

Media release

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Continued customer growth and 11% dividend increase

- **Continued mobile postpaid customer growth (Q4'16: +85,700 or +6.1% YoY) in a competitive market environment**
- **Accelerated internet (Q4'16: +30,200 or +8.9% YoY) and TV customer growth (Q4'16: +29,000 or +21.7% YoY) boosted by compelling tariffs and Sunrise's award-winning Smart TV product**
- **Revenue down -2.3% YoY from CHF 512m to CHF 501m in Q4'16 as headwinds offset customer growth; FY'16 revenue of CHF 1,897m in-line with guidance**
- **Adj. EBITDA down -3.7% YoY from CHF 165m to CHF 159m in Q4'16, with cost focus partly offsetting lower revenue; FY'16 adj. EBITDA in-line with guidance**
- **Net income almost doubled to CHF 48m in Q4'16 YoY and moved into positive territory in FY'16 after last year's loss due to IPO and debt refinancing costs**
- **Equity FCF up +13% in Q4'16 (FY'16: +50%) - CHF 3.33 proposed dividend representing an +11% increase YoY**
- **Guidance of CHF 595-610m adj. EBITDA in 2017 with a further slight dividend increase expected**

	FY'16	FY'15	YoY	Q4'16	Q4'15	YoY
Revenue (CHF m)						
Mobile services	1,264	1,304	(3.1%)	331	338	(2.0%)
Landline services	419	472	(11.3%)	114	123	(7.5%)
Landline internet	214	200	7.0%	56	51	8.7%
Total revenue	1,897	1,976	(4.0%)	501	512	(2.3%)
Service revenue (total excl. hubbing & hardware)	1,511	1,575	(4.0%)	382	399	(4.0%)
EBITDA	599	616	(2.8%)	155	166	(6.6%)
Adjusted EBITDA	611	627	(2.5%)	159	165	(3.7%)
Adj. EBITDA margin (excl. hubbing)	34.6%	34.2%		34.5%	34.7%	
Net income / (loss)	87	(113)	177.1%	48	25	92.2%
Net income (adj. for IPO/refinancing costs, before tax impact)	87	44		48	25	
Equity free cash flow	230	153	50.2%	64	56	13.4%
Customers (thousand)						
Mobile						
Postpaid	1,485	1,400	6%			
Prepaid	910	1,014	(10%)			
Landline						
Retail voice	417	394	6%			
Internet	372	342	9%			
IPTV	163	134	22%			

Olaf Swantee, CEO of Sunrise, comments: "Our strategy of investing in our network and in quality customer service was confirmed by strong subscriber momentum and our top place in the independent 'connect' network test for Switzerland and the DACH region. In 2017, we will continue to invest to strengthen our position, which should support us in further stabilizing financial trends."

50% eFCF growth and 11% dividend increase

Equity free cash flow increased by 13% YoY to CHF 64m in Q4'16. This led to a 50% equity free cash flow increase to CHF 230m in FY'16, supported by reductions in interest expenses after 2015 debt refinancing and in Capex following the 2012-15 network renewal. FY'16 Capex amounted to CHF 213m. This represents a decrease of CHF 79m YoY. The Capex guidance for FY'16 was CHF 220-230m. The gap to the FY'16 Capex guidance is due to a change in presentation, including movement in not-yet-paid Capex balances of CHF 18m. This reclassification has no impact on equity free cash flow and total cash flow, since its impact on Capex is fully offset by the opposite impact on 'ΔNWC'. As previously communicated, Sunrise paid the third and final instalment of its mobile license fees (CHF 108m) in Q3'16. This and the CHF 135m dividend paid in Q2'16 led, as expected, to a slight increase in the net debt / adj. EBITDA ratio, from 2.6x at YE'15 to 2.7x at YE'16. The Board of Directors will propose a dividend of CHF 3.33 per share (or CHF 150m in total) at the Annual General Shareholder meeting, paid from capital contribution reserves. This represents an 11% YoY dividend increase.

Ongoing subscriber momentum in focus areas

Despite strong competition, positive momentum in subscriber additions – supported by the innovative Smartphone Upgrade program – continued in FY'16. Sunrise added 85,700 net new mobile postpaid customers YoY (+6.1%), reaching a total of 1.49m customers. 26,400 new postpaid customers were added in Q4 alone, including 16,000 primary SIM net adds compared to 14,600 in Q3. The mobile prepaid customer base decreased as customers continue to migrate to postpaid tariffs.

FY'16 internet subscriber numbers went up 30,200 YoY (+8.9%) to 371,800 and TV subscribers increased YoY by 29,000 (+21.7%) to 162,800. The year-end was strong, with Q4 subscriber net adds exceeding that during Q3. Healthy growth was supported by attractive 'Home' tariffs, convergence benefits, faster broadband speeds, the recent Sunrise Smart TV enhancement and dedicated promotions.

Revenue decline eases in Q4 compared to FY'16

Q4'16 revenue decreased by -2.3% to CHF 501m, compared to -4.0% in FY'16. Improvements in low-margin hubbing and mobile hardware revenue (iPhone 7) contributed to a slowdown in revenue decline during Q4. Revenue excluding hubbing and hardware declined by 4.0% in Q4. This is roughly in-line with figures for Q3 and FY'16, despite accelerated pressure during the quarter in a lower margin B2B area due to a product transition phase. Furthermore, headwinds continued in the mobile prepaid and landline voice businesses and were also present in mobile postpaid, which experienced high demand at the value end of the market as in previous quarters. The Freedom hardware unwind, with customers migrating to 'Freedom' tariffs, also had an adverse impact on YoY revenue, however this impact continues to diminish. These headwinds were not fully compensated by subscriber growth in mobile postpaid, internet and TV.

Gross profit decline moderates and net profit rises

Gross profit decreased by -2.3% in Q4 YoY, moderating from -3.5% in Q3 and -4.1% in FY'16. Sunrise saw further reductions in its cost base as it continues to simplify and digitalize its operations. Adjusted Opex decreased by 6.0% in FY'16, with Q4'16 adjusted Opex falling 0.7% despite slightly increased marketing spend and a challenging base related to the release of bonus provisions in Q4'15. Cost efficiencies partly offset revenue headwinds: Q4'16 adjusted EBITDA was down 3.7% YoY to CHF 159m, while FY'16 adjusted EBITDA was down 2.5% to CHF 611m – in-line with FY'16 guidance of CHF 600-620m. Q4'16 net income almost doubled YoY to CHF 48m, supported by a tax-deductible impairment of investment, lower depreciation and amortization, and lower net financial items. FY'16 net profit improved to CHF 87m

following last year's loss, which was primarily related to extraordinary effects following the IPO and debt refinancing.

2017 guidance

FY'17 revenue is expected to range from CHF 1,820 million to CHF 1,860 million. Adjusted EBITDA is expected to be between CHF 595 million and CHF 610 million. Capex for FY'17 is expected to be within a range of CHF 225 million to CHF 265 million. The range is widened as the change in Capex presentation mentioned above makes Capex and 'ΔNWC' more volatile due to timing of payments. Included in the Capex guidance is the expectation that the recently announced new convergent offering - Sunrise One - drives further growth in the internet and TV base, triggering increasing needs for capitalized routers and set-top boxes.

Dividend policy of 65% eFCF pay-out reiterated

Sunrise reiterates its dividend policy of paying out at least 65% of equity free cash flow. The company confirms its net debt / EBITDA leverage target of 2.5x. Once this threshold is reached, cash in the excess of the 65% will be used for dividends, share buybacks or further deleveraging, as appropriate at that time. Upon meeting its FY'17 guidance, Sunrise expects to propose a dividend to the AGM for FY'17 in the range of CHF 3.45 to CHF 3.55 per share to be paid from capital contribution reserves in 2018.

Sunrise Communications Group AG published its financial results for FY 2016 today. Please see <http://corporate.sunrise.ch/ir/reports-and-presentations> for the report, the presentation, and further information.

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