

Media release

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Q1 with growth in EBITDA and in customer base

- Continued mobile postpaid customer growth (Q1'17: +92,600 or +6.5% YoY) in a competitive market environment
- Accelerated internet (Q1'17: +37,500 or +10.7% YoY) and TV customer growth (Q1'17: +35,400 or +25.2% YoY) boosted by compelling tariffs and Sunrise's award-winning TV product
- Revenue decline further slowing compared to previous quarters; revenue down -1.0% (not adjusted for MTR: -3.3%) YoY from CHF 446m to CHF 431m as customer growth continued to be offset by lower average revenue per user (ARPU)
- Adj. EBITDA up +2.1% YoY from CHF 140m to CHF 143m with continued cost focus compensating for lower revenue
- Net income almost doubled to CHF 13m in Q1'17 YoY and equity FCF improved in-line with Sunrise's expectation
- FY'17 guidance reiterated
- Organizational changes in Executive Leadership Team: appointment of new CCO and change in CBO position

	Q1'16	Q1'17	YoY	YoY MTR adjusted
Revenue (CHF m)				
Mobile services	297	279	(6.0%)	(2.6%)
Landline services	97	95	(2.3%)	
Landline internet	52	57	10.6%	
Total revenue	446	431	(3.3%)	(1.0%)
Service revenue (total excl. hubbing & hardware)	368	352	(4.1%)	(1.4%)
EBITDA	139	141	1.4%	
Adjusted EBITDA	140	143	2.1%	
Adj. EBITDA margin (excl. hubbing)	33.3%	35.7%		
Net income	7	13	89.6%	
Equity free cash flow	(24)	29	220.4%	
Customers (thousand)				
Mobile				
Postpaid	1,418	1,510	6.5%	
Prepaid	981	890	(9.2%)	
Landline				
Retail voice	397	423	6.5%	
Internet	349	386	10.7%	
IPTV	140	176	25.2%	

Olaf Swantee, CEO of Sunrise, comments: "Q1 represents another quarter with strong customer growth, underscoring our leading network quality, improved customer interface, and innovation capacity. The recent launch of our attractively priced 'Sunrise ONE' tariff further sharpens our positioning as 'The Unlimited Company'. Its uptake was good so far and as such it should support us in strengthening financial trends going forward."

Customer momentum in focus areas goes on

Despite strong competition, positive momentum in subscriber additions continued in Q1'17, supported by the multi brand approach, improved network quality, diversified distribution channels, and a broad product offering with an attractive price performance ratio. Sunrise added 92,600 net new mobile postpaid customers YoY (+6.5%), reaching a total of 1.51m customers. 24,900 new postpaid customers were added in Q1 alone, including 13,300 primary SIM net adds compared to 7,700 last year. The mobile prepaid customer base decreased as customers continue to migrate to postpaid tariffs.

Q1'17 internet subscribers went up 37,500 YoY (+10.7%) to 386,000 and TV subscribers increased YoY by 35,400 (+25.2%) to 175,800. Q1 internet and TV subscriber net adds clearly exceeded that during previous quarters, driven by attractive 'Home' tariffs, convergence benefits, faster broadband speeds, the recent Sunrise Smart TV enhancement and dedicated promotions.

Revenue decline continued to soften

Q1'17 revenue decreased by -3.3% to CHF 431m. The key driver for the decrease was the on 20th October 2016 announced cut in Mobile Termination Rates (MTR) as per 1st January 2017. Its negative impact on revenue was CHF -10m, while its impact on Gross Profit was almost negligible, as expected. Adjusted for MTR, revenue decreased by -1.0%, compared to -2.3% in Q4'16. Revenue excluding low-margin hubbing and hardware decreased by -1.4% (MTR adjusted) since positive customer momentum could not compensate for structural declines in landline voice and mobile prepaid. The -1.4% represent a softening compared to -4.0% in Q4, supported by fading headwind in a low-margin B2B area (product transition) as well as a continued fading of the freedom hardware unwind.

Higher adjusted EBITDA and net income

Gross profit decreased by -1.6% in Q1 YoY, moderating from -2.3% in Q4. Sunrise saw further reductions in its cost base as it continues to simplify and digitalize its operations. Adjusted Opex decreased by 5.0% in Q1'17 YoY and as such cost efficiencies over compensated revenue headwinds: Adjusted EBITDA was up 2.1% YoY to CHF 143m. Q1 net income almost doubled YoY to CHF 13m, supported by lower depreciation and amortization, and lower financial expenses.

Improved eFCF

Equity free cash flow increased from CHF -24m last year to CHF 29m in Q1'17. Drivers include less headwind from networking capital in Q1, primarily related to a different networking capital seasonality in 2017 than in 2016. Support also came from lower interest expenses following the debt refinancing in December 2017. Sunrise's expectation for its FY'17 equity free cash flow remains unchanged following Q1. Net debt was reduced to CHF 1,633 m as per the end of Q1'17, leading to a net debt / adj. EBITDA ratio of 2.7x.

2017 guidance reiterated

FY'17 revenue is expected to range from CHF 1,820m to CHF 1,860m. Adjusted EBITDA is expected to be between CHF 595m and CHF 610m. Capex for FY'17 is expected to be within a range of CHF 225m to CHF 265m. 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.

Organizational changes in Executive Leadership Team

Appointment of new Chief Consumer Officer: As announced earlier this year, Timm Degenhardt left the company at the end of February, and we are proud to be able to announce his successor, Bruno Duarte who will join Sunrise on 12 June. Bruno has extensive experience in Consumer Fixed, Mobile and Broadband as well as Strategy. He held various senior positions in international telco companies, such as EE, Orange UK & France and Hutchinson and earlier in his career was a partner with management consultants Arthur D. Little.

Appointment of new Chief Business Officer: Max Nunziata, who joined Sunrise in June 2013, took over the newly created Business customers unit in May 2016. After an early intensive transformation phase, Max has decided to step back for private reasons. We regret this and thank him for his contribution over the past few years and wish him all the best for the future.

At the same time we are happy to announce that we have found a successor for Max. However, due to contractual reasons, we are not yet ready to communicate the name. As soon as all the details are set, we will inform accordingly.

With immediate effect, Ralf Brandmeier will lead the unit on an interim basis, directly reporting to the CEO and will continue with the transformation in Business customers unit. Ralf joined Sunrise in October 2016 with responsibility for business transformation across the organization. He drives our acceleration initiatives like digitalization, purchasing and strategic prioritization and, since the beginning of 2017, those within the Business customer unit. Ralf started his professional career at Compaq Computer Switzerland and among various management positions, he was country manager of HP Switzerland.

Sunrise Communications Group AG published its financial results for Q1 2017 today. Please see <http://corporate.sunrise.ch/ir/reports-and-presentations> for the report, the presentation, and further information.

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