

H2 2017

Com Hem Sweden AB
(publ) Group

YEAR-END REPORT
JANUARY-DECEMBER 2017

YEAR-END REPORT JANUARY-DECEMBER 2017

READY FOR THE NEXT CHAPTER OF GROWTH

JULY-DECEMBER 2017 SUMMARY

Revenue increased by 16.1% to SEK 3,585m for the Group, with Com Hem Segment increasing by 3.9% to SEK 2,746m.

Operating profit (EBIT) of SEK 476m, compared to SEK 461m in previous year.

EBITDA increased by 9.2% to SEK 1,458m.

Underlying EBITDA increased by 10.9% to SEK 1,490m for the Group, with Com Hem Segment increasing by 3.5% to SEK 1,310m.

Cash flow from operating activities increased by 37.5% to SEK 1,525m as a result of higher profits.

Operating free cash flow increased by 8.7% to SEK 932m for the Group, with Com Hem Segment increasing by 2.1% to SEK 840m.

Net result amounted to SEK 214m.

Earnings per share: SEK 357 (141).

Another quarter with record volume growth in Com Hem Segment consumer business:

- Unique consumer subscribers rose by 12,000 to record high 983,000.
- Continued strong volume growth in broadband, up 14,000 to record high 750,000 RGUs.
- Continued growth in digital TV RGU's, up 4,000 to 655,000, with a continued growth of 5,000 TiVo customers (penetration rate of 40%).
- Consumer ARPU of SEK 373 (SEK 373 in Q3 2017).
- Consumer churn of 13.6% (12.8% in Q3 2017).

Completion of 700MHz band migration in Boxer Segment:

- Expected temporary spike in churn, 19.4% (14.4% in Q3 2017).
- Consumer ARPU up to SEK 301 (SEK 298 in Q3 2017).
- 5,000 broadband RGUs were added in the quarter.
- Decline in unique consumers of -12,000 compared to -9,000 in the third quarter.
- Decline in RGUs of -8,000 compared to -6,000 in the third quarter.
- Boxer's fibre footprint is now at 1,100,000 addressable households including roughly 200,000 which do not overlap with the Com Hem Segment.

Now reaching 2.8m addressable households:

- Added 100,000 households in Q4 resulting in 800,000 addressable SDU households.
- The Group now has a total footprint of 2.8m addressable households which represents a 40% footprint increase since the expansion started.
- Well on track to reach three million addressable households by 2020 for the entire Group.

Merger with Tele2: On January 10, 2018, it was announced that the Board of Directors of Tele2 AB and the parent company of Com Hem Sweden AB (publ), Com Hem Holding AB, have agreed on a combination of Tele2 and Com Hem through a statutory merger, creating a leading integrated connectivity provider. The merger will be implemented by Tele2 absorbing Com Hem. Please find further information on the merger in press release available at www.comhemgroup.se.

Financial key metrics¹⁾

	JUL-DEC/6 MONTHS			JAN-DEC		
	2017	2016	Change	2017	2016	Change
Revenue, SEKm	3,585	3,089	16.1%	7,136	5,665	26.0%
Operating profit (EBIT), SEKm	476	461	3.2%	940	866	8.5%
EBITDA, SEKm	1,458	1,336	9.2%	2,882	2,533	13.8%
EBITDA margin,%	40.7	43.2	-2.6 p.p.	40.4	44.7	-4.3 p.p.
Underlying EBITDA, SEKm	1,490	1,343	10.9%	2,942	2,562	14.8%
Underlying EBITDA margin, %	41.6	43.5	-1.9 p.p.	41.2	45.2	-4.0 p.p.
Net result for the period, SEKm	214	85	152.4%	414	192	115.4%
Earnings per share, SEK	357	141	152.4%	690	320	115.4%
Capex, SEKm	558	486	14.9%	1,138	893	27.5%
Capex as % of revenue	15.6	15.7	-0.2 p.p.	16.0	15.8	0.2 p.p.
Cash flow from operating activities, SEKm	1,525	1,109	37.5%	2,571	2,192	17.3%
Operating free cash flow, SEKm	932	858	8.7%	1,803	1,669	8.1%
Net debt at end of period, SEKm	10,501	10,341	1.5%	10,501	10,341	1.5%
Net debt/Underlying EBITDA LTM, multiple	3.6x	3.7x	-0.1x	3.6x	3.7x	-0.1x

¹⁾ See page 18 for definitions of financial key metrics and Alternative Performance Measures (APM).

The figures in this report refer to the last six months of 2017 unless otherwise stated. Figures in brackets refer to the corresponding period last year.

GROUP FINANCIAL OVERVIEW

Financial summary, SEKm	JUL-DEC/6 MONTHS			JAN-DEC		
	2017	2016	Change	2017	2016	Change
Revenue	3,585	3,089	16.1%	7,136	5,665	26.0%
Operating expenses	-3,109	-2,628	18.3%	-6,196	-4,798	29.1%
Operating profit (EBIT)	476	461	3.2%	940	866	8.5%
Net financial income and expenses	-200	-354	-43.6%	-407	-615	-33.8%
Income taxes	-62	-22	179.0%	-119	-59	100.7%
Net result for the period	214	85	152.4%	414	192	115.4%

Comparisons between last six months of 2017 and last six months of 2016, unless otherwise stated. Boxer is consolidated from September 30, 2016, affecting comparables with previous periods.

Total revenue

Total revenue for the Group rose by 16.1% compared to the last six months in 2016 and amounted to SEK 3,585m. Organic revenue growth, excluding Boxer which was included in the Group in the fourth quarter 2016, was 3.9%, explained by continued good growth in Com Hem's consumer business which grew by 4.4% driven by both price and volume.

For the full year the Group revenue amounted to SEK 7,136m corresponding to a growth of 26.0% compared to last year, with an organic revenue growth of 4.1%.

Operating expenses

Operating expenses amounted to SEK 3,109m, up 18.3% compared to the last six months of 2016. The increase is explained by Boxer being consolidated into the Group from the fourth quarter 2016, and by higher variable costs within the Com Hem Segment as a result of volume driven revenue growth, partly offset by savings in fixed costs.

For the full year operating expenses amounted to SEK 6,196m, up 29.1%. The increase is mainly explained by Boxer being consolidated into the Group from the fourth quarter 2016.

Operating profit (EBIT)

Operating profit for the last six months increased by 3.2% and amounted to SEK 476m as a result of revenue growth.

For the full year, operating profit amounted to SEK 940m, an increase of 8.5% compared to 2016.

Net financial income and expenses

Net financial income and expenses were improved by SEK 154m for the last six months, and by SEK 208m for the full year. The positive changes are mainly a consequence of no refinancing activities in 2017 compared to last year as well as reduced blended interest rate on the Group's external debt portfolio. Average blended interest rate on the Group's external debt portfolio was 2.5% for the last six months as well as for the full year compared to 3.0% for the last six months 2016 and 2.9% for the full year 2016.

Income taxes

The Group recognised a tax expense of SEK 62m for the last six months and SEK 119m for the full year.

The Group's taxable profit will be offset against previously recognised tax losses carry forwards, which had a remaining balance of approximately SEK 0.2bn at the end of the year.

Net result for the period

Net result for the full year as well as for the last six months 2017 increased compared to the same periods last year and amounted to SEK 414m and SEK 214m, mainly explained by costs for refinancing in fourth quarter last year, higher operating profit together with lower net financial income and expenses compared to 2016.

Reconciliation between operating profit (EBIT) and underlying EBITDA, SEKm	JUL-DEC/6 MONTHS			JAN-DEC		
	2017	2016	Change	2017	2016	Change
Operating profit (EBIT)	476	461	3.2%	940	866	8.5%
Amortisation & depreciation per function						
- Cost of services sold	493	453	8.9%	978	867	12.8%
- Selling expenses	479	411	16.5%	945	779	21.4%
- Administrative expenses	10	11	-2.9%	20	22	-8.1%
Total amortisation & depreciation	982	875	12.3%	1,943	1,667	16.5%
EBITDA	1,458	1,336	9.2%	2,882	2,533	13.8%
EBITDA margin, %	40.7	43.2	-2.6 p.p.	40.4	44.7	-4.3 p.p.
Disposals	10	1	n/m	16	4	n/m
Operating currency loss/gains	-5	9	n/m	-7	7	n/m
Items affecting comparability	26	-3	n/m	50	17	n/m
Underlying EBITDA	1,490	1,343	10.9%	2,942	2,562	14.8%
Underlying EBITDA margin, %	41.6	43.5	-1.9 p.p.	41.2	45.2	-4.0 p.p.

Comparisons between last six months of 2017 and last six months of 2016, unless otherwise stated.

Underlying EBITDA

For the Group underlying EBITDA increased by 10.9% for the last six months. Excluding Boxer, the organic increase in underlying EBITDA was 3.5%.

For the full year underlying EBITDA increased by 14.8%, explained by Boxer being consolidated into the Group from September 30, 2016 combined with revenue growth within the Com Hem Segment.

EBITDA

EBITDA increased by 9.2% for the last six months. Items affecting comparability includes costs associated to redundancy and advisory fees in connection with the merger discussions with Tele2. For the full year EBITDA rose by 13.8%. Items affecting comparability includes a SEK 22m positive effect from revaluation of pension debt following closure of the plan for new entrance in Q1, offset by

negative SEK 29m relating to integration of B2B and other items of negative SEK 43m for the full year.

Amortisation and depreciation

Amortisation and depreciation rose by SEK 108m for the last six months, explained by higher amortisation and depreciation on customer relations for the legacy B2B OffNet business and sales commissions (selling expenses), product- and IT-development (cost of services sold) as well as CPEs (cost of services sold) within the Com Hem Segment.

For the full year amortisation and depreciation increased by SEK 276m, explained by Boxer being included in the Group from September 30, 2016 as well as higher amortisation and depreciation on customer relations for the legacy OffNet B2B business and sales commissions (selling expenses), product- and IT-development (cost of services sold) as well as CPEs (cost of services sold) within the Com Hem Segment.

Operating free cash flow, SEKm	JUL-DEC/6 MONTHS			JAN-DEC		
	2017	2016	Change	2017	2016	Change
Underlying EBITDA	1,490	1,343	10.9%	2,942	2,562	14.8%
Capital expenditure¹⁾						
Network related	-214	-148	44.9%	-398	-273	45.5%
CPEs and capitalised sales commissions	-203	-219	-7.1%	-454	-388	17.1%
Product- and IT-development	-97	-107	-9.0%	-211	-208	1.5%
Integration of Boxer	-40	-	n/m	-58	-	n/m
Other capex	-4	-12	-68.9%	-18	-24	-25.3%
Total capital expenditure	-558	-486	14.9%	-1,138	-893	27.5%
Operating free cash flow	932	858	8.7%	1,803	1,669	8.1%

¹⁾ Capital expenditure has been reclassified from the second quarter 2017, for comparison purposes the historically reported numbers have been reclassified.

Comparisons between last six months of 2017 and last six months of 2016, unless otherwise stated.

Capital expenditure (Capex)

For the last six months, capital expenditure amounted to SEK 558m, corresponding to 15.6% of revenue. The increase compared to the same period last year is due to Boxer integration capex.

For the full year capital expenditure amounted to SEK 1,138m, corresponding to 16.0% of revenue. The increase compared to 2016 is due to Boxer being included in the Group, a low investment level during 2016 as well as increased focus on network investments and higher sales volumes in 2017.

Operating free cash flow

Operating free cash flow increased by 8.7% for the last six months and by 8.1% for the full year, explained by Boxer being consolidated into the Group, as well as organic growth in underlying EBITDA, partly offset by higher capex in 2017.

Liquidity

At the end of the last six months the Group's total available funds amounted to SEK 1,677m (SEK 1,854m at December 31, 2016), of which cash was SEK 577m (SEK 454m at December 31, 2016) and unutilised credit facilities was SEK 1,100m (SEK 1,400m at December 31, 2016).

Net debt

At the end of the last six months the Group's net debt amounted to SEK 10,501m (SEK 10,341m at December 31, 2016). Net debt/underlying EBITDA LTM was a multiple of 3.6x (3.7x at December 31, 2016).

	DEC 31	
Net debt, SEKm	2017	2016
Non-current interest-bearing liabilities	10,104	10,180
Add back of capitalised borrowing costs	71	98
Non-current interest-bearing liabilities, nominal value	10,175	10,278
Current interest-bearing liabilities	903	517
Cash and cash equivalents	-577	-454
Net debt	10,501	10,341

CREDIT FACILITIES

December 31, 2017, SEKm	Maturity date	Interest base/coupon	Total credit	Utilised amount	Unutilised amount
Bank loans					
Facility A	Jun 26, 2019	Floating	3,500	3,500	-
Revolving credit facility	Jun 26, 2019	Floating	2,000	-	2,000
Commercial papers	short-term	Fixed	n/a	900	-900
Incremental facilities	Jun 26, 2019	Floating	2,675	2,675	-
Bond loans					
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	-
Total¹⁾			12,175	11,075	1,100

¹⁾ In addition to the above credit facilities Com Hem holds interest-bearing financial lease liabilities totalling SEK 3m.

Financing

At the end of the last six months the Group's total credit facilities, including the two outstanding bonds, amounted to SEK 12,175m.

Com Hem Sweden AB (publ) has issued commercial papers of SEK 900m, which is short term funding fully backed up by undrawn amount on the long term revolving credit facility (as shown in the table above).

The average blended interest rate on the credit facilities was 2.5% in the fourth quarter 2017, and the average remaining term to maturity was approximately 2.3 years as of December 31, 2017.

Loan conditions

The loan facilities with credit institutions are conditional on the Group continually satisfying a predetermined financial key metric (the covenant), which is consolidated net debt in relation to consolidated underlying EBITDA LTM.

In addition, there are provisions and limitations in the 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 in the period.

SEGMENT COM HEM

OVERVIEW PER OPERATING SEGMENT

Operational key metrics ¹⁾	2016		2017			
	Q3	Q4	Q1	Q2	Q3	Q4
Addressable footprint, thousands	2,196	2,265	2,324	2,382	2,457	2,628
Unique consumer subscribers, thousands	934	945	952	961	972	983
Consumer churn as % of unique consumer subscribers, %	12.7	13.1	13.6	12.4	12.8	13.6
Consumer RGUs thousands						
Broadband	689	702	713	724	736	750
Digital TV	640	644	644	645	651	655
- of which TiVo customers	239	246	251	255	259	264
Fixed telephony	294	282	277	272	269	266
Total consumer RGUs	1,623	1,627	1,634	1,642	1,656	1,671
Unique B2B subscribers, thousands						
OnNet	19	20	22	22	23	24
OffNet	40	38	33	30	28	25
Total unique B2B subscribers	59	58	54	53	51	49
ARPU, SEK						
Consumer	371	371	368	376	373	373
B2B	436	454	448	445	425	463

¹⁾ For the quarter, and on the last date of each quarter.

Comparison between fourth quarter 2017 and fourth quarter 2016, unless otherwise stated.

Addressable footprint

In the quarter, the Com Hem addressable footprint increased by 171,000 homes to 2,628,000 at the end of the period, of which approximately 900,000 are also reached by Boxer. The increase is mainly a result of our expansion into the SDU market where we at the end of December had added some 600,000 addressable households in the Com Hem Segment and an additional approximately 200,000 households unique to Boxer since the start of the expansion programme through the addition of open LANs as well as unbundled Skanova fibre.

Unique consumer subscribers

The number of unique consumer subscribers continued to increase in the quarter, up 12,000 to 983,000. 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 13.6% in the fourth quarter compared to 12.8% in the third quarter. The increase is mainly due to price adjustments in Q4 as well as a small portion related to the Discovery blackout.

Consumer RGUs

The number of consumer RGUs was 1,671,000 at the end of the fourth quarter, an increase of 15,000 compared to previous quarter, explained by strong growth in broadband and DTV RGUs offset by continued decline in fixed-telephony RGUs.

The number of broadband RGUs rose by 14,000 in the quarter to an all time high of 750,000. Close to 90% of the entire broadband base do now subscribe to a 100 Mbit/s or higher service resulting in an average speed across the base of 145 Mbit/s, an increase of 5 Mbit/s since last quarter.

The number of digital TV RGUs increased by 4,000 during the

quarter to a total of 655,000 RGUs. During the quarter the number of TiVo customers grew by 5,000 to 264,000, corresponding to 40% of the total digital TV base.

The number of fixed-line telephony RGUs was 266,000, down 3,000 compared with the preceding quarter, which is in line with the underlying trend in the market.

Consumer ARPU

Consumer ARPU amounted to SEK 373, same as in the preceding quarter.

Unique B2B subscribers

The number of unique B2B subscribers was 49,000 at the end of the quarter with a continued growth of the high margin OnNet subscribers by 1,000, offset by a decline in the legacy OffNet business of 3,000 subscribers.

B2B ARPU

B2B ARPU was SEK 463 in the quarter, compared to SEK 425 in the preceding quarter explained by higher variable fees from telephony OffNet customers.

SEGMENT COM HEM

OVERVIEW PER OPERATING SEGMENT

Financial summary, SEKm	JUL-DEC/6 MONTHS			JAN-DEC		
	2017	2016	Change	2017	2016	Change
Revenue external						
Consumer	2,169	2,076	4.4%	4,287	4,093	4.7%
- of which Digital TV	945	934	1.1%	1,886	1,855	1.7%
- of which Broadband	1,067	956	11.5%	2,079	1,862	11.7%
- of which Fixed Telephony	95	117	-18.7%	199	253	-21.4%
Network operator	434	395	9.9%	842	777	8.4%
B2B	135	156	-13.7%	280	317	-11.7%
Other revenue	9	16	-43.3%	22	31	-28.2%
Revenue	2,746	2,643	3.9%	5,431	5,218	4.1%
Underlying EBITDA	1,334	1,266	5.4%	2,622	2,485	5.5%
Underlying EBITDA margin, %	48.6	47.9	0.7 p.p.	48.3	47.6	0.7 p.p.
Total capital expenditure	-470	-444	6.0%	-963	-851	13.2%
Operating free cash flow	864	822	5.1%	1,659	1,633	1.6%

Comparison between last six months of 2017 and last six months of 2016, unless otherwise stated.

Revenue

Revenue for the last six months rose by 3.9% compared to the same period last year and amounted to SEK 2,746m. For the full year revenue rose by 4.1% to SEK 5,431m. The increase is mainly a result of a continued strong growth in consumer services, driven by volume and price, as well as growth in the Network operator services, relating to higher revenue from network expansion.

Consumer Services

Revenue from consumer services rose by 4.4% to a total of SEK 2,169m for the last six months. The increase is driven by increased revenue from broadband and digital TV, partly offset by decreased revenue from fixed telephony.

Revenue from broadband services, which rose by 11.5% for the last six months, is attributable to RGU growth, an improved speed mix and price adjustments implemented in the first quarter.

Revenue from digital TV, which rose by 1.1% for the last six months, is attributable to RGU growth, price adjustments implemented in the first quarter and higher premium revenue.

Revenue from fixed telephony decreased by SEK 22m for the last six months. The decrease is mainly explained by a structural decline in fixed telephony.

Network Operator Services

Revenue from network operator services increased by 9.9% and amounted to SEK 434m for the last six months. The increase was attributable to higher revenue from network expansion including connection fees and growth in communication operator revenue from iTUX. The increase was partly offset by a continued decline in landlord revenue within MDUs due to price pressure.

Business to Business

Revenue from B2B services declined by SEK 21m to SEK 135m for the last six months, which is explained by less revenue from the lower margin legacy OffNet business where all main functions were integrated into Com Hem during the first half of the year resulting in cost savings. For the last six months, OnNet revenue grew by 16.2% and amounted to SEK 64m.

Items affecting comparability amounted to SEK 29m for the full year due to the integration while underlying EBITDA as well as operating free cash flow increased compared to 2016.

Underlying EBITDA

Underlying EBITDA rose by 5.4% for the Com Hem Segment reaching SEK 1,334m and the underlying EBITDA margin was 48.6% in the last six months. For the full year, underlying EBITDA rose by 5.5% reaching SEK 2,622m. The increase in underlying EBITDA is explained by revenue growth, partly with somewhat lower margin as proportion of revenue with lower gross margin within third party infrastructure increases. The decline in gross margin was fully offset by savings in other operating expenses.

Capital expenditure (Capex)

For the last six months, capital expenditure amounted to SEK 470m, corresponding to 17.1% of revenue. For the full year, capital expenditure amounted to SEK 963m, 17.7% of revenue. The increase compared to full year 2016 is due to a low investment level during 2016 as well as increased focus on network investments and higher sales volumes in 2017.

Operating free cash flow

Operating free cash flow increased by 5.1% reaching SEK 864m in the last six months. The increase is due to higher underlying EBITDA contribution compared to last year.

For the full year operating free cash flow increased by 1.6% to SEK 1,659m. The modest increase was explained by a higher underlying EBITDA contribution offset by higher capital expenditure compared to 2016.

SEGMENT BOXER

OVERVIEW PER OPERATING SEGMENT

Operational key metrics ¹⁾	2016		2017			
	Q3	Q4	Q1	Q2	Q3	Q4
Unique consumer subscribers, thousands	508	495	479	471	463	451
Consumer churn as % of unique consumer subscribers, % ²⁾	15.7	17.7	19.2	15.0	14.4	19.4
Consumer RGUs, thousands	520	511	498	493	487	480
- of which Digital TV	n/a	493	476	467	456	443
- of which Broadband	n/a	11	14	19	23	28
- of which Fixed Telephony	n/a	7	8	8	8	8
Average revenue per user (ARPU), SEK	293	293	297	298	298	301

¹⁾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.

²⁾Consumer churn as % of unique consumer subscribers, % calculated according to Com Hem Segment method from Q1 2017

Comparison between Q4 2017 and Q4 2016, unless otherwise stated.

Addressable fibre footprint

In 2017 Boxer's fibre footprint has expanded to include almost all of the Com Hem Segment's current addressable SDU footprint. At the end of the fourth quarter, Boxer had around 1,100,000 addressable fibre households (MDUs and SDUs) out of which about 200,000 SDU households did not overlap with Com Hem's footprint.

Unique consumer subscribers

The number of unique consumer subscribers continued to decrease by 12,000 in the fourth quarter, to a total of 451,000 at the end of the period. The decline is explained by the structural decline within the Digital Terrestrial Television network ("DTT") distribution, which is partly offset against a growing number of broadband and IPTV subscribers as Boxer subscribers get access to fibre broadband.

Consumer churn rate

The churn rate, expressed as the percentage of consumer

subscribers, was 19.4% in the fourth quarter, an increase from previous quarters (Q3 14.4% and Q2 15.0%). Boxer's churn rate temporarily spiked in the fourth quarter due to the migration from the 700 MHz band and seasonality effects of expiration of binding periods across the customer base. Part of the increase was also due to a lag effect of the Discovery blackout in September.

Consumer RGUs

The number of consumer RGUs was 480,000 a decrease of 8,000 in the fourth quarter, compared to a decrease of 6,000 in the third quarter. The decline of 13,000 DTV RGUs in the fourth quarter was partly offset against an increase of 5,000 broadband RGUs.

Consumer ARPU

ARPU was SEK 301 for the fourth quarter, which is an increase of SEK 3, compared to the preceding quarter, mainly explained by more customers subscribing to two services (broadband and DTV).

Financial summary, SEKm	OKT-DEC/Q4			JAN-DEC
	2017	2016	Change	2017
Revenue external				
Consumer	415	446	-7.0%	1,705
Revenue	415	446	-7.0%	1,705
Underlying EBITDA	70	77	-9.3%	319
Underlying EBITDA margin, %	16.8	17.4	-0.6 p.p.	18.7
Total capital expenditure	-53	-42	-28.0%	-175
Operating free cash flow	16	35	-53.3%	144

Revenue

Revenue for the fourth quarter amounted to SEK 415m, a decrease of SEK 31m compared to the same quarter previous year, explained by a decreasing number of DTV subscribers only partly offset by increasing number of broadband subscribers.

Underlying EBITDA

Boxer's underlying EBITDA amounted to SEK 70m for the quarter due to temporarily higher costs for serving customers in connection to the migration from the 700 Mhz band which was completed by the end of October. For the full year Boxer's underlying EBITDA amounted to SEK 319m, slightly above the expected target of SEK 300m, including the effect from synergies. In the beginning of 2017, half of the expected synergies of approximately SEK 50m annually relating to integration with Com Hem were realised, with

the remaining synergies to be realised in H2 2018 when all IT systems have been fully integrated.

Capital expenditure (Capex)

For the quarter, capital expenditure amounted to SEK 53m, of which investments in CPEs and sales commissions amounted to SEK 27m and SEK 27m relating to system integration. For the full year capital expenditure amounted to SEK 175m of which SEK 58m related to system integration.

Operating free cash flow

Operating free cash flow amounted to SEK 16m in the quarter and SEK 144m for the full year. Excluding capex relating to system integration, operating free cash flow amounted to SEK 202m.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKm	JUL-DEC/6 MONTHS.		JAN-DEC	
	2017	2016	2017	2016
Revenue	3,585	3,089	7,136	5,665
Cost of services sold	-2,035	-1,682	-4,039	-2,964
Gross profit	1,550	1,407	3,097	2,701
Selling expenses	-924	-813	-1,867	-1,557
Administrative expenses	-154	-146	-302	-291
Other operating income and expenses	4	13	11	13
Operating profit	476	461	940	866
Financial income and expenses	-200	-354	-407	-615
Result after financial items	276	107	532	251
Income taxes	-62	-22	-119	-59
Net result for the period	214	85	414	192
Average number of outstanding shares, thousands	600	600	600	600
Basic earnings per share, SEK	357	141	690	320
Average number of outstanding shares, diluted, thousands	600	600	600	600
Diluted earnings per share, SEK	357	141	690	320

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	JUL-DEC/6 MONTHS.		JAN-DEC	
	2017	2016	2017	2016
Net result for the period	214	85	414	192
Other comprehensive income				
<i>Items that will not be reclassified to net profit or loss</i>				
Revaluation of defined-benefit pension obligations	2	6	-4	-59
Tax on items that will not be reclassified to profit or loss	0	-1	1	13
Other comprehensive income for the period, net of tax	2	5	-3	-46
Total comprehensive income for the period	216	90	410	146

CONDENSED CONSOLIDATED BALANCE SHEET

SEKm	DEC 31 2017	DEC 31 2016
ASSETS		
Non-current assets		
Intangible assets	16,014	16,765
Property, plant and equipment	1,493	1,564
Non-current receivables Group companies	4,470	2,780
Total non-current assets	21,977	21,109
Current assets		
Receivables from Group companies	260	279
Other current assets	515	456
Cash and cash equivalents	577	454
Total current assets	1,352	1,189
TOTAL ASSETS	23,330	22,297
EQUITY AND LIABILITIES		
Equity	1,699	412
Non-current liabilities		
Non-current interest-bearing liabilities	10,104	10,180
Non-current liabilities to Group companies	7,249	8,087
Other non-current liabilities	324	382
Deferred tax liabilities	756	677
Total non-current liabilities	18,434	19,327
Current liabilities		
Current interest-bearing liabilities	903	517
Current liabilities to Group companies	177	-
Other current liabilities	2,117	2,041
Total current liabilities	3,197	2,558
TOTAL EQUITY AND LIABILITIES	23,330	22,297
Number of outstanding shares, at end of period, thousands	600	600
Equity per share, SEK	2,832	687

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	DEC 31 2017	DEC 31 2016
Opening equity	412	45
Merger profit	1,004	-
Comprehensive income for the period		
Net result for the period	414	192
Other comprehensive income for the period	-3	-46
Total comprehensive income for the period	410	146
Transactions with the owners		
Shareholder's contribution	7	4
Group contribution, net of tax	-135	217
Total transactions with the owners	-127	221
Closing equity	1,699	412

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	JUL-DEC/6 MONTHS.		JAN-DEC	
	2017	2016	2017	2016
Operating activities				
Result after financial items	276	107	532	251
Adjustments for non-cash items	1,106	886	2,096	1,888
Income taxes paid	-	-	-31	-
Cash flow from operating activities before changes in working capital	1,383	993	2,597	2,139
Change in working capital	142	116	-26	53
Cash flow from operating activities	1,525	1,109	2,571	2,192
Investing activities				
Acquisition of subsidiary	-	-1,375	-	-1,375
Acquisition of intangible assets	-244	-219	-502	-396
Acquisition of property, plant and equipment	-314	-267	-636	-497
Loans to Group companies	-704	-550	-1,594	-1,187
Divestment of fixed assets	2	1	5	2
Cash flow from investing activities	-1,260	-2,409	-2,728	-3,453
Financing activities				
Borrowings	1,350	4,300	3,050	6,600
Amortisation of borrowings	-1,309	-3,165	-2,767	-5,578
Payment of borrowing costs	0	-45	-4	-63
Received Group contribution	-	42	-	42
Cash flow from financing activities	40	1,132	279	1,001
Net change in cash and cash equivalents	306	-168	123	-259
Cash and cash equivalents at beginning of period	271	622	454	713
Cash and cash equivalents at end of period	577	454	577	454

ADJUSTMENT FOR NON-CASH ITEMS

SEKm	JUL-DEC/6 MONTHS.		JAN-DEC	
	2017	2016	2017	2016
Depreciation/amortisation	982	875	1,943	1,667
Unrealised exchange-rate differences	0	-2	0	1
Capital gain/loss on sale/disposal of non-current assets	9	0	12	3
Change in capitalised borrowing costs and discounts	15	44	31	60
Change in accrued interest expenses	68	-69	57	17
Interest not settled with cash, Group companies	40	39	89	133
Change in provisions	-12	-3	-43	2
Other profit/loss items not settled with cash	4	2	7	4
Total	1,106	886	2,096	1,888

PARENT COMPANY CONDENSED FINANCIAL REPORTS

INCOME STATEMENT SEKm	JUL-DEC/6 MONTHS.		JAN-DEC	
	2017	2016	2017	2016
Revenue	4	2	11	6
Administrative expenses	-7	-1	-15	-6
Other operating income and expenses	0	0	0	0
Operating profit/loss	-3	1	-3	0
Financial income and expenses	-42	113	615	-46
Result after financial items	-45	114	612	-46
Income taxes	37	10	-213	10
Net result for the period	-8	124	399	-36

STATEMENT OF COMPREHENSIVE INCOME SEKm	JUL-DEC/6 MONTHS.		JAN-DEC	
	2017	2016	2017	2016
Net result for the period	-8	124	399	-36
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-8	124	399	-36

BALANCE SHEET SEKm	DEC 31	DEC 31
	2017	2016
ASSETS		
Financial assets	21,129	20,458
Deferred tax assets	39	231
Current assets	3	2
Current receivables from Group companies	956	650
Cash and bank balances	-	-
TOTAL ASSETS	22,126	21,341
EQUITY AND LIABILITIES		
Restricted equity	1	1
Unrestricted equity	1,967	1,902
Non-current interest-bearing liabilities	10,102	10,177
Provisions	10	4
Non-current liabilities to Group companies	7,249	8,087
Current liabilities to Group companies	1,771	598
Current interest-bearing liabilities	900	500
Other current liabilities	125	72
TOTAL EQUITY AND LIABILITIES	22,126	21,341

OTHER INFORMATION

Com Hem Sweden AB (publ) is a Swedish limited liability company (Corp. ID. No. 556859-4195), with its registered office in Stockholm, Sweden and is a wholly owned subsidiary to Com Hem Holding AB (Corp. ID. No. 556858-6613). The shares in the parent company Com Hem Holding AB are listed on Nasdaq Stockholm, Large Cap.

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 2016 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, 2017 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 year-end report.

New and amended IFRS not yet applied

A number of new or amended IFRS will take effect in the coming financial year and have not been early adopted when preparing these financial statements. The work to analyse the effects from the future adoption of IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments has been finalized. The new standards will have no significant effect on the Group's financial statements, except for more extensive disclosure requirements. IFRS 9 will be applied from 2018 and will be prospectively applied from January 1, 2018, which will result in an increase of the credit loss allowance of SEK2m however there will be no impact of IFRS 15.

Alternative Performance Measures (APM)

The Group applies the guidelines issued by ESMA (European Securities and Markets Authority) on APMs. 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 year-end 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 year-end 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.

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 and "n/a" ("not available") is used if the information is not available.

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.

Related parties

For information regarding related parties, see the Group's Annual report 2016, page 54. No significant changes or transactions have occurred during the year, in excess of loans to the parent company Com Hem Holding AB.

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 2016 Annual Report. The Group believes that the risk environment has not materially changed from the description in the 2016 Annual Report.

Operating segments

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, unbundled Skanova 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 (SoHo) 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 offers services (digital TV and broadband) to consumers in the SDU market through the Swedish Digital Terrestrial Television network provided by Teracom as well as open networks.

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 2017			OCT-DEC Q4 2016			JAN-DEC 2017		
	Com Hem	Boxer	The Group	Com Hem	Boxer	The Group	Com Hem	Boxer	The Group
Revenue external	1,389	415	1,805	1,333	446	1,780	5,431	1,705	7,136
Operating profit (EBIT)	216	-3	213	228	3	231	904	35	940
Net financial income and expenses			-97			-223			-407
Income taxes			-15			25			-119
Net result for the period			101			33			414
Operating profit (EBIT)	216	-3	213	228	3	231	904	35	940
Amortisation & depreciation	419	71	490	406	67	473	1,665	277	1,943
Disposals	5	-	5	1	-	1	14	2	16
Operating currency loss/gains	-2	0	-2	4	1	4	-8	1	-7
Items affecting comparability	19	1	20	-16	6	-10	46	4	50
Underlying EBITDA	657	70	727	623	77	700	2,622	319	2,942
CAPEX	-266	-53	-320	-264	-42	-305	-963	-175	-1,138
Operating free cash flow	391	16	407	359	35	394	1,659	144	1,803

SEKm	DEC 31, 2017				DEC 31, 2016			
	Com Hem	Boxer	Eliminations	The Group	Com Hem	Boxer ¹⁾	Eliminations	The Group
Operating segment assets	20,758	2,047	-52	22,753	19,660	2,184	-1	21,843
- of which goodwill	10,899	421	-	11,321	10,899	421	-	11,321
- of which customer relationships	1,939	1,249	-	3,188	2,527	1,392	-	3,919
Other unallocated assets				577				454
Total assets				23,330				22,297
Operating segment liabilities	2,369	938	-52	3,255	2,045	994	-1	3,038
Other unallocated liabilities				18,376				18,846
Total liabilities				21,631				21,884

1) Boxer was acquired on September 30, 2016.

Business Combinations 2017

No business combinations have occurred during 2017.

Business Combinations 2016

Boxer TV-Access AB ("Boxer")

The acquisition of Boxer TV-Access AB was completed on September 30, 2016 and controlling influence of operations was obtained and the entity was consolidated from that date. Boxer is the pay TV operator in the Digital Terrestrial Television network ("DTT") in Sweden. The Com Hem SDU expansion programme will enable Boxer to sell market leading bundled broadband- and TV-services to its customer base.

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
Net identifiable assets	1,212
Goodwill	421
Purchase price (Paid in cash)	1,633
Less cash in acquired business	-258
Net effect on Group's cash	1,375

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 contributed from the acquisition date with SEK 446m to consolidated revenue and SEK 3m to operating profit during 2016.

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, in the financial year 2016.

Incentive programmes in the parent company Com Hem Holding AB

In the parent company Com Hem Holding AB there are four incentive programmes, three long-term share-savings incentive programmes "LTIP 2015", "LTIP 2016" and "LTIP 2017" and a programme comprising a total of 2,474,546 issued and paid warrants. Employees in Com Hem Sweden AB (publ) with subsidiaries participates in all four programmes.

Mergers

In January 2017 the Board resolved to merge the parent company, NorCell Sweden Holding 2 AB (publ) and the wholly owned subsidiary Com Hem Communications AB into Com Hem Sweden AB (publ), the mergers were registered at the Swedish Companies Registration Office April 24, 2017.

Events after the end of the reporting period

On January 10, 2018, it was announced that the Boards of Directors of Tele2 AB and the parent company of Com Hem Sweden AB (publ), Com Hem Holding AB have agreed on a combination of Tele2 and Com Hem through a statutory merger, creating a leading integrated connectivity provider. The merger will be implemented by Tele2 absorbing Com Hem. Please find further information on the merger in press release available at www.comhemgroup.se.

Auditor's report

This interim report has not been reviewed by the company's auditors.

Disclosure

Com Hem Sweden AB (publ) discloses the information provided in this interim report pursuant to the terms and conditions for the Group's outstanding Notes and Rule book for Issuers on Nasdaq Stockholm. The information was submitted for publication, through the agency of the contact person set out below at 7.30 a.m. CET January 23, 2018.

Fredrik Hallstan, Head of PR

OTHER INFORMATION

For further information, contact:

Marcus Lindberg, Investor Relations Manager

Phone: +46 734 39 25 40

E-mail: marcus.lindberg@comhem.com

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.

Stockholm January 23, 2018

Andrew Barron
Chairman of the Board

Mikael Larsson
Board member

Anders Nilsson
Board member and
Chief Executive Officer

Christina Källenfors
Board member

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 amortisation and depreciation.

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.