

Media release

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Q2 with solid customer and EBITDA growth

- **Strong customer growth in mobile postpaid (+10% YoY), internet (+9%) and TV (+15%)**
- **Service revenue increased +3.1% driven by customer momentum and B2B, while total revenue was down -1.7% due to lower mobile hardware and hubbing sales**
- **Gross profit growth of +2.6% in Q2, with improvement partly reinvested into growth momentum**
- **Adj. EBITDA up +3.4% (incl. IFRS 16: +10.3%)**
- **CHF 45m higher expected synergies from UPC Switzerland acquisition**
- **2019 adj. EBITDA guidance range tightened at high end**

Revenue (CHF m)	Q2'18 excl. IFRS 16	Q2'19 incl. IFRS 16	Q2'19 excl. IFRS 16*	YoY incl. IFRS 16	YoY excl. IFRS 16
Mobile services	315	302		(3.9%)	
Landline services	79	74		(6.0%)	
Landline internet	69	78		13.3%	
Total revenue	463	455		(1.7%)	
Service revenue (total excl. hubbing & hardware)	374	386		3.1%	
Gross profit	303	311	311	2.6%	2.6%
EBITDA	147	157	146	6.6%	(0.8%)
Adjusted EBITDA	150	165	155	10.3%	3.4%
Net income	24	26	27	6.7%	11.8%
Equity free cash flow	33	(29)		(190.2%)	
Customers (in k)					
Mobile Postpaid	1,655	1,812		9.5%	
Mobile Prepaid	687	592		(13.9%)	
Landline Voice	453	491		8.4%	
Internet	442	483		9.4%	
TV	229	263		14.8%	

*IFRS 16 has no impact on revenue

Olaf Swantee, CEO of Sunrise, comments: "Our network leadership, customer momentum and solid adj. EBITDA growth all confirm our strategic focus on quality across our networks, services and products. In Q2, we continued to prepare the UPC acquisition. I am excited about the deal, as we believe it will improve our scale advantage and strengthen our convergence positioning, so we can compete more successfully in the long term."

Strong customer growth in postpaid, internet and TV

Momentum in subscriber additions continued, with Sunrise achieving 40,300 postpaid net adds in Q2'19, vs. 30,300 in the same period last year. This strong performance was supported by B2B customer wins (including TCS and The Global Fund) and a focus on going the extra mile for customers. YoY, Sunrise grew net new mobile postpaid customers +9.5%, up from +9.0% 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 +9.4% YoY and +14.8% YoY respectively. These substantial increases were supported by 2-4P bundle offers, attractive TV content (which includes 'Netflix', 'Sky Sports' and 'Sky Show'), a focus on service excellence, and dedicated promotions.

Service revenue growth driven by customer growth

Service revenue increased by +3.1% YoY as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents an acceleration compared to Q1'19 growth (+2.7% YoY), primarily driven by B2B equipment sales. Q2 total revenue decreased by -1.7% YoY to CHF 455m, influenced by reduced hubbing and mobile hardware sales, which both carry low profitability.

Adj. EBITDA up +3.4%

Gross profit rose by +2.6% YoY to CHF 311m, due to service revenue growth. Service gross margin decreased slightly, mainly due to revenue mix effects. Gross profit improvement was partly reinvested into growth momentum. Q2 adjusted Opex increased +1.8% YoY as a result of variable onboarding and operational momentum costs, driving service revenue growth. Q2 adjusted EBITDA increased +3.4% (incl. IFRS 16 +10.3%) to CHF 155m. Q2'19 net income slightly improved to CHF 27m YoY.

5G spectrum payment impacting Q2 eFCF and leverage

Equity free cash flow decreased from CHF 33m to CHF -29m in Q2 YoY, as a result of the company's CHF 91m investment in 5G spectrum during Q2'19, as previously announced. Net debt saw an increase in Q2 to CHF 1,636m vs. CHF 1,420m in Q1 – driven by dividend and spectrum payments. Pro forma IFRS 16 net debt to adjusted EBITDA ratio stood at 2.49x at the end of Q2'19. Excluding IFRS 16, the ratio amounted to 2.24x, a YoY increase from 2.19x driven by spectrum payment.

CHF 280m (CHF +45m higher) annual synergy run rate expected from UPC Switzerland acquisition

After six months of detailed integration planning, Sunrise is increasing its total annual synergy run rate expectation from CHF 235m to CHF 280m. This includes CHF 230m of cost and Capex synergies to be achieved by 2023 (previously CHF 190m by 2022) and CHF 50m of revenue synergies to be achieved by 2023 (previously CHF 45m by 2023). The total run rate synergies are equivalent to a net present value ('NPV') of CHF 3.1bn (previously CHF 2.8bn) after integration costs. In order to achieve the higher synergies, one-off integration costs are expected to increase from CHF 140-150m to CHF 230-250m. Subject to regulatory clearance and EGM approval, the closing of the transaction is expected as per end of November 2019.

FY'19 guidance range tightened at high end

FY'19 revenue continues to be expected between CHF 1,860-1,900m. After a strong first half of 2019, Sunrise is tightening its adj. EBITDA guidance range from CHF 613- 628m to CHF 618-628m. This guidance 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.

Complementary H1'19 results table

Revenue (CHF m)	H1'18 excl. IFRS 16	H1'19 incl. IFRS 16	H1'19 excl. IFRS 16*	YoY incl. IFRS 16	YoY excl. IFRS 16
Mobile services	617	604		(2.1%)	
Landline services	168	145		(13.5%)	
Landline internet	136	152		11.8%	
Total revenue	921	901		(2.1%)	
Service revenue (total excl. hubbing & hardware)	736	758		3.0%	
Gross profit	597	617	617	3.4%	3.3%
EBITDA	284	331	309	16.7%	8.8%
Adjusted EBITDA	290	324	302	11.7%	4.2%
Net income	41	61	63	49.4%	54.3%
Equity free cash flow	34	3		(90.3%)	

*IFRS 16 has no impact on revenue

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

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