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Sunrise with continuous subscriber growth in mobile, internet and TV

- Ongoing growth of mobile postpaid customers (+84,100 or +6.2% YoY as per end of Q2'16)
- Accelerated internet growth (+24,200 or +7.3% YoY) and solid TV customer growth (+24,900 or +20.4% YoY as per end of Q2'16)
- Revenue decrease of 3.2% YoY from CHF 488m to CHF 472m in Q2'16
- Adjusted EBITDA down 3.3% YoY from CHF 155m to CHF 150m, with margin (ex. hubbing) improving 20 bps in Q2'16 supported by cost focus
- Increase of net income (adj. for IPO/refinancing costs) YoY from CHF 2m to CHF 17m in H1'16, while slightly down in Q2'16 standalone

In the second 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 competitive Sunrise Smart TV product. Revenue declined YoY as postpaid and internet customer growth did not fully compensate for the declining prepaid and fixed voice businesses, the fading Freedom hardware unwind, and the value effect of lowered roaming prices and temporary promotions. Sunrise continued to optimise its cost base on a road to simplification and digitalisation. Cost efficiencies largely offset revenue headwinds leading to a slight adjusted EBITDA decrease.

Olaf Swantee, CEO of Sunrise, comments: "While having joined Sunrise only in the mid of the reported quarter, I am pleased to see that the revenue decrease halved compared to Q1. As a solid basis for a strong market position, the company invested in an improved network, customer service and in innovative convergent products for residential and business customers. Nevertheless there is more to be done in these respective areas and I look forward to further strengthen our position as the leading challenger".

Strong subscriber momentum in mobile postpaid, internet and TV

Despite strong competition the positive momentum in subscriber development continued in Q2'16 with mobile postpaid recording 84,100 net new customers YoY (+6.2%), reaching a total of 1,44m customers. In the second quarter 2016 alone, Sunrise added 21,700 new postpaid customers (of which 12,000 primary SIMs), representing another strong quarter. While the prepaid customer base continued to shrink as customers migrate to postpaid, the quarterly decline has moderated compared to Q1.

Internet subscribers grew by 24,200 YoY (+7.3%) to a total of 357,500, representing the strongest quarterly net adds (+9,000) in more than five years. TV subscribers increased YoY by 24,900 (+20.4%) to 147,200 customers. Drivers for the strong internet and TV performance include the attractive 'Home' tariffs, convergence benefits, increased broadband speeds and the recent Sunrise Smart TV enhancement.

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Moderating revenue decrease

Q2'16 revenue decreased 3.2% YoY from CHF 488m to CHF 472m. Compared to Q1'16, the YoY revenue decrease more than halved. This was primarily supported by an improved development in low-margin hubbing and mobile hardware revenues. While the decline of the 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. Furthermore, negative value effects occurred from roaming price changes last year and temporary promotions. The Freedom hardware unwind, related to mobile customers migrating to 'Freedom' tariffs, represented also an adverse YoY revenue impact, an effect which is expected to largely fade out by the end of 2016.

Continued cost containment leading to higher margins

Sunrise continued to improve its cost base and reduced Q2'16 adjusted Opex by 8.1% YoY. Cost efficiencies offset revenue headwinds and gross margin pressures to a large extent, the latter coming from the Freedom hardware unwind and higher international termination rates. Q2'16 adjusted EBITDA decreased by 3.3% YoY from CHF 155m to CHF 150m with the margin (excl. hubbing) improving from 34.2% to 34.4%. Q2'16 net income came in at CHF 10m, slightly below last year (CHF 14m).

Equity free cash flow in-line with expectations

On a rolling last twelve month view, equity free cash flow came in at CHF 205m by the end of Q2'16. This is roughly stable compared to the end of Q1'16 (CHF 208m) and in-line with Sunrise's expectations. While Q2 equity free cash flow benefited YoY from less Capex, the company did take on less factoring as the Freedom migration is maturing. The cash development in the second quarter enabled Sunrise to pay the third and final instalment of the mobile license (CHF 108.3m) already on July 20th, instead of year end. This allowed to optimize interest costs. The net debt/EBITDA ratio slightly increased sequentially from 2.6x in Q1'16 to 2.7x in Q2'16, driven by the dividend pay-out as decided at the AGM.

Further improved customer experience serving as growth basis

To confirm its position as the leading challenger in the Swiss market, Sunrise continues to improve the customer experience in all touch points. To respond to the increased customer needs in data consumption, Sunrise increased the surf speed of Sunrise Home internet start by 50% for existing customers. The solid TV customer growth (+24,900 or +20.4% YoY) reflects the advantages of Sunrise Home over other providers. Sunrise Home customers can put together their own packages consisting of landline service, Internet and Sunrise Smart TV.

Ranked as the Swiss number 1 for mobile voice telephony by the leading network test of the independent trade magazine "connect", Sunrise further strengthens its mobile network and provides currently 98.7 % of the population with 4G services. The biggest cities already have 4G+ high-speed internet for mobile usage, which can achieve speeds of up to 300 Mbit/s. Also urban areas will be covered with 4G+ by the end of this year. This translates into an

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outstanding mobile data performance, offering an experienced average download speed of approximately 95 Mbit/s for the fastest 1000 subscribers' data sessions. The average experienced download speed reaches approximately 30 Mbit/s in all Swiss cities (>10'000 inhabitants) which would enable about five parallel YouTube HD or ten (higher compressed) parallel Sunrise Smart TV streams. Based on the excellent network, an increasing number of well-known companies relies on the solutions, products and innovations of Sunrise - among others the Swiss Post and Zürich Airport. Awards like the [Microsoft Gold Status for Business Sunrise](#) in the Unified Communications (UCC) segment and the successful recertification as [Cisco Gold Partner](#) for integrated Cisco solutions are further underlining the high competence of Sunrise within the B2B area.

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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	H1 2016	H1 2015	Q2 2016	Q2 2015
Total revenue (CHF million)	917	976	472	488
Mobile services	608	641	311	321
Landline services	205	237	108	117
Landline internet	104	99	52	50
EBITDA (CHF million)	287	286	148	153
Adjusted EBITDA	290	293	150	155
Adjusted EBITDA margin (excl. hubbing)	33.8%	32.4%	34.4%	34.2%
EBIT	56	58	30	38
Net (loss) / income	17	(152)	10	14
Net income (adj. for IPO/refinancing costs, before tax impact)	17	2	10	14
Basic and diluted earnings per share (CHF)	0.38	(3.71)	0.22	0.32
Customer development (thousand)				
Mobile				
Postpaid	1,439	1,355		
Prepaid	974	1,078		
Landline				
Retail voice	402	395		
Internet	357	333		
IPTV	147	122		

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Sunrise Communications Group AG published its financial results for Q2 2016 today. Please see <http://corporate.sunrise.ch/ir/reports-and-presentations> for the report, the presentation, and further information.

Sunrise

Corporate Communications

P.O. Box

CH-8050 Zürich

media@sunrise.net

www.sunrise.ch

Phone: +41 800 333 000

Fax: +41 58 777 61 67

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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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