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Ongoing subscriber growth and improved net income in Q3

- Continued mobile postpaid customer growth (+19,600 net adds in Q3'16 or +79,800 YoY)
- Accelerated internet growth (+5,900 net adds in Q3'16 or +27,200 YoY) and solid TV customer growth (+4,700 net adds in Q3'16 or +25,100 YoY)
- Revenue decrease decelerated to -1.9% YoY from CHF 487m to CHF 478m in Q3'16
- Adjusted EBITDA down -3.8% YoY from CHF 169m to CHF 162m, with strong cost focus partly compensating lower revenue
- Net income up YoY from CHF 14m to CHF 22m, alongside 32% equity free cash flow improvement in Q3'16

In the third quarter 2016, Sunrise continued with mobile postpaid customer growth in a competitive market environment. The internet and TV customer base developed favourably supported by attractive tariffs and the awarded Sunrise Smart TV product. Moderate revenue decline YoY as postpaid and internet customer growth did not fully compensate for the declining prepaid and landline voice businesses, high demand at the value end of the market, and the fading Freedom hardware unwind. Sunrise continued to optimise its cost base on a road to simplification and digitalisation. Cost efficiencies partly offset revenue headwinds leading to a slight adjusted EBITDA decrease.

Olaf Swantee, CEO of Sunrise, comments: "The strong Q3 subscriber momentum and the recent BILANZ telecom ranking award confirm our strategy of investing in network and customer interface quality. With service revenue on a moderating but still decreasing path, we will continue to invest in order to further strengthen our position as the leading challenger that provides the best network quality, great customer experience at all touchpoints and strong innovations supported by key partnerships".

Ongoing subscriber momentum in focus areas

Despite strong competition the positive momentum in subscriber development continued in Q3'16 with mobile postpaid recording 79,800 net new customers YoY (+5.8%), reaching a total of 1,46m customers. In the third quarter 2016 alone, Sunrise added 19,600 new postpaid customers, including a sequential acceleration from 12,100 primary SIM net adds in Q2 to 14,600 in Q3. The launch of the iPhone 7 and the innovative Smartphone Upgrade program supported this positive momentum. The prepaid customer base continued to shrink as a result of both customers migrating to postpaid and churn of non-migrating Ortel customers, following the expiration of a MVNO contract with Salt.

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Internet subscribers increased by 27,200 YoY (+8.1%) to a total of 363,400, representing an acceleration compared to Q2 (+7.3%). TV subscribers increased YoY by 25,100 (+19.8%) to 151,900 customers. Despite the usual low trading during summer months, internet and TV showed a strong performance supported by attractive 'Home' tariffs, convergence benefits, increased broadband speeds and the recent Sunrise Smart TV enhancement.

Revenue decline easing

Q3'16 revenue decreased 1.9% YoY from CHF 487m to CHF 478m. Compared to Q2'16, the YoY revenue decrease almost halved. This was primarily driven by an improved development in low-margin mobile hardware revenue, supported by the iPhone 7 launch. While the decline of revenue excluding hubbing and hardware also slightly moderated, subscriber growth in mobile postpaid, internet and TV did not fully compensate for headwinds. Structural headwinds continued to be present within mobile prepaid and landline voice businesses. High demand at the value end of the market continued, as in previous quarters. The Freedom hardware unwind, related to mobile customers migrating to 'Freedom' tariffs, represented also an adverse YoY revenue impact, one expected to largely fade out by the end of 2016.

Continuous cost focus and rising net profit

Sunrise continued to reduce its cost base, with Q3'16 adjusted Opex falling by 3.1% YoY. Cost efficiencies partly offset revenue headwinds. Q3'16 adjusted EBITDA decreased by 3.8% YoY from CHF 169m to CHF 162m with the margin (excl. hubbing) contracting from 37.2% to 36.4%. Q3 EBITDA adjustments include provisions related to streamlining on management levels across Sunrise, with low single-digit million cost savings providing flexibility to support 2017 operational momentum. Q3'16 net income came in at CHF 22m, slightly above last year (CHF 14m), supported by lower depreciation & amortization and the above mentioned cost focus.

Improved equity free cash flow, in-line with expectations

On a rolling last twelve month view, equity free cash flow came in at CHF 223m by the end of Q3'16. This is an improvement compared to the end of Q2'16 (CHF 205m) and in-line with Sunrise's expectations. In Q3 standalone, equity free cash flow improved 32% YoY to CHF 73m, supported by lower Capex following the 2012-15 network renewal. As already communicated last quarter, Sunrise paid the third and final instalment of the mobile license (CHF 108m) already in Q3, instead of year end. This has allowed us to optimize interest costs although the net debt/EBITDA ratio slightly increased from 2.7x in Q2'16 to 2.8x in Q3'16.

Sunrise is No. 1 amongst the largest Swiss telecom market survey

"BILANZ", the top Swiss business magazine has conducted the largest customer survey in the Swiss telecom market. For the second time since 2015, Sunrise mobile phone services and the Sunrise Smart TV offer beat all competitors and were ranked No. 1. Residential customers voted Sunrise mobile network the best quality network, which was further underscored by the fact that four of the top five mobile providers use the Sunrise mobile network. Sunrise was

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also rated best universal telecom provider for residential and business customers in Switzerland (see all details in the [BILANZ Telecom-Rating 2016](#)).

Increased customer benefits thanks to strong partnerships

Thanks to its partnership with Apple, Sunrise has been able to surprise its customers with the exclusive [Sunrise Smartphone Upgrade](#). This program enables Sunrise postpaid customers, to get the newest iPhone every 12 months at no extra costs. With a take-up rate of above 80% it supported a very strong iPhone 7 launch at Sunrise: orders and sales more than doubled compared to the iPhone 6s in the first two weeks after the launch.

With the [extension of the successful, strategic network partnership with Huawei](#) for another four years, Sunrise ensures that its customers will benefit also in the future of a mobile network that sets national and international benchmarks in terms of technology and quality standards. Thanks to the partnership with the FreeMove Alliance which was signed in the beginning of November, Sunrise can provide its business customers with international footprint a one-stop-shop experience on a global level and offer a reliable mobile access and services in over 100 countries across the world.

High network and service quality are key reasons, why recognized companies like Skyguide, Gétaz Romang (CRH Group) and Spitex Sihl trust Sunrise solutions supporting strongly their core businesses.

2016 guidance reiterated

Sunrise reiterates its financial guidance provided in March 2016. Revenues are expected to be in the range of CHF 1,890m to CHF 1,930m in 2016. Adjusted EBITDA is expected to be between CHF 600m and CHF 620m. Capital expenditure guidance is reiterated to be between CHF 220m and CHF 230m. Cash taxes are expected to be in the range between CHF 45m to CHF 50m. Upon meeting its 2016 guidance, Sunrise expects to propose a dividend to the AGM for the financial year 2016 in the range of CHF 3.24 and CHF 3.36 per share to be paid from reserves from capital contribution in 2017.

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	9m 2016	9m 2015	Q3 2016	Q3 2015
Total revenue (CHF million)	1,396	1,464	478	487
Mobile services	932	966	324	325
Landline services	305	349	100	113
Landline internet	158	149	54	50
EBITDA (CHF million)	444	450	156	164
Adjusted EBITDA	452	461	162	169
Adjusted EBITDA margin (excl. hubbing)	34.7%	34.0%	36.4%	37.2%
EBIT	100	95	44	38
Net (loss) / income	39	(138)	22	14
Net income (adj. for IPO/refinancing costs, before tax impact)	39	19	22	17
Basic and diluted earnings per share (CHF)	0.86	(3.26)	0.48	0.32
Customer development (thousand)				
Mobile				
Postpaid	1,459	1,379		
Prepaid	947	1,061		
Landline				
Retail voice	412	394		
Internet	363	336		
IPTV	152	127		

Sunrise Communications Group AG published its financial results for Q3 2016 today. Please see <http://corporate.sunrise.ch/ir/reports-and-presentations> for the report, the presentation, and further information.

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About Sunrise

Sunrise Communications Group AG (Sunrise) is listed on the SIX Swiss Exchange in Zurich and is the leading fully-integrated challenger delivering a full range of services across all market segments. Sunrise is the leading non-incumbent operator in both the mobile (prepaid and postpaid) and landline retail voice markets, as well as the third-largest landline internet provider with IPTV, with approximately 3.3 million customer relationships, as of December 31, 2015. Sunrise is committed to deliver a best-in-class convergent experience.

Sunrise benefits from a 10,800 km nationwide state-of-the-art fibre network backbone. Sunrise provides mobile services through its own network based on GSM/GPRS/EDGE, UMTS/HSPA and LTE/4G technologies. On the fixed side, Sunrise leverages more than 600 points of presence in its fully-invested LLU network, with coverage of approximately 85% of households in Switzerland. The company has full access to the most advanced next-generation access technologies, such as vectoring, FTTS, FTTB and FTTH thanks to its long-term agreement with the incumbent, SFN and local utilities.

For the financial year ended December 31, 2015, Sunrise generated total revenue of CHF 1,976 million and adjusted EBITDA of CHF 627 million. Sunrise is headquartered in Zurich and had a total of 1,762 employees (including 108 apprentices) allocated to divers business locations across the entire country as of December 31, 2015.

For more information regarding Sunrise, please visit: www.sunrise.ch

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