

## **Item 18 – Resolution on the Board's proposal regarding a long-term share savings incentive program 2016 (LTIP 2016) and transfer of shares under LTIP 2016**

The Board hereby proposes that the AGM resolves on the implementation of a long-term share savings incentive program (LTIP 2016). The program corresponds to the long-term share savings incentive program adopted by the AGM 2015 (LTIP 2015).

For a description of LTIP 2015 and the other share related incentive programs, reference is made to note 6 in Com Hem's Annual Report for 2015.

This proposal is divided into four items:

Item A: Terms of the long-term share savings incentive program (LTIP 2016).

Item B: Transfer of treasury shares as hedge for delivery of shares under LTIP 2016.

Item C: If item B is not approved, the Board proposes that delivery of shares under LTIP 2016 shall take place by the Company ensuring delivery via a third party.

Item D: Other matters and reasons for the proposal etc.

### **A. Share Savings Program 2016 (LTIP 2016)**

#### **A.1 Introduction**

The Board would like to launch a new incentive program in order to increase and strengthen the potential for recruiting and retaining key individuals. The Board therefore proposes that the AGM approves the implementation of a long-term share savings incentive program 2016 (the "**LTIP 2016**") for senior managers and certain other key employees within the Com Hem Group. The aim is also to use LTIP 2016 to create an individual long-term ownership of Com Hem shares among the participants. Participants will, after a qualifying period and assuming an investment of their own in Com Hem shares, receive allotments of additional Com Hem shares without consideration. The number of allotted shares will depend on the number of Com Hem shares they have purchased themselves and on the fulfilment of certain performance targets. The term of LTIP 2016 is proposed to be three years.

#### **A.2 Basic features of LTIP 2016**

LTIP 2016 will be directed towards senior managers and other key employees in the Com Hem Group primarily based in Sweden. Participation in LTIP 2016 assumes that the participant acquires and locks Com Hem shares into LTIP 2016 ("**Saving Shares**"). The Board can in certain cases which the Board deems appropriate, allow Com Hem shares already owned by the participant to qualify as Saving Shares, on condition that they are locked into LTIP 2016 and are not included in LTIP 2015 or any other similar incentive program.

For each acquired Saving Share, the participant shall be entitled to, after a certain qualification period (defined below), receive an allotment of one Com Hem share ("**Matching Share**"). Dependent on the fulfilment of certain performance targets, the participant may also be entitled, to receive allotment of additional Com

Hem shares ("**Performance Shares**"). The participant shall not pay any consideration for the allotted Matching Shares and Performance Shares.

### A.3 Participation in LTIP 2016

The Board will decide during Q2 2016 on participation in LTIP 2016 and the assignment of participants to a certain category.

LTIP 2016 is directed towards four categories of participants:

<b>Category</b>	<b>Saving Shares, average number at investment corresponding to 10% of base salary</b>	<b>Matching Shares max per Saving share</b>	<b>Performance Shares max per Saving share</b>
A (CEO)	6,566	1.0x	6.0x
B (CFO and COO)	4,569	1.0x	5.0x
C (other senior managers of the Company management, maximum 14 persons)	2,053	1.0x	4.0x
D (other key employees, maximum 28 persons)	1,221	1.0x	2.0x

The above is based on a share price of SEK 74.85 (closing price as at 31 March 2016). If the market price, as at the day of launching of the program, materially deviates from this price, the number of Saving Shares may be adjusted. The maximum number of Saving Shares for each participant shall be decided by the Board within the program's maximum amount of shares. For the respective participant, the investment in Saving Shares shall not exceed 10 percent of the participant's annual base salary.

Any resolution on participation in or implementation of LTIP 2016 shall be conditional on that it, in the Board's judgement, can be offered with reasonable administrative costs and financial effects.

A.4 Allotment of Matching Shares and Performance Shares

Allotment of Matching Shares and Performance Shares within LTIP 2016 will be made during a limited period of time following presentation of the Interim Report for the first quarter 2019. The period up to this date is referred to as the qualification period (vesting period). A condition for the participant to receive allotment of Matching Shares and Performance Shares, is that the participant remains an employee of the Com Hem Group (and has not resigned) during the full qualification period up until allotment and that the participant, during this period, has kept all Saving Shares. Allotment of Matching Shares also requires that the TSR (defined below) for the period has been positive in absolute terms. In addition hereto, allotment of Performance Shares requires that the performance targets for relative TSR and free cash flow are fulfilled.

The TSR (total shareholder return) shall be calculated as the return on Com Hem shares with reinvested dividends during the qualification period. For the Performance Shares, the target shall be set in relation to the TSR performance in a peer group of relevant companies. In order to have any allotment of Performance Shares, Com Hem must reach the median value in the peer group. Maximum allotment assumes performance that is better than 90 percent of the peer group. Allotment will be linear for performance in-between these values. The Board intends to include the following companies in the peer group but may adjust the companies included if any of the companies become delisted or undergo other significant changes that disqualify them from being part of the peer group: Liberty Global, Telenet, Altice, TeliaSonera, Tele2, Modern Times Group MTG, TDC, Time Warner Cable, Comcast, Charter Communications and Cablevision. Adjustments of the peer group and calculation of TSR performance shall be carried out by the Board after consultation with external experts.

Free cash flow shall be measured on cumulative basis for the consolidated Com Hem Group during the term of LTIP 2016. The Board shall establish appropriate target levels in order to make the targets relevant and challenging. Allotment is contingent on Com Hem achieving 90 percent of the target level. The maximum allotment will be made upon achieving 110 percent of the target level. The target level for 2016 is set ensuring that it will only be achieved if the Company delivers in accordance with the financial guidance made by the Company in connection with the Year-end report for 2015.

When assessing the fulfillment of the performance targets for allotment of Performance Shares, the Board shall allocate 60 percent to relative TSR and 40 percent to free cash flow.

Prior to the allotment of Matching Shares and Performance Shares, the Board shall assess whether the allotment is reasonable in relation to the Company's financial results, position and performance, as well as other factors.

A.5 Implementation and administration etc.

The Board, or a committee established by the Board, shall in accordance with the AGM decision:

- (a) be responsible for the detailed design and implementation of LTIP 2016;
- (b) prepare and execute the necessary full-text documentation to the participants; and

(c) otherwise manage and administer LTIP 2016.

The Board may also resolve on the implementation of an alternative cash based incentive program for participants in countries where the acquisition of Saving Shares or allotment of Matching and/or Performance Shares is not appropriate, as well as if otherwise considered appropriate. Such alternative incentive program shall to the extent practically possible be designed to correspond to the terms of LTIP 2016.

The intention is that the Board shall launch LTIP 2016 before the end of the second quarter of 2016.

**B. Transfer of treasury shares in LTIP 2016**

The Board proposes that the AGM resolves that the transfer of up to 420,000 Com Hem shares under LTIP 2016 (includes a 21 percent buffer in the event the share price materially deviates from SEK 74.85 per share when the program is launched) may take place in accordance with the conditions stated herein. The number is calculated on the basis of maximum participation and fulfilment of performance targets. Transfers of shares to participants in LTIP 2016 shall be made without consideration on the date and under the other conditions on which participants in LTIP 2016 are entitled to acquire shares. The number of Com Hem shares that may be transferred under LTIP 2016 may be subject to customary recalculations as a result of bonus issue, split, rights issue and/or similar events.

Since the Board considers that the most cost-effective and flexible method of transferring Com Hem shares under LTIP 2016 is to transfer treasury shares (the Company's own holding of acquired shares), the Board proposes that the transfer is hedged in accordance with this item B.

The reason for the deviation from the shareholders' pre-emptive rights to acquire the treasury shares is for the Company to hedge the delivery of shares under LTIP 2016.

**C. Agreement on delivery via a third party**

The Board proposes that the AGM, should the necessary majority not be obtained for item B above, resolves to instruct the Board to ensure that delivery of shares to the participants in LTIP 2016 is made via a third party.

In order to cover the costs for a potential delivery of shares via a third party, the Board will at the AGM 2018 request an authorization to resolve on transfer of up to 420,000 shares on Nasdaq Stockholm.

**D. Other matters**

**D.1 Majority requirements etc.**

The resolution by the AGM regarding the implementation of LTIP 2016 according to item A above shall be conditional on the AGM resolving either in accordance with the Board's proposal under item B above or in accordance with the Board's proposal under item C above.

The resolution according to items A and C above will require a majority of more than half of the votes cast at the AGM. A valid resolution under item B above requires that shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the AGM approve the resolution.

D.2 Estimated costs, expenses and financial effects of LTIP 2016

LTIP 2016 will be accounted for in accordance with “IFRS 2 – Share-based payments”. IFRS 2 stipulates that the share allotment shall be expensed as personnel costs during the qualification period and recognition is made directly against equity. Personnel costs in accordance with IFRS 2 do not affect the Company’s cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the qualification period.

Assuming a share price at the time of implementation of SEK 74.85, that 50 percent of the maximum number of Performance Shares is allotted and an annual share price increase of 10 percent during the qualification period, the total cost for LTIP 2016, including social security costs, is estimated to approximately SEK 13.3 million before tax. The corresponding total cost with full achievement of the performance targets is estimated to approximately SEK 17.7 million before tax.

LTIP 2016 will in total comprise of maximum 420,000 shares, which corresponds to approximately 0.2 percent of the total outstanding shares and votes in the Company. The number of shares that are included in previous and outstanding incentive programs amounts to 182,610 shares as regards LTIP 2015 and 4,579,464 shares under the outstanding warrant programs, corresponding to approximately an additional 2.5 percent of the total outstanding shares.

The above calculations are based on a resolution in accordance with item B, i.e. transfer of treasury shares. To the extent that a transfer is made in accordance with item C in order to hedge the obligations under LTIP 2016, other accounting principles may apply.

In the view of the Board, the positive effects expected to arise from LTIP 2016, outweigh the costs associated with LTIP 2016.

D.3 Impact on key ratios

If LTIP 2016 had been implemented in 2015 and if the performance targets had been fully achieved in accordance with the example set out in the paragraph above, the earnings per share for the financial year 2015 should have decreased with SEK 0.02 on a pro forma basis.

D.4 Preparation of the proposal

This proposal to the AGM on LTIP 2016 has been designed by Com Hem’s Remuneration Committee and the Board with the help of external advisors. With the exception of members of staff who prepared the material on instructions from the remuneration committee, no employee who may be a participant in LTIP 2016 has participated in preparing the terms for LTIP 2016.

D.5 The Board's explanatory statement

The Board wishes to increase the ability of the Company to recruit and retain key employees. Moreover, an individual long-term ownership among the participants in LTIP 2016 is expected to stimulate greater interest and motivation in the Company's business operations, results and strategy. The Board believes that the implementation of LTIP 2016 will benefit the Company and its shareholders. LTIP 2016 will provide a competitive and motivation-improving incentive for senior managers and other key employees within the Group.

LTIP 2016 has been designed to reward the participants for increased shareholder value by allotting shares, based on the fulfilment of conditions in respect of results and operations. Allotments shall also require a private investment by each respective participant through the acquisition of shares by them at market price. By linking the employees' remuneration to an improvement in the Company's results and value, the long-term value growth of the Company is rewarded. Based on these circumstances, the Board considers that the implementation of LTIP 2015 will have a positive effect on the Com Hem Group's continued development, and will thus be beneficial to the shareholders and the Company.

**Item 19 – Resolution on the Board's proposal regarding transfer of shares under LTIP 2015**

The AGM 2015 did not approve the Board's proposal on transfer of treasury shares to the participants of LTIP 2015, despite that the AGM approved the actual program. Nonetheless, the Board is of the opinion that this is the most cost-efficient way to fulfil the Company's obligations, and therefore again proposes that the AGM resolves to transfer the Company's treasury shares to the participants of LTIP 2015.

For a detailed description of LTIP 2015, reference is made to note 6 in the annual report of Com Hem for 2015. LTIP 2015 has a similar structure and design as the proposal for LTIP 2016 above, including performance targets of relative TSR and cash flow. Included in the peer group for relative TSR, are the eleven international and Nordic telecom and cable companies, as stated above under the proposal for LTIP 2016. For allotment of Performance Shares, Com Hem must achieve the peer group median (resulting in a 30 percent allotment) and for maximum allotment, Com Hem must perform better than 90 percent of the peer group. Between these values, allotment will be made linear. The assessment period is from May 2015 until May 2018. For the sub-period May to December 2015, Com Hem's relative TSR performance was higher than nine companies of the peer group, corresponding to 82 percent of the peer group.

The performance target for cash flow is measured on a cumulative basis over the financial years 2015-2017 and is based on the audited consolidated financial statements for the consolidated Com Hem Group. The Board has determined appropriate target levels for cash flow (defined as cash flow excluding financing activities) for all years, based on the Company's business plan and in line with the Company's financial guidance of mid-single-digit growth of Underlying EBITDA, and total capex of SEK 1-1.1 billion per year. To be eligible for Performance Share allotment, Com Hem must achieve 90 percent of the cumulative target levels for the financial years 2015-2017 (resulting a 30 percent allotment), and for maximum allotment, cumulative cash flow must be 110 percent of the cumulative target level. For the 2015 financial year, the actual cash flow was 121 percent of the target level, due to a temporary low level of investment during the second half of the year (total capex of SEK 991 million for the financial year) and a positive change in working capital of SEK 100 million for the year. Underlying EBITDA outcome was in line with the target for the year.

Thus, the Board proposes that the AGM resolves on a transfer of up to 182,610 Com Hem shares under LTIP 2015, in accordance with the conditions specified herein. The number is calculated on the basis of actual participation and fulfilment of the performance targets to date.

Transfer of shares shall be made without consideration to participants in LTIP 2015 at the time and on the conditions, on which the participants in LTIP 2015 may acquire shares. The number of Com Hem shares that may be transferred under LTIP 2015 may be subject to recalculation as a result of bonus issue, split, rights issue and/or similar events.

The reason for the deviation from the shareholders' pre-emptive rights to acquire the treasury shares is for the Company to hedge the delivery of shares under LTIP 2015.

A valid resolution requires that shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the AGM approve the resolution.

Stockholm in April 2016

**Com Hem Holding AB (publ)**

The Board of Directors