

Media release

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Q3 with continued commercial momentum and GP stabilization

- **Accelerated mobile postpaid customer growth (+7.2% YoY) driven by Sunrise value proposition of: best network quality and competitive tariffs**
- **Substantial internet (+12.9% YoY) and TV customer growth (+32.3% YoY) supported by award-winning TV product and converged tariff 'Sunrise ONE'**
- **Revenue decline of -1.2% (incl. MTR: -3.7%) to CHF 460m in Q3, driven by low-margin hardware and hubbing Revenues; Service Revenue increased for second consecutive quarter**
- **Gross Profit flat at CHF 306m in Q3, confirming the trend towards stabilization**
- **Adj. EBITDA down -2.5% to CHF 158m in Q3; up +1.1% on a like-for-like base (adj. for tower disposal)**
- **Strong net income growth and successful deleveraging, both supported by tower disposal**
- **FY'17 guidance reiterated**

	9m'16	9m'17	YoY	YoY MTR adj.	Q3'16	Q3'17	YoY	YoY MTR adj.
Revenue (CHF m)								
Mobile services	932	890	(4.5%)	(1.2%)	324	309	(4.7%)	(1.6)%
Landline services	305	275	(9.9%)	(8.3%)	100	89	(10.9%)	(8.8%)
Landline internet	158	180	13.3%		54	63	15.6%	
Total Revenue	1,396	1,345	(3.7%)	(1.1%)	478	460	(3.7%)	(1.2%)
Service Revenue (total excl. hubbing & hardware)	1,128	1,097	(2.8%)	0.4%	384	380	(0.9%)	2.3%
Gross Profit	891	890	(0.1%)		306	306	0.2%	
				YoY Tower adj.				YoY Tower adj.
EBITDA	444	444	0.2%		156	154	(1.4%)	
Adjusted EBITDA	452	453	0.3%	1.6%	162	158	(2.5%)	1.1%
Adj. EBITDA margin (excl. hubbing & hardware)	40.0%	41.3%			42.2%	41.5%		
Net income	39	481	1143.5%		22	442	1926.9%	
Equity free cash flow	166	210	26.5%		73	100	36.1%	
Customers (thousand)								
Mobile:								
Postpaid	1,459	1,563	7.2%					
Prepaid	899	796	(11.5%)					
Landline:								
Retail voice	412	435	5.6%					
Internet	363	410	12.9%					
IPTV	152	201	32.3%					

Olaf Swantee, CEO of Sunrise, comments: "Q3'17 is the second consecutive quarter with stabilizing Gross Profit and showed the strongest commercial momentum during summer months in many years. Strengthening financial trends and the BILANZ telecom ranking confirm our strategic focus on network-, service- and product quality."

Continued strong customer growth

Strong momentum in subscriber additions continued in Q3'17. Sunrise added +7.2% net new mobile postpaid customers YoY, leading to a total of 1.56m customers. 26,800 new postpaid customers were added in Q3 alone. This includes 20,800 primary SIM net adds, well above 14,600 in the same period last year. Sunrise's multi brand approach, strong network quality, diversified distribution channels, and broad product offering at attractive price performance ratios supported the solid performance. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs.

Q3 internet and TV net adds came in double digit for the third consecutive quarter. Q3'17 internet subscribers went up +12.9% YoY to 410,200. TV subscribers increased YoY by +32.3% to 200,900. The strong rises were backed by the converged tariff 'Sunrise ONE', recent Sunrise Smart TV enhancements, improved TV sports content (Sky, Teleclub), and dedicated promotions.

Service Revenue up in Q3

Q3 Service Revenue increased +2.3% YoY (MTR adjusted) with customer growth compensating for lower average Revenue per user (ARPU). The +2.3% represent an improvement compared to +0.2% reported in Q2. Increased equipment sales in a low margin B2B area supported the growth acceleration.

Total Revenue decreased by -3.7% YoY to CHF 460m in Q3. The key driver for the decrease was the cut in Swiss Mobile Termination Rates (MTR) as per 1st January 2017. The MTR reduction's impact on Revenue was CHF -12m, a drag similar to previous quarters. Its impact on Gross Profit continued to be negligible. Adjusted for MTR, total Revenue decreased by -1.2%, driven by low-margin hardware and hubbing revenue.

Gross Profit stabilization and increased net profit

Q3 Gross Profit confirmed its stabilization trend and came in at CHF 306m, up 0.2% YoY. Service Gross Margin continued to improve YoY, driven by the MTR cut. The Margin's increase was less strong than in Q2, mainly due to the mix effect from increased equipment sales in a low margin B2B area. Adjusted EBITDA decreased -2.5% to CHF 158m. The reduction was driven by higher network service fees after the tower disposal in August 2017. When excluding the disposal's impact, adjusted EBITDA would have increased by +1.1% in Q3. Cost savings and lower commercial expenses supported underlying growth. Q3 net income strongly rose YoY to CHF 442m, driven by the tower disposal's gain.

Substantial deleveraging supported by tower proceeds

Equity free cash flow (eFCF) increased from CHF 73m last year to CHF 100m in Q3'17. The rise was driven by reduced interest expenses, a different net working capital seasonality than last year, and no factoring pay-back in 2017. Net debt strongly improved from CHF 1,700m in Q2'17 to CHF 1,151m in Q3'17. This was supported by the quarter's cash generation and deleveraging after the tower disposal. Consequently, the net debt to adj. EBITDA ratio reduced significantly from 2.76x in Q2'17 to pro forma 1.97x in Q3'17 (1.88x excl. pro forma annualization of higher network service fees after tower disposal).

FY'17 guidance reiterated

FY'17 Revenue and adj. EBITDA continue to be expected within a range of CHF 1,820-1,860m and CHF 592-602m, respectively. FY'17 Capex is reiterated within a range of CHF 255-295m, which includes additional Capex of CHF 30m from proceeds of the tower disposal. Upon meeting its FY'17 guidance, Sunrise expects to propose a dividend in the range of CHF 3.90-4.10 per share for FY'17, to be paid from capital contribution reserves in FY'18.

Please see <http://corporate.sunrise.ch/ir/reports-and-presentations> for the IFRS report, the investor presentation, and further information.

Sunrise Communications AG

Corporate Communications

P.O. Box

CH-8050 Zürich

media@sunrise.net

www.sunrise.ch

Phone: 0800 333 000

Outside of Switzerland: +41 58 777 76 66

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