

Media release

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Sunrise enters growth mode in FY'18 - 5% dividend increase

- Strong customer growth in mobile postpaid (+8.5% YoY), internet (+8.3% YoY) and TV (+14.1% YoY), driven by growth investment in network, service and products
- Service revenue increased +1.9% in Q4 (incl. IFRS 15: +1.8%) driven by customer momentum, while total revenue was down -4.6% due to lower hardware and hubbing sales; FY'18 revenue progressed from last year's stabilization to +1.2% growth
- Gross profit growth of +3.7% in Q4 and +2.5% in FY'18, with improvement partly reinvested into growth momentum
- Adj. EBITDA up +2.4% in Q4 (incl. IFRS 15: +3.6%), leading to +2.3% organic growth in FY'18
- Proposed dividend up 5% YoY to CHF 4.20
- Another year of growth is expected in FY'19, delivering CHF 608-623m adj. EBITDA as Sunrise continues to invest in the business to support future growth; dividend guidance confirmed with 4-6% growth

Revenue (CHF m)	Q4'17 excl. IFRS 15	Q4'18 incl. IFRS 15	Q4'18 excl. IFRS 15	YoY incl. IFRS 15	YoY excl. IFRS 15
Mobile services	341	333	333	(2.3%)	(2.3%)
Landline services	103	81	81	(22.0%)	(22.0%)
Landline internet	65	73	72	11.1%	10.7%
Total revenue	509	486	486	(4.6%)	(4.6%)
Service revenue (total excl. hubbing & hardware)	373	380	380	1.8%	1.9%
Gross profit	302	312	313	3.4%	3.7%
EBITDA	148	164	162	10.7%	9.6%
Adjusted EBITDA	148	153	152	3.6%	2.4%
Net income	23	35		47.5%	
Equity free cash flow	9	57		553.6%	
Customers (in k)					
Mobile Postpaid	1,594	1,729		8.5%	
Mobile Prepaid	756	628		(17.0%)	
Landline Voice	441	468		6.2%	
Internet	422	457		8.3%	
TV	214	244		14.1%	

Olaf Swantee, CEO of Sunrise, comments: "Having stabilized adj. EBITDA last year our growth investments started to deliver in 2018, leading to strong customer growth, market share gains, successful B2B transition and organic adj. EBITDA growth. This solid performance, along with our *outstanding* score in the 'connect' network test, reconfirms our strategy to be Switzerland's quality challenger."

Strongest postpaid net adds since 2010

Momentum in subscriber additions continued, with Sunrise achieving 42,300 postpaid net adds in Q4'18. This represents the company's strongest performance since 2010, enabled by B2B customer wins (Q4: Axpo; Federal Office of Information Technology, Systems and Telecommunication) and a strategic focus on quality across network, service and products. In FY'18, Sunrise added +8.5% net new mobile postpaid customers, up from +7.3% the previous year. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Internet and TV subscribers rose by +8.3% YoY and +14.1% YoY respectively. These substantial increases were supported by the

converged 'Sunrise ONE' tariff, improved TV content (e.g. 'Sky Sport' and 'Sky Show'), focus on service excellence, and dedicated promotions.

From revenue stabilization to revenue growth in FY'18

Q4 service revenue increased by +1.9% (incl. IFRS 15 +1.8%) YoY as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents an acceleration compared to Q3, when roaming summer promotions slowed momentum. Q4 total revenue decreased by -4.6% YoY to CHF 486m, influenced by reduced hardware and hubbing sales, which both carry low profitability.

FY'18 revenue improved +1.2% YoY, representing a progress compared to last year's stable performance. Growth was driven by customer and B2B momentum, which was able to overcompensate for structural decreases in landline voice and prepaid.

Higher gross profit and organic adj. EBITDA

Q4 gross profit rose by +3.7% YoY to CHF 313m, due to service revenue growth and an improved service gross margin. Service gross margin expansion was supported by revenue mix effects, continued reduction in mobile termination rates, utility access deals, and a one-off roaming accounting change. FY'18 gross profit came in at CHF 1,223m, an improvement of +2.5% YoY.

Gross profit improvement was partly reinvested into growth momentum (Q4 adjusted Opex +4.9% YoY), which supported the company's strongest performance in postpaid net adds since 2010. Q4 adjusted EBITDA increased +2.4% (incl. IFRS 15 +3.6%) to CHF 152m, leading to +2.3% organic adjusted EBITDA growth in FY'18 (tower adjusted). FY'18 net income improved from CHF 85m to CHF 107m YoY, adjusted for last year's gain on the tower disposal.

Leverage ratio stable - 5% higher dividend proposed

Equity free cash flow was primarily impacted by net working capital. Higher handset prices and the settlement of accrued roaming discounts weighed on FY'18 net working capital, while FY'17 benefited from accrued roaming discounts and a positive impact from the tower disposal. As a result, equity free cash flow decreased from CHF 219m last year to CHF 149m. The ratio of net debt to adj. EBITDA remained roughly stable at 1.99x, compared to 1.97x at YE'17. The Board of Directors will propose a dividend of CHF 4.20 per share at the AGM, representing a 5% YoY increase. The dividend will be paid from capital contribution reserves.

2019 guidance with revenue and adj. EBITDA growth

FY'19 revenue and adj. EBITDA are expected between CHF 1,860-1,900m and CHF 608-623m, respectively. Guidance factors in IFRS 15, which is expected to have a low-single digit negative CHFm impact on adj. EBITDA YoY. Guidance does not yet include the effects of IFRS 16. FY'19 Capex is expected to be in the range of CHF 420-460m. As indicated previously, it includes CHF 91m spectrum payment, CHF 61m upfront payment for landline access at Swisscom, and a CHF 16m upfront payment for landline access scope extensions at utilities. Excluding these effects, Capex guidance is CHF 252-292m. This includes accelerated 5G roll-out investments, which will drive network excellence and customer momentum, and provide the base for mobile broadband in rural areas.

Dividend policy confirmed

Sunrise confirms its long-term dividend policy of paying out at least 65% of equity free cash flow, and continues to target 85% if net debt / adjusted EBITDA leverage is below 2.0x. For 2018-20, Sunrise reiterates its annual 4-6% dividend progression guidance. This near-term guidance specification was introduced in March 2018, to protect investors from near term cash flow volatility due to landline access and spectrum payments. Upon meeting its FY'19 guidance, Sunrise expects to propose a dividend in the range of CHF 4.35-4.45 per share for FY'19, paid out of capital contribution reserves in FY'20.

Complementary FY'18 results table

Revenue (CHF m)	FY'17 <i>excl. IFRS 15</i>	FY'18 <i>incl. IFRS 15</i>	FY'18 <i>excl. IFRS 15</i>	YoY <i>incl. IFRS 15</i>	YoY <i>excl. IFRS 15</i>
Mobile services	1,231	1,271	1,271	3.2%	3.3%
Landline services	378	325	325	(14.0%)	(14.0%)
Landline internet	245	280	279	14.5%	14.1%
Total revenue	1,854	1,876	1,876	1.2%	1.2%
Service revenue (total excl. hubbing & hardware)	1,470	1,501	1,503	2.1%	2.3%
Gross profit	1,193	1,219	1,223	2.2%	2.5%
EBITDA	592	602	596	1.7%	0.6%
Adjusted EBITDA	601	601	595	(0.1%)	(1.1%)
Tower adjusted				3.4%	2.3%
Net income	505	107		(78.8%)	
Excl. gain on tower disposal	85	107		25.5%	
Equity free cash flow	219	149		(32.2%)	

Please see www.sunrise.ch/reports for the IFRS report, the investor presentation, and further information.

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