

Media release

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Sunrise continues to lead the market – raising guidance

- **Strong customer growth in mobile postpaid (+9% YoY), internet (+10%) and TV (+14%); record performance in mobile postpaid**
- **Service revenue increased +2.7% driven by customer momentum and B2B, while total revenue was down -2.6% due to lower hubbing and hardware sales**
- **Gross profit growth of +4.2% in Q1, with improvement partly reinvested into growth momentum**
- **Adj. EBITDA up +5.0% (incl. IFRS 16: +13.2%)**
- **FY'19 adj. EBITDA guidance raised to CHF 613-628m (previous CHF 608-623m) after strong start to the year**

Revenue (CHF m)	Q1'18 excl. IFRS 16	Q1'19 incl. IFRS 16	Q1'19 excl. IFRS 16	YoY incl. IFRS 16	YoY excl. IFRS 16
Mobile services	302	302	302	(0.2%)	(0.2%)
Landline services	89	71	71	(20.1%)	(20.1%)
Landline internet	67	74	74	10.2%	10.2%
Total revenue	458	447	447	(2.6%)	(2.6%)
Service revenue (total excl. hubbing & hardware)	362	372	372	2.7%	2.7%
Gross profit	293	305	305	4.2%	4.2%
EBITDA	137	175	163	27.4%	19.1%
Adjusted EBITDA	140	158	147	13.2%	5.0%
Net income	17	35	36	110.8%	115.3%
Equity free cash flow	1	33			
Customers (in k)					
Mobile Postpaid	1,625	1,772		9.0%	
Mobile Prepaid	726	597		(17.7%)	
Landline Voice	443	481		8.7%	
Internet	431	472		9.5%	
TV	221	252		14.2%	

Olaf Swantee, CEO of Sunrise, comments: "In Q1 we successfully acquired 5G spectrum and, as the first operator in Europe, launched 5G in 152 cities and villages. Our network leadership, customer momentum and solid adj. EBITDA growth all confirm our strategic focus on quality across our networks, services and products."

Record postpaid net adds since 2010

Momentum in subscriber additions continued, with Sunrise achieving 43,200 postpaid net adds in Q1'19. This represents the company's strongest performance since 2010, enabled by B2B customer wins (Q1: Valora; University Hospital Zurich) and a focus on going the extra mile for customers. YoY, Sunrise grew net new mobile postpaid customers +9.0%, up from +8.5% in the previous quarter. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Internet and TV subscribers rose by +9.5% YoY and +14.2% YoY respectively. These substantial increases were supported by 2-4P bundle offers, attractive TV content (which includes 'Sky Sport' and 'Sky Show'), focus on service excellence, and dedicated promotions.

Accelerated service revenue growth driven by postpaid

Service revenue increased by +2.7% YoY as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents an acceleration compared to Q4'18 growth (+1.9% YoY), primarily driven by mobile postpaid. Q1 total

revenue decreased by -2.6% YoY to CHF 447m, influenced by reduced hubbing and mobile hardware sales, which both carry low profitability.

Customer growth driving gross profit and adj. EBITDA increase

Gross profit rose by +4.2% YoY to CHF 305m, due to service revenue growth and improved service gross margin. Service gross margin expansion was supported by revenue mix effects, continued reduction in mobile termination rates, and landline access deals. Gross profit improvement was partly reinvested into growth momentum. Q1 adjusted Opex increased +3.4% YoY (excl. IFRS 16) as a result of variable onboarding and operational momentum costs, driving the company's strongest performance in postpaid net adds since 2010. Q1 adjusted EBITDA increased +5.0% (incl. IFRS 16 +13.2%) to CHF 147m. Reported EBITDA (excl. IFRS 16) of CHF 163m exceeded adjusted EBITDA, as a result of the sale of 133 telecom towers to Swiss Towers AG in January 2019. Q1'19 net income doubled to CHF 35m YoY, supported by adjusted EBITDA growth and the telecom tower disposal.

Improved underlying leverage ratio

Equity free cash flow increased from CHF 1m to CHF 33m in Q1 YoY. Net working capital and a higher reported EBITDA over compensated upfront payments for landline access. Net debt saw an increase in Q1 to CHF 1,420m vs. CHF 1,194m in Q4 – driven by IFRS 16 introduction which led to additional CHF 265m lease liability recognition per end of Q1. IFRS 16 let the pro forma ratio of net debt to adj. EBITDA increase to 2.17x, compared to 1.99x at YE'18. Excluding IFRS 16, the ratio would have improved to 1.90x, which compares to 1.94x in Q1 last year.

FY'19 adj. EBITDA guidance raised

FY'19 revenue continues to be expected between CHF 1,860-1,900m. After a strong start to the year, Sunrise is increasing its adj. EBITDA guidance from CHF 608- 623m to CHF 613-628m. Guidance incorporates continued growth investments and commercial pushes, primarily in Q2 and Q3. It refers to the standalone business and does not yet include the effects of IFRS 16. FY'19 Capex is reiterated in the range of CHF 420-460m. Upon meeting its FY'19 guidance, Sunrise expects to propose a dividend in the range of CHF 4.35-4.45 per share for FY'19, paid out of capital contribution reserves in FY'20.

Update on UPC Switzerland acquisition

Post announcement, Sunrise management has seen more than 170 investors and the transaction was received broadly positive. Merger control notification has been submitted and final regulatory decision is expected in H2'19. Integration planning has been started resulting in high level of confidence that synergies can be realized. Subject to regulatory clearance and EGM approval, the closing of the transaction is expected in Q4'19.

Please see www.sunrise.ch/reports for the IFRS report, the investor presentation, and further information.

Sunrise Communications Group AG

Corporate Communications

media@sunrise.net

www.sunrise.ch

Phone:

Outside of Switzerland: