

Media release

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Q1 with acceleration in gross profit growth

- **Strong customer growth in mobile postpaid (+7.6% YoY), internet (+11.6% YoY) and TV (+25.7% YoY), driven by growth investments in the network, service and products; mobile postpaid with best performance since 2011**
- **Revenue increase of +6.4% (incl. IFRS 15: +6.3%) in Q1, driven by hardware revenue; service revenue growth accelerated to +3.0%**
- **Gross profit growth accelerated to +2.9% (incl. IFRS 15: +2.4% YoY), driven by B2B and growth momentum**
- **Adj. EBITDA up +2.7% when adjusting for tower disposal (incl. IFRS 15: +4.2%); gross profit improvement partly reinvested into growth momentum**
- **FY'18 guidance reiterated (excl. IFRS 15)**

Revenue (CHF m)	Q1'17 excl. IFRS 15	Q1'18 incl. IFRS 15	Q1'18 excl. IFRS 15	YoY incl. IFRS 15	YoY excl. IFRS 15
Mobile services	279	302	303	8.4%	8.5%
Landline services	95	89	89	(6.2%)	(6.1%)
Landline internet	57	67	67	17.1%	17.2%
Total revenue	431	458	459	6.3%	6.4%
Service revenue (total excl. hubbing & hardware)	352	362	363	2.6%	3.0%
Gross profit	286	293	295	2.4%	2.9%
EBITDA	141	137	135	(2.9%)	(4.5%)
Adjusted EBITDA	143	140	138	(1.9%)	(3.5%)
Tower adjusted				4.2%	2.7%
Net income	13	17		29.9%	
Equity free cash flow	29	1		(96.1%)	
Customers (in k)					
Mobile Postpaid	1,510	1,625		7.6%	
Mobile Prepaid	811	726		(10.5%)	
Landline Voice	423	443		4.7%	
Internet	386	431		11.6%	
IPTV	176	221		25.7%	

Olaf Swantee, CEO of Sunrise, comments: "In Q1'18 we successfully refreshed our 'Freedom' mobile tariffs and improved our B2B financial performance. The accelerated gross profit growth of the quarter confirms our strategic focus on quality across our network, service and products."

Strong customer growth in Q1 and highest postpaid net adds since 2011

Momentum in subscriber additions continued in Q1'18. Sunrise added +7.6% net new mobile postpaid customers YoY, an acceleration compared to +7.3% in Q4'17. Total customer numbers now stand at 1.63m. 31,100 new postpaid customers were added in Q1 alone, which represents the strongest net add since 2011. It includes 20,200 primary SIM net adds, compared to 13,300 in the same period last year. This solid performance was supported by B2B, strong network quality, the Sunrise multi-brand approach, diversified distribution channels, and a broad product portfolio at competitive prices. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Q1 internet subscribers rose by +11.6% YoY to 430,700, while TV subscribers grew by +25.7% YoY to 220,900. These substantial increases were supported by the converged 'Sunrise ONE' tariff, improved TV sports content (Sky, Teleclub), and dedicated promotions.

Accelerated service revenue growth

Total revenue increased by +6.4% (incl. IFRS 15 +6.3%) YoY to CHF 459m, driven by service and hardware revenue. Service revenue alone increased +3.0% (incl. IFRS 15 +2.6%) YoY, with customer growth more than offsetting the impact of lower average revenue per user (ARPU). This represents an acceleration compared to Q4 (+0.9% MTR adj.), supported by improving B2B trends and growth momentum.

Accelerated gross profit growth

Gross profit rose by +2.9% (incl. IFRS 15 +2.4%) YoY to CHF 295m. This represents faster growth compared to Q4 (+0.3% YoY) supported by improving trends in B2B and growth momentum. Adjusted EBITDA fell -3.5% (incl. IFRS 15 -1.9%) to CHF 138m, driven by higher network service fees after the tower disposal in August 2017. Excluding this impact, adjusted EBITDA would have increased by +2.7% (incl. IFRS 15 +4.2%), with gross profit improvements partially reinvested into growth momentum. Net income slightly improved to CHF 17m, driven by lower depreciation and financial expenses.

Leverage ratio slightly improved

Equity free cash flow (eFCF) decreased from CHF 29m last year to CHF 1m in Q1'18, in line with company expectations. This was mainly driven by tax payments. The latter are expected to be subject to a different seasonal calendar from last year (month end cut-off) and are based on a higher taxable income. Net debt saw a slight improvement in Q1, to CHF 1,137m vs. CHF 1,147m at YE'17. Net debt to adj. EBITDA ratio (pro forma) reduced from 1.97x at YE'17 to 1.94x at Q1'18.

2018 guidance reiterated

FY'18 revenue and adjusted EBITDA continue to be expected between CHF 1,830-1,870m and CHF 580-595m, respectively. These numbers do not yet include impacts of IFRS 15. FY'18 Capex is reiterated in the range of CHF 283-323m. Upon meeting its FY'18 guidance, Sunrise expects to propose a dividend in the range of CHF 4.15-4.25 per share for FY'18, paid out of capital contribution reserves in FY'19.

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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