



**Sunrise Communications Holdings S.A.**

Financial results

Third quarter 2014

# Q3 Highlights

- **Strong growth momentum on the back of Sunrise Freedom's and Sunrise Home's success**
  - Freedom – our mobile offer: ~25% of total postpaid customer base as of September 30, 2014
  - Home – our fixed bundle: ~45% increase in weekly orders (Q3'14 vs. Q3'13)
- **Growing subscriber base in Mobile and TV**
  - Mobile postpaid growth continued (+15.2k net adds in Q3), especially with high value (primary) postpaid voice net adds (+14.1k in Q3)
  - TV growth continued (+7.6k net adds in Q3)
  - Encouraging success seen from the new Home fixed bundle
- **Positive ARPU trend**
  - Stabilizing mobile ARPU on the back of tail end of 2012 re-pricing and success of Freedom offers
  - Growing internet and TV ARPU
- **Ongoing revenue and EBITDA growth**
  - +2.2% yoy revenue growth in Q3 (+2.7% excluding voice hubbing)
  - +6.4% yoy recurring EBITDA growth in Q3 (+6.3% reported)
- **Continued high level of investments in infrastructure**
  - Q3'14 Capex of CHF144 million (+82.8% yoy)
  - Peak spending year: ~CHF355 million expected for FY'14, of which CHF258 million (+45.9% yoy) already spent as per end of Sep'14, due to substantial one-off investments completed by FY'14
- **Q3'14 Operating FCF CHF88 million, -32% yoy, mainly impacted by anticipated high Capex spending**

# Agenda

- 1 Delivering Value
- 2 Growth Momentum
- 3 Financial performance

# Delivering value - Our approach

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## Invest

### Invest into mobile and fixed network and customer experience:

- >80% LTE pop coverage, further coverage expansion ongoing
- 88% mobile data traffic increase from Q3'13 to Q3'14
- UMTS900 activation almost completed
- Capex LTM CHF362m

2

## Innovate

### Launch customer relevant innovations in all services:

- Sunrise Rewards – the new loyalty program
- Sunrise Buyback – trade your old mobile phone against invoice credits
- Introduction of yallo flat rates

3

## Growth Momentum

### Growing customer base and converged customers:

- ~25% postpaid base on Freedom
- +15.2k Q3 postpaid mobile net adds
- +31k TV customers yoy

### Improved Customer Experience:

- Publication of the customer care KPI "Reliability" on sunrise.ch – 81% achieved
- Accessibility (91%) and solving rate (77%) maintained at high levels

4

## Value Creation

### Revenue and EBITDA growth:

- Revenue: CHF531m (+2.2% yoy)
- EBITDA: CHF181m (+6.3% yoy)

### Free cash flow generation:

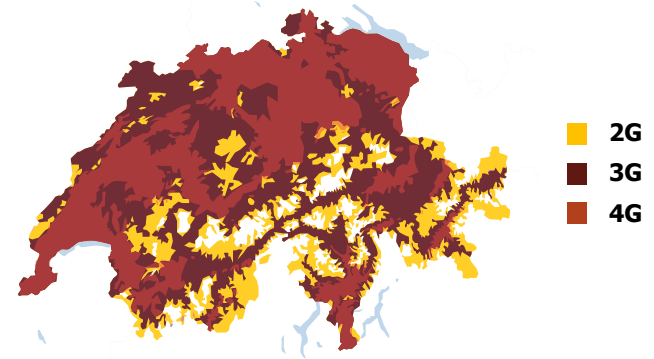
- Operating FCF: CHF88m (-32% yoy)

# Competitive mobile network infrastructure

## Key considerations

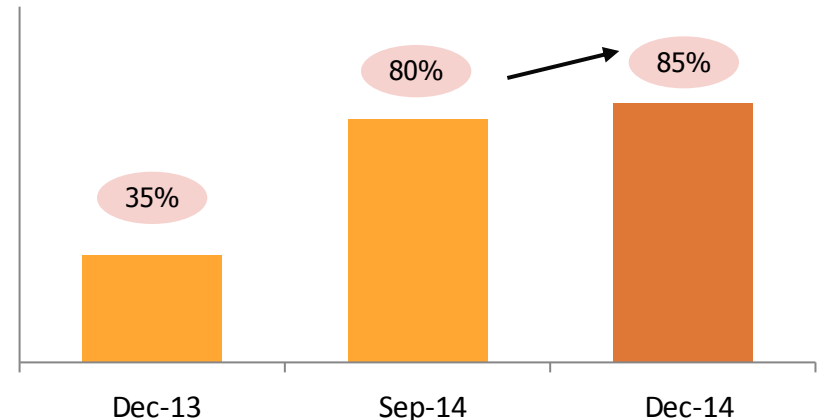
- **Dense and advanced network**
  - 3,510 individual macro sites<sup>1</sup>
  - 71% of the sites supported by state-of-the-art backhaul (full IP)
  - Femto-cells for further enhanced indoor coverage
- **Excellent population coverage across all technologies**
  - GSM/EDGE coverage: 99.9%
  - UMTS/HSPA+ coverage: 99% - UMTS900 in majority
  - Rapid LTE deployment:
    - Coverage: 80% as of Sep-14, >85% by year end
    - ~90 upgrades per week on existing sites, using LTE 800/1800 and/or U900
- **Network ready for rapid LTE Advanced roll-out**

## 4G population coverage



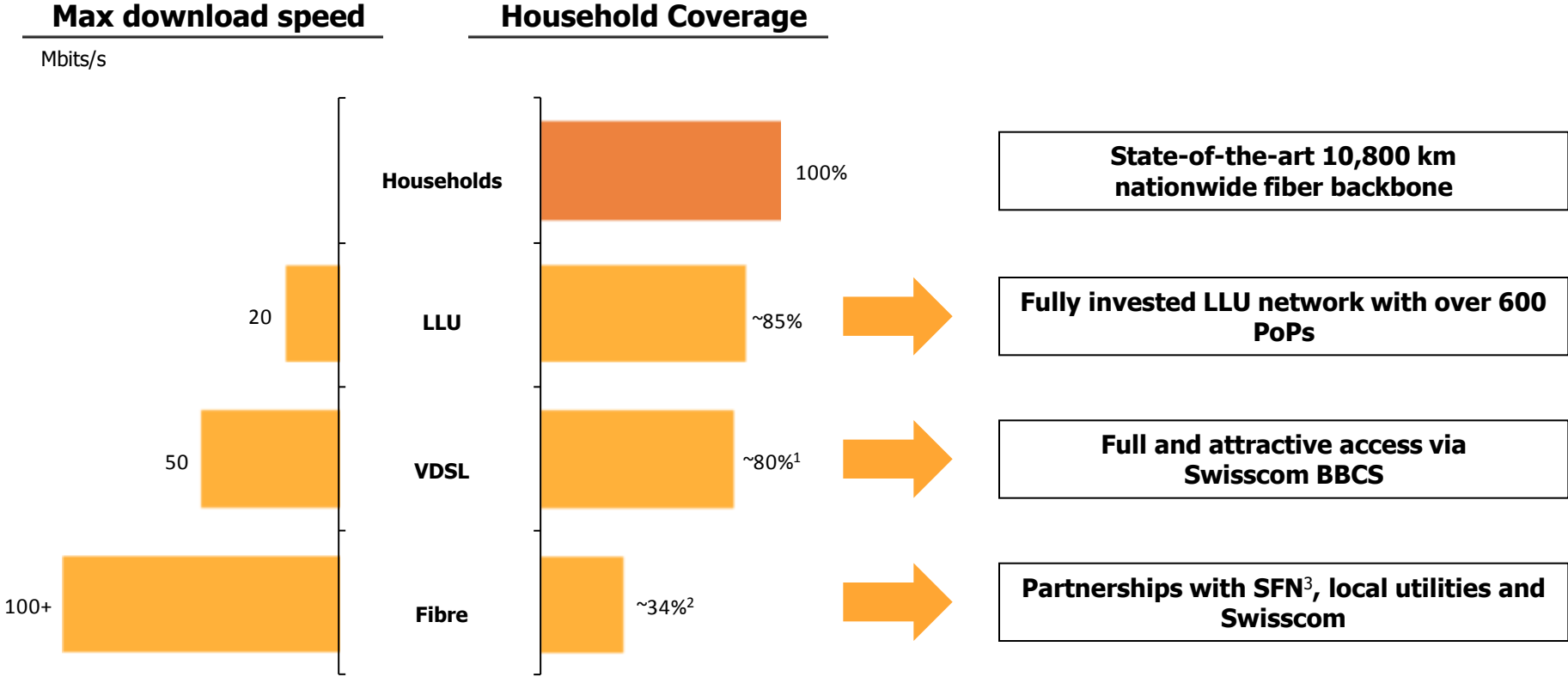
## Overview of LTE deployment

4G coverage (%)



<sup>1</sup> Only main sites (towers and roof tops), excludes repeaters

# Attractive and unique fixed access strategy



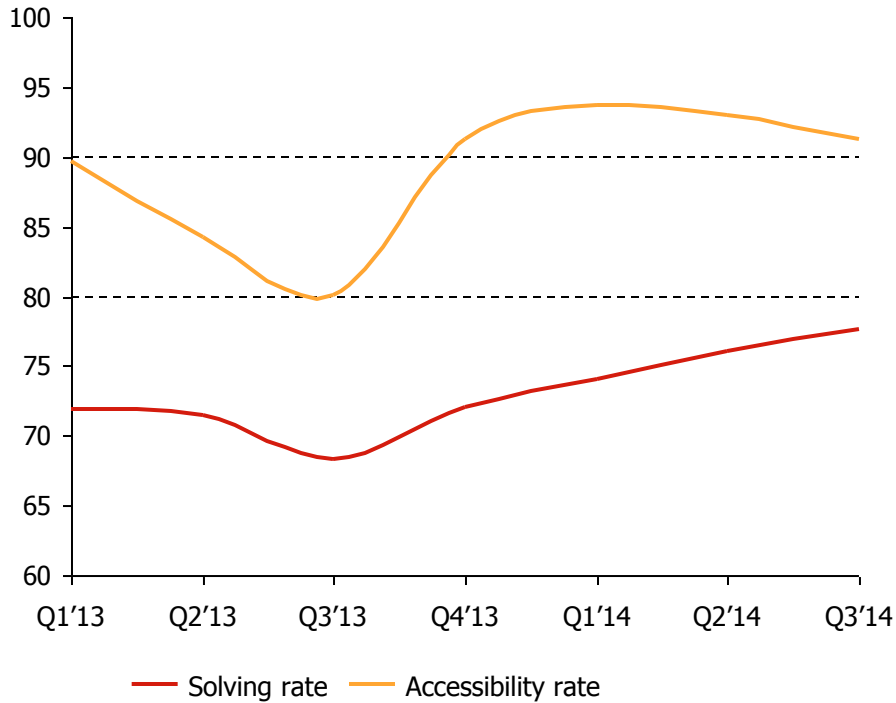
**Nationwide backbone and LLU coverage combined with unique and cost effective access to latest last-mile technologies**

Sources: Swiss Fibre Net website, Swiss federal statistic department, Swisscom

<sup>1</sup> 80% coverage corresponds to a download speed of 18Mbits/s. The maximum download speed is 50Mbits/s  
<sup>2</sup> Swisscom estimated coverage by end of 2014, mix of fibre optic technologies (vectoring, FTTS, FTTB, FTTH)  
<sup>3</sup> Swiss Fibre Net AG, fibre deployed by utilities on an open access basis

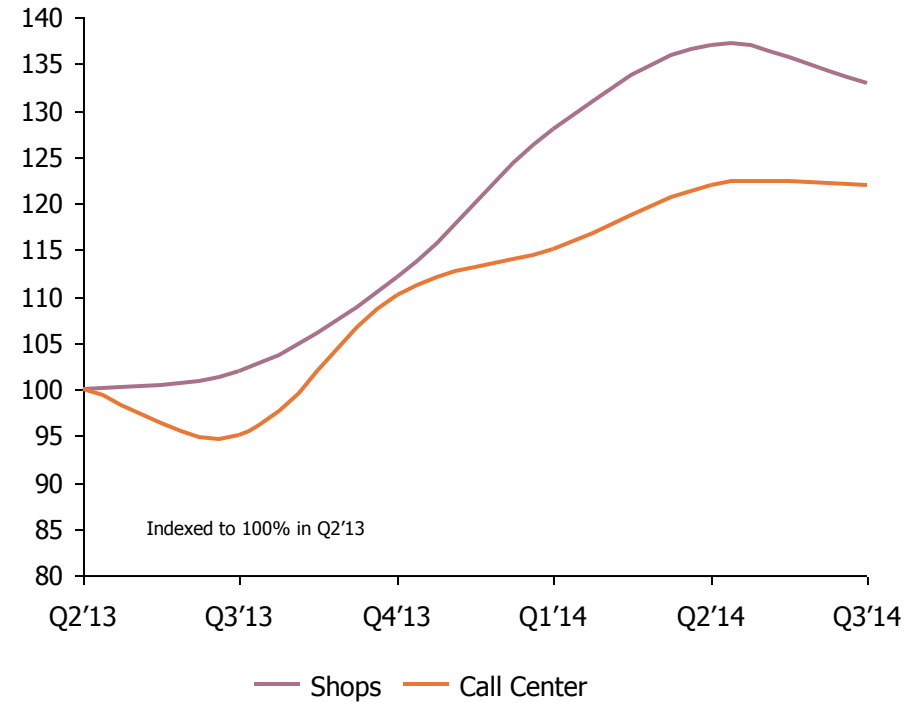
# Achieving service excellence

## Solving rate and accessibility rate improving



- 25% capacity increase in call centers
- Simplified call routing and handling
- New agent on-boarding and coaching

## Shops and call centre NPS improving

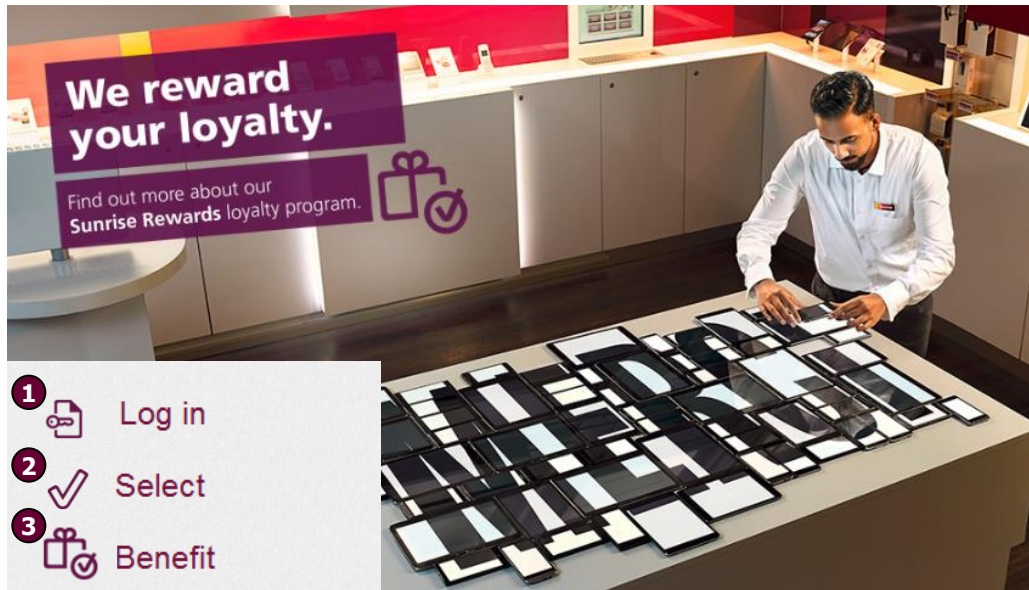


- Stringent people management based on closed loop feedback process
- Integrated Voice-of-Customer solution

# Sunrise Rewards

Unique & highly innovative loyalty program aligned with group's customer strategy based on transparency, fairness and customer orientation

## The new loyalty program of Sunrise



- Innovative loyalty program whereby a customer can enjoy a benefit after one year
- Out of a variety of product options customers can choose the option which makes most sense to them
- Since launch already >5% of customers signed up for their Sunrise Reward

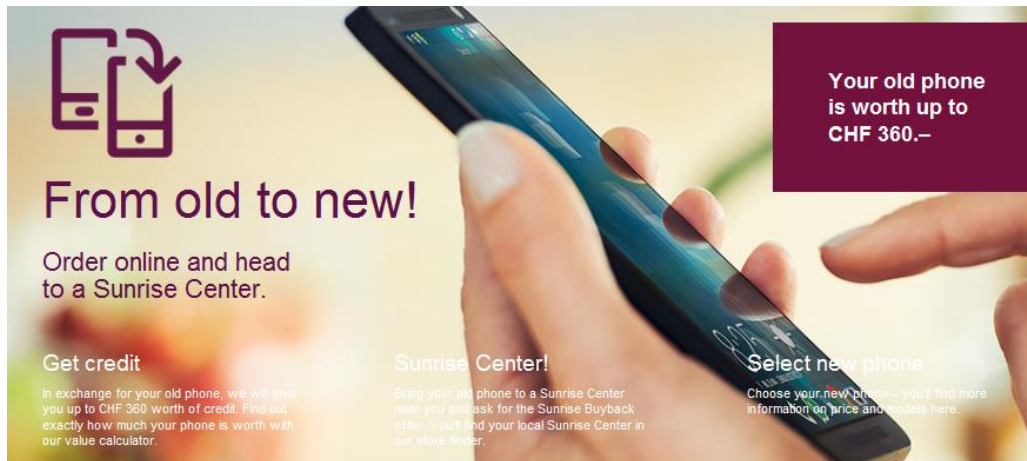
- ✓ **Fair:**
  - We reward customer loyalty
  - Eligible already after one year
  - All existing customers can benefit immediately
- ✓ **Transparent:**
  - Customers benefit month after month as long as they stay with us
- ✓ **Customer Oriented:**
  - **Free choice:** Customers decide for the bonus that makes most sense to them
  - **Flexible:** Free choice and possibility to switch at any time
  - **Simple:** Simple online access via My Account. Benefit displayed on invoice



# Sunrise Buyback

Customer-friendly buyback program to further enhance customer acquisition & retention capabilities

Successful customer acquisition & retention tool



**From old to new!**

Order online and head to a Sunrise Center.

**Get credit**  
In exchange for your old phone, we will give you up to CHF 360 worth of credit. Find out exactly how much your phone is worth with our value calculator.

**Sunrise Center!**  
Bring your old phone to a Sunrise Center near you and ask for the Sunrise Buyback offer. You'll find your local Sunrise Center in our store finder.

**Select new phone**  
Choose your new phone – you'll find more information on price and models here.

Your old phone is worth up to CHF 360.–

- Buyback offer to new and existing customers in exchange for her/his old mobile phone
- Buyback offer is credited to her/his next invoice
- Launched with start of sale of iPhone 6
- Buyback offer complements Freedom concept – beneficial for our customers to subscribe to latest device plan

- ✓ **Fair:**
  - Buyback offer available to all new and existing customers
  - Fair phone prices with Buyback
- ✓ **Transparent:**
  - Transparent Buyback offer calculator online and in all Sunrise Centers
  - Credit shown on next invoice
- ✓ **Customer Oriented:**
  - **Free choice:** Any mobile phone accepted, even from another operator
  - **Flexible:** Trade-in of mobile phone at any time possible
  - **Simple:** Simple trade-in process available in all Sunrise Centers

# Agenda

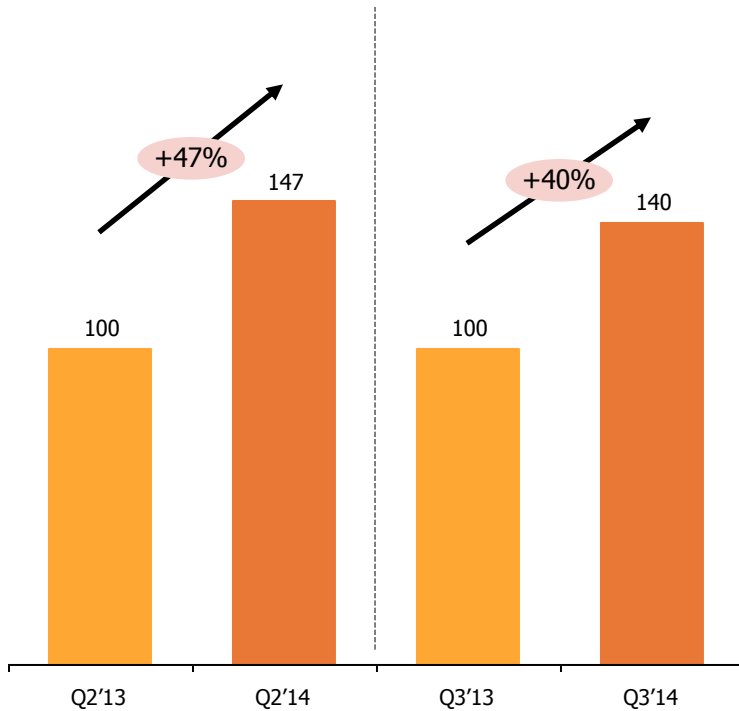
- 1 Delivering Value
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# Strong take-up of recent innovative offerings



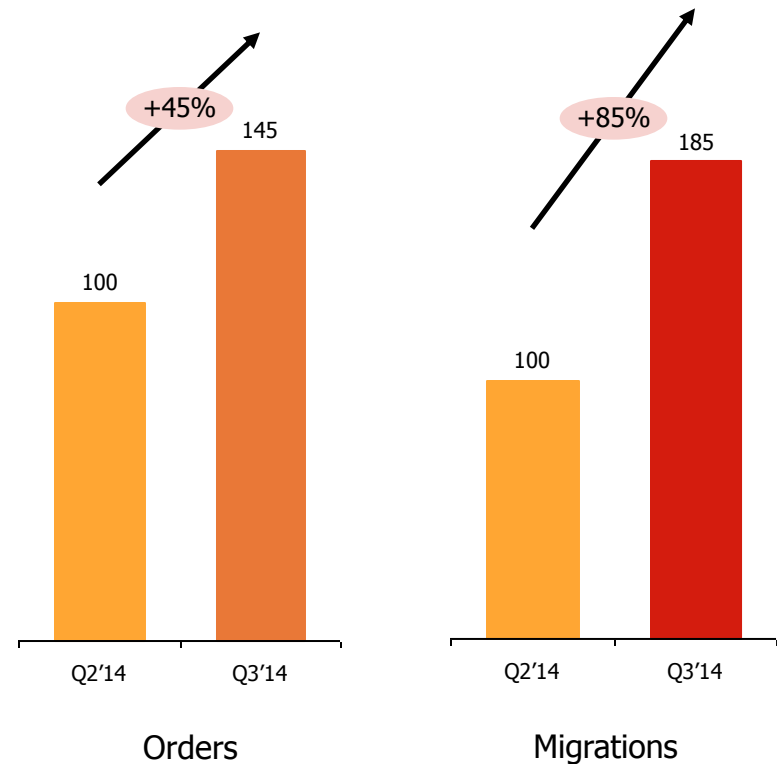
## Freedom driving acceleration in Postpaid

Postpaid voice gross adds (Q2'13 and Q3'13 rebased to 100)



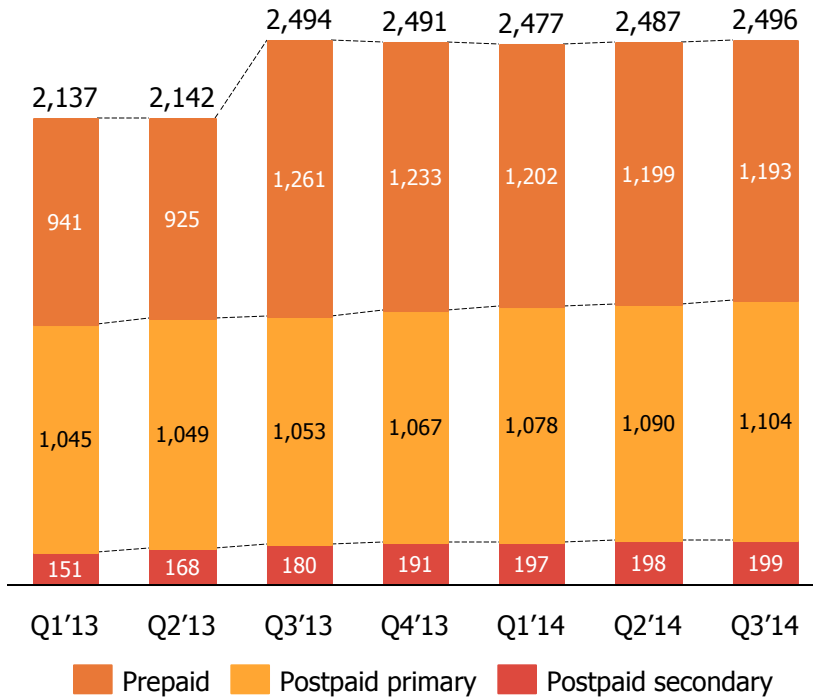
## Fixed momentum driven by Sunrise Home

Sunrise Home new customers orders and migrations (average weekly orders / Migrations, Q2'14 rebased to 100)



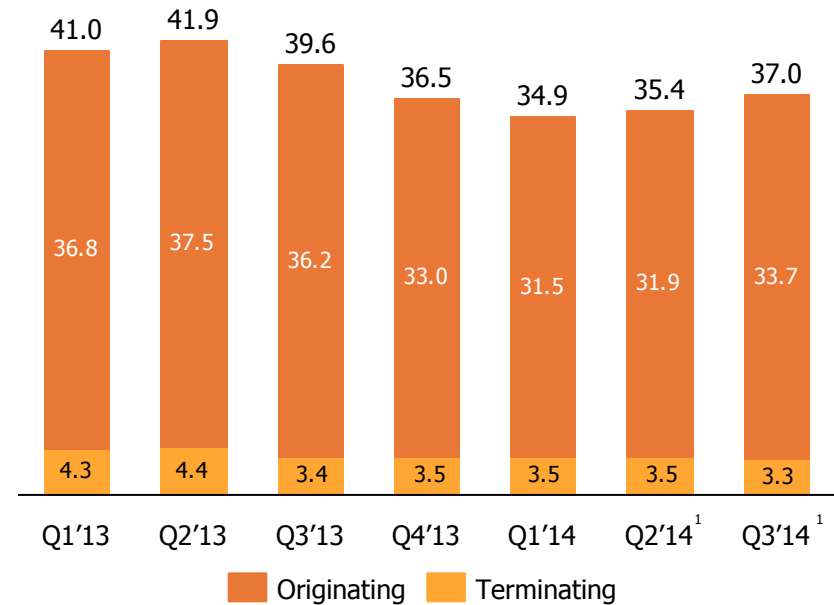
# Mobile subscribers and ARPU momentum

## Mobile subscribers ('000)



- Positive Freedom trading momentum adds +14.1k postpaid primary subscriptions

## Blended ARPU (CHF)

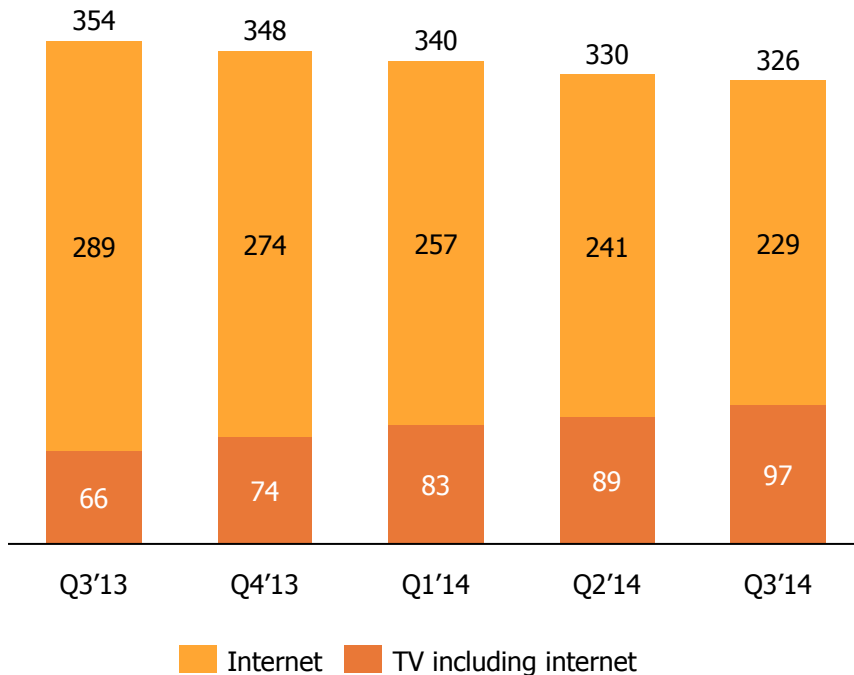


- Point of inflection reached with stabilizing/increasing blended ARPU in 2014 on the back of tail end of 2012 re-pricing and success of Freedom offers

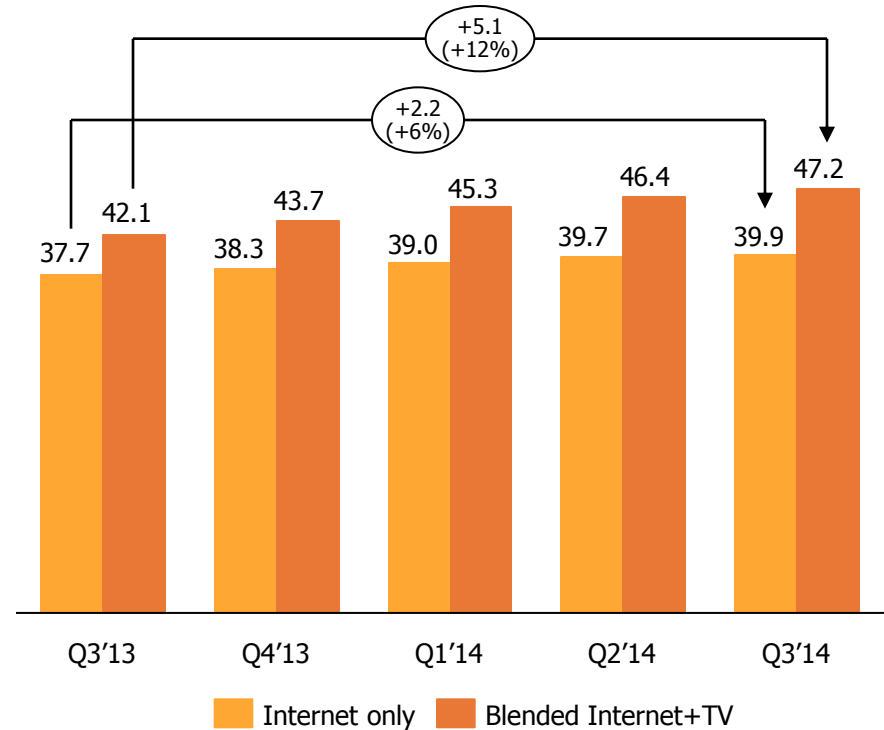
<sup>1)</sup> To allow like-for-like comparison, change in ARPU definition as of Q2'14: Includes the billed hardware installments to make ARPU comparable. Please see Q3'14 IFRS report for further explanations

# Landline internet subs. and ARPU momentum

Subscribers ('000)



Internet and Sunrise TV ARPUs (CHF)



- Continued growth of TV subscribers
- ~45% increase in weekly orders (Q3'14 vs. Q2'14) since launch of Sunrise Home

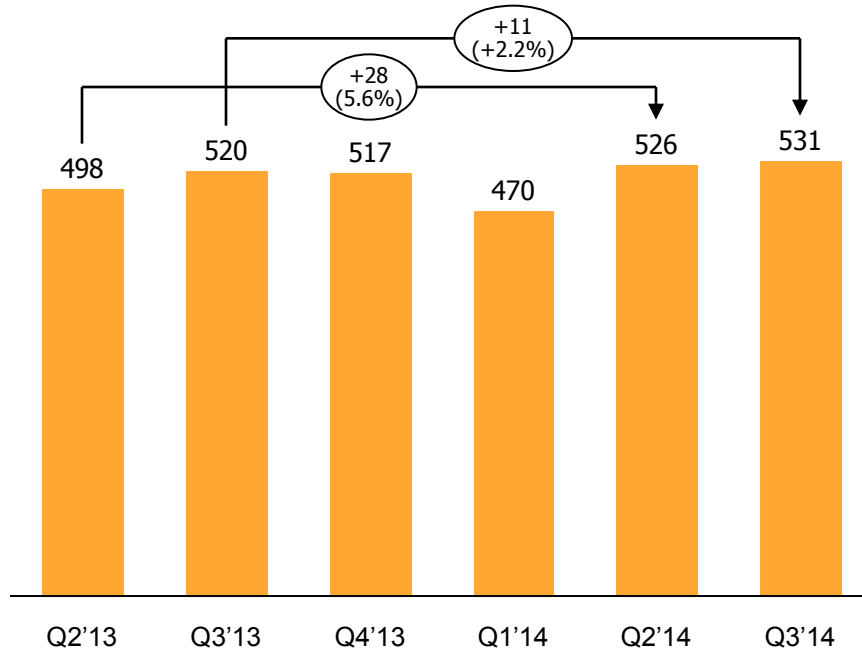
- Increase of internet-only ARPU due to product mix; Sunrise TV bundles are positively impacting blended ARPU

# Agenda

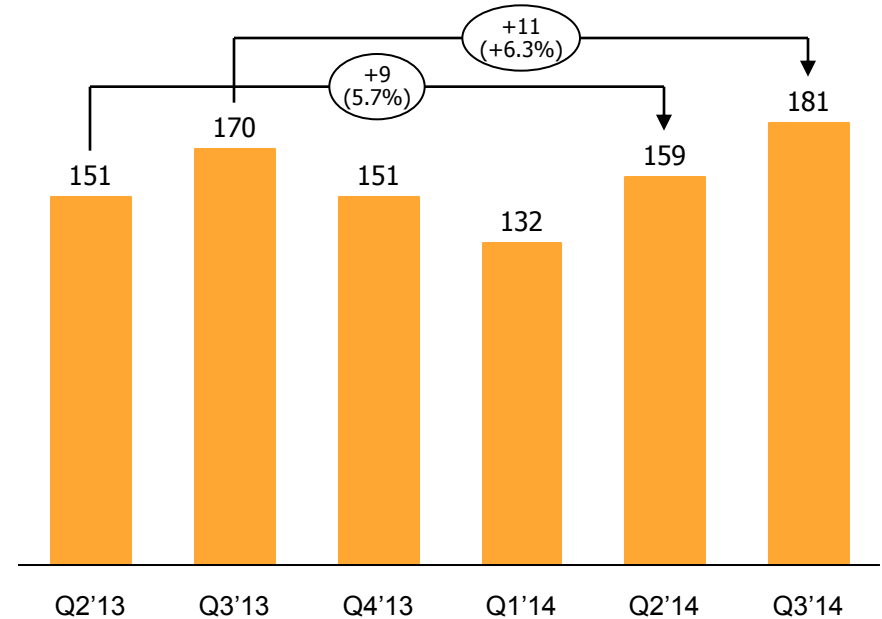
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# Reported Revenue and EBITDA trends

## Revenue (CHFm)



## EBITDA (CHFm)



- Strong commercial momentum and reduced customer migration effects drove revenue growth
- LTM Revenue up by 1.1% compared to FY'13 to CHF2'044 million

- Significant EBITDA growth from top-line momentum and lean acquisition model
- LTM EBITDA up by 1.6% compared to FY'13 to CHF624 million

# Inflection point reached in H1'14

## Revenue <sup>1</sup> (CHFm)

### Organic revenues growth<sup>2</sup>

-31  
(-6.8%)

+16  
(+3.4%)

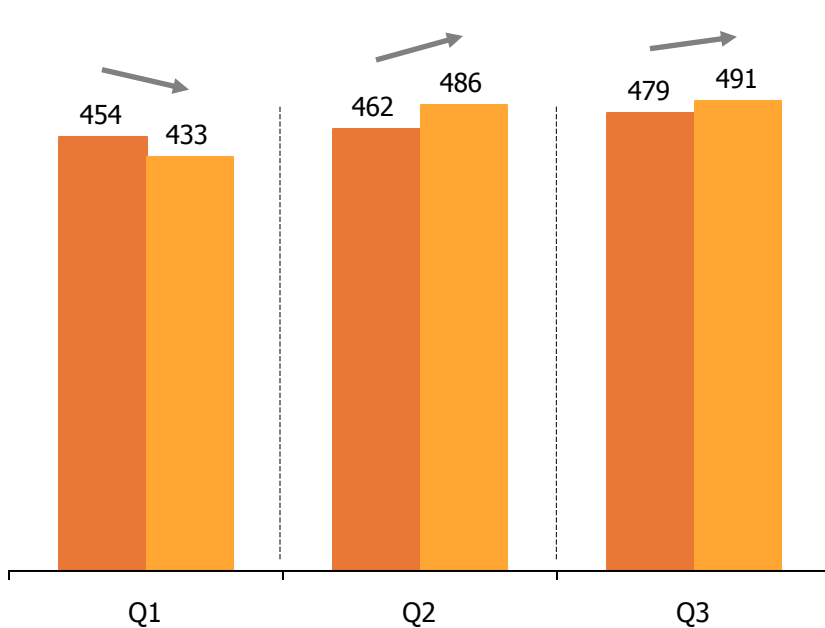
+13  
(+2.7%)

### Reported revenues<sup>4</sup> growth

-21  
(-4.6%)

+25  
(+5.4%)

+13  
(+2.7%)



## Recurring EBITDA <sup>3,4</sup> (CHFm)

### Organic recurring EBITDA growth<sup>2</sup>

-16  
(-10.9%)

+2  
(+1.4%)

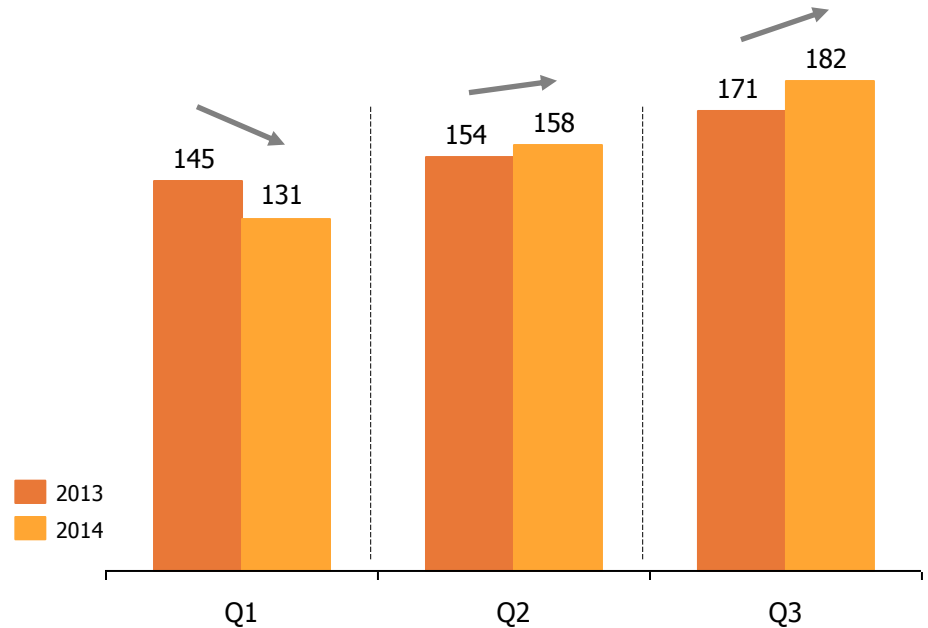
+11  
(+6.4%)

### Reported recurring EBITDA growth

-14  
(-9.9%)

+4  
(+2.4%)

+11  
(+6.4%)



<sup>1)</sup> Excluding voice hubbing revenues

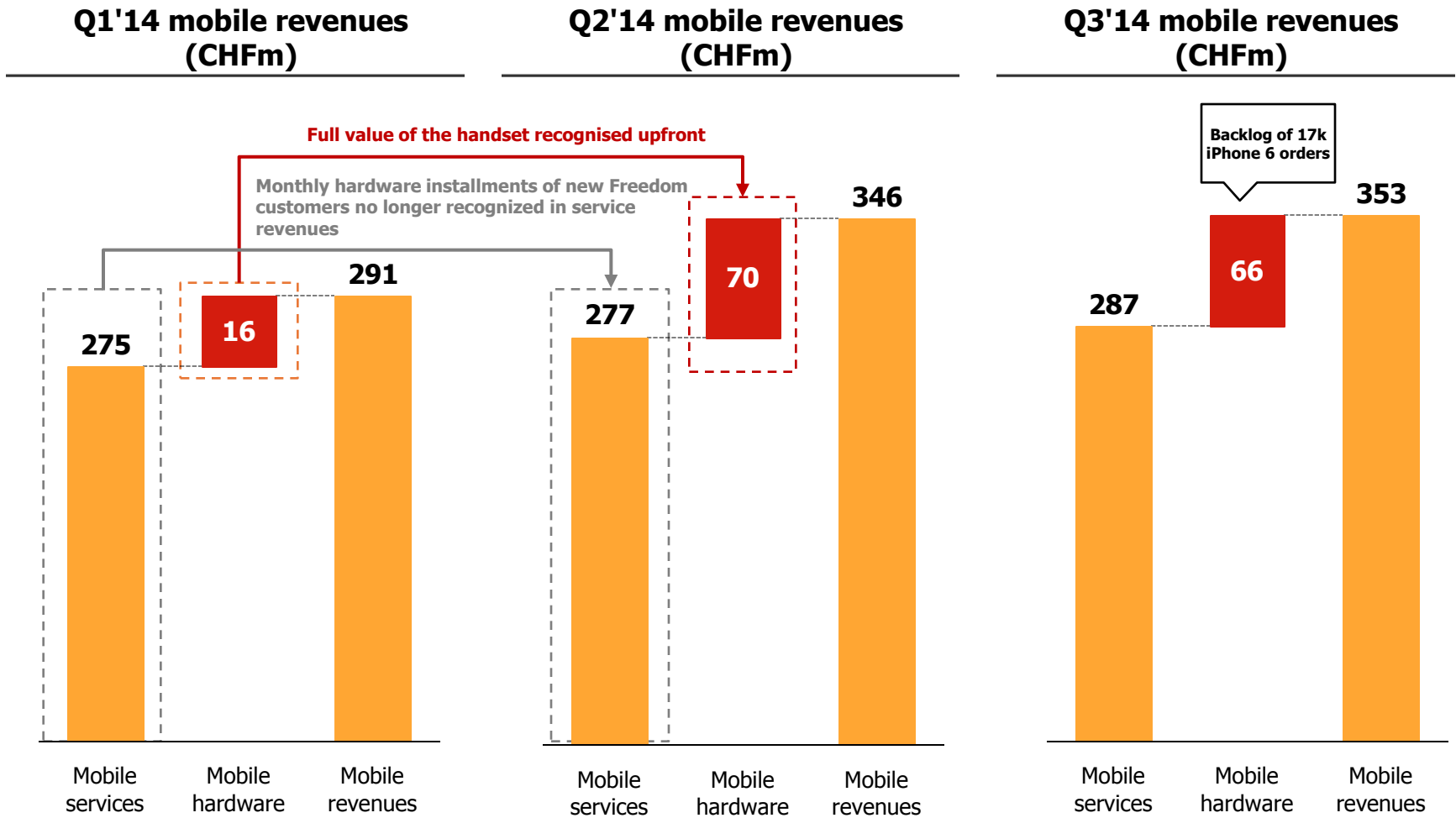
<sup>2)</sup> Excludes net consolidated mobile revenues and EBITDA from Lebara and Ortel in Q1'14 and Q2'14

<sup>3)</sup> YOY reported EBITDA growth of -6.5% in Q1'14, +5.7% in Q2'14 and +6.2% in Q3'14

<sup>4)</sup> Total adjustments to reported EBITDA include out-of-period income and expenses, such as elimination of credit notes received to compensate overcharged costs in prior periods in connection with Long-Run Incremental Cost ("LRIC"), releases of accruals and bonus adjustments and non-recurring items, such as restructuring costs, one-time costs in connection with the change of our managed services provider and consulting costs.

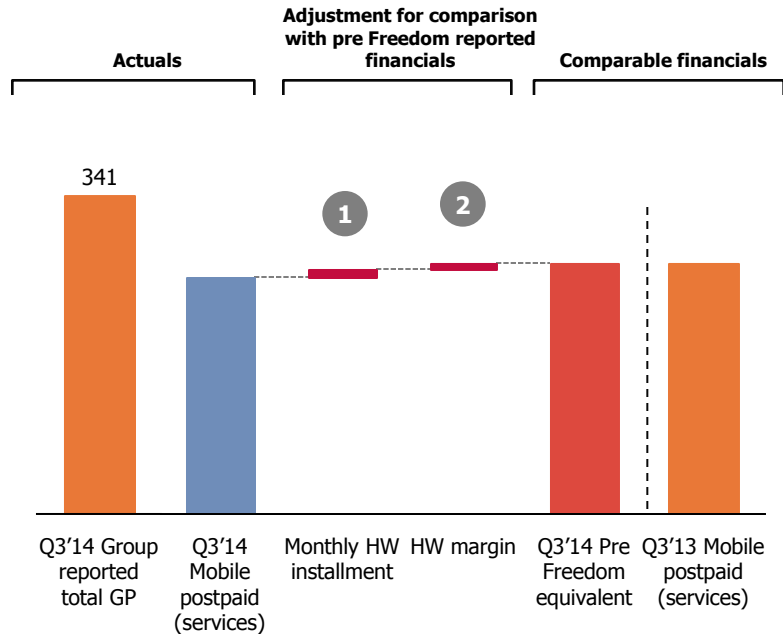


# How Freedom impacts mobile revenues



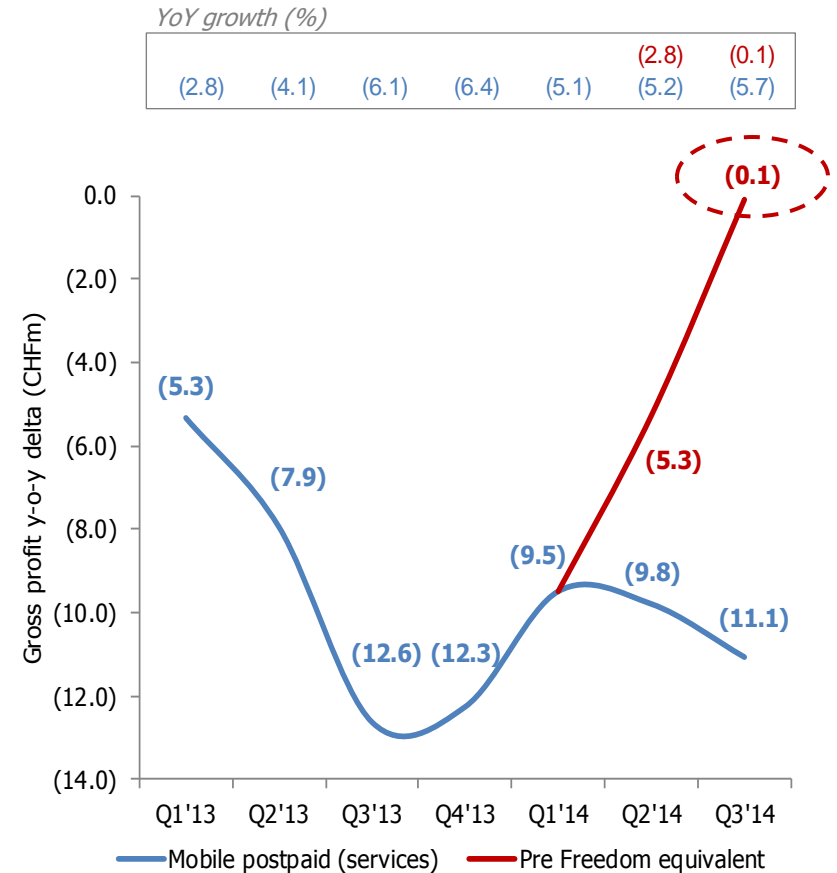
# How Freedom impacts mobile postpaid gross profit

## Mobile postpaid gross profit (CHFm)



- 1 Reallocation of monthly installment for device plan, as no longer included in service revenues (similar to new ARPU definition)
- 2 Post Freedom, Sunrise applies a margin on the sale of hardware plans (vs. cost of hardware)

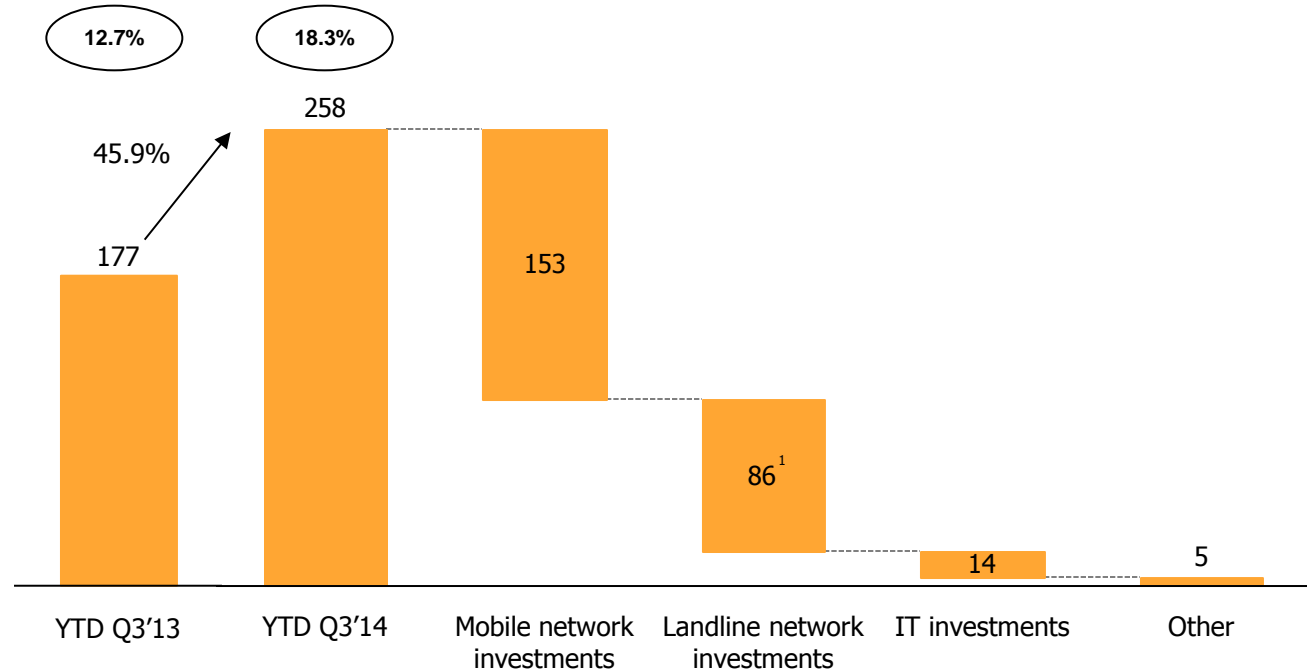
## Inflection point reached (CHFm)



# Capital expenditure breakdown

Capex as a % of revenues  
(excluding hubbing revenues)

CHF million



- Peak spending year: ~CHF355 million expected for FY'14 due to substantial one-off investments completed by FY'14
  - Mobile network investments: Successful LTE roll-out with population coverage increasing to >80% as of Sep'14; year end coverage expected at >85%
  - Continued backhaul capacity investments based on fiber and high bandwidth microwave
  - Landline investments include one-off Capex to secure use of Swisscom's VDSL and FFTx access network in addition to our own

<sup>1)</sup> Thereof CHF45 million one-off right of use for future fixnet technologies

# Overview of results

| Financial Results                            | Q3 YTD -13   | Q3 YTD -14   | Q3'2013     | Q3'2014      |
|--|--------------|--------------|-------------|--------------|
| CHF million                                  |              |              |             |              |
| Mobile                                       | 943          | 991          | 330         | 353          |
| Landline Services                            | 415          | 383          | 140         | 127          |
| <i>of which hubbing</i>                      | <i>110</i>   | <i>116</i>   | <i>41</i>   | <i>40</i>    |
| Landline Internet                            | 147          | 153          | 50          | 51           |
| <b>Total revenues</b>                        | <b>1'504</b> | <b>1'527</b> | <b>520</b>  | <b>531</b>   |
| % yoy growth                                 |              | 1.5%         |             | 2.2%         |
| <b>Revenues (excl. hubbing)</b>              | <b>1'394</b> | <b>1'411</b> | <b>479</b>  | <b>491</b>   |
| % yoy growth                                 |              | 1.2%         |             | 2.7%         |
| <b>Gross profit</b>                          | <b>1'022</b> | <b>993</b>   | <b>348</b>  | <b>341</b>   |
| % margin                                     | 67.9%        | 65.0%        | 66.8%       | 64.1%        |
| % yoy growth                                 |              | (2.9%)       |             | (2.0%)       |
| <b>EBITDA</b>                                | <b>462</b>   | <b>473</b>   | <b>170</b>  | <b>181</b>   |
| % margin                                     | 30.7%        | 30.9%        | 32.8%       | 34.1%        |
| % margin (excluding hubbing revenues)        | 33.2%        | 33.5%        | 35.6%       | 36.9%        |
| % yoy growth                                 |              | 2.2%         |             | 6.3%         |
| <b>EBITDA recurring</b>                      | <b>471</b>   | <b>471</b>   | <b>171</b>  | <b>182</b>   |
| % yoy growth                                 |              | 0.2%         |             | 6.4%         |
| <b>Capex</b>                                 | <b>(177)</b> | <b>(258)</b> | <b>(79)</b> | <b>(144)</b> |
| % Capex-to-revenues (excl. hubbing revenues) | 12.7%        | 18.3%        | 16.4%       | 29.3%        |
| <b>EBITDA-Capex</b>                          | <b>286</b>   | <b>215</b>   | <b>92</b>   | <b>37</b>    |
| Change in working capital                    | 15           | (82)         | 37          | 51           |
| <b>Operating free cash flow</b>              | <b>301</b>   | <b>133</b>   | <b>129</b>  | <b>88</b>    |

# Net debt and leverage ratio

| Net debt  | Dec 31, 2013        | Sept 30, 2014       |
|---|---------------------|---------------------|
| CHF million   |                     |                     |
| Senior Secured Notes                                    | 755                 | 747                 |
| Senior Secured Notes issued July 2012                   | 523                 | 521                 |
| Floating Rate Notes issued July 2012                    | 205                 | 201                 |
| Senior Unsecured Notes                                  | 689                 | 677                 |
| Utilized RCF  | 95                  | 80                  |
| <b>Total cash-pay borrowings <sup>1</sup></b>           | <b>2'267</b>        | <b>2'226</b>        |
| Fair value of cross currency swaps                      | 116                 | 145                 |
| Financial lease   | 35                  | 31                  |
| <b>Total debt</b>                                       | <b>2'418</b>        | <b>2'402</b>        |
| Cash & Cash Equivalents                                 | (149)               | (125)               |
| <b>Net debt</b>   | <b>2'269</b>        | <b>2'277</b>        |
| <b>Net debt / EBITDA <sup>2</sup></b>                   | <b>3.6x</b>         | <b>3.6x</b>         |
| Senior PIK Toggle Notes                                 | 642                 | 632                 |
| <b>MCIG <sup>3</sup> net debt / EBITDA <sup>2</sup></b> | <b>4.7x</b>         | <b>4.7x</b>         |
| <b>Net Income Basket (NIB)</b>                          | <b>Jan-Dec'2013</b> | <b>Jan-Sep'2014</b> |
| Balance at BoP  | 21.4                | 44.7                |
| Utilized <sup>4</sup>                                   | (47.5)              | (55.5)              |
| Additions   | 70.9                | 60.8                |
| <b>Balance at EoP</b>                                   | <b>44.7</b>         | <b>50.1</b>         |

<sup>1</sup>) Nominal amounts, i.e. excluding capitalized debt issuance cost

<sup>2</sup>) EBITDA includes annual pro-forma EBITDA of acquired entities Lebara and Ortel in Switzerland

<sup>3</sup>) Mobile Challenger Intermediate Group S.A.

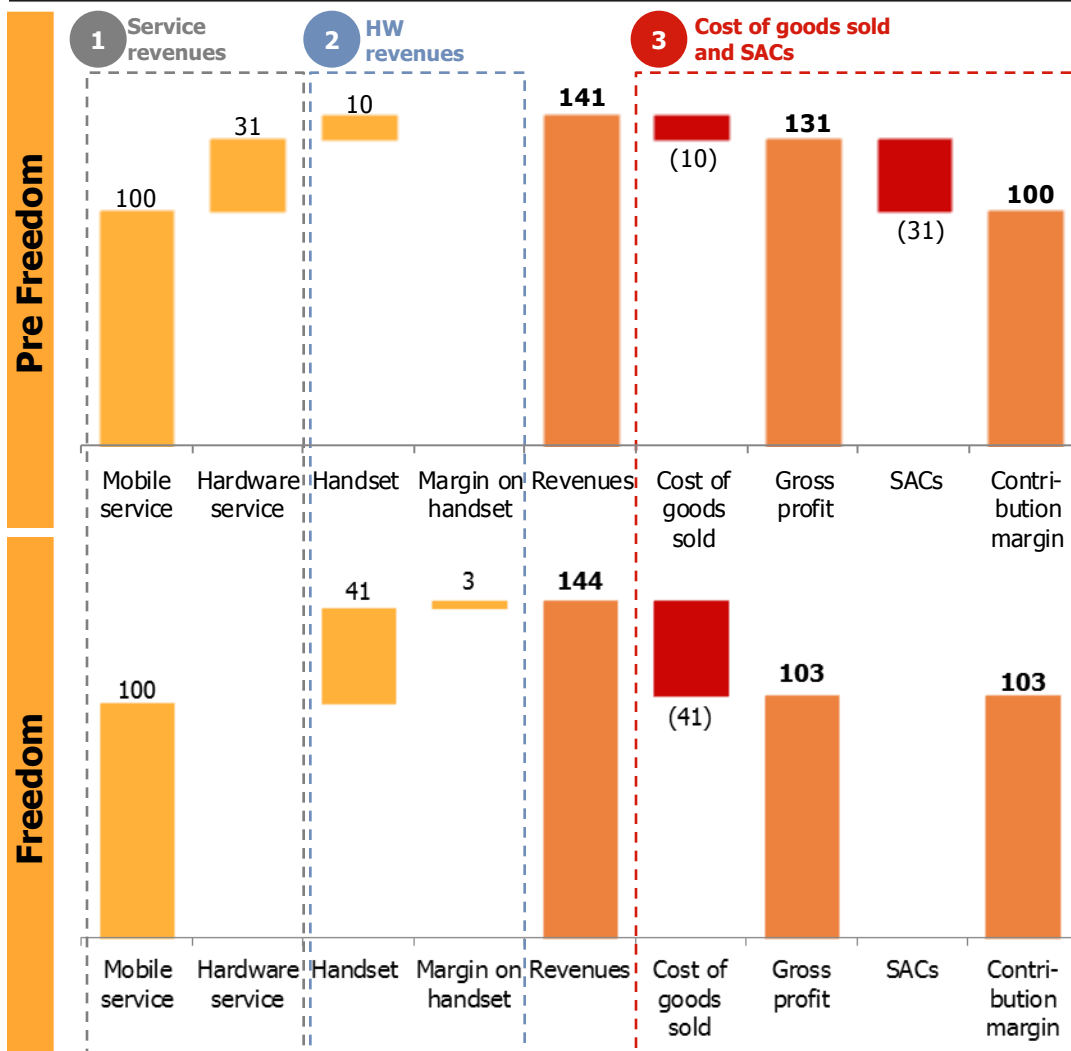
<sup>4</sup>) Original PIK repayment and PIK Toggle interests



**Appendix – Additional information on Freedom**

# Freedom is a change of business towards a lean customer acquisition model

24-month illustrative P&L impact of one new customer  
(indexed on 100)



## Key considerations

### 1 Service revenues

- Pre Freedom: service revenues include mobile service and handset revenues included in subscription price
- Freedom: service revenues only include mobile service

### 2 HW revenues

- Pre Freedom: only the upfront payment for the handset is recognised in revenues
- Freedom: total sale price of the handset is recognised upfront (including a margin)

### 3 Cost of goods sold and SACs

- Pre Freedom: upfront payment recognised in COGS, residual value in SACs
- Freedom: full handset value recognised in COGS

# BACKUP

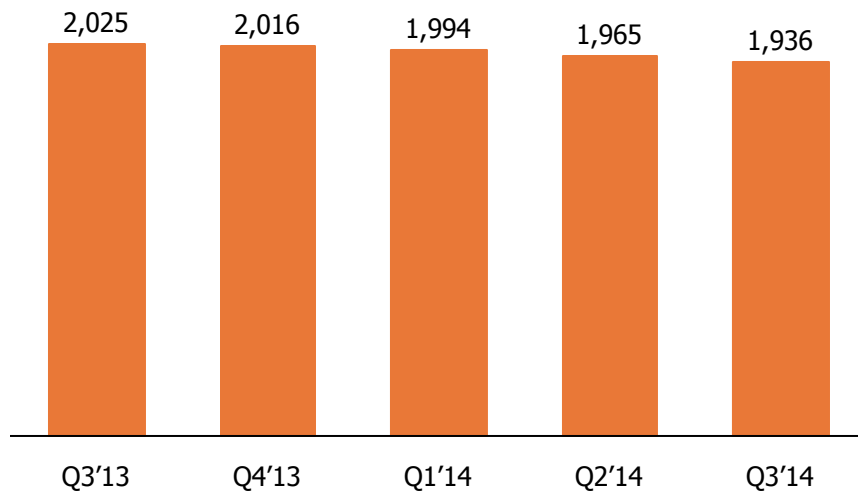


# Pro-forma mobile prepaid subscriber statistics

## 12 month activity rule

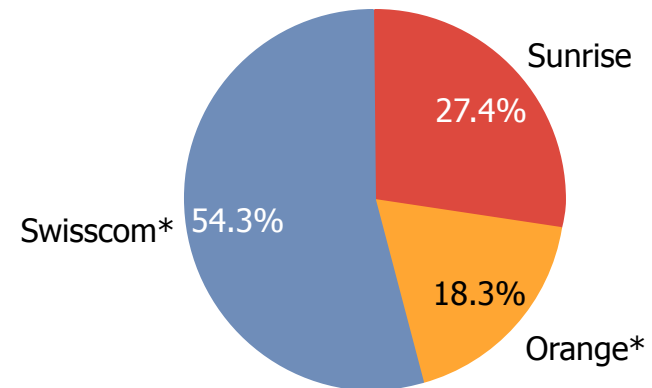
- For transparency reasons, pro-forma mobile prepaid subscribers based on a 12 month activity rule instead of Sunrise's 3 month activity rule are provided
- Sunrise still believes, that the 3 month activity rule is a fairer representation of the prepaid market

**Pro-forma prepaid subscribers ('000)**



Based on 12 month activity, Sunrise does not count marketing SMS sent to subscribers as an activity

**Pro-forma mobile network market share Q2'14**



Network market share excluding MVNOs; Sunrise does not count M2M SIM cards into the subscriber base

\* Source: Q2'14 Financial statements of Swisscom and Orange  
Note: Q3'14 data for Swisscom and Orange not published yet

**Thank you**



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