

Media release

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Growing market shares in Q2 - raising FY'18 guidance

- **Strong customer growth in mobile postpaid (+7.7% YoY), internet (+11.0% YoY) and TV (+22.3% YoY), driven by growth investment in network, service and products**
- **Revenue increase of +2.0% (incl. IFRS 15: +2.1%) in Q2, with customer momentum driving service revenue growth**
- **Gross profit growth of +2.2%; gross profit improvement partly reinvested into growth momentum**
- **Adj. EBITDA up +2.8% when adjusting for tower disposal (incl. IFRS 15: +4.0%)**
- **Renewed landline access agreement with Swisscom**
- **FY'18 adj. EBITDA guidance raised, driven by operational momentum and IFRS 15**

Revenue (CHF m)	Q2'17	Q2'18	Q2'18	YoY	YoY
	excl. IFRS 15	incl. IFRS 15	excl. IFRS 15	incl. IFRS 15	excl. IFRS 15
Mobile services	303	315	315	4.0%	4.0%
Landline services	91	79	79	(13.3%)	(13.3%)
Landline internet	60	69	69	15.8%	15.6%
Total revenue	453	463	462	2.1%	2.0%
Service revenue (total excl. hubbing & hardware)	364	374	375	2.8%	2.9%
Gross profit	298	303	304	1.9%	2.2%
EBITDA	149	147	145	(1.4%)	(2.6%)
Adjusted EBITDA	153	150	148	(1.8%)	(3.0%)
Tower adjusted				4.0%	2.8%
Net income	27	24		(10.1%)	
Equity free cash flow	82	33		(60.2%)	
Customers (in k)					
Mobile Postpaid	1,537	1,655		7.7%	
Mobile Prepaid	805	687		(14.7%)	
Landline Voice	429	453		5.7%	
Internet	398	442		11.0%	
IPTV	188	229		22.3%	

Olaf Swantee, CEO of Sunrise, comments: "Our Q2 results confirm a strong start to the year, with continued market share growth in mobile postpaid, internet and TV subscribers. This solid performance and our win in the 'connect' shop-test reconfirm our strategy to be the quality challenger."

Strong customer growth in Q2

Momentum in subscriber additions continued in Q2'18. Sunrise added +7.7% net new mobile postpaid customers YoY, up from +7.6% in the previous quarter. 30,300 new postpaid customers were added in Q2 alone. These include 21,500 primary SIM net adds, compared to 18,800 in the same period last year. This solid performance was supported by B2B as well as the strategic focus on quality across network, service and products. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Q2 internet subscribers rose by +11.0% YoY to 441,800, while TV subscribers grew by +22.3% YoY to 229,400. These substantial increases were supported by the converged 'Sunrise ONE' tariff, improved TV content (e.g. 'Sky Show'), and dedicated promotions.

Sunrise achieved several B2B customer wins also in Q2. These include McDonald's, Sympany and BERNMOBIL.

Service revenue growth driven by postpaid, internet/TV and B2B

Total revenue increased by +2.0% (incl. IFRS 15 +2.1%) YoY to CHF 462m, driven by service revenue. The latter increased by +2.9% YoY as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents steady service revenue growth in line with Q1 (+3.0% YoY).

Q2 adj. EBITDA up 2.8% (excl. tower)

Gross profit rose by +2.2% YoY to CHF 304m, driven by service revenue. Service gross margin decreased slightly as a result of revenue mix. Adjusted EBITDA fell -3.0% (incl. IFRS 15 -1.8%) to CHF 148m, driven by higher network service fees after the tower disposal in August 2017. Excluding this impact, adjusted EBITDA would have increased by +2.8%, with gross profit improvements partially reinvested into growth momentum (adjusted Opex +1.6% YoY). Q2 adjusted EBITDA growth rate is roughly in line with Q1 (+2.7% YoY). Net income decreased -10.1% to CHF 24m. Lower net financial expenses related to Q2 debt refinancing were overcompensated by higher depreciation and amortization as well as higher network service fees after the tower disposal.

Leverage ratio up due to dividend payment

Equity free cash flow decreased from CHF 82m last year to CHF 33m in Q2'18, in line with company expectation. This was mainly driven by net working capital, which was impacted by the settlement of accrued roaming discounts as indicated in Q4'17. Net debt saw an increase in Q2, to CHF 1,297m vs. CHF 1,137m in Q1 - mainly driven by dividend payment. Net debt to adj. EBITDA ratio (pro forma) increased from 1.94x at Q1'18 to 2.19x at Q2'18. This is down from 2.76x reported in Q2 last year, mainly due to the tower disposal.

Renewed landline access agreement with Swisscom

Swisscom and Sunrise agreed to renew their existing commercial agreement for landline access on August 22nd, 2018. Based on roughly similar economic terms, the agreement will be from January 1st, 2019 to June 30th, 2022. As part of the extension of the access relationship, Sunrise will undertake an upfront investment of CHF 101 million, which will be paid in instalments of 60% in 2019, 20% in 2020 and 20% in 2021. This allows Sunrise to continue using Swisscom broadband access, including FTTH and xDSL, to deliver connectivity, internet, voice and TV services. The contract extension is in line with Sunrise's strategy to underpin internet growth with FTTH partnerships in urban areas, with mobile broadband and with the Swisscom agreement.

FY'18 guidance increased and tightened

FY'18 revenue continues to be expected between CHF 1,830-1,870m. Adjusted EBITDA guidance increases from CHF 580-595m to CHF 595-605m, driven by solid operational momentum and IFRS 15. While previous adjusted EBITDA guidance did not incorporate IFRS 15, the revised guidance includes a mid to high single-digit positive CHFm impact from 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.

Complementary H1'18 results table

Revenue (CHF m)	H1'17 <i>excl. IFRS 15</i>	H1'18 <i>incl. IFRS 15</i>	H1'18 <i>excl. IFRS 15</i>	YoY <i>incl. IFRS 15</i>	YoY <i>excl. IFRS 15</i>
Mobile services	582	617	617	6.1%	6.1%
Landline services	186	168	168	(9.7%)	(9.6%)
Landline internet	117	136	136	16.4%	16.4%
Total revenue	884	921	921	4.1%	4.2%
Service revenue (total excl. hubbing & hardware)	717	736	738	2.7%	2.9%
Gross profit	584	597	599	2.2%	2.5%
EBITDA	290	284	280	(2.2%)	(3.5%)
Adjusted EBITDA	295	290	286	(1.9%)	(3.2%)
Tower adjusted				4.1%	2.7%
Net income	40	41		2.9%	
Equity free cash flow	111	34		(69.4%)	

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

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