# Sunrise Communications Holdings S.A.

Financial results
January – December 2012

# Financial highlights 2012

**Continued solid financial growth despite increased competitiveness**

- **Revenue grew** from CHF 1’983.9 to **CHF 2’066.5** million or **+4.2%** YoY
  - Excluding the acquisition of Business Sunrise Enterprise Solutions GmbH **organic** YoY growth of **+0.9%**
- **Mobile post-paid subscriber base** grew by **+76.4** thousand or **+6.9%** YoY (excluding M2M subscribers); **+14.4** thousand additions in **Q4’12**
- **Sunrise TV subscriber base** grew to **38.4** thousand within 10 months after launch, with an additional 8.3 thousand orders received per year end
- **EBITDA grew** from CHF 607.6 to **CHF 631.1** million or **+3.9%** YoY, reflecting increased gross profit mainly driven by mobile
- Increased **investments** to CHF 224.9 million, mainly driven by accelerated **network** upgrades
  - Highest mobile site expansion rate in the last 5 years
- Operational cash flow of CHF 163 million despite step up of Capex by CHF 73 million

# Operational performance update

**Changing market environment**

- New, one-off flatrate pricing scheme with speed tiering introduced by Swisscom in June 2012
    - Moderates the impact of declining voice and SMS revenues for Swisscom (as with Sunrise)
    - Lower price level impacts competitiveness of Sunrise's and Orange's pricing schemes
- Smartphones driving migration of pre- to post-paid
- Continued growth of mobile data usage, putting pressure on data network
- Sunrise TV becoming an integral part of fixnet product offering, with increased quadruple-play bundling

**Competitive but rational market environment**

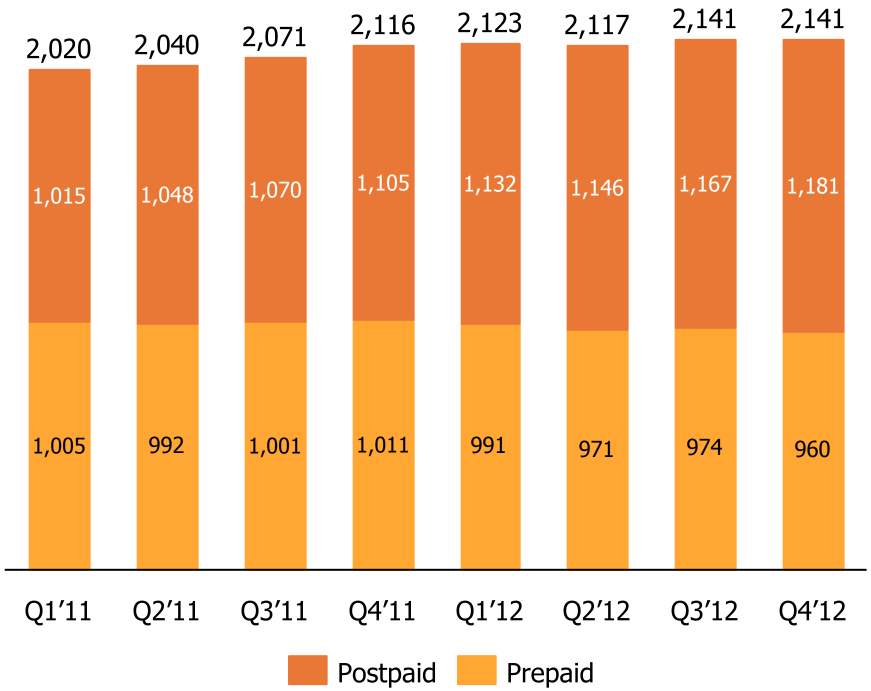
**Actions taken by Sunrise**

- Sunrise tariffs updated to maintain "best value for money" proposition, continued acquisitions of high-value customers
- Ramp up of network investment to advance quality, coverage and speed:
    - Highest mobile site expansion rate in the last 5 years
    - Implementing capacity increases in the UMTS network
    - Preparing sites for LTE readiness on large-scale
    - FTTH roll-out started
- Launch of Sunrise TV in Q1 2012 with strong momentum
    - Re-launch of new fixnet internet products in Q1/2013
- Thorough review of cost structure and efficiency / restructuring measures implemented
    - Headcount reduction of 140 for annual run rate savings of ~CHF24m

**Sunrise prepared to invest, compete and deliver in current environment**

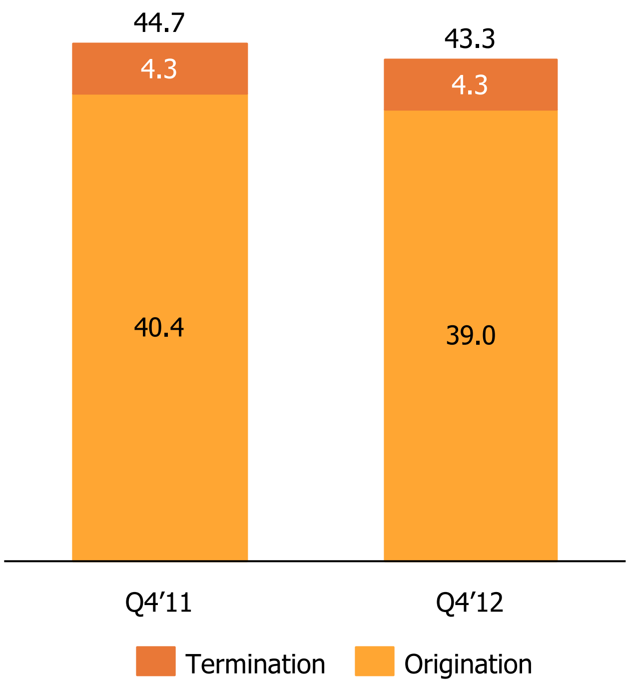
# Mobile subscribers and ARPU development

## Mobile subscribers ('000)




Overall mobile subscriber base stable;
+14.4k postpaid subscribers in Q4'12

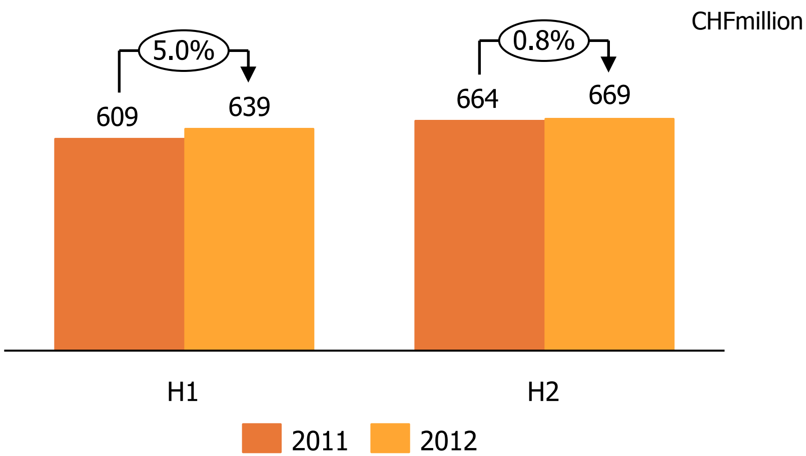
## Blended ARPU (CHF)



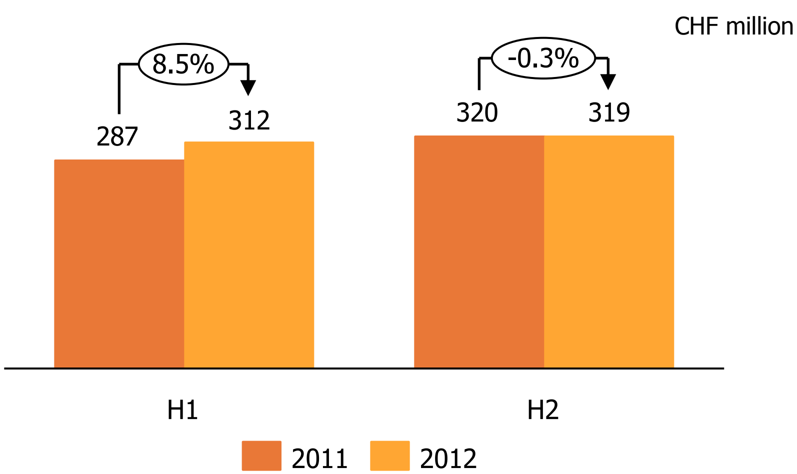

Price reduction impacts QoQ ARPU;
YoY mobile ARPU almost stable at CHF 44.5

# Mobile price reductions in H2’12 impacting financials

## Mobile revenue development




## EBITDA development




## Comments

Impact of price adjustment on new and existing subscribers:

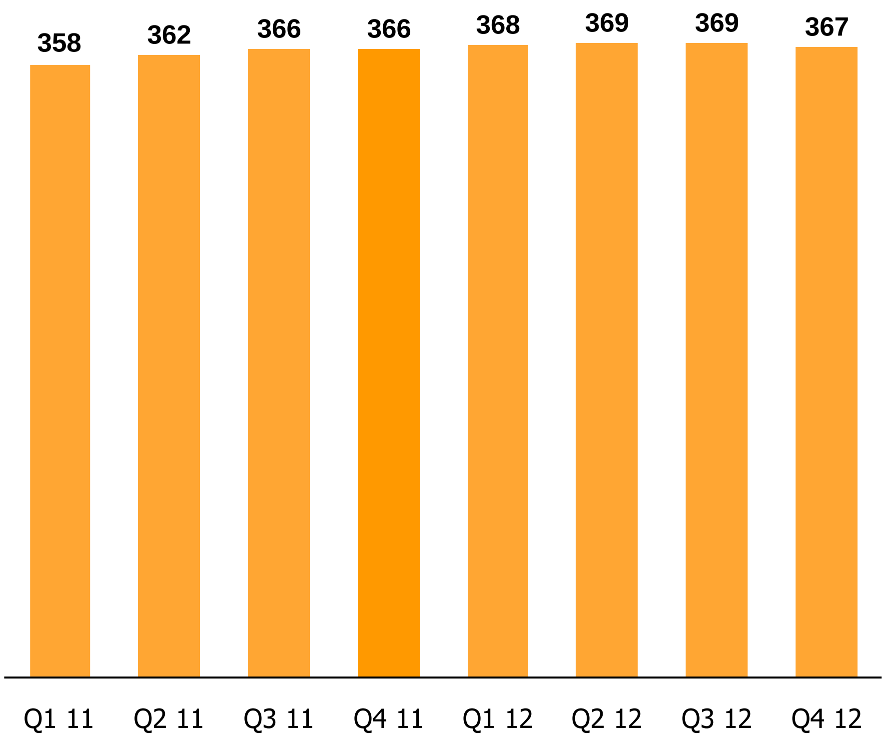
- New subscriber ARPU reduced by about 7%
- Retention/migration reduces ARPU by about 8% to 11% with a clear softening trend since the end of the year
  - About 1/3 of Sunrise post-paid subscribers already migrated
  - Number of migrations and related ARPU reduction is decreasing

Cost measures to counter balance gross profit decline:

- Restructuring executed in October 2012 (CHF 24 million run-rate savings)
- ROI targeted marketing spend
  - Marketing communications
  - SAC/SRC
- Various other cost measures

# Landline internet subscribers and ARPU development

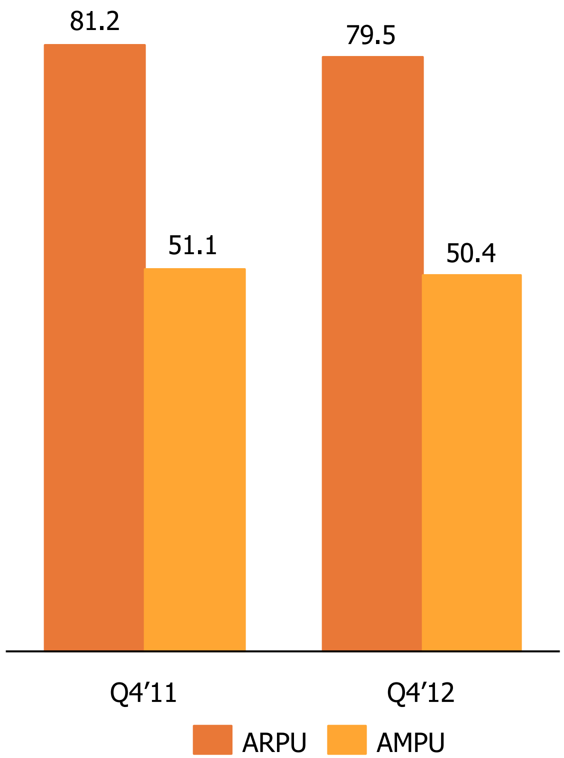
**xDSL subscribers ('000)***




* Includes single, double and triple-play subscribers

Launch of Sunrise TV resulted in almost stable subscriber development

**Bundled (DSL/Voice) ARPU and AMPU (CHF)**




Product mix and bundle discounts impact ARPU and AMPU
Sunrise TV will increase ARPU

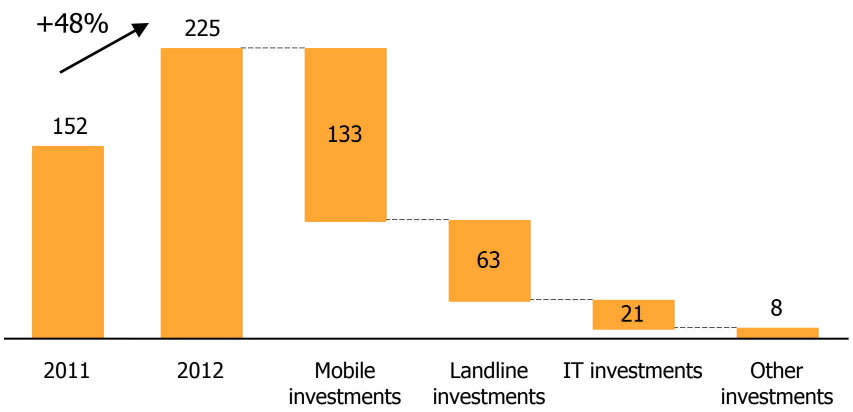
# Overview of results

| Financial Results | 2012 | 2011 | Q4 YTD - 12 | Q4 YTD - 11 |
|---|---|---|---|---|
| CHF Million | | | | |
| Mobile | 1'309 | 1'272 | 333 | 336 |
| Landline Services | 580 | 535 | 148 | 149 |
| *of which hubbing* | *129* | *127* | *32* | *33* |
| Landline Internet | 178 | 176 | 45 | 44 |
| **Total revenues** | **2'066** | **1'984** | **526** | **529** |
| % yoy growth | 4.2% | | -0.6% | |
| **Revenues excl. Acquisition of BSES** | **1'981** | **1'964** | **501** | **509** |
| % yoy growth | 0.9% | | -1.5% | |
| **Revenues (excl. hubbing)** | **1'937** | **1'857** | **494** | **496** |
| % yoy growth | 4.3% | | -0.4% | |
| **Gross profit** | **1'413** | **1'366** | **347** | **354** |
| % margin | 68.4% | 68.8% | 65.9% | 67.0% |
| % yoy growth | 3.5% | | -2.1% | |
| **EBITDA** | **631** | **608** | **142** | **142** |
| % margin (excl. hubbing revenues) | 32.6% | 32.7% | 28.8% | 28.6% |
| % yoy growth | 3.9% | | -0.1% | |
| **EBITDA recurring** | **626** | **601** | **146** | **143** |
| % yoy growth | 4.1% | | 1.9% | |
| **Capex (excluding license)** | **(225)** | **(152)** | **(92)** | **(75)** |
| % Capex-to-revenues (excl. hubbing revenues) | 11.6% | 8.2% | 18.5% | 15.2% |
| **EBITDA-Capex** | **406** | **455** | **50** | **67** |
| Change in working capital | (36) | 20 | 117 | 69 |
| **Operating free cash flow** | **370** | **476** | **167** | **136** |
| Mobile license payment (Capex) | (289) | | | |
| **Free cash flow after license payment** | **81** | **476** | **167** | **136** |

# Operational capital expenditure breakdown

## Operational Capex breakdown

CHF million




Total Capex in 2012 is CHF 513.9 million, including CHF 289 million mobile spectrum license payment

## Comments

**2012:**

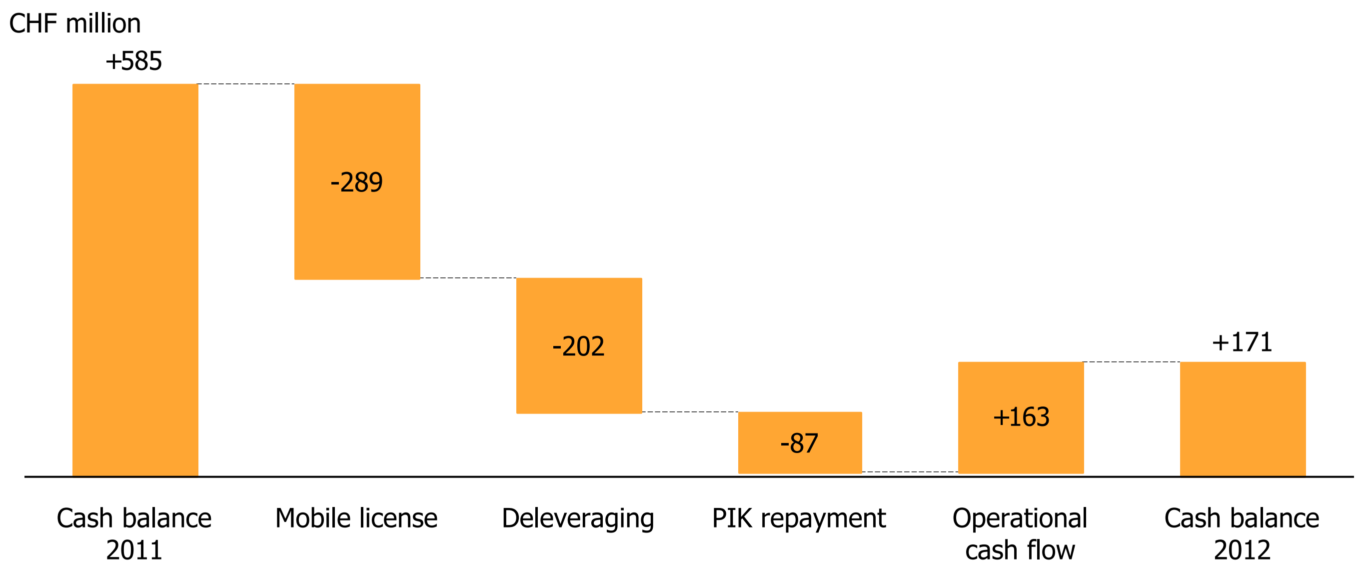
- Rollout of UMTS/HSPA and preparing sites for LTE readiness
- Sunrise TV rollout and related CPE
- Investments into fiber and site infrastructure, including mobile backhaul
- Life cycle replacements in network and IT

**2013:**

- Continued rollout of UMTS/HSPA for improved quality, coverage and speed (up to 42Mbit/s extendable to 84Mbit/s)
- Increase backhaul capacity to cater for increased traffic from mobile sites to our backbone network
- Commercial launch of LTE in 19 cities
- CPEs for Sunrise TV and new internet portfolio
- Life cycle replacements in network and IT

→ CHF 270-280 million Capex investments expected in 2013

# Cash and cash equivalent bridge 2012




Continued strong operational cash flow:

- Sunrise generated an adjusted operational cash flow of CHF 163 million in 2012
- Despite step up of Capex investments by CHF 73 million, the adjusted operational cash flow is on a comparable level to 2011 (CHF 172 million)

# Net debt and leverage ratio

| Net Debt | Dec 31, 2011 | Dec 31, 2012 |
|---|---|---|
| CHF million | | |
| Term Loan A | 463 | 0 |
| Term Loan B | 635 | 0 |
| Senior Secured Notes | 753 | 748 |
| Senior Secured Notes issued July 2012 | 0 | 521 |
| Floating Rate Notes issued July 2012 | 0 | 377 |
| Senior Unsecured Notes | 685 | 677 |
| **Total cash-pay borrowings** | **2'536** | **2'322** |
| Fair value of cross currency swaps | 127 | 136 |
| Financial lease | 46 | 40 |
| **Total debt** | **2'710** | **2'499** |
| Cash & Cash Equivalents | (585) | (171) |
| Pro-forma for mobile license payment | 289 | |
| **Net debt** | **2'413** | **2'328** |
| **Net debt / EBITDA** | **4.0x** | **3.8x** |

# Outlook for 2013

# Sunrise: Well positioned for 2013

- Leverage Sunrise's position as the quadruple-play challenger in the Swiss market, and continue to provide best-value to customers across all products and services
- 2013 will be a year of investment to lay the fundamentals for continued subscriber base growth
- Planned capital expenditure of CHF 270-280 million in 2013 to enhance network infrastructure:
    - Accelerated roll-out of UMTS/HSPA with speeds of up to 42Mbit/s extendable to 84Mbit/s and launch of LTE for improved quality, coverage and speed
- Focus on improving customer care with investments in technology, processes, and people

# Outlook 2013

- Flat to slightly increasing EBITDA on the back of top-line pressure, compensated by cost measures
- Capex spending will peak in 2013 with CHF 270-280 million. Thereafter, stabilizing at around 11% of revenue
- Continued strong cash flow generation, with cash flow from operating activities including Capex expected to remain in line with historical levels

# Questions & answers

# Thank you

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