



Sunrise Communications Group AG

Q2'16 financial results – 25 August 2016

Agenda

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|---|------------------------------|--------------------|
| 1 | First impressions of new CEO | Olaf Swantee (CEO) |
| 2 | Summary & operational update | Olaf Swantee (CEO) |
| 3 | Financials | André Krause (CFO) |
| 4 | Conclusion | Olaf Swantee (CEO) |
| 5 | Q&A | |

Strong 1st impressions - solid base to build on for the future



Challenges

- Structural declines in prepaid and landline voice
- Unlimited data market in Mobile
- B2B dominance of Swisscom



Best voice network

- Number 1 in mobile voice telephony for 2nd time in a row (Connect Test 2015)
- Own LLU network in landline complemented by access deal with Swisscom and utility partnerships



Innovative products via diversified channels

- Maintain innovation capacity supported by strategic partnerships
- Diversified distribution channels with upside in online channel



Serving B2C and B2B

- Simple and relevant value proposition in B2C and B2B
- Prominent B2B customer portfolio (e.g. Swiss Post, Zurich Airport)



Convergent offering

- Best Swiss TV product as rated by Bilanz in 2015
- Market share of 26% in Mobile, 10% in broadband, 3% in TV, and 12% in landline voice

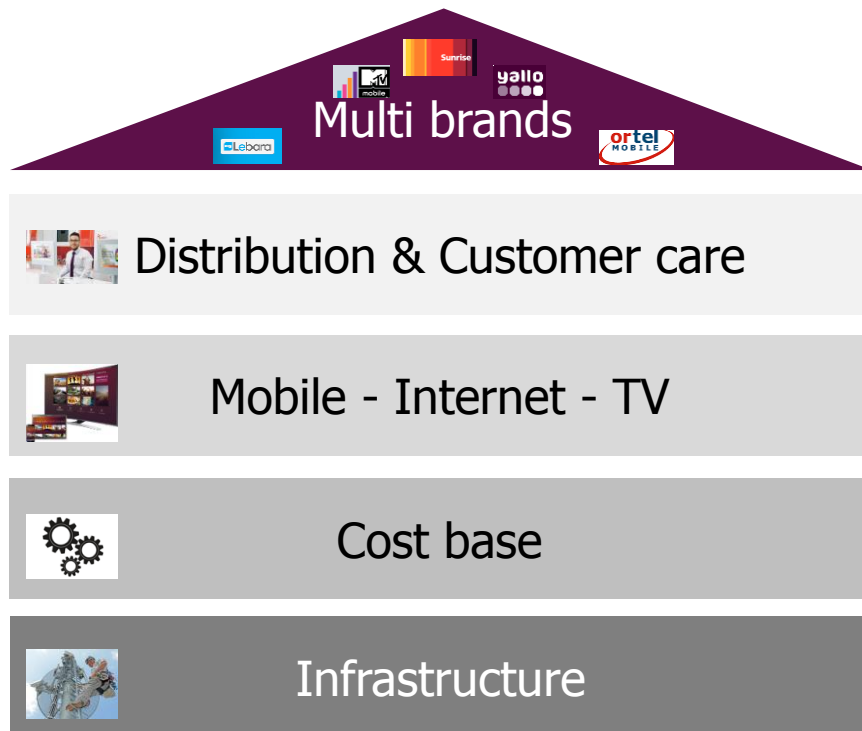


Awarded customer service

- Motivated and strong front line
- Winner of 2015 Connect Hotline Test
- Mobile already on strong levels, with upside in fixnet related to its higher complexity

Reinforce our position as the leading challenger

Solid base



Reinforcement focus

Continue focus on

- Brand awareness
- Customer experience & digitalization
- Innovative products
- Network quality

Increase focus on

- Customer base value management
- Churn management
- Profitable Prepaid subscriber base
- B2B and Internet/TV

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Q2 summary

Subscriber momentum alongside cost containment

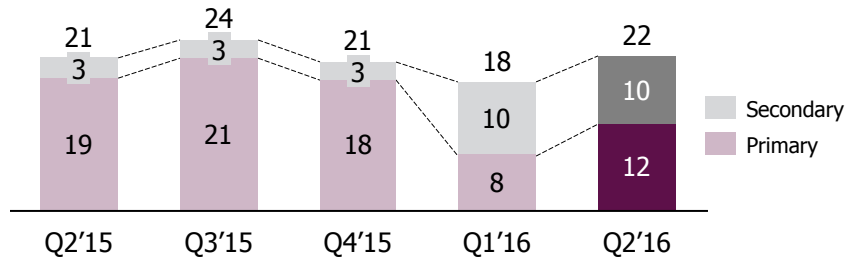
- Continued **subscriber** growth momentum in key focus areas
 - Another strong quarter for mobile postpaid with 6.2% YoY growth, despite competitive environment
 - Accelerated internet growth of 7.3% YoY alongside 20.4% YoY IPTV growth
- **Revenue** of CHF 472m, decline moderated to -3.2% YoY
 - Moderation compared to -8.8% in Q1'16, due to stabilization of low-margin HW and hubbing revenue
 - Service revenue¹⁾ down -4.1% (Q1'16: -4.4%) due to Freedom hardware unwind²⁾, roaming and postpaid value effect; decline in prepaid and landline voice offset by customer growth in focus areas
- Adj. **EBITDA** of CHF 150m, with margin up 20bps (excl. hubbing)
 - Headwinds to a large extent offset by cost efficiencies
- **Net income** amounted to CHF 10m
- LTM equity free **cash flow** of CHF 205m, in-line with company expectations; H1'16 equity free cash flow more than doubling YoY to CHF 93m
- **Guidance** 2016 reiterated

¹⁾ Total revenue excluding hubbing and mobile hardware revenues

²⁾ Pre-Freedom service revenues contain a subsidized hardware component which is unwinding as customers migrate to Freedom offering

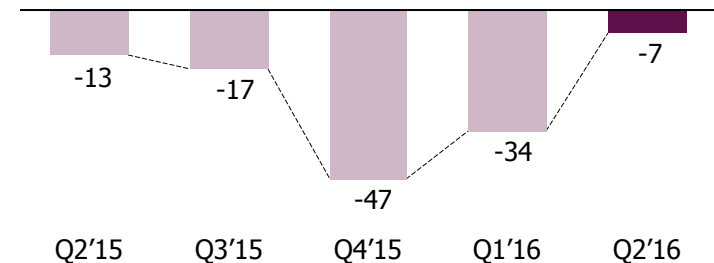
Continued growth momentum in wireless

Postpaid mobile net adds ('000)



- **Postpaid** supported by Freedom and yallo portfolios, leading to 1.44m total subscribers (+6.2% YoY)
- Primary SIMs with continued customer in-take momentum despite competitive pressure
- Secondary SIM increase driven by increased customer focus on data attachments (71% YoY usage increase per secondary SIM) and by campaigns bundling secondary SIMs to high value tariffs in order to support value mix and retention

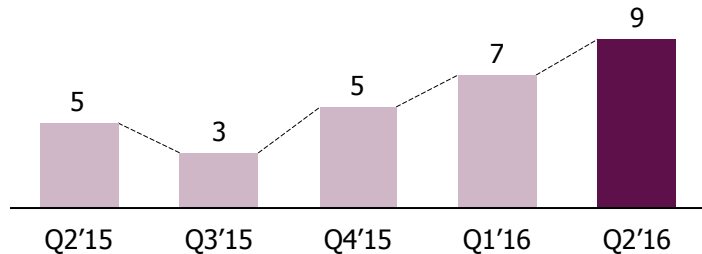
Prepaid mobile net adds ('000)



- **Prepaid** with ongoing pre- to postpaid migration, leading to 0.97m total subscribers
- Eased pressure on prepaid supported by seasonality and increased focus on market share
- Focus on valuable customer in-take maintained

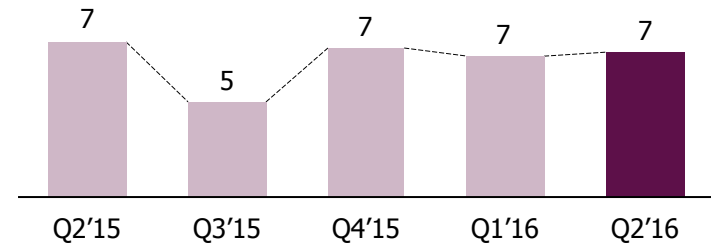
Broadband momentum is improving

Internet net adds ('000)



- **Internet** with strongest net adds in more than five years, leading to 357k total subscribers
- Increase supported by attractive 'Home' tariffs since Q3'14, convergence benefit, increased broadband speeds and the enhanced Sunrise Smart TV offering
- Usual low market liquidity of summer months expected for Q3'16, in-line with last year

TV net adds ('000)

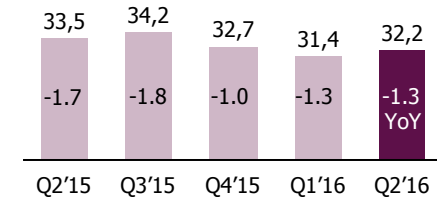


- **TV** net adds supported by enhanced Sunrise Smart TV offering launched in Nov 15, leading to 147k total subscribers
- Additional features coming up: Ultra high definition TV, mobile TV app upgrades

ARPU trends continuing, partly driven by temporary promotions and HW unwind

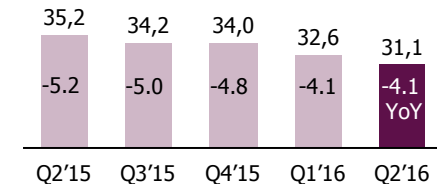
Blended mobile service ARPU (CHF)

- **Blended mobile** down CHF -1.3 YoY
- **Postpaid** down CHF -3.6 (Q1: CHF -3.7) partly driven 2nd SIM dilution and by temporary promotions ¹⁾ and Freedom HW unwind
- **Prepaid** down CHF -1.2 (Q1: CHF -1.2) due to high value prepaid customers migrating to postpaid



Landline voice ARPU (CHF)

- **Landline voice** down CHF -4.1 YoY due to fixed to mobile/OTT migration resulting in reduced voice usage and migration to flat rate packages



Blended internet & IPTV ARPU (CHF)

- **Blended internet & IPTV** down CHF -0.5 YoY driven by migrations to the 'Home' portfolio launched in Q3'14 ²⁾; partly compensated by TV customer growth and enhanced Sunrise TV, offering new features at a higher price
- Change in YoY trend compared to Q1 driven by impact of promotions ¹⁾ and by Q1 having benefited from improved product mix YoY vs. stable mix in Q2



¹⁾ Sunrise offered temporary promotions to some of its high value postpaid tariffs (offer period: Oct 2015 until mid Jan 2016) and internet tariffs (offer period: Jan – Mar 2016), whereby a discount is applied for the first six months (postpaid) and first three months (internet), respectively, after which time the tariff will revert back to the original price; the promotions target to improve value mix over the mid term

²⁾ Home share already at 72%

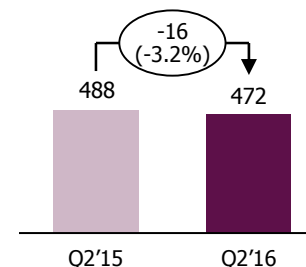
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Fading revenue pressure

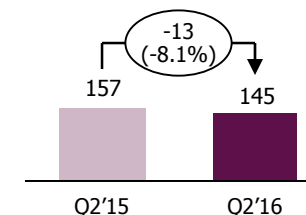
Revenue (CHFm)

- **Revenue down -3.2%** compared to -8.8% in Q1'16 primarily supported by improved development of low-margin HW and hubbing revenue
- **Moderating** service revenue ¹⁾ decrease of -4.1% compared to -4.4% in Q1'16; continued subscriber growth momentum in focus areas offset by headwinds



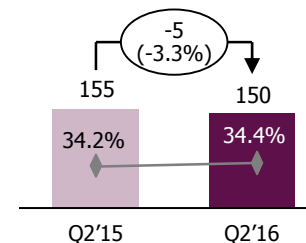
Adjusted Opex (CHFm) ²⁾

- **Reduction** in adj. **Opex** YoY in line with expectations
- Supported by organizational streamlining announced in September and other efficiencies



Adjusted EBITDA (CHFm) ²⁾

- **Slightly lower EBITDA**, in-line with expectations
- Strong cost focus leading to improved margin



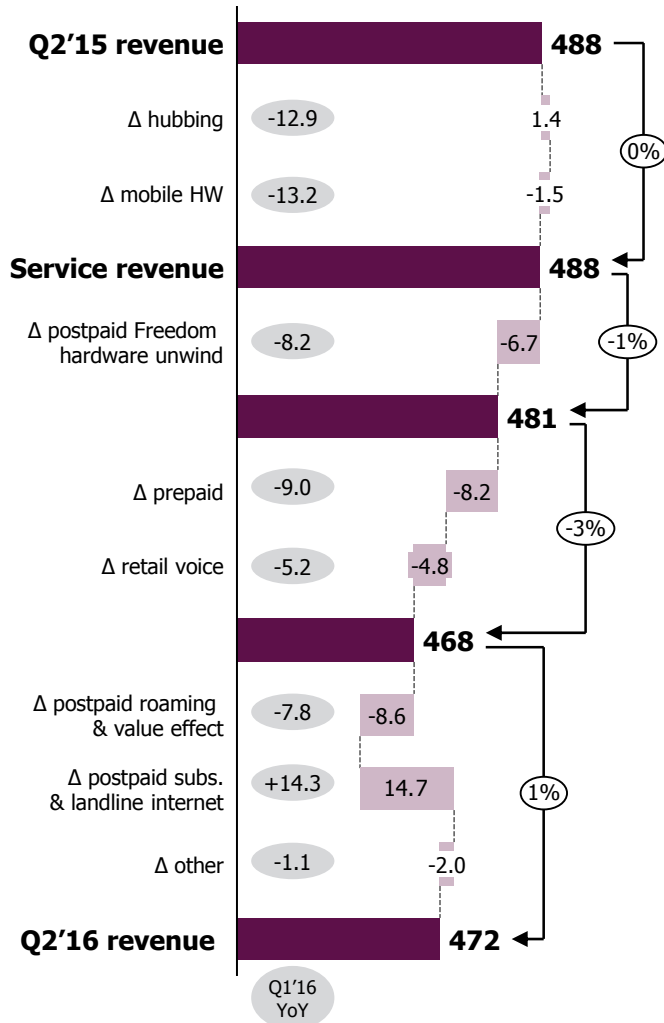
◆◆ Margin (excl. hubbing)

¹⁾ Total revenue excluding hubbing and mobile hardware revenues

²⁾ Total adjustments to reported EBITDA include out-of-period income and expenses, such as prior year related events, non recurring and/or non operating events and cost related to share-based payment.

Focus on Q2 revenue

Q2'16 revenue bridge (CHFm)

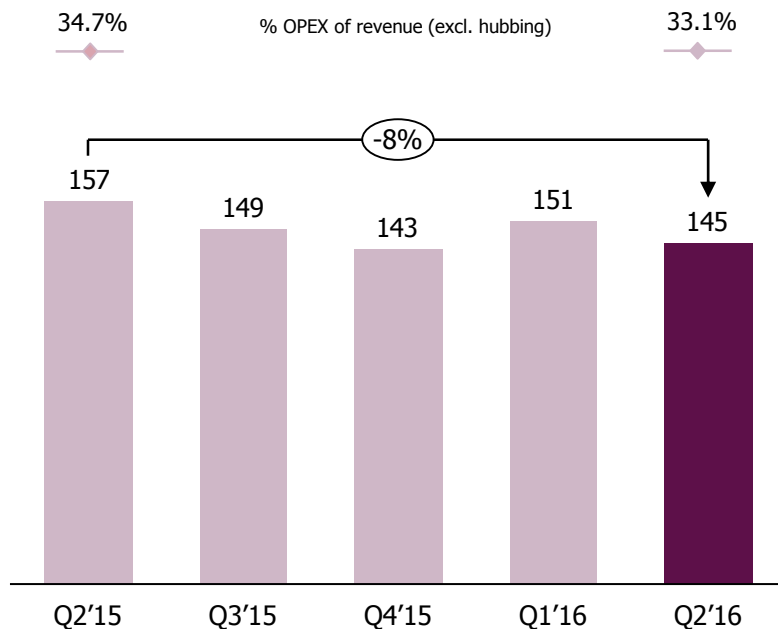


- **Hubbing:** international trading business which is volatile by nature
- **Mobile HW:** revenues are dependent on handset innovations / launches; Q2'16 with lower mobile HW gross margin YoY
- **Continuously fading Postpaid hardware unwind:** Freedom required a change in revenue recognition leading to immediate hardware upfront and subsequent lower mobile service revenue recognition
- **Prepaid:** decline mainly caused by pre- to postpaid migration (e.g. yallo postpaid)
- **Retail voice:** decline caused by fixed to mobile substitution, migration to flat rates as part of fixed bundles, and OTT applications
- **Postpaid roaming & value effect (incl. promo):** increased QoQ as Q2 roaming was not only impacted by price change of mid May 15 but also by early Easter (last year in Q2, this year in Q1); value effect caused by temporary impact of Q4'15 promotions ¹⁾ and by high liquidity & attractive offers at value end of market
- **Postpaid subscription:** positive impact of increased customer base driven by investments in customer service, innovation, brand and network
- **Landline internet:** continued subscriber growth in internet and TV
- **B2B:** was down across service revenue components mentioned on the left, due to pressure in low-margin Integration business, Freedom HW unwind in SoHo, and fixed network products being under competitive pricing pressure

¹⁾ Sunrise offered temporary promotions to some of its high value postpaid tariffs (offer period: Oct 2015 until mid Jan 2016), whereby a discount is applied for the first six months, after which time the tariff will revert back to the original price; the promotions target to improve value mix over the mid term

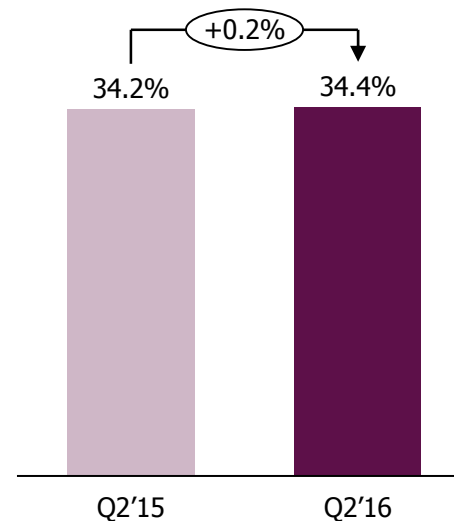
Continued cost containment

Adjusted Opex¹⁾ (CHFm)



- Adj. **Opex down 8%** YoY supported by organizational streamlining and other efficiencies
- Average quarterly Opex of slightly below CHF 150m to be expected for remaining 2016
- Further cost opportunities identified based on sourcing optimization as well as simplifying and digitizing processes and customer interactions

Adjusted EBITDA¹⁾ margin (excl. hubbing) (%)

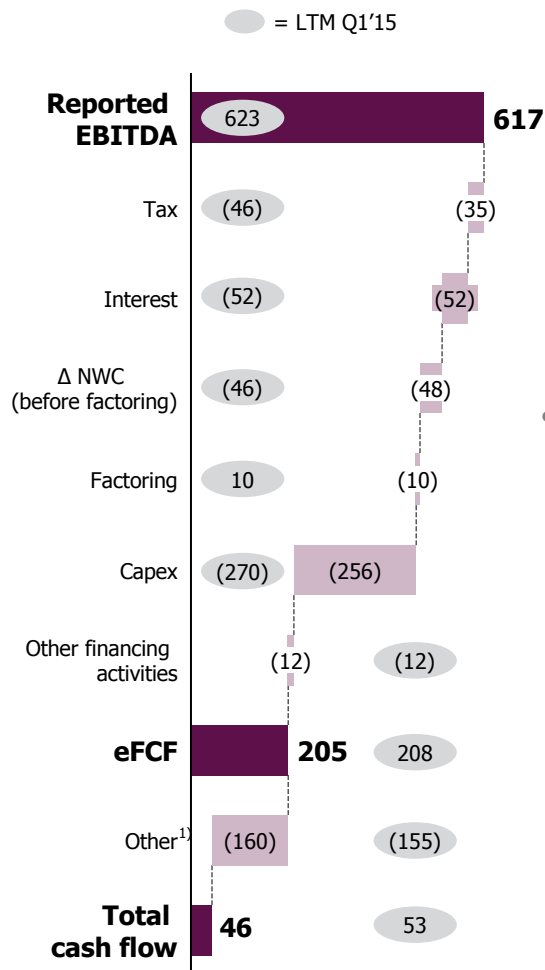


- **Improved margin** supported by reduced adj. Opex
- Despite gross margin (excl. hubbing) decrease driven by higher international termination rates and Freedom HW unwind, as indicated in FY'16 guidance; furthermore YoY lower HW gross margin

¹⁾ Total adjustments to reported EBITDA include out-of-period income and expenses, such as prior year related events, non recurring and/or non operating events and cost related to share-based payment

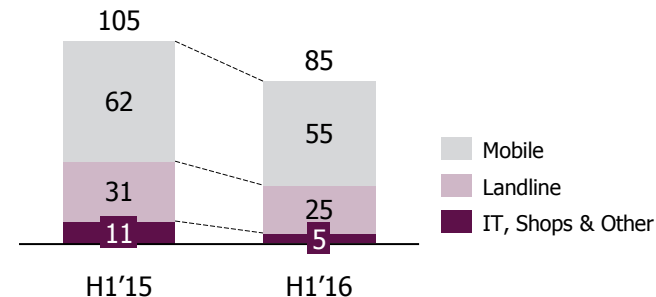
Equity FCF in-line with expectations

Cash flow LTM Q2'16 (CHFm)



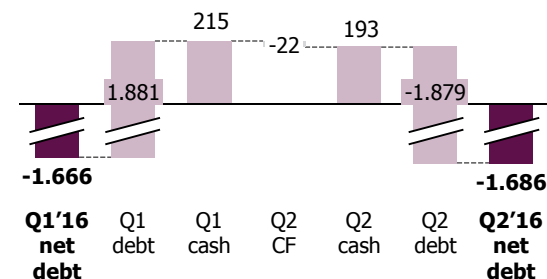
- **Stable eFCF** with Capex reduction compensated by lower use of factoring agreement²⁾ as Freedom migration is maturing

Reduced Capex H1'16 (CHFm)



- Reiterating CHF 220-230m Capex guidance
- Capex reduction as anticipated, after Capex hike due to network renewals in 2012-2015

Slightly higher net debt QoQ (CHFm)



- Net debt / EBITDA ratio up from 2.6x to 2.7x QoQ due to dividend pay-out weighing on Q2 cash flow

¹⁾ LTM Q2'16 "Other" included CHF 135m dividend payment in Q2'16; LTM Q1'16 included payment of the 2nd installment of mobile license of CHF 105m in Q2'15

²⁾ Q2'16 eFCF supported by CHF 38m factoring while Q2'15 eFCF supported by CHF 57m factoring (see Appendix)

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Conclusion

Q2 recap

- Continued **subscriber** growth momentum in focus areas
- Moderation in service **revenue** decrease alongside stabilization in low-margin areas HW and hubbing
- Continued Opex improvement YoY as expected, compensating revenue headwinds to a large extent on **EBITDA** level
- Equity free **cash flow** in-line with expectations

Outlook

- FY'16 **guidance** is reiterated

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Appendix

Appendix

- 1 Financials
- 2 First impressions of new CEO

Overview of results – Income Statement

P&L (CHF million)	H1 2016	H1 2015	Q2 2016	Q2 2015
Mobile services	608	641	311	321
<i>thereof hardware</i>	112	126	60	61
Landline services (incl. voice)	205	237	108	117
<i>thereof hubbing</i>	61	72	35	34
Landline internet & TV	104	99	52	50
Total revenues	917	976	472	488
<i>% YoY growth</i>	<i>(6.0%)</i>		<i>(3.2%)</i>	
Service revenues (total excl. hubbing & hardware)	745	778	377	393
<i>% YoY growth</i>	<i>(4.3%)</i>		<i>(4.1%)</i>	
COGS	(332)	(358)	(177)	(175)
Gross profit	586	618	295	313
<i>% YoY growth</i>	<i>(5.3%)</i>		<i>(5.7%)</i>	
<i>% margin</i>	63.8%	63.3%	62.5%	64.1%
Opex	(298)	(332)	(147)	(159)
EBITDA	287	286	148	153
<i>% YoY growth</i>	<i>0.3%</i>		<i>(3.5%)</i>	
Adjusted EBITDA	290	293	150	155
<i>% YoY growth</i>	<i>(1.0%)</i>		<i>(3.3%)</i>	
<i>% margin</i>	31.6%	30.0%	31.8%	31.8%
<i>% margin (excluding hubbing revenues)</i>	33.8%	32.4%	34.4%	34.2%
Depreciation and amortization	(232)	(229)	(118)	(115)
<i>% YoY growth</i>	<i>(1.3%)</i>		<i>(2.3%)</i>	
Operating income	56	58	30	38
Net financial items	(30)	(204)	(16)	(17)
Income taxes	(8)	(6)	(5)	(7)
Net (loss) / income	17	(152)	10	14
Thereof (before tax impact):				
IPO & refinancing transaction	0	(155)	0	0
Restructuring expenses	1	0	1	0
IAS 19 curtailment	0	0	0	0
PPA effect ¹⁾	(64)	(76)	(32)	(38)

¹⁾ Purchase Price Allocation (PPA) effect of fair value adjustments resulting from the acquisition of Sunrise Communications AG in 2011 & embedded derivatives on the condensed consolidated interim statements of income

Overview of results – Cash Flow Statement

Cash Flow (CHF million)	H1 2016	H1 2015	Q2 2016	Q2 2015
EBITDA	287	286	148	153
Change in net working capital	(68)	(55)	33	55
<i>thereof handset receivable factoring impact</i>	21	72	38	57
Movement in pension and provisions	(6)	2	(2)	1
Interest (paid) / received, net incl. foreign currency impact	(25)	(70)	(10)	(9)
<i>thereof IPO and refinancing transaction impacts</i>	-	(29)	-	-
Corporate income and withholding tax (paid) / received	(16)	(15)	(2)	(13)
Cash flow from operating activities	173	148	167	187
Capex	(84)	(105)	(52)	(66)
% Capex-to-revenues (excl. hubbing & HW revenues)	11.3%	13.5%	13.9%	16.9%
Cash flow after investing activities	89	44	115	120
Repayment other financing items	(1)	(0)	(0)	(0)
Proceeds/(repayments) from debt, net	(4)	(981)	(2)	(116)
Settlement of derivatives	-	(348)	-	-
Proceeds from initial public offering, net	-	1'311	-	(19)
Payment of dividend	(135)	-	(135)	-
Total cash flow	(52)	25	(22)	(15)
Cash and cash equivalents as of BoP	244	120	215	161
Foreign currency impact on cash	0	1	0	(0)
Cash and cash equivalents as of June 30	193	146	193	146

Equity Free Cash Flow	H1 2016	H1 2015	Q2 2016	Q2 2015
CHF million				
EBITDA	287	286	148	153
Change in net working capital	(68)	(55)	33	55
Interest (paid) / received, net excl. foreign currency impact	(25)	(70)	(10)	(9)
Corporate income and withholding tax (paid) / received	(16)	(15)	(2)	(13)
Capex	(84)	(105)	(52)	(66)
Other financing activities	(1)	(0)	(0)	(0)
Equity free cash flow	93	41	117	120

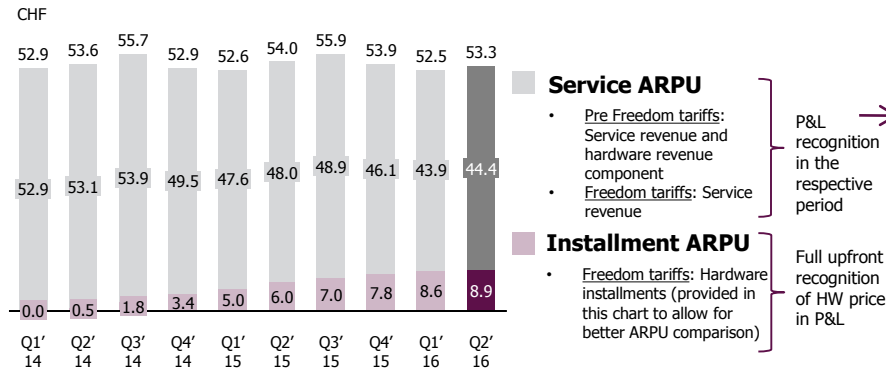
Leverage ratio slightly up in Q2 due to dividend pay-out

Net debt (CHF million)	June 30, 2016	March 31, 2016	December 31, 2015	June 30, 2015
Senior Secured Notes issued February 2015	500	500	500	500
Term loan B	1'360	1'360	1'360	1'360
Total cash-pay borrowings ¹⁾	1'860	1'860	1'860	1'860
Financial lease	19	21	23	27
Total debt	1'879	1'881	1'883	1'887
Cash & Cash Equivalents	(193)	(215)	(244)	(146)
Net debt	1'686	1'666	1'639	1'741
Net debt / EBITDA	2.7x	2.6x	2.6x	2.7x

¹⁾ Nominal amounts, i.e. excluding capitalized debt issuance cost

Freedom tariff – P&L impact

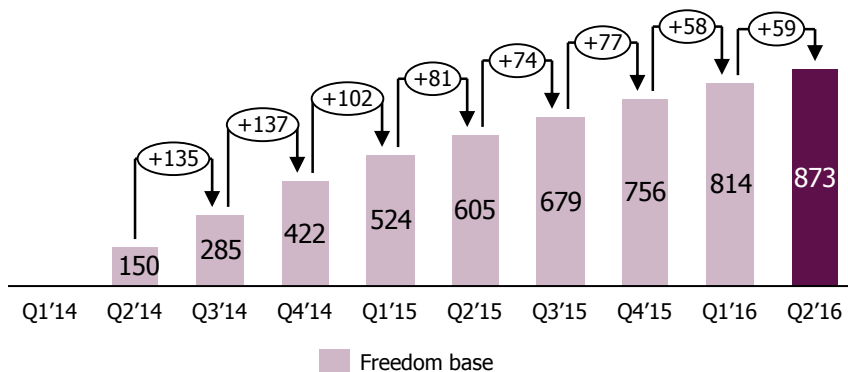
Postpaid ARPU



Postpaid P&L

CHFm	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Revenue										
Postpaid Service	202	206	211	195	188	193	201	192	185	190
Total Mobile Hardware ²⁾	16	70	66	100	65	61	55	78	52	60
of which Freedom related		51	49	73	48	48	42	60	41	43
EBITDA contributions										
Postpaid Service Gross Profit	176	179	183	169	165	168	172	162	158	161
Mobile Hardware	(0)	3	2	3	1	2	2	3	1	2
Postpaid SARC ³⁾	(41)	(21)	(13)	(16)	(13)	(14)	(12)	(14)	(12)	(12)
EBITDA impact	135	161	172	156	152	157	163	151	146	151

Freedom¹⁾ subscriber development ('000)



Additional statistics:

- Total postpaid SIM-only share of 37% as of Q2'16
- Below 60k subscribers left on pre-Freedom, subsidized rate plans
- Negative YoY postpaid service revenue due to pre-Freedom hardware unwind ⁴⁾, fading as migration nears completion in 2016

¹⁾ Freedom are postpaid mobile rate plans launched in April 2014 (see Q1'15 results report for more information)

²⁾ Mobile HW revenue increased in Q2'14 supported by upfront recognition

³⁾ Shift of HW costs from SARC to COGS as of Q2'14 (both times fully recognized upfront); Q2'14 EBITDA positively impacted by upfront recognition of HW

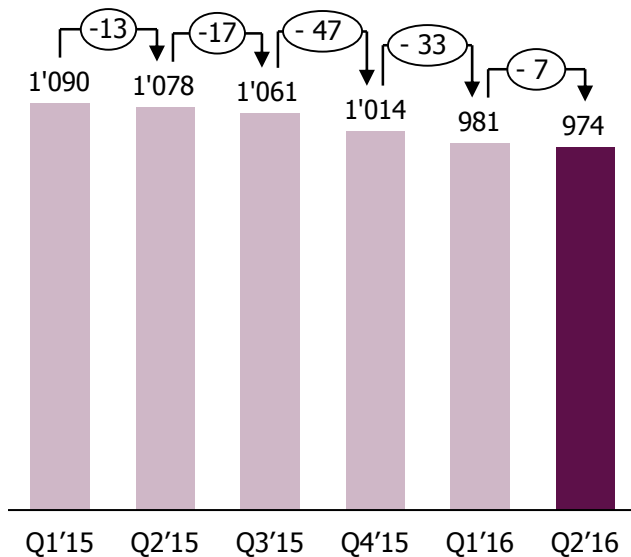
⁴⁾ i.e. pre-Freedom hardware revenue component is not existent under Freedom any longer

Prepaid subscriptions based on 3 and 12 month activity rule

Market and performance update

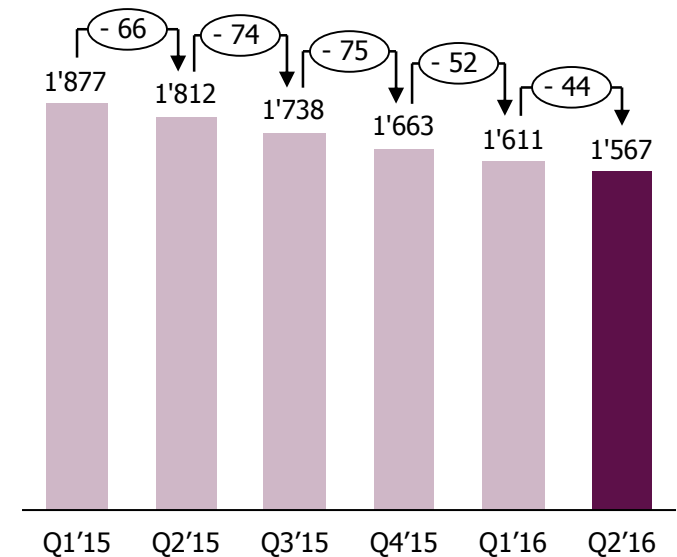
- Decreasing prepaid customers as a result of pre- to postpaid migration: postpaid flat rate plans providing similar cost control like prepaid; demand for high value smart phone instalment plans which are not available in prepaid
- Migration strategy focused on maximizing value through attractive postpaid SIM-only offers (Freedom, yallo postpaid)

Prepaid subscriptions: 3 month rule



- For the purpose of transparency, prepaid customers based on a 12 month activity rule are provided
- 3 month activity rule is a more accurate representation of the prepaid market

Pro-forma prepaid subscriptions: 12 month rule



Appendix

1 Financials

2 First impressions of new CEO

Innovative products for at home and on the go

Simple and convergent telecom offering



- **Simplicity** is a key characteristic of the product portfolio - we provide products which are easy to understand, to buy and to use
- **Innovative** products with Freedom mobile tariffs having no fixed contract duration alongside flexible and competitive Home offerings; strategic partnerships to further drive innovation
- **Convergent** one-stop-shop product portfolio in place, reducing complexity for customer and supporting cross selling and customer loyalty
- Best residential TV and internet product of the "nationwide" telecoms (Bilanz Rating 2015)

Diversified distribution channel mix

91 Sunrise POS across Switzerland



- **Direct/indirect** sales ratio with direct channel of above 50% for Sunrise and MTV brands
- **91 POS** with good footprint across Switzerland
- **Digital** channels with lower share compared to other countries - providing upside
- **Indirect sales** channels based on long-standing partnerships with above 2000 POS across Switzerland
- Budget brands distributed through incremental indirect POS

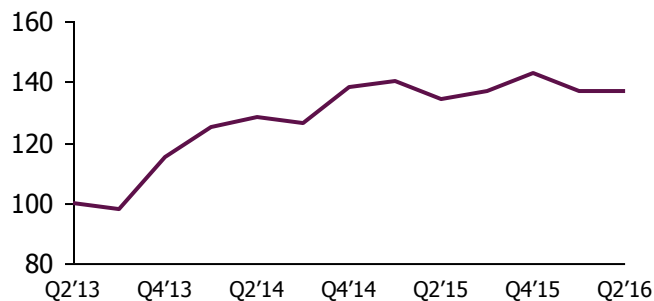
Strongly improved customer service with further upside



- Customer oriented company culture with **NPS** embedded in incentive schemes, supporting strong **improvements** since 2013
- Mobile already on strong levels, with further **upside** primarily in fixnet related to its higher complexity
- Drive further simplification and **digitalization** going forward

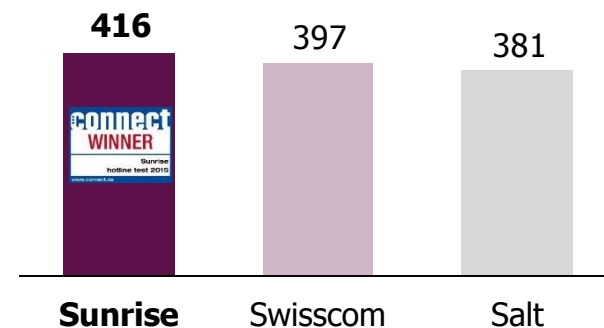
Improving Net Promoter Score (NPS) ¹⁾

Q2'13 rebased to 100



1) NPS includes customer ratings on Sunrise shops, call centers, and other customer touch points

Winner of Connect Hotline-Test 2015



Increasing focus on B2B

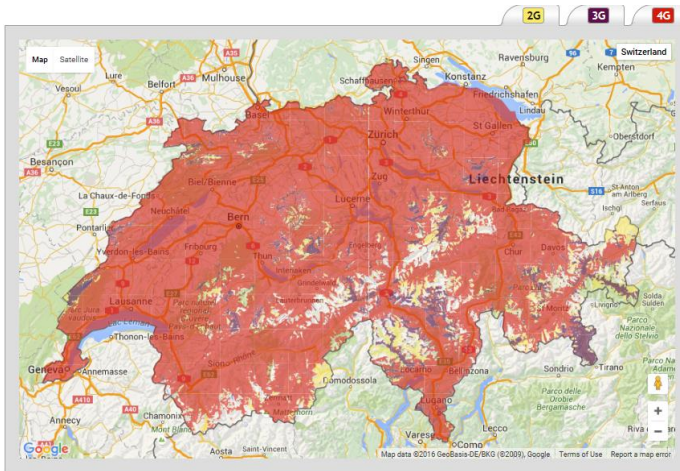


- Sunrise represents the credible B2B **challenger** with a complete mobile and landline offering, as well as a strong network and customer service
- Good B2B **product** portfolio with relevant value proposition
- Sunrise with prominent **customer** portfolio including Swiss Post and Zurich Airport

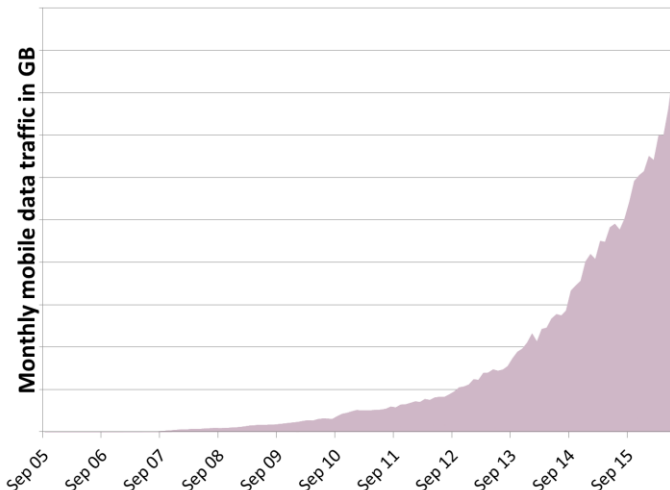


Among the best networks in the DACH area

98.7% LTE (4G) population coverage ¹⁾



Mobile data traffic almost doubling each year



¹⁾ Outdoor LTE population coverage as of June 2016; Map based on Google

²⁾ Based on Connect Test 2015

³⁾ Peak data throughput measured in June 2016 in busy hours

⁴⁾ Including up and down link; based on Sunrise estimates

- **Number 1 Swiss mobile operator** in terms of voice quality for 2nd time in a row, with high mobile data speeds available ²⁾
 - Above 3600 of mobile sites
 - Mobile data throughput of 22.3 Gbit/s measured in June 2016 ³⁾
 - 16 MHz sub 1GHz spectrum per million mobile subscriber, vs. 8 at Swisscom and 15 at Salt ⁴⁾
 - Experienced average download speed of ~95 Mbit/s for fastest 1k customers
 - All Swiss cities (>10k inhabitants) with experienced Ø download speed of ~30 Mbit/s
- **Capex-light landline** strategy with attractively priced products
 - Fully invested LLU network with above 600 PoPs, enabling connectivity to FTTH
 - Higher data speeds covered via access deal with Swisscom and partnerships with Swiss utilities



Thank you for your interest in Sunrise

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