



Q2 2017 INTERIM REPORT

JULY 11, 2017

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- Group cash flow and capital structure

SUMMARY AND OUTLOOK

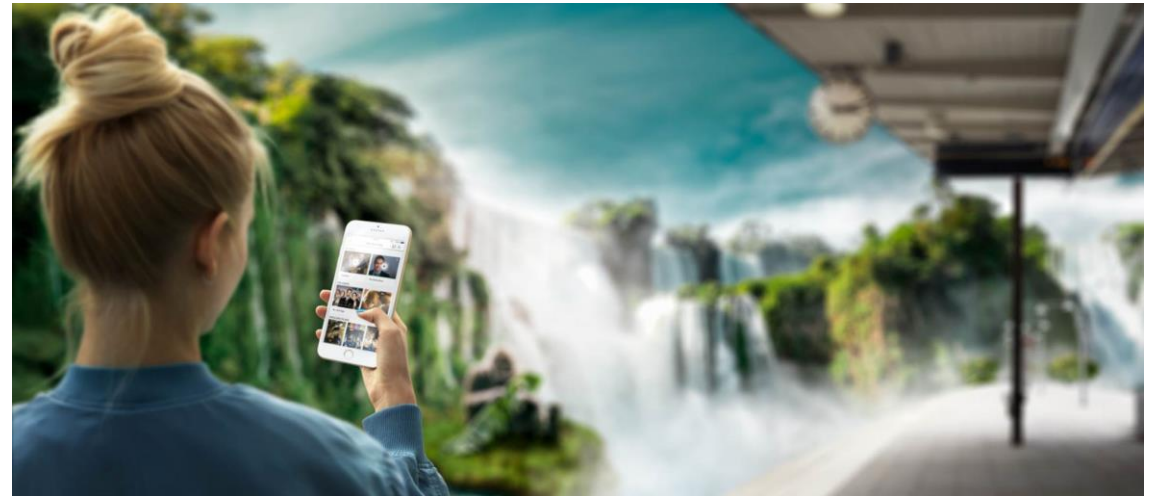
SUMMARY

SUMMARY OF Q2 2017

- Strong growth in revenue (38.1%) and underlying EBITDA (20.3%) with Boxer consolidated. Organic revenue increased by 5.0% and organic underlying EBITDA by 6.7%
- The Group added 200,000 addressable households in the quarter, reaching a total of 2.6m households which represents a 30% footprint expansion since before the expansion program and Boxer acquisition
- Following price adjustments in Q1, the Com Hem Segment recorded an all-time high consumer ARPU of SEK 376 while consumer churn dropped to record low 12.4%
- Unique Com Hem consumer subscribers grew by 8,000 to a record high 961,000
- Added 11,000 broadband RGUs in the Com Hem Segment and 5,000 broadband RGUs in Boxer
- Boxer churn dropped by 4.2 percentage points to 15.0%, the lowest level since Q3 2015, and the decline in unique consumers slowed down to -8,000 compared to -16,000 in the first quarter

SHAREHOLDER REMUNERATION

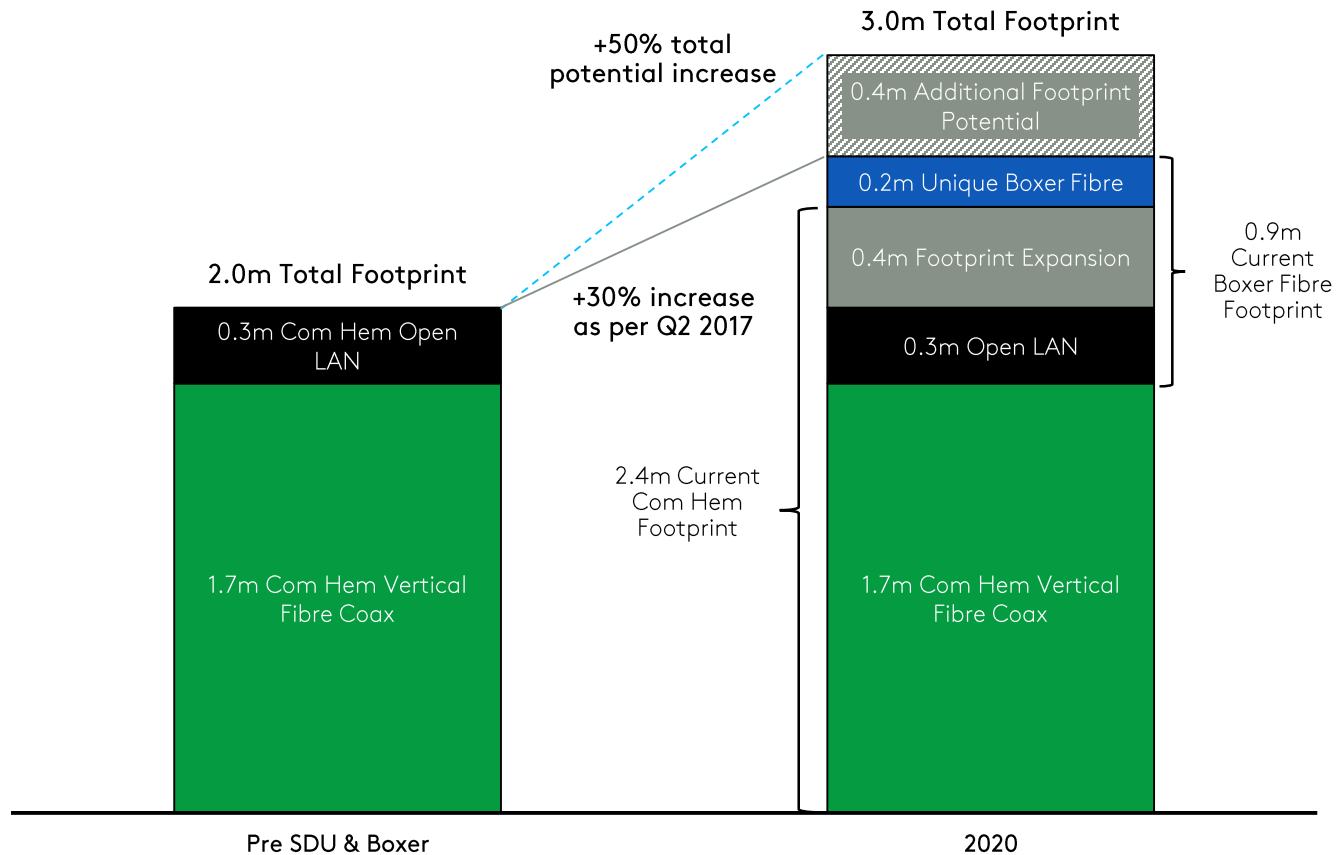
- Total shareholder remuneration of 189m in Q2 while maintaining net debt to underlying EBITDA stable at 3.7x
- Repurchased 1.6m shares for SEK 189m in Q2, representing 0.9% of the total number of registered shares as of June 30
- Currently repurchasing shares for some SEK 70m per month which, along with the cash dividend, could result in total shareholder remuneration of more than SEK 1.5bn in 2017, representing a total yield of 7.2% at July 10 close price



OPERATIONAL UPDATE

NOW REACHING 2.6M ADDRESSABLE HOUSEHOLDS

THE COM HEM GROUP AIMS TO REACH OVER 3.0 MILLION HOUSEHOLDS BY 2020



MAKING PROGRESS TOWARD THE 3.0M TARGET

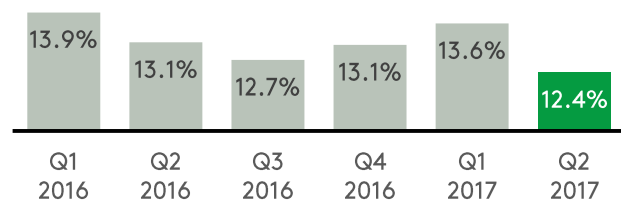
- In Q1 we upgraded the footprint expansion target from 2.8m to 3.0m households by 2020, which constitutes an increase of 50% from before the SDU expansion and Boxer acquisition
- The Group added some 200,000 addressable households in the quarter, reaching a total of 2.6m households
- Boxer's fibre footprint now at 900,000 addressable households including roughly 200,000 which do not overlap with the Com Hem Segment
- Network build trials are under way and fibre has been deployed in selected areas during the quarter
- Given the high competition to deploy fibre in attractive areas we need more time to evaluate the feasibility of scaling up with attractive payback and expect to announce a decision later in 2017
- We expect up to SEK 50m additional capex in 2017 related to new build trials on top of previous capex guidance

** Numbers refer to "Addressable Households" which are defined as households connected to our FibreCoax and FibreLAN networks, or third party open networks, or passed by fibre in networks unbundled by the Group.*

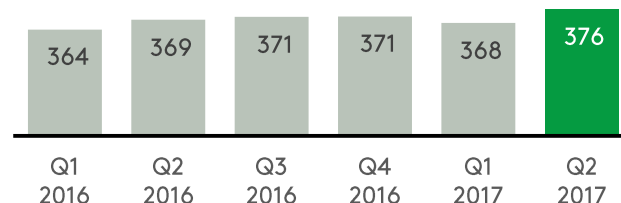
OPERATIONAL HIGHLIGHTS

COM HEM SEGMENT – GOOD MOMENTUM IN OPERATIONAL KPIs CONTINUES

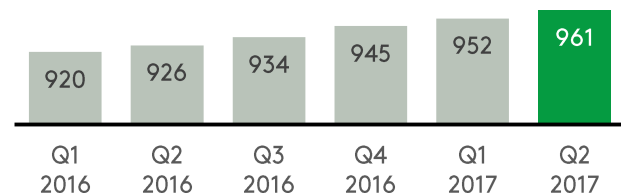
Consumer churn (%)



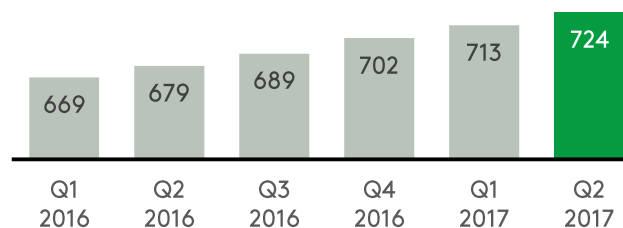
Consumer ARPU (SEK)



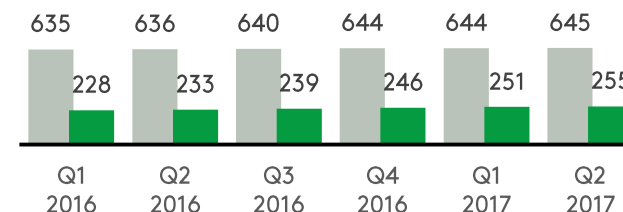
Unique consumer subscribers (000')



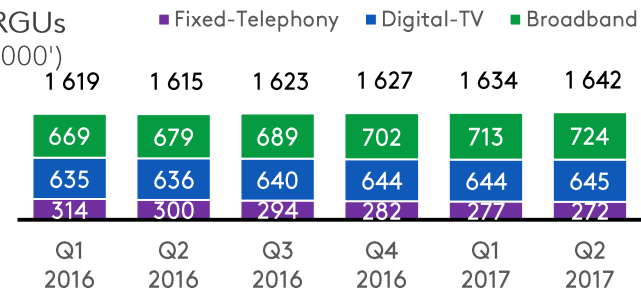
Broadband RGUs (000')



DTV subscribers (TiVo subscribers)



RGUs (000')



RECORD CONSUMER ARPU AND CHURN

- Record low consumer churn of 12.4%, down 1.2 p.p compared to Q1 2017
- Record high consumer ARPU at SEK 376 compared to SEK 368 in Q1 2017 (up 2.3%), as price adjustments made in Q1 2017 take full effect

CONTINUED STRONG VOLUME GROWTH

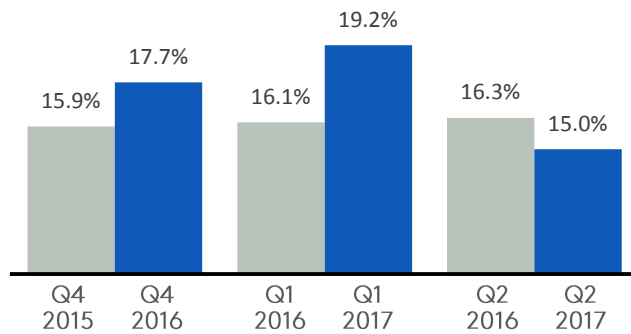
- Unique consumer subscribers grew by 8,000 during the quarter to a record high 961,000
- Total RGUs increased by 8,000 for the quarter to 1,642,000
- Broadband RGUs continue to grow steadily with a sequential increase of 11,000 to another record high of 724,000
- Average broadband speed of 138 Mbit/s in the existing customer base
- DTV RGUs increased by 1,000 while telephony RGUs declined by 5,000
- We added 4,000 TiVo subscribers in the quarter, reaching 40% penetration of the DTV base

OPERATIONAL HIGHLIGHTS

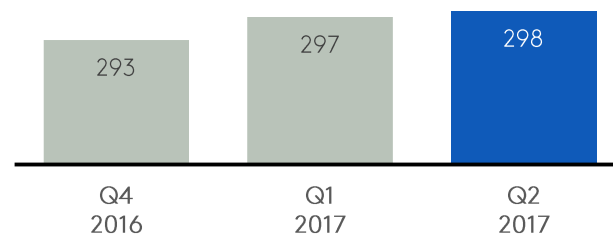
BOXER SEGMENT – SIGNIFICANTLY REDUCED CHURN



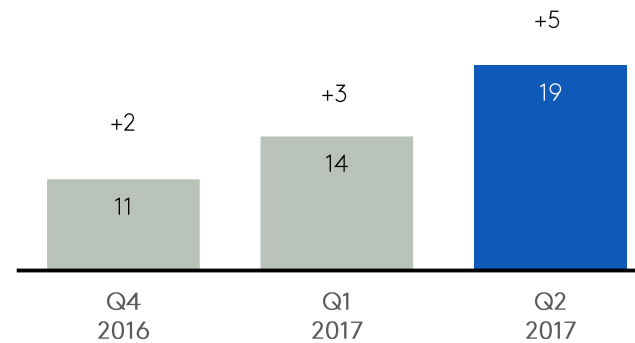
Consumer churn (%)



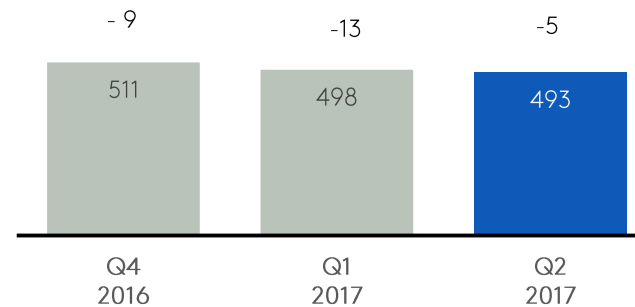
Consumer ARPU (SEK)



Broadband RGUs (000')



Total RGUs (000')



MAJOR IMPROVEMENT ACROSS ALL KPIs

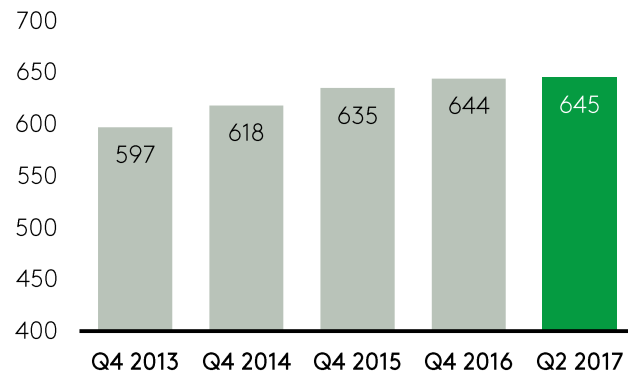
- Consumer churn for Boxer dropped by 4.2 percentage points sequentially to 15.0%, the lowest level since Q3 2015
- Consumer ARPU reached a record high of SEK 298 due to increased dual play penetration
- Decline in unique consumers slowed down to -8,000 compared to -16,000 in the first quarter
- Decline in RGUs slowed down to -5,000 compared to -13,000 in the first quarter
- Broadband sales increased with 5,000 broadband RGUs added in the quarter
- Boxer's fibre footprint is now at 900,000 addressable households including roughly 200,000 which do not overlap with the Com Hem Segment

* From Q1 consumer churn is calculated according to the same method as the Com Hem Segment

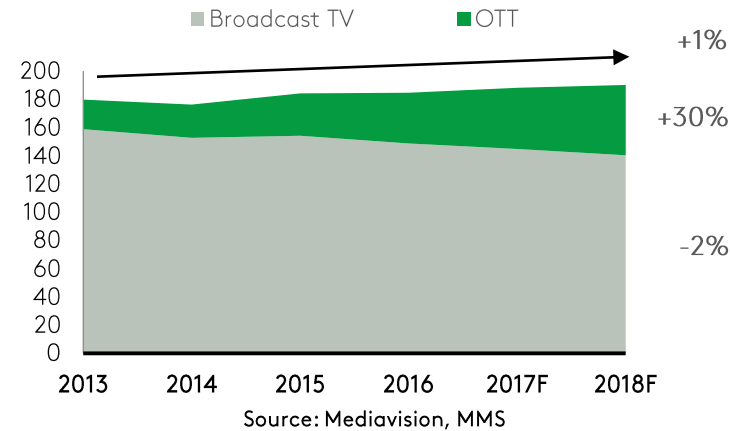
SHIFTING DYNAMICS IN SWEDISH TV MARKET

CHANGE OF VIEWING BEHAVIOUR PUTTING PRESSURE ON BROADCASTERS

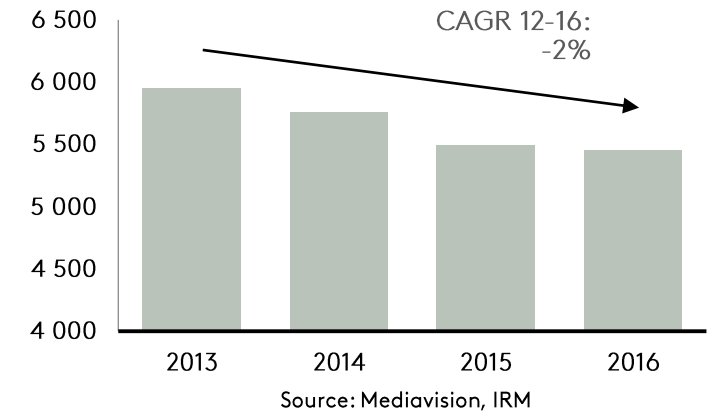
Com Hem Segment DTV subscribers
(000')



TV viewing in Sweden
(Minutes per day)



Broadcast advertising spend in Sweden
(SEKm)



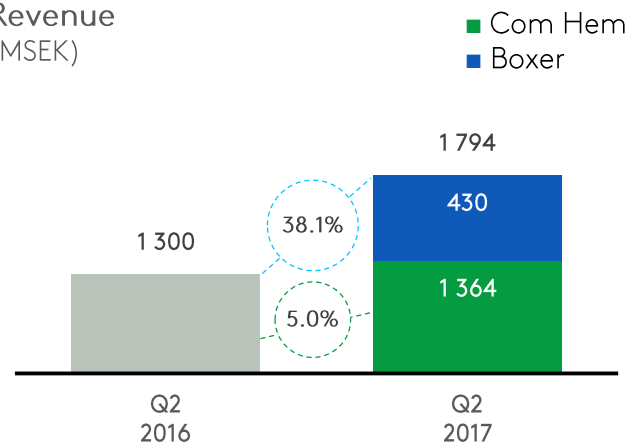
- The TV market in Sweden continues to grow
 - Com Hem has on a yearly basis expanded its DTV subscriber base
 - Total TV viewing continues to grow, with OTT services like Com Hem Play growing rapidly (33% more content streamed via Com Hem Play in Q2 2017 vs Q2 2016)
- However the type of TV viewing is changing, putting pressure on content providers revenue streams
 - Linear viewing declining, reducing the value of live channels
 - Advertising revenue also declining as the audience shrinks
- Content providers are looking to offset these declining revenues, increasing the risk of irrational behaviour

FINANCIAL PERFORMANCE

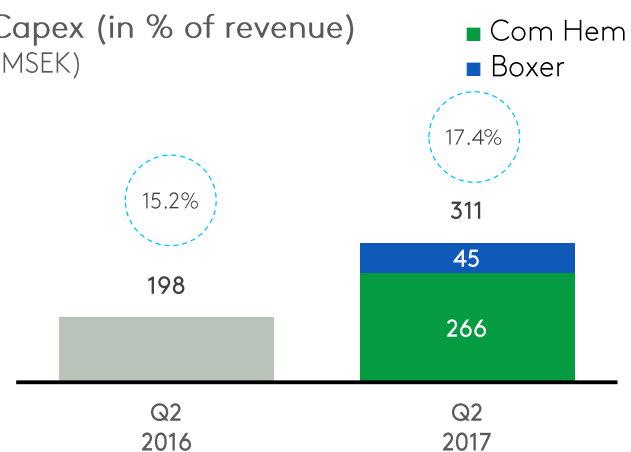
SECOND QUARTER FINANCIAL HIGHLIGHTS

COM HEM GROUP

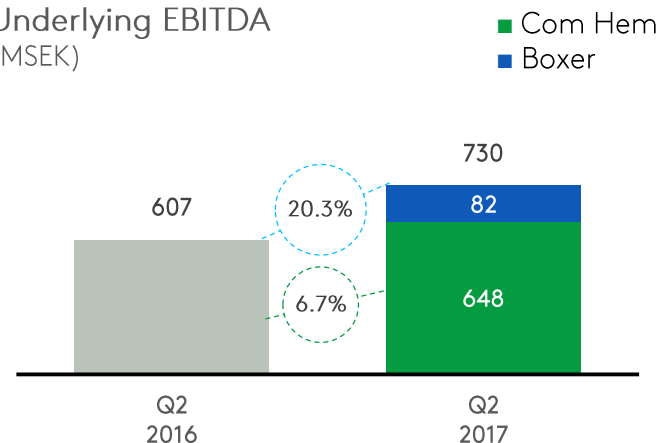
Revenue
(MSEK)



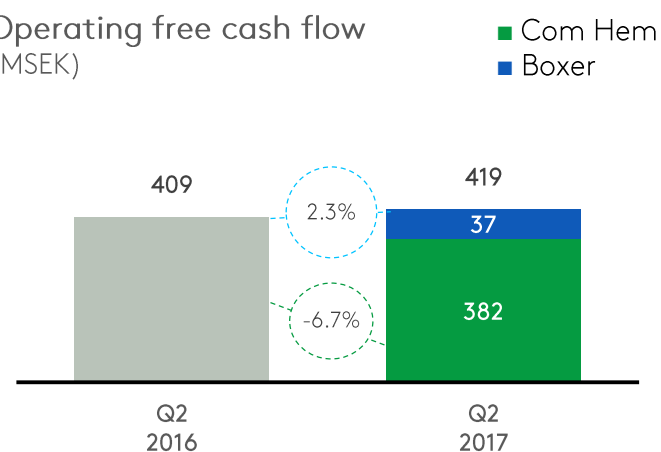
Capex (in % of revenue)
(MSEK)



Underlying EBITDA
(MSEK)



Operating free cash flow
(MSEK)



OUTCOME Q2 2017

- Reported revenue for the Group grew by 38% to SEK 1,794m and underlying EBITDA grew by 20% to SEK 730m
- Organic revenue growth of 5.0% (3.5% in Q1) to SEK 1,364m for Com Hem Segment as a result of continued broadband and DTV volume and ARPU growth
- Organic underlying EBITDA growth of 6.7% for the Com Hem Segment (4.3% in Q1)
- The increase in capex compared to Q2 2016 is due to Boxer being included in the Group, a low investment level during the first half of 2016 as well as increased focus on network investments and higher sales volumes in 2017
- Strong OFCF of SEK 419m, however only modest 2.3% increase over Q2 2016 due to low investment level in comparable period

REVENUE GROWTH DRIVEN BY BOTH PRICE AND VOLUME

COM HEM SEGMENT

(SEKm)	Q2 2017	Q2 2016	Change	H1 2017	H1 2016	Change
Network operator	213	191	11.5%	409	383	6.8%
Consumer	1,074	1,020	5.4%	2,118	2,016	5.0%
B2B	71	80	(11.7%)	145	161	(9.9%)
Other	6	8	(28.7%)	14	16	(13.1%)
Total revenue	1,364	1,300	5.0%	2,685	2,576	4.3%
Production costs	(413)	(374)	10.3%	(809)	(752)	7.6%
Gross profit	951	925	2.8%	1,876	1,824	2.9%
Gross margin	69.7%	71.2%		69.9%	70.8%	
Operating costs	(304)	(318)	(4.6%)	(600)	(614)	(2.3%)
Underlying EBITDA	648	607	6.7%	1,277	1,210	5.5%
Underlying EBITDA margin	47.5%	46.7%		47.5%	47.0%	
Capex						
Network related	103	65	58.8%	184	126	46.3%
CPEs and capitalized sales commissions	97	68	41.9%	181	169	7.2%
Product & IT development	61	60	2.6%	113	101	12.5%
Other capex	5	5	1.6%	14	12	21.4%
Total capex	266	198	34.6%	493	407	21.0%
Operating free cash flow	382	409	(6.7%)	784	803	(2.4%)

OUTCOME Q2 2017

- 5.4% growth in consumer revenue driven by price as well as continued growth in broadband and DTV RGUs and improved tier mix
- Increase in network operator revenue of 11.5%, or SEK 22m, as a result of network expansion in SDU market (connection fees and communication operator revenue) fully offsetting decrease in landlord revenue caused by price pressure
- B2B revenue decline of SEK 9m caused by continued decline in lower margin OffNet legacy business not being fully offset against OnNet high margin revenue growth. OnNet revenue grew by 20.8% YoY
- Expansion in third party infrastructure puts slight pressure on gross margin, fully compensated by savings in operating costs leading to improved underlying EBITDA margin of 47.5%
- Higher capex in all categories compared to Q2 2016 due to low investment level in comparable period, higher sales volumes, and a focus on network related investments in Q2 2017
- Network related investments includes new build trials in SDU market where we expect to invest up to SEK 50m in 2017 (SEK 13m incurred as per Q2) on top of guidance for regular capex between SEK 1.0-1.1bn
- OFCF of SEK 382m in the quarter, YoY decline due to low investment level in comparable period

ON TRACK TO DELIVER SEK 300M UNDERLYING EBITDA FY2017

BOXER SEGMENT



(SEKm)	Q2 2017	Q1 2017	Change	H1 2017
Revenue	430	436	(1.3%)	866
Production costs	(275)	(274)	0.3%	(550)
Gross profit	155	161	(4.0%)	316
Gross margin	36.0%	37.0%		36.5%
Operating costs*	(73)	(79)	(7.6%)	(151)
Underlying EBITDA	82	83	(0.6%)	165
Underlying EBITDA margin	19.2%	19.0%		19.1%
Capex				
CPEs and sales costs	34	36	(6.9%)	70
Integration capex Boxer	12	6	86.3%	18
Total capex	45	42	6.9%	88
Operating free cash flow	37	40	(8.4%)	78

OUTCOME Q2 2017

- Pressure on Boxer revenue and subscriber base continued, growth within fibre based services is however starting to offset DTT revenue decline
- Production costs affected by expansion of fibre based services (broadband and IPTV)
- Operating costs down SEK 6m QoQ partly explained by high marketing expenses in Q1 for fibre roll out campaign
- Temporarily high capex in Q2 (as in Q1) due to ongoing 700 Mhz band migration causing new CPE's being purchased to existing customer base
- SEK 12m in capex related to system integration (SEK 18m H1), out of expected total of app. SEK 50m for FY 2017
- Boxer is expected to add approximately SEK 300m to the Com Hem Group's underlying EBITDA in 2017 and generate an operating free cash flow of approximately SEK 200m (excl. integration related capex)

* Excluding items affecting comparability, write-downs and depreciation and amortization

CASH FLOW AND CAPITAL STRUCTURE

COM HEM GROUP

(SEKm)	Q2 2017	Q2 2016	Change	H1 2017	H1 2016	Change
Underlying EBITDA	730	607	20.3%	1,442	1,210	19.1%
Capex	(311)	(198)	57.5%	(581)	(407)	42.5%
Operating free cash flow	419	409	2.3%	861	803	7.3%
Change in net working capital	(130)	(23)	465.8%	(170)	(66)	158.9%
Taxes paid	0	0	n/m	(31)	0	n/m
Interest on Loans and Notes	(93)	(20)	370.5%	(145)	(55)	164.3%
Equity free cash flow*	196	366	(46.5%)	515	682	(24.6%)
Dividend	0	(289)	n/m	(366)	(289)	26.7%
Share buy-backs	(189)	(88)	115.5%	(410)	(353)	16.0%
Total shareholder remuneration	(189)	(377)	(49.8%)	(776)	(643)	20.8%
Change in Loans and Notes	146	(6)	n/m	242	(113)	n/m
Repurchase of warrants	(94)	0	n/m	(94)	0	n/m
Other items	(29)	(28)	3.9%	(61)	(36)	68.9%
Net cash generated/used	31	(44)	(168.7%)	(174)	(109)	59.5%
Cash balance EoP	295	634	(53.4%)	295	634	(53.4%)
Cash and unutilised bank facilities	1,445	3,434	(57.9%)	1,445	3,434	(57.9%)
Net debt	10,742	9,026	19.0%	10,742	9,026	19.0%
Leverage (net debt/underlying EBITDA LTM)	3,7x	3,8x		3,7x	3,8x	

OUTCOME Q2 2017

- Underlying EBITDA growth of 20.3% partly offset by higher investments leading to modest 2.3% growth in operating free cash flow
- Equity free cash flow (EFCF) also affected by temporarily negative change in working capital (expected to be partially unwound already in Q3) and interest payment on Notes (timing between quarters)
- Repurchased 0.9% of the registered share capital for SEK 189m and warrants for SEK 94m
- Total shareholder remuneration of SEK 776m in H1 compared to SEK 643m in H1 2016 (+20.8%)
- Leverage stable since March at 3.7x net debt/underlying EBITDA LTM, well within our target range of 3.5-4.0x
- Boxer acquisition explains SEK 1.3bn of increase in net debt over the past 12 months
- Well capitalised with SEK 1.4bn in cash and unutilised credit facilities at the end of June

* Underlying EBITDA less capex, interest, taxes and change in net working capital

SUMMARY AND OUTLOOK

ON TRACK TO DELIVER ON FULL YEAR FINANCIAL GUIDANCE

COM HEM GROUP

GUIDANCE

1 UNDERLYING EBITDA ON TRACK TO DELIVER FULL YEAR GUIDANCE

- In 2017 we aim to deliver mid-single digit underlying EBITDA growth for the Com Hem Segment and Boxer is expected to add ~SEK 300m of underlying EBITDA to the Group

2 UPDATED CAPEX GUIDANCE FOR 2017

- We expect capex to be in the range of SEK 1,000-1,100m annually including Boxer. For 2017, we will also incur some SEK 50m in capex for system integration of Boxer and up to SEK 50m for new build trials

3 INTEREST EXPENSES STABLE AT LOW LEVELS

- Blended interest rate at 2.5% implies interest expense below SEK 300m for 2017

4 NO TAXES TO BE PAID UNTIL MID-2018

- Outstanding NOL approx. SEK 0.9bn per June 30, 2017

ATTRACTIVE YIELD

Cash dividend of SEK 4.00/share and SEK 70m/month of buybacks would lead to total shareholder remuneration of over SEK 1.5bn, representing a total yield of 7.2% at July 10 close price

OUTCOME H1 2017

Underlying EBITDA grew by 5.5% to SEK 1,277m for the Com Hem Segment and Boxer delivered SEK 165m

Regular Group capex of SEK 550m in H1 plus additional SEK 18m for Boxer system integration and SEK 13m for new build trials

Blended interest rate at 2.5% in H1 2017, down from 2.9% in same period last year following refinancing in 2016

SEK 34m paid for Boxer in H1 relating to 2016 profit

Total shareholder remuneration of 784m in H1 (SEK 366m cash dividend and SEK 418m in buybacks) while maintaining net debt to underlying EBITDA LTM stable at 3.7x

LOOKING FORWARD - H2 2017

OUTLOOK

- Build further customer satisfaction in the Com Hem Segment to grow volumes and increase pricing power
- Enhance our market leading TV-proposition with a new set top box and multi-screen functionality
- DOCSIS 3.1 development under way with rollout expected within the next year to significantly increase speed and capacity
- Operational focus at Boxer to continue the positive momentum and increase broadband sales while decreasing DTT churn
- Evaluation of new build project during H2 2017
- Prepare the company to operate in a converged market
- The Board has resolved to initiate a further share buyback program for a total amount of up to SEK 230m until October 16, 2017
- The second dividend payment of SEK 2.00 is scheduled for September 29



Q&A
