

Media release

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Sunrise enters into a strategic partnership with a Consortium led by Cellnex, strengthening the network

- **Sale of Swiss Towers AG, which owns 2,239 telecom towers, for CHF500 million**
- **Accelerate deleveraging and path towards investment grade rating**
- **Accelerate investments to support growth momentum**
- **Step up in 2017 dividend to CHF3.9-4.10 per share; new dividend policy to reflect stronger financial profile**

Sunrise Communications Group AG ("Sunrise") announced today that it has entered into a definitive agreement with a consortium led by Cellnex Telecom S.A. ("Cellnex"), and including Swiss Life Asset Managers ("SLAM") and Deutsche Telekom Capital Partners ("DTCP") (together the "Consortium") regarding the sale of Swiss Towers AG ("Swiss Towers"), which owns a portfolio of 2,239 telecom towers in Switzerland, for a consideration of CHF500 million (the "Transaction"). Completion of the Transaction is subject to merger control clearance and the conclusion of (i) transitional service agreements (i.e. a Service Level Agreement and a Transitional Services Agreement) based on which Sunrise will provide certain (transitional) services to Swiss Towers, as well as (ii) a build-to-suit agreement based on which Sunrise is subcontracted to build new telecom towers.

To facilitate this Transaction, 2,239 telecom towers located throughout Switzerland and associated contracts were carved out in March into a separate legal entity, Swiss Towers. This relates to passive network infrastructure, i.e. mainly steel and concrete. All of the active mobile network infrastructure remains with Sunrise and enables Sunrise to focus even more on improving the quality of its mobile services for its customers.

The Consortium and Sunrise have entered into a long-term service contract regarding the provision of tower infrastructure services, and will enter into a new build-to-suit program comprising of new macro sites and small cells. This new compelling partnership with the Consortium extends Sunrise's work with leading partners to deliver the long-term strategy of offering best network quality. For instance, Sunrise's partnership with Huawei contributed to winning the 'connect' mobile network test in 2016.

Following the closing of the Transaction, Sunrise will use CHF450 million of the cash proceeds to pay down debt and improve its financial position, with the aim of achieving an investment grade credit rating in the near term. This deleveraging would have reduced net debt / adjusted EBITDA at the end of 2016 from 2.7x to 2.1x. The remaining proceeds will be used to accelerate investments into network, fibre partnerships and shops (CHF30 million one-off Capex in 2017) and to cover Transaction related costs and cash generated in Q1.

"We are absolutely proud to be the first Swiss Operator to enter such a partnership. It enables us to continue our network and innovation leadership. The new partnership will enable us to focus even stronger on the key differentiating elements of our active network infrastructure to deliver the defect-free network and set new industry standards in the Swiss mobile market." comments Olaf Swantee, CEO of Sunrise.

Change in guidance and dividend policy

Subject to the completion of the Transaction, 2017 guidance has been updated to reflect the financial impact of the Transaction. The Transaction will have minimal impact on Sunrise's underlying equity free cash flows. Furthermore, the one-off cash impact of the transaction will be excluded from the equity free cash

flow definition in 2017. The 2017 revenue guidance is unchanged at CHF1,820 million to CHF1,860 million. 2017 adjusted EBITDA is now expected to be between CHF577 million and CHF592 million. Including the additional one-off capital expenditure in 2017, Capex guidance for 2017 is now between CHF255 million and CHF295 million, with normalized Capex excluding the one-off increase in 2017 between CHF225 million and CHF265 million.

Following completion of this Transaction, the Board of Directors of Sunrise has proposed a new target range for 2017 dividends and agreed a new dividend policy, reflecting the company's stronger financial and operational profile. For 2017, subject to completion of the Transaction, Sunrise is now targeting dividends of CHF 3.90-4.10 per share, a +17% to +23% increase vs 2016 and a meaningful step from previous guidance of CHF3.45-3.55.

Going forward from this new higher base, future dividends will continue to reflect our view on leverage. Sunrise's revised dividend policy is to pay out at least 65% of equity free cash flow, and targeting 85% once the company's reported net debt / adjusted EBITDA leverage is below 2.0x.

There will be an investor call taking place today at 10.30am CET (09.30am GMT) with web cast and dial-in details available on the Sunrise corporate homepage: <http://corporate.sunrise.ch/ir>

UBS acted as lead financial advisor, ValueTrust Financial Advisors as carve-out advisor, Ernst & Young as accounting and tax advisor, and CMS Switzerland together with CMS Germany as legal advisors.

About Sunrise

Sunrise Communications Group AG (Sunrise) is listed on the SIX Swiss Exchange in Zurich and is the leading fully-integrated challenger delivering a full range of telecommunication services. Sunrise is the leading non-incumbent operator in both the mobile and landline retail voice markets, as well as the third-largest landline internet provider with IPTV. Sunrise had approximately 3.3 million customer relationships, as of December 31, 2016.

Sunrise benefits from a 11,800 km nationwide state-of-the-art fiber network backbone. Sunrise provides mobile services through its own network based on GSM/GPRS/EDGE, UMTS/HSPA and LTE/4G technologies. On the fixed side, Sunrise leverages more than 600 points of presence in its fully-invested LLU network, with coverage of approximately 85% of households in Switzerland. The company has full access to the most advanced next-generation access technologies, such as vectoring, FTTS, FTTB and FTTH thanks to its long-term agreement with the incumbent, SFN and local utilities.

For the financial year ended December 31, 2016, Sunrise generated total revenue of CHF1,897 million and adjusted EBITDA of CHF611 million. Sunrise is headquartered in Zurich and had a total of 1,723 employees (including 109 apprentices) allocated to divers business locations across the entire country as of December 31, 2016.

About Cellnex Telecom

Cellnex is the main independent operator of wireless communications infrastructure, with a total portfolio of more than 19,000 sites, including the DAS (Distributed Antenna Systems) nodes managed by CommsCon. In 2016 Cellnex Telecom obtained revenues of EUR707 million and EBITDA of EUR290 million. The company is present in Italy, Spain, France, the Netherlands and the UK. The company is listed on the Spanish stock exchange and is part of the selective IBEX 35 and EuroStoxx 600 indices.

About Swiss Life Asset Managers

Swiss Life Asset Managers has more than 150 years of experience in asset management. As of 31 December 2016, Swiss Life Asset Managers overall had a total of CHF204 billion assets under management. The Swiss Life Group is a SIX Swiss Exchange listed life insurance and pensions company with a current market capitalization of around CHF10 billion.

About DTCP (Deutsche Telekom Capital Partners)

DTCP is Deutsche Telekom's investment management group with \$1.5 billion assets under management and advisory, and a portfolio of over 70 companies. The group is dedicated to provide venture capital, private equity, and advisory services to the technology, media and telecommunication sectors. It operates and invests in the US, Israel and Europe.

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

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