m in operating free cash flow to the Group in 2017.

## CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Revenue	1,780	1,271	5,665	5,000
Cost of services sold	-1,022	-631	-2,964	-2,464
<b>Gross profit</b>	<b>758</b>	<b>641</b>	<b>2,701</b>	<b>2,536</b>
Selling expenses	-471	-379	-1,557	-1,516
Administrative expenses	-80	-75	-305	-295
Other operating income and expenses	21	3	12	-1
<b>Operating profit</b>	<b>228</b>	<b>190</b>	<b>851</b>	<b>724</b>
Financial income and expenses	-184	-243	-440	-605
<b>Result after financial items</b>	<b>44</b>	<b>-53</b>	<b>411</b>	<b>119</b>
Income taxes	-10	12	-94	-27
<b>Net result for the period</b>	<b>34</b>	<b>-41</b>	<b>317</b>	<b>92</b>
Average number of outstanding shares, thousands	186,504	199,155	191,077	204,068
Basic earnings per share, SEK	0.18	-0.21	1.66	0.45
Average number of outstanding shares, diluted, thousands	186,941	199,228	191,223	204,112
Diluted earnings per share, SEK	0.18	-0.21	1.66	0.45

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
<b>Net result for the period</b>	<b>34</b>	<b>-41</b>	<b>317</b>	<b>92</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net profit or loss</i>				
Revaluation of defined-benefit pension obligations	34	40	-59	75
Tax on items that will not be reclassified to profit or loss	-8	-9	13	-16
<b>Other comprehensive income for the period, net of tax</b>	<b>27</b>	<b>31</b>	<b>-46</b>	<b>58</b>
<b>Total comprehensive income for the period</b>	<b>61</b>	<b>-10</b>	<b>271</b>	<b>150</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

SEKm	DEC 31 2016	DEC 31 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	16,765	15,451
Property, plant and equipment	1,564	1,531
Financial assets	-	0
<b>Total non-current assets</b>	<b>18,329</b>	<b>16,982</b>
<b>Current assets</b>		
Other current assets	458	352
Cash and cash equivalents	470	743
<b>Total current assets</b>	<b>927</b>	<b>1,095</b>
<b>TOTAL ASSETS</b>	<b>19,256</b>	<b>18,078</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>5,501</b>	<b>6,403</b>
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	10,180	9,151
Other non-current liabilities	351	176
Deferred tax liabilities	624	234
<b>Total non-current liabilities</b>	<b>11,155</b>	<b>9,561</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	517	528
Other current liabilities	2,083	1,585
<b>Total current liabilities</b>	<b>2,600</b>	<b>2,113</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,256</b>	<b>18,078</b>
Number of outstanding shares, at end of period, thousands	185,210	196,998
Equity per share, SEK	30	33

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	DEC 31 2016	DEC 31 2015
<b>Opening equity</b>	<b>6,403</b>	<b>7,233</b>
<b>Comprehensive income for the period</b>		
Net result for the period	317	92
Other comprehensive income for the period	-46	58
<b>Total comprehensive income for the period</b>	<b>271</b>	<b>150</b>
<b>Transactions with the owners</b>		
Redemption of shares	-	-65
Repurchase of shares and warrants	-888	-713
Issue expenses, net after tax	-	4
Dividend	-289	-207
Share-based remuneration	4	1
<b>Total transactions with the owners</b>	<b>-1,173</b>	<b>-979</b>
<b>Closing equity</b>	<b>5,501</b>	<b>6,403</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
<b>Operating activities</b>				
Result after financial items	44	-53	411	119
Adjustments for non-cash items	409	249	1,757	1,551
<b>Cash flow from operating activities before changes in working capital</b>	<b>453</b>	<b>196</b>	<b>2,168</b>	<b>1,670</b>
Change in working capital	112	108	48	100
<b>Cash flow from operating activities</b>	<b>565</b>	<b>304</b>	<b>2,216</b>	<b>1,770</b>
<b>Investing activities</b>				
Acquisition of subsidiary	-2	-	-1,375	-
Acquisition of intangible assets	-128	-95	-396	-381
Acquisition of property, plant and equipment	-178	-164	-497	-594
Divestment of property, plant and equipment	1	-	2	-
Divestment of financial assets	-	-	-	0
<b>Cash flow from investing activities</b>	<b>-307</b>	<b>-259</b>	<b>-2,266</b>	<b>-976</b>
<b>Financing activities</b>				
Share issue expenses	-	-	-	-22
Repurchases of shares and warrants	-253	-294	-894	-703
Redemption of shares	-	-	-	-65
Dividend	-	-	-289	-207
Borrowings	3,300	1,900	6,600	2,000
Amortisation of borrowings	-3,158	-1,725	-5,578	-1,749
Payment of borrowing costs	-39	-7	-63	-21
<b>Cash flow from financing activities</b>	<b>-149</b>	<b>-126</b>	<b>-224</b>	<b>-768</b>
Net change in cash and cash equivalents	109	-80	-274	27
Cash and cash equivalents at beginning of period	361	824	743	716
<b>Cash and cash equivalents at end of period</b>	<b>470</b>	<b>743</b>	<b>470</b>	<b>743</b>

## ADJUSTMENT FOR NON-CASH ITEMS

SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Depreciation/amortisation	473	392	1,667	1,545
Unrealised exchange-rate differences	-1	-41	1	-64
Capital gain/loss on sale/disposal of non-current assets	0	0	3	9
Change in fair value of derivatives	-	46	0	39
Change in capitalised borrowing costs and discounts	36	44	60	71
Change in accrued interest expenses	-95	-197	17	-66
Other profit/loss items not settled with cash	-5	4	8	16
<b>Total</b>	<b>409</b>	<b>249</b>	<b>1,757</b>	<b>1,551</b>

# PARENT COMPANY CONDENSED FINANCIAL REPORTS

INCOME STATEMENT SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Revenue	4	4	13	13
Administrative expenses	-8	-9	-27	-40
Other operating income and expenses	0	0	-1	6
<b>Operating profit/loss</b>	<b>-3</b>	<b>-5</b>	<b>-14</b>	<b>-21</b>
Financial income and expenses	-228	-512	-114	361
<b>Result after financial items</b>	<b>-231</b>	<b>-517</b>	<b>-128</b>	<b>340</b>
Income taxes	28	5	28	4
<b>Net result for the period</b>	<b>-202</b>	<b>-512</b>	<b>-100</b>	<b>344</b>

STATEMENT OF COMPREHENSIVE INCOME SEKm	OCT-DEC/Q4		JAN-DEC	
	2016	2015	2016	2015
Net result for the period	-202	-512	-100	344
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-202</b>	<b>-512</b>	<b>-100</b>	<b>344</b>

BALANCE SHEET SEKm	DEC 31	DEC 31
	2016	2015
<b>ASSETS</b>		
Financial assets	9,966	9,771
Deferred tax assets	53	25
Current assets	6	4
Cash and bank balances	15	30
<b>TOTAL ASSETS</b>	<b>10,041</b>	<b>9,830</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	209	213
Unrestricted equity	6,777	8,046
Provisions	2	1
Non-current liabilities to Group companies	2,780	942
Current liabilities to Group companies	260	607
Other current liabilities	13	21
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,041</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.

### Alternative Performance Measures (APM)

The Group applies the guidelines issued by ESMA (European Securities and Markets Authority) on APMs, published July 3, 2016. An APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs presented in these interim financial statements should not be considered as a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies. The APMs presented in the interim report have been reconciled to the most directly reconcilable line items in the financial statements and appears in the sections group financial overview and overview per operating segment.

### 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 December 31, 2016 amounted to SEK - m (0).

### Related parties

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

### 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 materially changed from the description in the 2015 Annual Report, except for the risks connected to the acquisition of Boxer, the structural DTT decline and the reliance upon Teracom in respect of the distribution of the services in the DTT network.

### Operating segment

The Group operates in a single market, Sweden and is divided in two operating segments, Com Hem and Boxer. The division is based on the Group's management structure and infrastructure for delivery of services and structure for internal reporting, which is controlled by the Group's CEO, who has been identified as its chief operating decision-maker.

The operating segment Com Hem offers services to consumers (digital-TV, broadband and fixed telephony), B2B (broadband and telephony) and landlords (basic TV offering) via fibreCoax, un-bundled fibre and LAN. The services to consumers and landlords are mainly delivered to multi-dwelling unit buildings. The B2B services are mainly delivered to Small and Medium Sized Enterprises (SMEs). The infrastructure that is the basis for enabling delivery of services to customers is the same for all services in the operating segment. Expenses for distribution (fibre, ducting, etc.) and for operation and servicing of the services are collective. Customers connect to services through a single point in their home.

The operating segment Boxer mainly offers services (digital-TV) to consumers in the SDU market through the Swedish digital terrestrial network provided by Teracom.

The operating segment information is based on the same accounting principles as for the Group, IFRS. The pricing of inter company transactions is determined on a commercial basis.

Performances and the business' earnings are evaluated based on a number of established key ratios, of which the principal key ratios in the income statement are total revenue, operating profit/loss (EBIT) and Underlying EBITDA (EBITDA before disposals excluding items affecting comparability and operating currency gains/losses).

Operating segment assets comprise of intangible assets, property, plant and equipment, inventories and current receivables. Operating segment liabilities comprise of non-current liabilities and provisions.

Capital expenditure includes intangible assets and property, plant and equipment but excludes the effect of goodwill, intangible assets and property, plant and equipment through acquisitions which are presented separately.



SEKm	OCT-DEC Q4 2016			Group
	Com Hem	Boxer <sup>1)</sup>	Eliminations	
Revenue external	1,333	446	-	1,780
Revenue internal	2	-	-2	-
<b>Total revenue</b>	<b>1,335</b>	<b>446</b>	<b>-2</b>	<b>1,780</b>
<b>Operating profit (EBIT)</b>	<b>225</b>	<b>3</b>	<b>-</b>	<b>228</b>
Depreciation & Amortisation	406	67	-	473
Disposals	1	-	-	1
Operating currency loss/gains	4	1	-	4
Items affecting comparability	-16	6	-	-10
<b>Underlying EBITDA</b>	<b>620</b>	<b>76</b>	<b>-</b>	<b>696</b>
Net financial income and expenses				-184
Income taxes				-10
<b>Net result for the period</b>				<b>34</b>
CAPEX	-264	-42	-	-305

1) Boxer was acquired on September 30, 2016.

SEKm	JAN-DEC 2016			Group
	Com Hem	Boxer <sup>1)</sup>	Eliminations	
Revenue external	5,218	446	-	5,665
Revenue internal	2	-	-2	-
<b>Total revenue</b>	<b>5,220</b>	<b>446</b>	<b>-2</b>	<b>5,665</b>
<b>Operating profit (EBIT)</b>	<b>849</b>	<b>3</b>	<b>-</b>	<b>851</b>
Depreciation & Amortisation	1,600	67	-	1,667
Disposals	4	-	-	4
Operating currency loss/gains	6	1	-	7
Items affecting comparability	12	6	-	18
<b>Underlying EBITDA</b>	<b>2,472</b>	<b>76</b>	<b>-</b>	<b>2,547</b>
Net financial income and expenses				-440
Income taxes				-94
<b>Net result for the period</b>				<b>317</b>
CAPEX	-851	-42	-	-893
CAPEX in relation to business combinations	-	-1,705	-	-1,705

1) Boxer was acquired on September 30, 2016.

SEKm	DEC 31, 2016			DEC 31, 2015	
	Com Hem	Boxer	Eliminations	Group	Com Hem
<b>Operating segment assets</b>	<b>16,605</b>	<b>2,184</b>	<b>-2</b>	<b>18,787</b>	<b>17,334</b>
- of which goodwill	10,899	421	-	11,321	10,899
- of which customer relationships	2,527	1,392	-	3,919	3,097
Other unallocated assets				470	743
<b>Total assets</b>				<b>19,256</b>	<b>18,078</b>
Operating segment liabilities	2,002	995	-2	2,995	1,951
Other unallocated liabilities				10,760	9,723
<b>Total liabilities</b>				<b>13,755</b>	<b>11,675</b>

## Business Combinations 2016

### Boxer TV-Access AB ("Boxer")

On June 8, 2016 Com Hem through its wholly owned subsidiary Com Hem Communications AB signed an agreement to acquire all shares in Boxer TV-Access AB ("Boxer") a wholly owned subsidiary of Teracom Boxer Group AB. Boxer is the pay TV operator in the digital terrestrial television ("DTT") network in Sweden. The fibre expansion in the single dwelling unit ("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 is included in the transaction and Boxer will continue to operate as part of the Com Hem Group.

At September 1, 2016 the Swedish State approved the acquisition and at September 21, 2016 the Swedish Competition Authority also resolved to approve the acquisition. Completion took place on September 30, 2016 when controlling influence of operations was obtained and the entity was consolidated from that date. The acquisition closed with an Enterprise Value of SEK 1,330m, representing an estimated LTM Underlying EBITDA multiple of 4.3x. The acquisition has been recognised by applying the purchase method, and the table below states the fair value of the acquired assets and liabilities. The acquisition was funded through external borrowings and own cash. No equity instruments were issued in conjunction with the acquisition.

SEKm	Carrying amounts in the Group
Intangible assets	1,552
Property, plant and equipment	153
Other current assets	167
Cash and cash equivalents	258
Deferred tax liabilities	-305
Non-current liabilities	-141
Other current liabilities	-472
<b>Net identifiable assets</b>	<b>1,212</b>
Goodwill	421
<b>Purchase price (Paid in cash)</b>	<b>1,633</b>
Less cash in acquired business	-258
<b>Net effect on Group's cash</b>	<b>1,375</b>

A preliminary purchase price allocation has been prepared. The recognised fair value of intangible assets was SEK 1,973m of which customer relationships SEK 1,427m, trademark SEK 101m, goodwill SEK 421m and other SEK 24m. The goodwill recognised for the acquisition relates to future revenue from new customers, increased revenue from existing customers through continued growth of the number of services sold per customer, undocumented know-how and technology. No portion of the goodwill amount is expected to be tax deductible.

An existing long-term fixed price transmission network access contract has been measured to a negative fair value of SEK 174m, which will be released over the contract term, ending March 31, 2020. Lower annual price levels will apply as from April 1, 2020 which was negotiated as part of the transaction.

The total consideration for Boxer amounted to SEK 1,633m and the total net cash outflow was SEK 1,375m after deducting acquired cash and cash equivalents of SEK 258m. Acquisition related expenses were SEK 11m and have been recognised as other operating expenses in the income statement.

Boxer is reported as a separate operating segment and con-

tributed with SEK 446m to consolidated revenue and SEK 3m to operating profit since closing of the acquisition.

If the acquisition had been conducted on January 1, 2016, management estimates that the contribution to consolidated revenue would have been SEK 1,833m and the contribution to operating profit would have been SEK 57m.

### Changes in share capital and share repurchases

In accordance with the resolution by the Annual General Meeting on May 19, 2016 the company has completed a reduction of share capital at two different times. In June 2016 13,769,357 own shares were cancelled, 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.

In November 2016 3,923,379 own shares were cancelled, corresponding to a reduction of the share capital of SEK 4m. In connection with the registration of the reduction of share capital by Swedish Companies Registration office all the 17,692,736 cancelled shares were also 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. The buy backs were, up until July 2, 2016, carried out in accordance with the European Commission's ordinance (EC) No 2273/2003 of December 22, 2003, and thereafter in accordance with the Market Abuse Regulation (EU) No 596/2014 ("MAR") and the Commission Delegated Regulation (EU) 2016/1052 (the "Safe Harbour Regulation"). The buy backs are 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	-17,692,736
<b>Total no. of registered shares, December 31, 2016</b>	<b>188,950,640</b>
Repurchased shares held by Com Hem	-3,740,455
<b>Total no. of outstanding shares, December 31, 2016</b>	<b>185,210,185</b>

### Incentive programmes

The Group has two warrant 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-saving 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 sharesaving 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 at December 31, 2016, NorCell S.à.r.l., (indirectly controlled by funds managed by BC Partners LLP) controlled 31.8% of the outstanding shares and votes. Com Hem Holding AB (publ) had a total of 1,407 shareholders.

As per December 31, 2016	No. of shares	Capital/ votes, % <sup>1)</sup>
NorCell S.à.r.l.	58,911,671	31.8
MFS Investment Management	19,235,277	10.4
Adelphi Capital LLP	10,616,235	5.7
DJE Investment	4,120,995	2.2
Putnam	4,054,061	2.2
Henderson Global Investors	3,051,778	1.6
Vanguard	2,876,097	1.6
La Financière de l'Echiquier	2,819,320	1.5
T. Rowe Price	2,809,216	1.5
Norges Bank	2,083,251	1.1
<b>Total 10 largest shareholders</b>	<b>110,577,901</b>	<b>59.7</b>
Other shareholders	74,632,284	40.3
<b>Total no. of outstanding shares</b>	<b>185,210,185</b>	<b>100.0</b>

Source: Holdings/Euroclear as per December 31, 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 January 1 to January 30, 2017 an additional 539,000 shares were repurchased by the independent credit institute for an amount of SEK 48m in accordance with MAR and the Safe Harbour Regulation. Com Hem held 4,279,455 own shares as of January 30 corresponding to 2.3% of the total number of registered shares.

**Com Hem’s 2017 Annual General Meeting**

The Board of Com Hem Holding AB has decided to reschedule the date for the Annual General Meeting 2017 bringing it forward from Wednesday, May 3, to Thursday, March 23 at (4.00 p.m. CET). Shareholders wishing to have an item addressed are to submit a written request no later than February 13, 2017 to guarantee that the item is included in the notice of the Annual General Meeting. The request is to be sent by e-mail to: [bolagsstamma@comhem.com](mailto:bolagsstamma@comhem.com) or by mail to: Com Hem Holding AB (publ), Annual General Meeting, PO Box 8093, SE-104 20 Stockholm, Sweden. Additional information regarding registration will be published prior to the Annual General Meeting.

**Nomination committee for the Annual General Meeting 2017**

The Nomination Committee for the Annual General Meeting on March 23, 2017 consists of the following members:

- Pierre Stemper, chairman of the Nomination Committee, appointed by NorCell S.å r.l.
- Henry Guest, appointed by Adelphi Capital LLP
- Andrew Barron, Chairman of Com Hem Holding AB

The Nomination Committee will prepare proposals for the Annual General Meeting in 2017 regarding Chairman of the Annual General

Meeting, Board members, Chairman of the Board, remuneration for Board members distinguishing between the Chairman of the Board of Directors and other Members of the Board of Directors and remuneration for committee work, auditors, auditor fee and, to the extent deemed necessary, proposal regarding amendments of the current instruction for the Nomination Committee.

**2016 Annual Report**

The 2016 Annual Report will be available at [www.comhemgroup.se](http://www.comhemgroup.se) and can be obtained from the Company’s head office at Fleminggatan 18 in Stockholm at least three weeks prior to the 2017 AGM.

**Dividend and repurchase of shares**

The Board is proposing to the AGM an increase of the cash dividend from SEK 1.50 per share to SEK 4.00 per share to be paid out semi-annually. It also proposes a renewed mandate to repurchase up to 10% of the outstanding shares.

**Auditor’s report**

This year-end report has not been reviewed by the company’s auditors.

**Disclosure**

This information is information that Com Hem Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below at 7.30 a.m. CET January 31, 2017.

Fredrik Hallstan, Head of PR

## Board's assurance

The Board of Directors and the CEO certify that the year-end 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.

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Stockholm January 31, 2017

Andrew Barron  
Chairman of the Board

Monica Caneman  
Board member

Eva Lindqvist  
Board member

Joachim Ogländ  
Board member

Nicholas Stathopoulos  
Board member

Tomas Kadura  
Employee representative

Marianne Bohlin  
Employee representative

Anders Nilsson  
CEO

# INDUSTRY TERMS

**Addressable footprint** Number of households connected to our fibrecoax and fibreLAN networks, third party open networks, and connected and/or passed by fibre in networks unbundled by the Group.

**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. From Q4 2016 cancellations are excluded.

**RGUs** Revenue generating units, which refer to each subscriber receiving basic or digital-TV, broadband or telephony services from Com Hem, Boxer or Phonera. 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 the Com Hem Group's digital services (digital-TV, broadband and fixed telephony). Com Hem refers to the end-users receiving services directly through our own, third-party or unbundled networks as unique subscribers, even if the billing relationship for that end-user is with the end-user's landlord or housing association.

# FINANCIAL KEY METRICS AND ALTERNATIVE PERFORMANCE MEASURES (APM)

## IFRS-MEASURE

**Earnings per share** Net result for the period attributable to owners of the Parent Company divided by the average number of shares outstanding.

## ALTERNATIVE PERFORMANCE MEASURES

An alternative performance measure is understood as a financial measure other than a financial measure defined or specified in the applicable financial reporting framework. The alternative performance measures presented are a complement to financial measures defined in IFRS and are used by management to evaluate ongoing operations and control activities. Alternative performance measures presented in these interim financial statements should not be considered as a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies. For more information regarding the purpose with presented APMs please visit <http://www.comhemgroup.se/en/investors/definitions/>.

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

**EBITDA** EBIT excluding depreciation and amortisation.

**EBITDA-marginal** 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 on bank debt and notes, taxes and change in net working capital.

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

**Items affecting comparability** Items of temporary nature such as staff costs related to restructuring and transaction costs related to acquisitions.

**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.

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

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

**Underlying EBITDA** EBITDA before disposals excluding items affecting comparability and operating currency gains/losses.

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

## OTHER MEASURES

**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.

**B2B ARPU** B2B ARPU is calculated by dividing all broadband, fixed telephony and other revenue that can be allocated to each B2B service for the period in question, by the average number of total unique B2B 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 B2B subscribers on the first day in the respective period plus the number of unique B2B subscribers on the last day of the respective period, divided by two.

# THE GROUP'S FINANCIAL KEY METRICS AND ALTERNATIVE PERFORMANCE MEASURES PER QUARTER

Group	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue, SEKm	1,228	1,246	1,255	1,271	1,276	1,300	1,309	1,780
Operating profit (EBIT), SEKm	161	182	192	190	205	192	227	228
Operating margin (EBIT margin), %	13.1	14.6	15.3	14.9	16.0	14.7	17.4	12.8
EBITDA, SEKm	538	571	580	581	600	589	629	701
EBITDA margin, %	43.8	45.8	46.2	45.7	47.0	45.3	48.0	39.4
Underlying EBITDA, SEKm	577	583	590	595	603	607	642	696
Underlying EBITDA margin, %	47.0	46.8	47.0	46.8	47.3	46.7	49.0	39.1
Capex, SEKm	263	250	219	259	210	198	180	305
Capex as % of revenue	21.4	20.1	17.4	20.4	16.4	15.2	13.8	17.2
Cash flow from operating activities	474	372	620	304	517	554	580	565
Operating free cash flow, SEKm	314	333	372	336	394	409	461	390
Equity/assets ratio, %	39	38	37	35	35	34	29	29
Net debt at end of period, SEKm	8,628	8,896	8,815	9,030	8,988	9,026	10,292	10,326
Net debt/Underlying EBITDA LTM, multiple <sup>1)</sup>	3,8x	3,8x	3,8x	3,8x	3,8x	3,8x	3,7x	3,7x
Earnings per share, SEK	0.19	0.20	0.25	-0.21	0.49	0.43	0.56	0.18
Equity per share, SEK	35	34	33	33	32	31	30	30

<sup>1)</sup> See page 22 for definitions of financial key metrics and Alternative Performance Measures (APM).

## OTHER INFORMATION

### For further information, contact:

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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 fourth quarter results for analysts and investors via a webcast teleconference in English on Tuesday, January 31, 2017 at 10:00 a.m CET.

To participate, use the following link:  
[http://cloud.magneetto.com/comhem/2017\\_0131\\_Q4/view](http://cloud.magneetto.com/comhem/2017_0131_Q4/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

Annual General Meeting March 23, 2017  
 Interim Report January-March April 25, 2017  
 Interim Report January-June July 11, 2017  
 Interim Report January-September October 17, 2017