Sunrise Communications Group AG

Q3'17 financial results – 9 November 2017

Agenda

Sunrise

Summary: Q3 with continued commercial momentum and GP stabilization

- **Customer** growth momentum in key focus areas continued
  - Strong growth in mobile postpaid (+7.2% YoY), internet (+12.9% YoY) and TV (+32.3%)
  - Continued success with Sunrise ONE: +32% growth YoY of 4P customers, 22% of Sunrise ONE customers were new to Sunrise in Q3
- **Revenue** down -1.2% YoY (MTR adj.) due to hardware and hubbing volatility (low-margin)
  - Second consecutive quarter with positive Service Revenue [1)] growth (MTR adj.) as customer growth momentum compensated for lower ARPUs
  - B2B turnaround ongoing with 'SIGG' and 'NISSAN' representing recent customer wins
- **Gross Profit** +0.2% YoY, confirming stabilization trend (YTD: -0.1%)
- Adj. **EBITDA** down -2.5%; up +1.1% when excluding higher network service fees after tower sale
- **eFCF** increased, in-line with management expectation
- **Deleveraged** to below 2.0x, supported by tower proceeds
- **Net profit** strongly up mainly driven by gain on tower sale
- **Guidance** 2017 reiterated

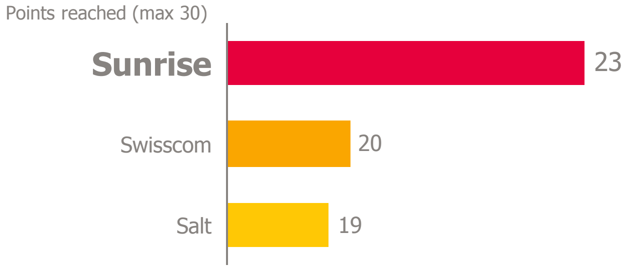
[1)] Total Revenue excluding low-margin hubbing and mobile hardware Revenue

Sunrise

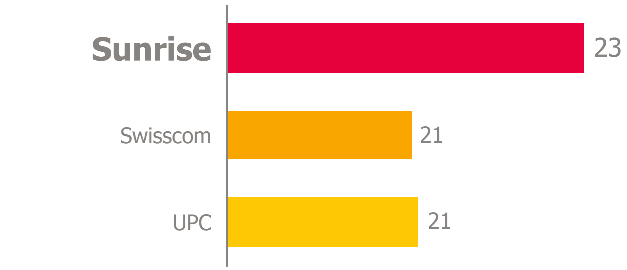
Leading BILANZ telecom ranking 2017

- Sunrise was rated the **best universal provider** for mobile, internet, TV and landline voice in residential and SME categories
- Network investments are paying off: Sunrise reaching 94.3% geographic 4G coverage [2], beating its 2017 ambition of 92%

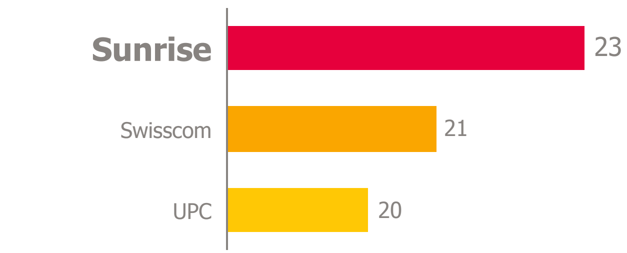
Mobile [1]



Internet [1]



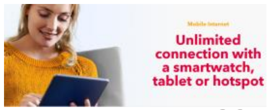
TV [1]

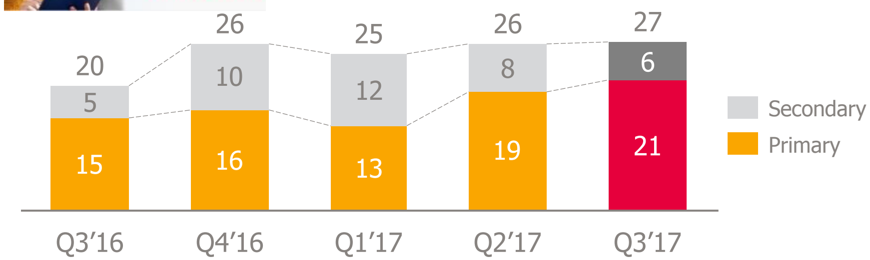


[1] Residential results; Source: BILANZ 09 2017
[2] Population 4G coverage >99%

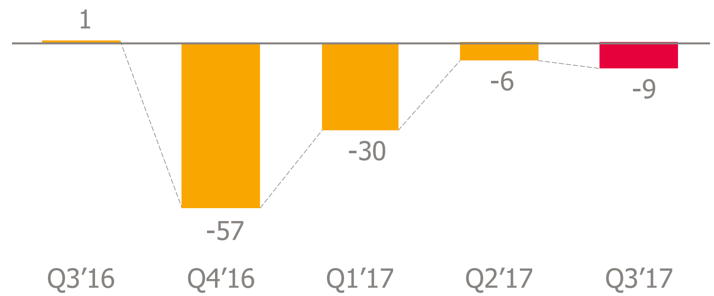
Acceleration of customer momentum in mobile postpaid

Postpaid mobile net adds ('000)





Prepaid mobile net adds ('000)



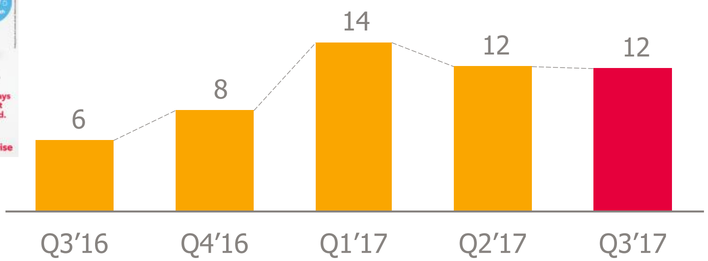
- **Postpaid** driven by primary SIMs, leading to 1.56m total subscriptions (+7.2% YoY)
- Primary SIMs (high value) driven by Sunrise ONE, multi brand approach, improved network quality, broad product offering with attractive price performance ratio, and diversified distribution channels which are undergoing layout refresh
- Secondary data SIMs supported by recently launched data SIM for mobile broadband

- **Prepaid** with ongoing pre- to postpaid migration, leading to 796k total subscriptions
- Q3 positively impacted by seasonality; focus on valuable customer in-take maintained
- Q3 with launch of 30 days unlimited prepaid offer

Sunrise

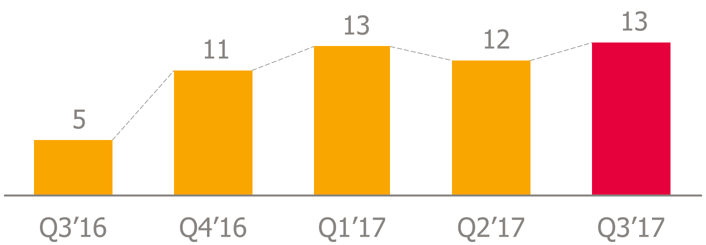
Internet and TV momentum defying low trading summer months

Internet net adds ('000)



- **Internet continues with double digit net adds**: Sunrise now has 410k internet subscriptions
- 32% YoY increase in 4P billed customer base
- Converged tariff 'Sunrise ONE' supported continued growth momentum; 37k or 28% of billed 4P customer base already on Sunrise ONE (Q2: 26k or 21%)
- Demand also driven by attractive modular 'Home' tariffs introduced in Q3'14, convergence benefit, and competitive Sunrise TV offering

TV net adds ('000)

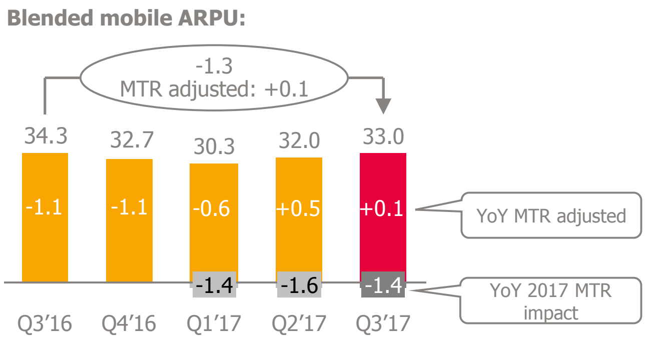


- **TV with solid growth** despite summer months which tend to have lower seasonal trading: Sunrise now has 201k TV subscriptions
- Supported by enhanced Sunrise TV offering, improved TV sports content with Sky and Teleclub, as well as dedicated promos
- Sunrise reaching mid-single digit TV market shares since its launch in 2012; Swiss landline market characterized by quality focus and low liquidity

ARPU trends continuing

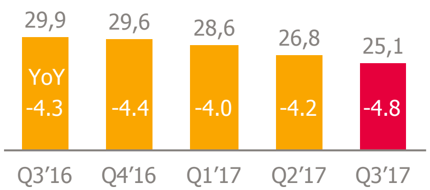
Blended mobile ARPU (CHF)

- **Blended mobile** ARPU up CHF +0.1 YoY (MTR adj.[1)]) due to growing postpaid subscribers, which have a higher ARPU than decreasing prepaid subscribers
- **Postpaid** down CHF -1.0 YoY (MTR adj.[1)]) mainly due to 2nd SIM dilution and roaming; larger decrease compared to Q2 (CHF -0.4 YoY) as Q2 benefited from base effects [2)]
- **Prepaid** down CHF -1.3 (MTR adj.[1)]), due to high value prepaid customers migrating to postpaid and competitive pressure (vs. CHF -1.2 YoY in Q2)



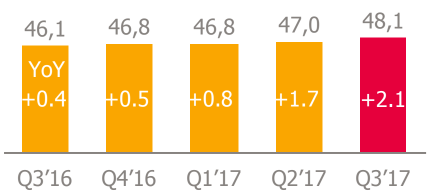
Landline voice ARPU (CHF)

- **Landline voice** down CHF -4.8 YoY due to migration to flat rate packages and fixed to mobile/OTT migration resulting in reduced voice usage



Blended internet & IPTV ARPU (CHF)

- **Blended internet & IPTV** up CHF 2.1 YoY driven by TV customer growth and fading 'Home' tariff migration impact
- Sequential trends are also impacted by promotions and tariff changes



[1)] Mobile ARPU YoY decreases not adjusted for MTR are: Blended mobile CHF-1.3, Postpaid CHF-2.9, Prepaid CHF-2.1

[2)] Q2'17 ARPU was supported from low base YoY due to last year's promos; furthermore Q2 benefited from Easter effect as 2017 (2016) Easter was in Q2 (Q1), which supported ARPU contribution from roaming in Q2'17 YoY; see also Q2'17 investor presentation

Sunrise

Agenda

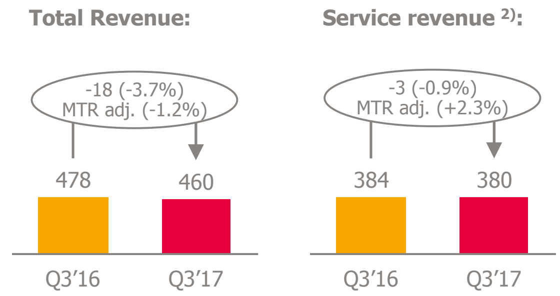
1	Summary and operational update	O. Swantee (CEO)
2	Financials	A. Krause (CFO)
3	Conclusion	O. Swantee (CEO)
4	Q&A	

Sunrise

Financial Overview

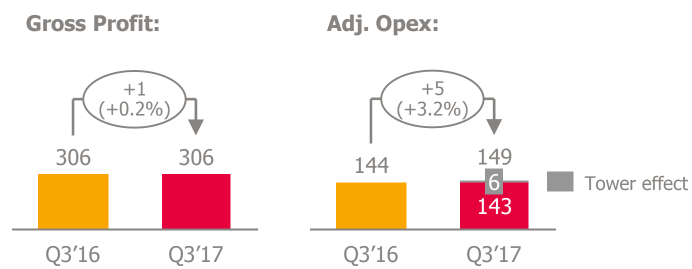
Revenue (CHFm)

- **Revenue down** -1.2% (MTR[1] adj.) due to low-margin hardware and hubbing
- **Service Revenue** [2] **up** +2.3% (MTR adj.) with customer growth partly offset by lower ARPUs
- Sequential Service Revenue improvement (Q2:+0.2% YoY) driven by higher equipment sales in a low margin B2B area



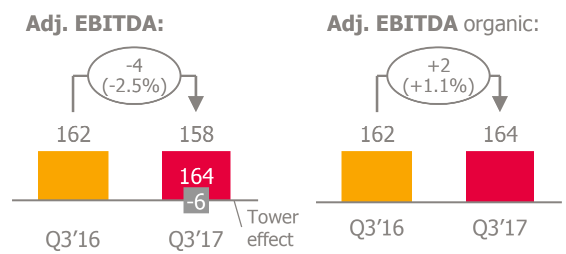
Gross Profit & adj. Opex (CHFm)

- **Gross Profit stabilization** (+0.2%) trend confirmed in Q3
- Adj. Opex up +3.2% due to tower disposal in Aug 2017 leading to increased network service fees; slightly improved adj. Opex like-for-like supported by cost savings and slightly lower commercial expenses



Adj. EBITDA (CHFm)

- **Adj. EBITDA down** -2.5%
- Adj. EBITDA up +1.1% when excluding higher network service fees after tower sale

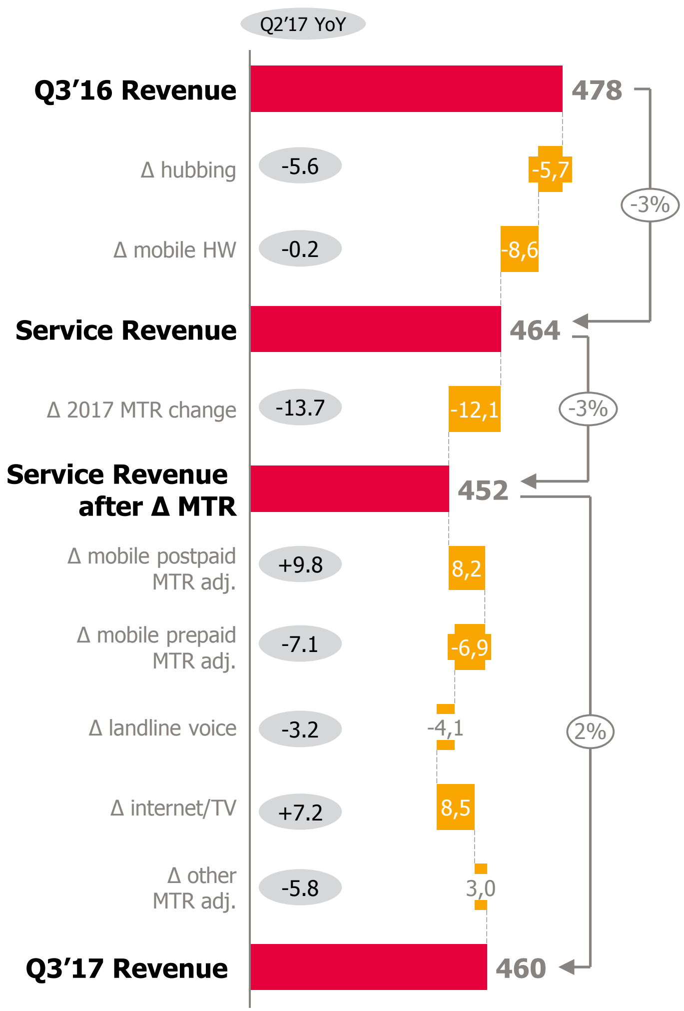


[1] MTR changes as per 1 Jan 2017 negatively impact Revenue, but are largely neutral on Gross Profit level; see press release from 20 Oct 2016

[2] Total Revenue excluding hubbing and mobile hardware Revenues, which are low margin

Service Revenue improving

Q3'17 Revenue bridge (CHFm)



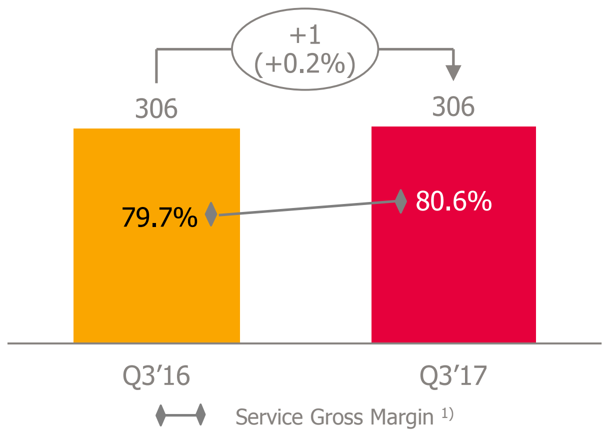
- **Hubbing**: international trading business which is volatile by nature
- **Mobile HW**: Revenue depends on handset innovations / launches, which vary across quarters leading to revenue volatility

- **Postpaid** (MTR adj.): positive subscriber momentum driven by investments in network, customer interface, and innovative converged products; offsetting lower ARPU
- **Prepaid** (MTR adj.): down due to pre- to postpaid migration, competitive pressure, and less international prepaid calls related to more attractive postpaid offers and OTT
- **Landline voice**: decline caused by fixed to mobile substitution, migration to flat rates as part of fixed bundles, and OTT
- **Internet/TV**: continued subscriber growth in internet and TV
- **Other:** mainly driven by lower margin areas such as volatility in B2B equipment sales and in wholesale

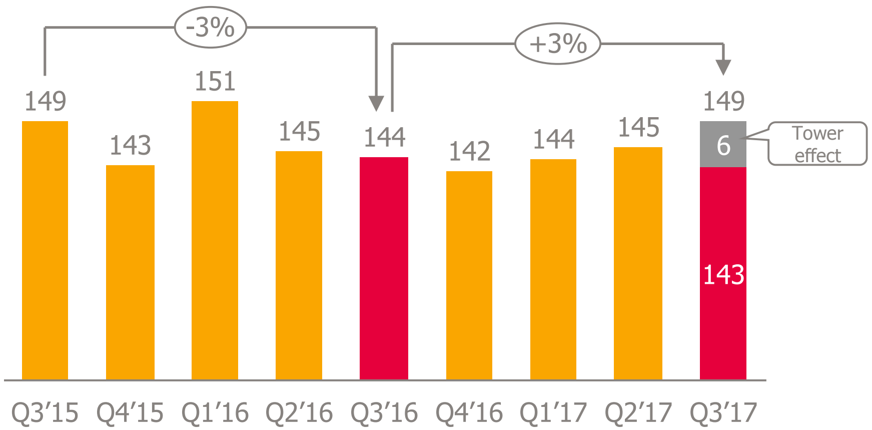
Sunrise

Q3 Gross Profit confirming stabilization trend

Gross Profit (CHFm)



Adjusted Opex (CHFm)



- **Gross Profit +0.2%** in Q3, confirming stabilization trend (-0.1% YTD)
- Service Gross Margin [1] up driven by MTR change which lowers revenue significantly but not GP; counteracted by mix effects from higher equipment sales in a low margin B2B area

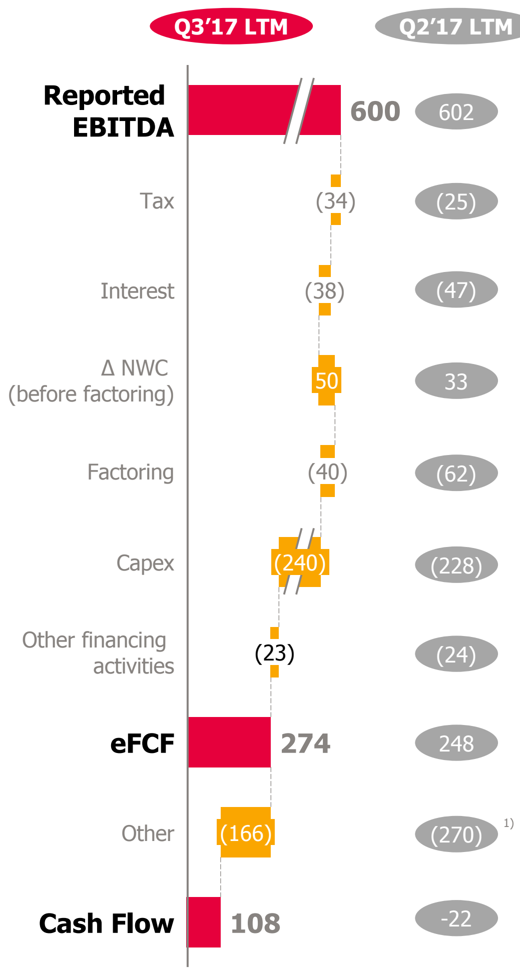
- Adj. **Opex slightly improved** YoY like-for-like, supported by ongoing efficiencies and slightly lower commercial expenses; commercial expenses expected to rise in Q4 YoY
- Tower deconsolidation, following disposal in August 2017, leads to increased network service fees ('Tower effect')
- Future cost savings identified based on sourcing and digitalization; providing flexibility to support operational momentum

[1] Service Gross Margin is simplified calculated: total Gross Profit divided by Service Revenue (i.e. Revenue excluding low-margin hardware and hubbing Revenue)

Sunrise

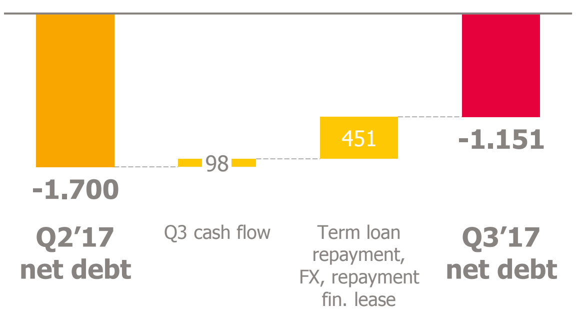
eFCF and deleveraging as expected

Cash flow 'Last Twelve Months' (CHFm)



- **eFCF LTM up** supported by no factoring pay-back in 2017, reduced interest expenses, and NWC
- **NWC** with different seasonality than last year and a positive impact related to the Tower transaction [2)]
- Accelerated **Capex** supported by tower proceeds
- **Other** impacted by CHF 150m dividend in Q2'17

Net debt QoQ (CHFm)



- **Net debt** decrease, supported by Q3 cash flow and CHF 450m deleveraging after tower disposal
- Reducing **net debt / adj. EBITDA** ratio from 2.76x in Q2'17 to 1.97x pro forma in Q3'17 (1.88x excl. pro forma annualization of higher network service fees after tower disposal)

1) Other in Q2'17 impacted by CHF 150m dividend (Q2'17) and CHF 108m payment of final installment of mobile license (Q3'16)
2) Prepayment of expenses to Swiss Towers

Sunrise

Agenda

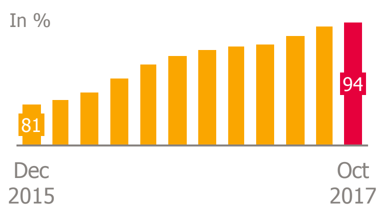
1	Summary and operational update	O. Swantee (CEO)
2	Financials	A. Krause (CFO)
3	Conclusion	O. Swantee (CEO)
4	Q&A	

Sunrise

Becoming the key quality challenger in Switzerland

Network quality

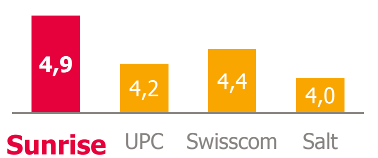
LTE geographic coverage



- Outstanding mobile network with leading **dropped call ratios**, 36 Mbit/s average experienced **download speed** across 2-4G, and **VoLTE** recently launched
- Current 99.9% **LTE** population coverage and 94.3% LTE geographic coverage reached
- Tower sale proceeds used to accelerate mobile network upgrade in H2'17

Customer interface

'Support' category in BILANZ ranking [1)]



- **No. 1** of 'big providers' in BILANZ residential category **'Support'**
- Sunrise and Swisscom winning Broadband Hotline Test of 'connect', ahead of UPC [2)]
- **Enhance own shop** network with better quality locations and ongoing **refresh** of shops with new corporate appearance and values

Innovative converged products

Drive convergence

Sunrise Official Business Partner

- **Q3 launches** include enhanced TV sports offering (Teleclub & Sky) and launch of 30 day unlimited mobile prepaid offer
- Continued push of converged tariff **'Sunrise ONE'**, driving both cross selling from mobile into landline and new customer gains (22% of Sunrise ONE customers were new to Sunrise in Q3)
- Leverage improving perception into **B2B** and enhance cross selling, e.g. recent contract win with Swiss Post to deliver WAN-services

1) Source: BILANZ 09 2017; referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only

2) Source: connect 09/2017; Sunrise and Swisscom both 436 points, UPC 429 points (max 500)

Sunrise

Q3 conclusion
Financial stabilization through commercial momentum

Customers	• Continued strong subscriber **growth** in mobile postpaid, internet and TV
Revenue	• Service Revenue (MTR adj.) further **improved**, 2^{nd} consecutive quarter with growth
Profitability	• Organic adj. EBITDA slightly **up**, supported by Gross Profit stabilization and cost savings
Cash Flow	• Equity free cash flow and leverage improved **as expected**

FY'17 Guidance reiterated

- Revenue: CHF 1'820-1'860m
- Adj. EBITDA: CHF 592-602m
- Capex: CHF 255-295m
- Dividend: CHF 3.90-4.10

Agenda

1	Summary and operational update	O. Swantee (CEO)
2	Financials	A. Krause (CFO)
3	Conclusion	O. Swantee (CEO)
4	Q&A	

Sunrise

Appendix

Income Statement

P&L (CHFm)	9m 2017	9m 2016	Q3 2017	Q3 2016
Mobile services	**890**	**932**	**309**	**324**
thereof mobile postpaid	*574*	*575*	*201*	*201*
thereof mobile prepaid	*94*	*125*	*31*	*41*
thereof hardware	*160*	*174*	*53*	*62*
Landline services	**275**	**305**	**89**	**100**
thereof landline voice	*104*	*114*	*33*	*37*
thereof hubbing	*87*	*93*	*27*	*32*
Landline internet & TV	**180**	**158**	**63**	**54**
Total revenue	**1'345**	**1'396**	**460**	**478**
% YoY growth	*(3.7%)*		*(3.7%)*	
Service revenue (total excl. hubbing & hardware)	1'097	1'128	380	384
% YoY growth	*(2.8%)*		*(0.9%)*	
COGS	(454)	(504)	(154)	(172)
Gross profit	**890**	**891**	**306**	**306**
% YoY growth	*(0.1%)*		*0.2%*	
% margin	*66.2%*	*63.9%*	*66.6%*	*64.0%*
Opex	(446)	(448)	(152)	(150)
EBITDA	**444**	**444**	**154**	**156**
% YoY growth	*0.2%*		*(1.4%)*	
Adjusted EBITDA	**453**	**452**	**158**	**162**
% YoY growth	*0.3%*		*(2.5%)*	
% margin	*33.7%*	*32.4%*	*34.3%*	*33.9%*
% margin (excluding hubbing revenues)	*36.1%*	*34.7%*	*36.4%*	*36.4%*
Depreciation and amortization	(318)	(344)	(106)	(112)
% YoY growth	*7.5%*		*6.2%*	
Operating income	**126**	**100**	**49**	**44**
Net financial items	(42)	(45)	(18)	(14)
Gain on disposal of subsidiary	420	0	420	0
Income taxes	(23)	(16)	(9)	(8)
Net income	**481**	**39**	**442**	**22**
Thereof (before tax impact):				
PPA effect	(95)	(96)	(31)	(32)
Additional information:				
Net income excl. gain on disposal of subsidiary	62	39	22	22
EPS excl. gain on disposal of subsidiary	1.37	0.86	0.49	0.48

Sunrise

Cash Flow Statement

Cash Flow (CHFm)	9m 2017	9m 2016	Q3 2017	Q3 2016
EBITDA	**444**	**444**	**154**	**156**
Change in net working capital	44	(34)	26	(14)
thereof handset receivable factoring impact	*-*	*(1)*	*-*	*(22)*
Movement in pension and provisions	1	(2)	0	3
Interest paid	(28)	(40)	(7)	(15)
Corporate income and withholding tax paid	(32)	(28)	(21)	(12)
Cash flow from operating activities	**429**	**339**	**153**	**119**
Capex	(196)	(169)	(50)	(38)
% Capex-to-revenue	*14.6%*	*12.1%*	*10.8%*	*7.9%*
Sales of assets	450	0	450	0
Cash flow after investing activities	**682**	**169**	**553**	**81**
Repayment other financing items	(21)	(5)	(3)	(4)
Proceeds/(repayments) from debt, net	(456)	(114)	(451)	(109)
Payment of dividend	(150)	(135)	0	0
Total cash flow	**55**	**(85)**	**98**	**(33)**
Cash and cash equivalents as of BoP	214	244	172	193
Foreign currency impact on cash	0	1	0	0
Cash and cash equivalents as of September, 30	**270**	**160**	**270**	**160**

Equity Free Cash Flow CHF million	9m 2017	9m 2016	Q3 2017	Q3 2016
EBITDA	**444**	**444**	**154**	**156**
Change in net working capital	44	(34)	26	(14)
Interest paid	(28)	(40)	(7)	(15)
Corporate income and withholding tax paid	(32)	(28)	(21)	(12)
Capex	(196)	(169)	(50)	(38)
Other financing activities	(21)	(5)	(3)	(4)
Equity free cash flow	**210**	**166**	**100**	**73**

Sunrise

Q3 deleveraging supported by tower proceeds

Net debt (CHFm)	September 30, 2017	June 30, 2017	December 31, 2016	September 30, 2016
Senior Secured Notes issued February 2015	500	500	500	500
Term loan B2	910	1'360	1'360	1'360
Total cash-pay borrowings	**1'410**	**1'860**	**1'860**	**1'860**
Financial lease	11	12	17	18
Total debt	**1'421**	**1'872**	**1'877**	**1'878**
Cash & Cash Equivalents	(270)	(172)	(214)	(160)
Net debt	**1'151**	**1'700**	**1'663**	**1'718**
Net debt / adj. EBITDA	**1.9x**	**2.8x**	**2.7x**	**2.8x**
Net debt / pro forma adj. EBITDA [1)]	**2.0x**			

1) Pro forma taking into account annualized network service fees related to tower disposal

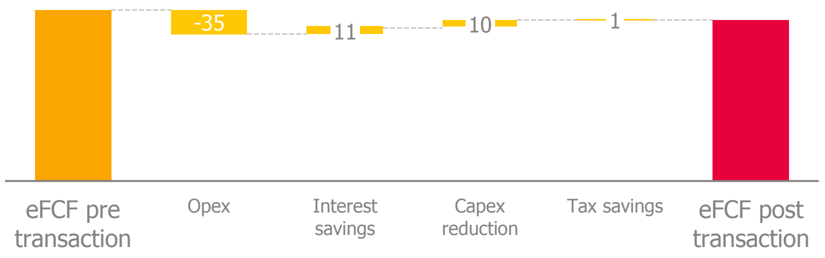
Sunrise

Tower transaction successfully closed

Closing and deleveraging in August

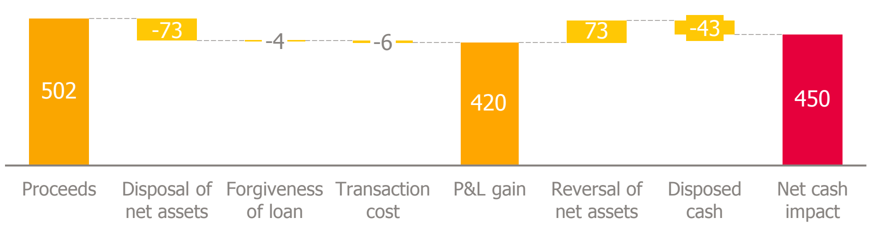
- Transaction **closed on 3 August 2017**; deconsolidation of passive infrastructure as of closing
- IFRS gain of CHF 420m in P&L, **strengthening shareholders' equity**
- **Reduction of net debt/adj. EBITDA** from 2.76x in Q2'17 to pro forma 1.97x (non-pro forma: 1.88x) in Q3'17; no new lease obligations as contract is treated as service under IFRS
- Primary **use of proceeds**
  - CHF 450m term loan repayment executed on 4 August 2017
  - CHF 30m additional Capex to underpin customer growth momentum in 2017
  - Transaction related costs and deconsolidation of cash on balance sheet of sold entity

Normalised annual eFCF impact (CHFm) [1)]



- Minimal eFCF impact
- Significant deleveraging and stronger balance sheet

Booking of transaction in Q3 [2)]



- 'Net cash impact' of disposal represents proceeds net of forgiveness of loan, transaction related costs, and disposed cash (includes prepayment of expenses to Swiss Towers)

1) Assuming 12 month of deconsolidation

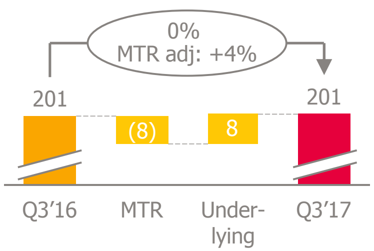
2) For more details see Q3 IFRS report

Sunrise

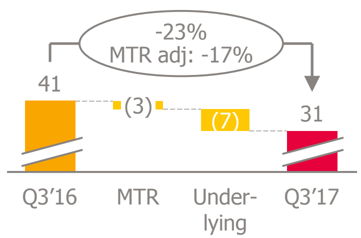
MTR change impacts Revenue, but is largely neutral on Gross Profit

- **Mobile Termination Rates** [1] change as per 1 January 2017 negatively impacts Revenue, but is largely neutral on Gross Profit level – as announced on 20 Oct 2016; effect incorporated in FY'17 guidance

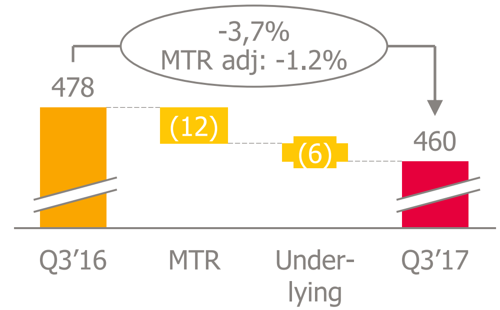
Postpaid Revenue:



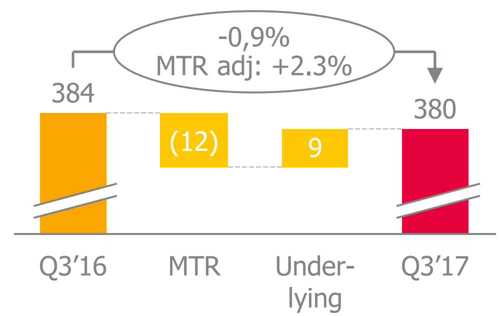
Prepaid Revenue:



Total Revenue (CHFm) [2]



Service Revenue (CHFm) [2]



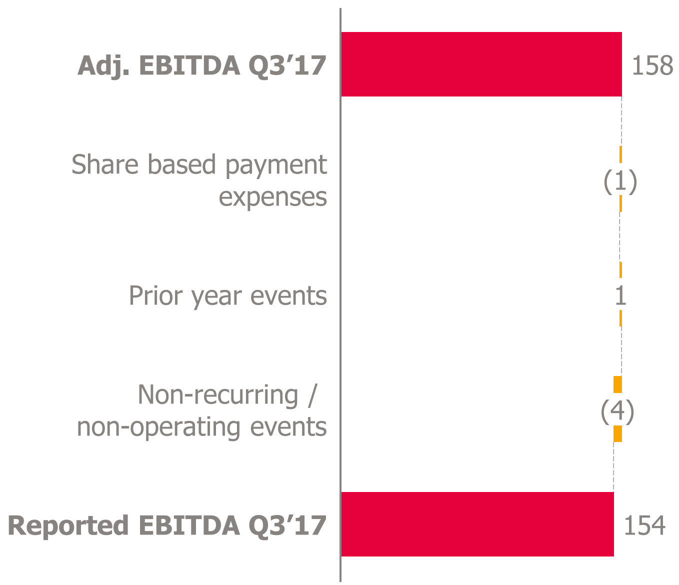
[1] Mobile termination rates are transmission fees collected by a mobile communications provider when it accepts calls from another provider's landline or mobile network and passes them on to customers on its own network

[2] MTR impact is primarily in postpaid and prepaid, furthermore there is a CHF-2.1m impact in Landline Services; Service Revenue excludes hubbing and mobile hardware Revenues

Sunrise

Bridge adjusted to reported EBITDA

Q3'17 EBITDA bridge



- Share-based payment provisions for multi-year compensation plans
- Prior year related events mainly include adjustments of provisions/accruals based on newly available information
- Non-recurring / non-operating events mainly represent costs for one-time expenses, including CHF 4m related to the tower transaction

Sunrise

Thank you for your interest in Sunrise

Contact information

Investor contact

Uwe Schiller
uwe.schiller@sunrise.net

Stephan Gick
stephan.gick@sunrise.net

investor.relations@sunrise.net
+41 58 777 96 86

Sunrise

Disclaimer

This document and any materials distributed in connection herewith (including any oral statements) (together, the "Presentation") do not constitute or form a part of, and should not be construed as, an offer for sale or subscription of or solicitation of any offer to purchase or subscribe for any securities, and neither this Presentation nor anything contained herein shall form the basis of, or be relied upon in connection with, or act as an inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, reasonableness or correctness of the information or opinions contained herein. None of Sunrise Communications Group AG, its subsidiaries or any of their respective employees, advisers, representatives or affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this Presentation. The information contained in this Presentation is provided as at the date of this Presentation and is subject to change without notice.

Statements made in this Presentation may include forward-looking statements. These statements may be identified by the fact that they use words such as "anticipate", "estimate", "should", "expect", "guidance", "project", "intend", "plan", "believe", and/or other words and terms of similar meaning in connection with, among other things, any discussion of results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. Such statements are based on management's current intentions, expectations or beliefs and involve inherent risks, assumptions and uncertainties, including factors that could delay, divert or change any of them. Forward-looking statements contained in this Presentation regarding trends or current activities should not be taken as a representation that such trends or activities will continue in the future. Actual outcomes, results and other future events may differ materially from those expressed or implied by the statements contained herein. Such differences may adversely affect the outcome and financial effects of the plans and events described herein and may result from, among other things, changes in economic, business, competitive, technological, strategic or regulatory factors and other factors affecting the business and operations of the company. Neither Sunrise Communications Group AG nor any of its affiliates is under any obligation, and each such entity expressly disclaims any such obligation, to update, revise or amend any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this Presentation.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full-year results.

Sunrise