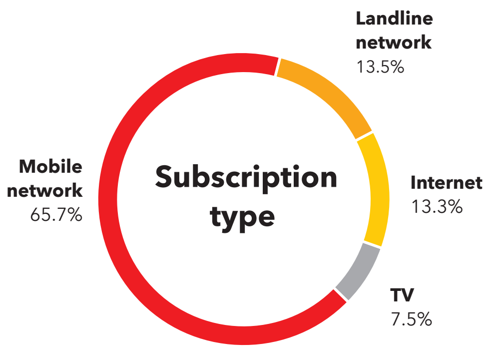
Sunrise

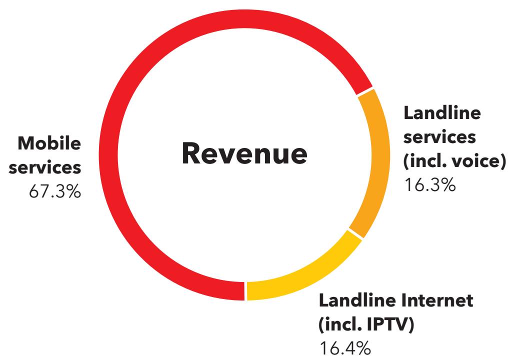
Annual Report 2019

Facts & Figures

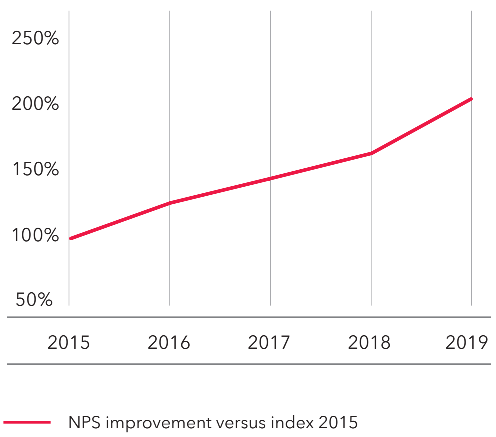
Customers by subscription type



Revenue by subscription type



Company NPS Evolution



3.732 million

Subscriptions

With more than 3.7 million subscriptions, Sunrise is the leading privatly owned telecom provider in Switzerland in both mobile and landline network sectors. Additionally, Sunrise is the third largest provider of landline network, Internet and TV services.

1,798

Employees

28.1% of the total 1,798 Sunrise employees (1,739 FTEs) are women. Approximately 11.8% of Sunrise employees work part-time. Sunrise trains 137 apprentices in five apprenticeship programs.

101

Offices and retail stores

With 95 retail locations, Sunrise has a presence in all regions of Switzerland. The Company is headquartered in Zurich and has additional business offices in Prilly, Geneva, Bern, Basel and Lugano.

384

Cities and towns with 5G

Only the cities and towns are counted, where 5G coverage reaches at least 80% of the local population.

Content

Message to Shareholders

Peter Kurer
Chair of the Board (right)

André Krause
Chief Executive Officer (left)

Dear Shareholders,
Sunrise looks back on a dynamic year. Thanks to innovative products and services, we were able to record many successes and acquire numerous new customers in the Consumer and B2B sectors. At the same time, we have successfully assumed technological leadership in the mobile sector with the rapid introduction and expansion of the latest mobile phone generation, 5G. This has enabled us to secure a worldwide 5G pioneering role for Switzerland. 2019 was the year of 5G. We started with good results at the 5G frequency auction. Notably, Sunrise was able to acquire frequencies in the 3.5 GHz band, which are essential for 5G. Thanks to a clever bidding strategy, Sunrise was able to secure the most important bands at a very advantageous price of CHF 0.077 per MHz / pop compared to the competition (CHF 0.114 or 0.100 per MHz / pop). Sunrise paid approximately CHF 89 million for the newly auctioned frequencies.

Auction revenues for the Confederation totaled around CHF 380 million. Compared to 5G frequency auction revenues in 2018 and 2019 (especially for 3.4 – 3.8 GHz bands) of over CHF 7.1 billion in Italy, over CHF 1.4 billion in the United Kingdom, over CHF 485 million in Spain and over CHF 4.6 billion in Germany, prices for 5G frequencies in Switzerland remained within an investment-friendly range and significantly below budget for Sunrise.

With these new and existing frequencies, we will continue to guarantee 4G coverage in over 96% of the Swiss national territory and further expand the fastest and largest 5G network in Switzerland for our customers.

Last year, Sunrise again invested in optimizing its service quality, which was rewarded by customers with top ratings in leading surveys. Three leading trade and business magazines – BILANZ, Computerworld and connect – attest to our top performance in terms of service and support.

These positive developments are also reflected in our financial results. Gross profit increased by 2.7% to CHF 1,252 million. Adjusted EBITDA amounted to CHF 668 million, which reveals a year-over-year increase of 11.2% or CHF 67 million (excl. IFRS 16: CHF 624 million; year-over-year increase of 3.9% or CHF 23 million).

Higher EBITDA thanks to rising service revenue
Despite increased competition, ongoing price pressure and an intense M&A process (UPC), Sunrise performed well in the market. Total revenue at Sunrise increased by 0.5% in the 2019 financial year to CHF 1,887 million compared to 2018. Revenue growth was mainly driven by higher service revenue (3.3%) in mobile postpaid, landline Internet and TV. The increase in service revenue is attributable to strong growth in customer numbers in the postpaid (+9.4%), Internet (+8.5%) and TV (+14.6%) segments. Customer growth was driven in part by new B2B customers, including Valora, Zurich University Hospital, TCS, FC Basel, GF Machining Solutions and ewl energie wasser luzern. Service revenue growth was also supported by the increasing demand for combined offers and benefited from strategic investments in network, service and product quality.

2019 dividend
An increased ordinary dividend of CHF 4.40 per share will be proposed to the 2020 Annual General Meeting. This represents a total dividend of approximately CHF 198.3 million and attractive dividend growth of 4.8% compared to the previous year. The dividend will be distributed tax-free from reserves from foreign capital contributions, which will also be the case in subsequent years.

Sunrise share performance in 2019
The price of Sunrise shares is up +12% from the IPO issue price in February 2015 by the end of 2019. It fell −12% in 2019. Together with the dividend paid in April, the total return (price change and dividend) for Sunrise shareholders was −7% in 2019, but amounts to +37% since the IPO. For comparison: In 2019, the STOXX Europe 600 Telecommunications Index (€) recorded a total return of +6% while the total return was −13% since February 2015.

Best service and highest security
Sunrise goes the extra mile for its customers, both in terms of its network and its products and services. Meeting these expectations requires commitment, targeted innovation and the ambition to constantly improve customer service.

The fact that the investments we have made in optimizing our front line are paying off is demonstrated not only by the repeat awards received from the BILANZ Telekom Rating, the Computerworld Top 500 Satisfaction Study and the connect ratings for mobile customer satisfaction and service quality in Sunrise Shops, but also by our Net Promoter Score (NPS) values. For example, our customer service and shop NPS have further improved and are at an all-time high. According to this measure, approximately 8 out of 10 customers who sought customer service support or visited a Sunrise shop would recommend Sunrise to others.

In order to provide our customers not only with a leading network and outstanding service but also with the highest level of security, Sunrise has centralized its cybersecurity competencies in a new Security Operation Center in Opfikon, incorporating over 40 full-time positions from the IT and network operations

2019 was the year of 5G and Sunrise is at the forefront.

André Krause
Chief Executive Officer

departments. In this new Security Operation Center, Sunrise is relying on the latest cyber defense technology, thus protecting corporate and customer data even more effectively, efficiently and with the necessary strategic priority.

First on 5G

In April 2019, Sunrise became the first provider in Europe to launch the fifth generation of mobile communications, 5G. Since then we have provided over 426 cities and towns with 5G. In line with our high quality requirements, Sunrise only counts as covered those cities and towns where coverage reaches at least 80% of the local population. Many other areas are partially covered, including sections of large cities such as Zurich, Bern and Geneva.

The 5G study conducted by IHS Markit based on the RootMetrics® industry standard showed that Sunrise not only offers the most reliable mobile network in Switzerland across all technologies, it also has the largest and fastest 5G network in Switzerland. The mobile network test by connect also showed that Sunrise offers the fastest and most 5G connections. Thanks to the Sunrise 5G network, private and business customers can also benefit from fiber-optic-like broadband Internet where otherwise only slow DSL connections are available. The low latency times are also ideal for industrial applications, video applications or 4K cloud gaming.

Expansion of 5G leadership

To further strengthen its 5G leadership position, Sunrise has launched numerous initiatives in the "Year of 5G", some of which are world premieres. These included, for example, the launch of Sunrise Home Internet 5G. This product allows customers to obtain landline services via 5G. The Sunrise Internet Box 5G used for this purpose is the first-ever commercial device in the world to combine Internet, TV and landline calling for home and business via 5G. For mobile applications, Sunrise launched a series of premieres with 5G smartphones from Xiaomi and Huawei. The mobile 5G portfolio was expanded with the addition of the HTC 5G Hub, a mobile 5G hotspot that functions as a home media center, a high-speed access point for business on the go, as well as a quick and easy corporate connectivity hub in the office. Another world premiere was the commercial launch of the first cloud gaming service with 4K resolution over 5G. Whereas previously online gaming with high-end graphics was only possible on consoles and PCs, Sunrise has pioneered the use of 5G in this area.

In addition, Sunrise introduced an unlimited 5G offer for prepaid customers in November. For business customers Sunrise provides 5G Indoor Coverage as a Service – high-performance 5G coverage inside buildings– which, as in the case of GF Machining Solutions, will lay the foundation for the factory of the future.

In the Joint Innovation Center, which Sunrise opened in the fall of 2019 together with its strategic technology partner Huawei, the development and commercialization of 5G applications in the private and business customer sector is being promoted. For this purpose, live applications from the fields of smart farming, smart manufacturing, and cloud gaming as well as AR and VR applications are on display in the showroom. In the Openlab, which is part of the Joint Innovation Center, developers can test their applications under real conditions in a live end-to-end 5G network.

Sunrise performed well this year and is proposing a 4.8% dividend increase for 2019.

Peter Kurer
Chair of the Board

Meet customer needs
In addition to the 5G portfolio, Sunrise has also revamped its other offerings. Last year, for example, we introduced a very attractive data-roaming product for unlimited surfing in Europe known as Travel data unlimited Europe, as well as Sunrise Freedom Europe data, a flat-rate mobile subscription plan for Switzerland with unlimited surfing in Europe.

Other innovations included a collaboration with Plume to provide customers with smart home services and even better at-home Internet experience.

Sunrise has revolutionized the TV experience with its TV neo offering. TV neo is a 4K live OTT TV app that is available from the Samsung Smart TV App Store, Apple TV, iOS and Android devices and various Internet browsers with no set-top box required.

For the Unlimited Mobile Workplace, Sunrise expanded its Work Smart product for business customers with the addition of MOUNT 10 and Unify services. The former allows fully automated, encrypted online data backups via the Internet to two highly secure Swiss data center fortresses, while the Circuit solution from Unify enables modern, efficient and location-independent collaboration and only requires an Internet connection.

Satisfied employees
We are also particularly proud of our Great Place to Work award. Sunrise took part in the certification program for the first time in 2019 and received top marks from employees in all five areas – credibility, respect, fairness, pride and team spirit.

One of the many things our employees appreciate at Sunrise is that everyone enjoys the same opportunities and possibilities regardless of gender, age, origin or handicap. The outside impacts of this inclusive atmosphere were demonstrated by the naming of Ingrid Deltenre as Woman Board Member of the Year. In addition to her wide-ranging responsibilities and qualifications, she was also chosen because of the culture of accountable leadership that she promotes and exemplifies.

With over 8% of full-time positions, Sunrise trains more apprentices than any other company in the telecom sector. This also applies to companies outside the telecom sector. In 2019, 40 apprentices completed their vocational training, signifying a 100% success rate, as was already the case in the previous year.

UPC transaction
On February 27, 2019, Sunrise signed a share purchase agreement with Liberty Global with the aim of acquiring the cable network operator UPC Switzerland, a wholly owned subsidiary of Liberty Global. On September 26, 2019, we received unconditional approval from the Competition Commission (WEKO). The Extraordinary General Meeting (EGM) was convened for October 23, 2019, to carry out an ordinary capital increase of CHF 2.8 billion through the partial financing of the acquisition by means of a subscription rights offering.

Based on clear indications received from shareholders and Freenet's announced intent to vote against the capital increase at the EGM, the Board of Directors of Sunrise concluded on October 22, 2019, that a clear majority of shareholders who have registered their shares to vote at the EGM do not support the capital increase. The EGM was therefore cancelled with the agreement of Liberty Global. The share purchase agreement with Liberty Global was terminated on November 12, 2019, resulting in a penalty payment of CHF 50 million to Liberty Global. The total costs amount to CHF 112 million, including the penalty (CHF 50 million), underwriting fees (CHF 18 million), advisory and legal fees, as well as already incurred integration costs of about CHF 44 million. All costs are reflected in the consolidated financial statements for the 2019 financial year, thereof CHF 107 million in EBITDA as "other operating expenses" and "other expenses". Of the total costs, 98% have aready been paid in 2019.

Changes in Management and the Board of Directors
Following the termination of the UPC transaction, Olaf Swantee has informed about his intention to step down as CEO. The Board of Directors has appointed André Krause as new CEO who has taken over with immediate effect on January 3, 2020. Olaf Swantee will support André Krause until the 2020 Annual General Meeting to ensure a smooth change of leadership. Uwe Schiller, previously Senior Vice President of Finance and Investor Relations, was appointed the new CFO. Peter Kurer, Peter Schöpfer and Jesper Ovesen decided to no longer run for election as Chair, Vice Chair of the Board of Directors and Chair of the Audit Committee, respectively, at the 2020 Annual General Meeting. Robin Bienenstock has also decided not to stand for re-election as a member of the Board of Directors and the Audit Committee.

Outlook
As in the past, Sunrise continues to operate as an independent telecom provider and the most successful challenger in the market. Our ambitions remain unchanged from previous years: We want to become the most recommended telecommunications provider by customers in Switzerland. To achieve this goal, we will continue to focus on our strategic priorities in the fiscal year 2020 to offer the highest quality networks and best customer service and continue to drive customer growth with innovative products.

A heartfelt thank you
2019 was a special year for Sunrise. We were able to retain our strong market momentum and gain market share while preparing for the UPC transaction. This enabled us to further strengthen our position in the market. Our employees and partners have delivered this extraordinary performance with the highest level of commitment. We would therefore like to take this opportunity to thank them sincerely.

A big thank you also goes out to our customers and to you, our shareholders, for placing your trust in us every day and loyally supporting us on our journey.

Peter Kurer
Chair of the Board

André Krause
Chief Executive Officer

Financial and Operational KPIs

Total revenue in 2019 increased by 0.5% to CHF 1,887 million. Revenue growth was mainly driven by higher service revenue of 3.3%, supported by strong customer growth in mobile postpaid, landline Internet and TV. Adjusted EBITDA (excl. IFRS 16) demonstrated year-over-year growth of CHF 23 million, mainly attributable to service revenue growth. Sunrise achieved a net income of CHF 56 million in 2019. This represents a year-over-year decrease, as 2019 net income was negatively impacted by the costs related to the cancelled acquisition of UPC Switzerland. Excluding these costs, net income of 2019 would have exceeded the prior year by CHF 56 million.

Financial KPIs

CHF million	2019 as reported	2019 without IFRS 16	2018[1]	Change of reported figures (%)
Revenue				
Mobile services	1,271	1,271	1,271	0.0
– Thereof mobile postpaid	*835*	*835*	*802*	*4.1*
– Thereof mobile prepaid	*76*	*76*	*96*	*(21.5)*
– Thereof mobile hardware	*262*	*262*	*279*	*(6.2)*
– Thereof other	*98*	*98*	*93*	*5.4*
Landline services (incl. voice)	307	307	325	(5.7)
– Thereof landline voice	*124*	*124*	*126*	*(1.5)*
– Thereof hubbing	*74*	*74*	*96*	*(22.5)*
– Thereof other	*109*	*109*	*104*	*4.8*
Landline Internet and TV	309	309	280	10.2
Total revenue	**1,887**	**1,887**	**1,876**	**0.5**
Revenue excl. mobile hardware and hubbing	1,551	1,551	1,501	3.3
Gross profit	**1,252**	**1,252**	**1,219**	**2.7**
% margin	66.4%	66.4%	65.0%	
% margin (excl. hubbing & hardware revenue)	80.8%	80.7%	81.2%	
EBITDA	**588**	**544**	**602**	**(2.4)**
EBITDA adjusted	**668**	**624**	**601**	**11.2**
% margin	35.4%	33.1%	32.0%	
% margin (excl. hubbing & hardware revenue)	43.1%	40.3%	40.0%	
Net income	**56**	**59**	**107**	**(48.0)**
Net income excl. UPC costs[2]	163	166	107	52.3
Cash flow				
Reported EBITDA	588	544	602	(2.4)
Change in NWC	(27)	(21)	(49)	(45.7)
Net interest	(39)	(28)	(30)	30.6
Tax	(46)	(46)	(50)	(8.6)
CAPEX[3]	(460)	(460)	(303)	51.8
Repayments of lease liabilities[4]	(32)	(5)	–	–
Other financing activities	(6)	(6)	(21)	(71.5)
Equity free cash flow	**(22)**	**(22)**	**149**	**(114.8)**
Other[5]	(199)	(199)	(2)	9,609.3
Total cash flow	**(221)**	**(221)**	**147**	**(250.6)**
Net debt	**1,673**	**1,419**	**1,194**	
Net debt/adj. EBITDA (LTM)	2.5×	2.3×	2.0×	

[1] The Company has initially applied IFRS 16 using the modified retrospective approach. Under this method, the comparative information is not restated.
[2] Costs related to the cancelled acquisition of UPC Switzerland in 2019.
[3] 2019 year-over-year YTD increase mainly due to CHF 91 million for Spectrum concessions and related consultancy fees as well as Swisscom Access deal of CHF 60 million.
[4] In 2018 repayments related to financial leases were not part of Equity free cash flow.
[5] 2019 consists mainly of sale of property, plant and equipment of CHF +5 million, movement in pension and provision (CHF −14 million) and dividend payment of CHF −189 million. 2018 consists of dividend payment (CHF −180 million), refinancing cash inflow (CHF +185 million), sale of property, plant and equipment (CHF +10 million), movement in pension and provisions of CHF −9 million as well as repayment of capital leases of CHF −7 million.

Operational KPIs

	2019 as reported	2018	Change of reported figures (%)
ARPU (CHF)			
Mobile blended	**31.6**	**31.8**	**(0.8)**
Postpaid	38.4	40.3	(4.7)
– Thereof origination	*35.9*	*37.5*	*(4.2)*
– Thereof termination	*2.5*	*2.8*	*(11.5)*
Prepaid	10.6	11.5	(7.9)
Landline			
Landline voice	20.9	22.9	(8.7)
Internet	35.7	36.1	(1.1)
TV	25.0	26.1	(4.2)
Subscription base (in thousand)			
Mobile			
Postpaid	1,891.4	1,728.8	9.4
– Primary	1,522.2	1,406.5	8.2
– Secondary	369.1	322.3	14.5
Prepaid (3-month rule)	562.8	627.5	(10.3)
Prepaid (12-month rule)	929.8	1,067.6	(12.9)
Landline			
Landline voice	502.5	468.2	7.3
Internet	496.2	457.3	8.5
TV	279.3	243.7	14.6
LTM Churn (%)			
Postpaid	13.3	13.8	(3.6)
Landline	13.8	13.8	0.4
Employees			
FTEs	1,739	1,611	7.9
Apprentices	137	140	(2.1)

Operational and Financial Review

The successful multi-brand strategy as well as the improved mobile network quality and enhanced customer experience have strengthened the Company. Sunrise has become the leading market challenger and is gaining customers across all segments.

Operational and Financial Review

1 Business Activities

Sunrise is the second-largest integrated teleommunications provider in Switzerland. It brings mobile voice and data, landline voice, landline Internet and IPTV services to residential customers, business customers and other carriers across Switzerland using an integrated nationwide landline network and an outstanding mobile network, being the largest and fastest 5G network in Switzerland (Root Metrics November 2019 and connect measurements December 2019).

1.1 Residential Customers

Sunrise offers its residential customers mobile calling, landline, Internet and TV services from a single source. Mobile voice and data services are available on both a postpaid and prepaid basis. Sunrise offers are tailored to meet its customers' needs for unlimited, high-speed access to the Internet at home and on the go, while also providing competitive, easy-to-use products and various convergence options with no limits to digital access.

1.2 Business Customers

Sunrise business customers can select from a comprehensive range of products and services, from mobile offers, landline voice, Internet and data solutions to systems integration and management of services. With the possibilities opened up by its Unlimited Mobile Workplace solutions, Sunrise enables companies and their employees to work in a future-oriented, mobile and flexible manner. Sunrise meets the specific needs of its customers with a portfolio of standardized products for small businesses as well as customized, scalable and secure offers for large enterprises.

1.3 Wholesale

Wholesale operations provide mobile voice and data, as well as Internet services to national and international carriers. Sunrise offers voice hubbing services based on excess capacity on its proprietary landline network.

2 Sunrise Strategy

Our strategic positioning as the leading challenger, focusing on quality, has proven successful. Over the past years, Sunrise has been growing its market share and adjusted EBITDA through investments in network, product and service quality.

The success was based on the folowing factors:
- Excellent mobile and fixed network infrastructure, including demonstrated 5G leadership and a pioneering role as a provider of fixed wireless access over 5G
- Multi-brand approach targeting clearly distinct customer segments
- Successful market share gains in the Business segment, supported by a high quality network and superior service quality
- Strong focus on customer centricity, service excellence, convergence, product innovations and promotions

Sunrise' still low market share and the rising market trend towards convergence mean the quality focused challenger strategy is as viable as ever. The current market share provides significant potential for further customer growth in postpaid, internet and TV across the Consumer and Business segments.

2.1 Sunrise to stay ahead of competition

To stay ahead of the competition, Sunrise will follow a strategy of next-level excellence through infrastructure, product and service differentiation and operational efficiency:

– The unregulated fiber environment requires adaptation of the Sunrise infrastructure strategy to secure a leading position in the future. Therefore, Sunrise will focus on an extended fiber footprint. Non-fiber areas will be covered with the high-speed 5G infrastructure.
– Product and service differentiation will be strengthened through a greater focus on innovation. Cross- and up-selling will be increasingly important to exploit the convergence trend and driving further growth in the customer base.
– The successful multi-brand approach will be advanced and Sunrise will continue to invest in sales channels and product line extensions.
– Digitalization will drive further operational momentum and improve margins.

3 Customers

Sunrise continues to put significant focus on improving the customer experience, a key principle of its business strategy. A survey is conducted and feedback is gathered after each contact with the customer. This information is then used to enhance work methods across all channels and touchpoints. These efforts resulted in a number of awards for Sunrise in 2019. Sunrise took first place among the three largest Swiss providers in the "Internet Provider Customer Barometer 2019" published by PC Magazine and PCgo Magazine. In addition, Sunrise finished first in the connect Shop Test 2019, providing the best customer service experience in its shops.

Sunrise sweeps the competition aside in customer barometer

PC Magazin and its sister publication PCgo conducted a 2019 customer barometer across the DACH region. Sunrise took first place in the survey among the three largest Swiss providers in the Internet Provider Customer Barometer 2019. Sunrise outranked the competition with its unbeatable value for money in the "rates and bills" category. Sunrise scored additional points thanks to the quality and speed of its customer service.

3.1 Net Promoter Score

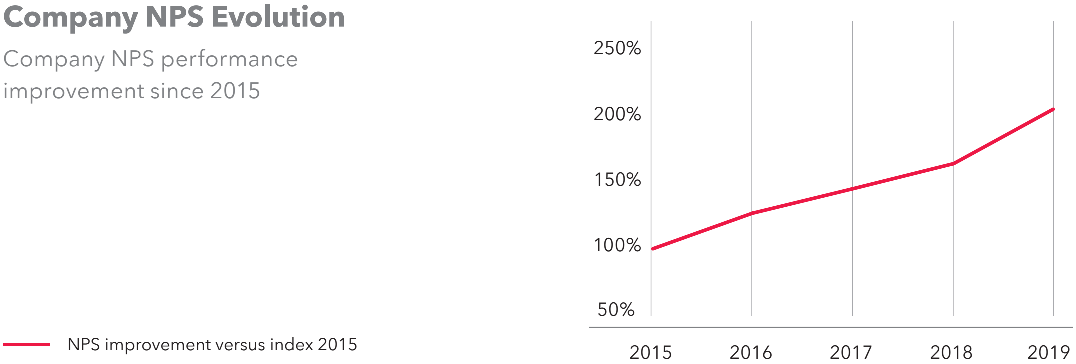
In 2013, Sunrise launched a company-wide, multi-year Net Promoter Score (NPS) program dedicated to achieving substantial improvement in the customer experience across multiple customer touchpoints. The enduring nature of this program is proof of its success.

The NPS program has allowed Sunrise to continuously identify areas with improvement potential and ensure the successful implementation of enhanced customer service. NPS is a powerful and easy-to-understand metric for measuring customer loyalty and satisfaction. It is obtained through a simple customer survey administered immediately after defined customer interactions with Sunrise and is supported by follow-up measures.

As a result, Sunrise has significantly improved its Company NPS score (from a baseline of 149% in 2017 to 205% in 2019, against an index of 100% in 2015).

Company NPS Evolution

Company NPS performance improvement since 2015



Sunrise offers support across all products and services including sales, administration, dealer support and technical support for both mobile and landline products. Its Customer Services organization provides support through dedicated call centers, written correspondence and an online chat service both in-house and through outsourced partners.

To meet soaring customer expectations in an increasingly digital world, Sunrise has been focusing on significantly improving its digital capabilities over the past few years. The Company continues to implement digital initiatives to further increase its market share and profits.

4 Market Environment

The Swiss telecommunications market is a highly competitive market with one of the highest levels of service quality in the world.

4.1 Economic Environment

The Swiss economy continues to be robust despite the lower GDP growth rate in 2019 compared to 2018.

The year 2018 was a remarkable over-performance year in terms of GDP evolution due to a combination of factors not replicable in 2019. Swiss GDP grew around 0.8% in 2019 vs. the 2.8% growth rate in 2018; nevertheless, GDP is expected to grow at a higher rate in 2020 (IMF World Economic Outlook, October 2019, projection for 2020). The slowdown in 2019 was mainly due to the effects of major sporting events that were celebrated in 2018 but not in 2019. Additionally, weaker foreign demand, mainly driven by the appreciation of the Swiss franc throughout 2019 and restrained internal development, contributed to GDP deceleration in 2019.

In 2019 inflation continued to increase after the trend change in 2017. Consumer prices continued to increase in 2019 at a rate of 0.6%, compared to 0.9% in 2018 (IMF World Economic Outlook, October 2019, projection for 2020).

4.2 Industry and Competitive Environment

The current Swiss telecommunications market is highly developed by international standards and characterized by a wide range of voice and data communications services. The market structure has remained largely stable for more than a decade and has been served by four primary network operators: Swisscom, Sunrise and Salt for mobile and Swisscom, Sunrise and UPC for fixed.

Swisscom is the largest Swiss mobile network operator (MNO), followed by its challengers Sunrise and Salt. Each of the three MNOs has its own nationwide network infrastructure with a spectrum license granted until 2028. At the beginning of 2019, a spectrum auction took place, in which a total bandwidth of 475 Mhz was awarded in a single transaction.

In addition to the MNOs, there are branded wholesale resellers on all three mobile networks as well as MVNOs (mobile virtual network operators) on Swisscom and Sunrise network that use the MNOs' infrastructure to provide their services. The market share structure in Switzerland has remained quite stable over the past few years. Following the previous years' trend, in 2019 the market maintained its competitive intensity in terms of mobile prices and aggressive promotions from every provider throughout the year. In this context, Sunrise emerged as a strong challenger in 2019 with an increased mobile postpaid subscriber base and faster growth in the Internet sector than its main competitors.

4.2.1 Mobile Networks

Mobile customers in Switzerland enjoy a high standard of quality. According to connect, the independent network tester, Sunrise is the only mobile communications provider to achieve the top overall mark of "OUTSTANDING" for the fourth time in a row.

The newly acquired spectrums have helped speed up network infrastructure upgrades by operators to handle larger volumes of data at higher speeds, with Switzerland being one of the first countries worldwide to introduce 5G technology. Sunrise was the first operator to launch its 5G network across Switzerland. By the end of 2019, 384 cities and villages had access to 5G technology (counting only those where 5G reaches over 80% of the local population).

According to an analysis of Swiss mobile networks conducted by RootMetrics between October 7 and November 1, 2019, Sunrise not only offers the largest and fastest 5G network in Switzerland but the Sunrise 5G network also has the fastest response times (latency). A series of measurements taken parallel to the connect mobile network test in December 2019 confirmed the RootMetrics analysis, again crowning Sunrise as the largest and fastest 5G network in Switzerland and the best 5G network in Switzerland and the DACH region overall. By the end of February 2020, the network had expanded to over 426 villages and cities.

Largest and fastest 5G network in Switzerland

Rootmetrics®, the industry standard for mobile performance benchmarking and measurement, analyzed the Swiss mobile networks and found that Sunrise offers the largest and fastest 5G network in Switzerland and its network has the fastest response time (latency).

RootMetrics® RootScore® Award Winner

4.2.2 Home Internet Services and TV

Home broadband Internet connections can be established via several different access technologies, including fiber, copper, cable modem and most recently 5G.

According to the figures reported by different operators, Swisscom leads the overall broadband Internet market, followed by UPC and Sunrise. Wholesale offerings and fiber unbundling have made access lines available to providers including Sunrise and Salt. Salt entered the Swiss landline market in March 2018 offering broadband service based on fiber. Other market participants include Quickline, Net+, Impro-Ware and other smaller operators through the resale of Swisscom's products or via the respective LLU networks.

In Switzerland, the retail voice market is primarily based on the digital access lines of the telephone network and the access lines of cable network operators. Swisscom is the largest provider of landline voice telephony in Switzerland, followed by UPC and Sunrise. Across all operators the number of minutes on landline voice telephony is declining.

The Swiss TV market has been evolving rapidly over recent years in response to changing consumer habits. To meet the demand for new OTT services such as Netflix, Amazon TV, Apple TV and others, the key telecommunications operators have launched new products and services.

The leaders in the Swiss television market – serving slightly more than half the market – are Swisscom and UPC followed by Sunrise. The rest of the market remains fragmented among local cable companies, satellite and digital terrestrial television providers.

Over the past few years, UPC has been losing market share to providers of IPTV (mainly Swisscom and Sunrise). Sunrise entered the TV market in 2012 and has been steadily gaining market share since then by leveraging a high-quality TV offering with extensive content. This product was developed through strategic partnerships with content providers.

To meet the increasing demand for higher bandwidth services and IPTV, Sunrise entered into an agreement with Swisscom that grants Sunrise access to all fiber- and copper-based access technologies, including VDSL and G.fast. Additionally, Sunrise has partnerships with the three biggest utilities (Basel, Geneva and Zürich) and Swiss Fibre Net AG, a joint venture of smaller local energy providers in Switzerland.

5 Products, Services and Sales Channels

Based on the Company's values of being bold, intuitive and positive, Sunrise focuses on its customers' needs and satisfaction in order to delight them with innovative and high-quality products and services. This has created effortless and engaging customer experiences, making a difference every day in the success Sunrise enjoys in a challenging environment.

5.1 Convergent Offering: Sunrise One and Sunrise Advantage

Convergence is a key market trend, and we offer our customers different types of convergence. Our customers can either create their own package with the Home (landline) and Freedom (mobile) subscriptions and benefit from Sunrise Advantage, or they can select Sunrise One, the convenient combo package.

Sunrise launched Sunrise One in April 2017, positioning itself as The Unlimited Company with the first converged bundle product in the Swiss market with no limits to digital access. Sunrise One combines mobile, landline, Internet and TV services into one convergent offering comprising Sunrise Mobile (swiss unlimited, swiss neighbors or europe&US) and Sunrise Home Unlimited. Sunrise One is very attractive compared to equivalent packages offered by competitors. In response to the increasing demand for unlimited Internet by itself, Sunrise launched Sunrise One light in November 2018. It combines mobile, landline and Internet services into one convergent offering, always with the highest possible connection speed.

Under the Sunrise Advantage plan, Sunrise provides a 10% discount on all basic fees each month to customers who combine mobile products with Internet, landline voice or TV services. This 10% discount does not apply to products which were already purchased with reduced promotional rates.

5.2 Mobile Offerings

Sunrise mobile service offerings include mobile voice and data, mobile Internet and other value-added services such as international calls, roaming, extra SIM, hardware insurance, network browsing protection as well as access to Sunrise TV products via mobile hardware. Sunrise also offers mobile phones and tablets plus other hardware and accessories.

5.3 Sunrise Freedom

The Sunrise Freedom offering targets the mass market for post-paid subscriptions. The Sunrise Freedom portfolio, launched in April 2014, introduced separate service and mobile phone plans without a fixed contract period, allowing customers to switch among Freedom tariffs at no cost any time their needs change. In May 2016, Sunrise refined its Freedom portfolio to better address the growing demand for mobile data and roaming, and in March 2018, Sunrise relaunched its Freedom product. The best features of Sunrise Freedom remain the following: subscription changes any time, no minimum contract term and hardware from CHF 1.00 down with a hardware plan. More calls, more surfing at faster speeds and more roaming have been added for an improved customer experience.

Freedom swiss start and Freedom swiss calls are entry-level products offering limited data volume. Swiss unlimited includes unlimited high speed 4G+ surfing, calls and SMS in Switzerland. Additionally, Sunrise has two international tariffs allowing unlimited surfing and mobile telephone services abroad: Sunrise Freedom Europe data and Sunrise Freedom Europe & US.

In June 2019, Sunrise launched Sunrise Europe Data, an innovative flat rate mobile data subscription for Switzerland, including unlimited data roaming in Europe and expanding the included Roaming data destinations compared to the previous Freedom swiss neighbors.

Sunrise also offers the 5G option to customers who have subscribed to unlimited data plans and who have 5G compatible hardware for an additional monthly charge. This option is included in Sunrise Freedom Europe & US.

In June 2019, Sunrise launched Apple Music, making it the only telecommunications company in Switzerland to offer this service. Since then, a free six-month trial of Apple Music is offered to all new and existing Sunrise postpaid customers.

5.4 Sunrise Freedom Young

In September 2010, Sunrise launched MTV mobile rate plans that provide attractive products to youth segment customers up to the age of 30. In March 2018, with the relaunch of our Freedom portfolio, MTV mobile Freedom was rebranded as Sunrise Freedom Young, following the same flexible principles as Sunrise Freedom and maintaining its positioning in the youth segment. Sunrise Freedom Young offerings includes lower monthly fees and more data for high-speed surfing with 4G+ as well as other popular youth benefits such as unlimited WhatsApp, messaging and Snapchat use and a 50% discount for the SBB Half Fare Travelcard. Additionally, as with the Freedom portfolio, Sunrise Young includes six months of Apple Music at no charge.

In November 2018, additional services at fixed prices were added to the Freedom Young portfolio, adapting it to the new generation's digital lifestyle.

The Sunrise Freedom Young portfolio comprises the Young swiss start, Young swiss calls, Young who calls, Young swiss unlimited, Young europe data and Young europe & US plans.

In addition to the mobile portfolio, Sunrise One Young light is the convergent solution for the youth segment offering unlimited Internet and a mobile subscription at home as well as unlimited surfing on the go at the highest possible connection speed.

The Forever Young guarantee from Sunrise allows customers to keep their Young subscription even after they turn 30 – at the same price and with all the benefits of a Young subscription (except for the SBB discount).

5.5 Roaming and International

Being sensitive to the diversity of the Swiss population, Sunrise uses different approaches to accommodate its customers' wide range of international needs.

Over the last few years, Sunrise launched and enhanced a comprehensive, attractive and competitive range of products and services targeting both regular and occasional roamers.

While frequent roamers can opt for one of the Freedom tariffs that include roaming, occasional users benefit from several roaming options (Sunrise travel days, travel data options and travel talk options) and pay for roaming services only when they need them. The Sunrise Cockpit (cockpit.sunrise.ch) allows customers to keep roaming costs under control by monitoring usage and enabling them to purchase or switch among different tariffs and options.

Over the past few years and in 2019 as well, we have constantly improved our roaming proposition, aiming to offer the most flexible deals at the best price by increasing the number of countries and the amount of data included in our packages or decreasing the price of roaming packages. In 2019 Sunrise removed data roaming limits by introducing travel data unlimited Europe with unlimited data roaming in Europe, covering 44 countries in Europe for CHF 19.90 for 30 days – the cheapest roaming data option in the swiss market.

With the relaunch of our Freedom subscriptions, in March 2018 we removed the previous standard tariff for data roaming and replaced it with the Travel day pass data tariff. Travel day pass data offers the lowest standard tariff for data roaming in 46 countries, including full roaming cost protection.

The Sunrise Freedom Europe data and Sunrise Freedom Europe & US tariffs described under Sunrise Freedom portfolio above are designed for subscribers who travel abroad and make international calls frequently. To meet the more specific needs of our subscribers who make international calls occasionally, we offer Sunrise International with lower-cost international calling options to a group of countries and Sunrise my country, with attractive options directed to one specific country.

5.6 Prepaid Offerings

Sunrise offers prepaid voice and data services under a wide range of brands (Sunrise, ALDI SUISSE mobile, yallo, Ortel and Lebara) to appeal to different market segments and their diverse needs.

Under the Sunrise brand, in 2017 Sunrise launched Prepaid Unlimited, a prepaid offering that is on par with the Scope of services of a post-paid subscription. Prepaid Unlimited offers unlimited calls to all Swiss networks, unlimited SMS/MMS messages and unlimited surfing at 4G+ speeds for 24 hours, 30 or 90 days for a flat fee. The Sunrise prepaid portfolio also features prepaid options and pay-as-you-go offers including a cost-control feature.

In November 2019, Sunrise was the first provider in the world to launch unlimited 5G for prepaid customers. With Prepaid Unlimited 7 days, Sunrise prepaid customers can enjoy unlimited calling, chatting and browsing at full 5G speeds up to 2 Gbit/s for seven days. The option costs CHF 19.90 and can be ordered very conveniently by SMS.

5.7 Mobile Internet

Sunrise has a mobile Internet offering that fulfills the Unlimited promise with different prices per month for different speeds, thus giving customers easy and carefree surfing options with no data limits.

In June 2019 Sunrise launched a 5G mobile internet tariff together with the 5G HTC hotspot option. The HTC 5G Hub boasts quick 5G connections with up to 2Gbit/s on the go, at home or in the office. The HTC 5G Hub can connect up to 20 hardware devices, such as smartphones, tablets, laptops and smart TVs via Wi-Fi.

5.8 Hardware and Accessories

Sunrise offers its customers a broad range of mobile hardware and related accessories sourced from a number of well-known suppliers and distributors, including Apple, Samsung and Huawei. The Company continuously seeks to improve the quality and range of its mobile hardware and accessory portfolio by embracing new technology developments and mobile hardware features.

With the commitment of being the 5G pioneer in the Swiss Market, in May 2019 Sunrise was the first operator worldwide to sell the Xiaomi Mi MIX 3 5G smartphone and the first operator in Switzerland to launch the Huawei Mate 20 X (5G). Throughout the year, Sunrise expanded its leading range of 5G smartphones by launching the Samsung Galaxy S10 5G in May, being the first operator in Switzerland to make it available for pre-order along with a free Samsung Galaxy Watch LTE. In October 2019, Sunrise launched the Samsung Galaxy Fold 5G.

In September 2019, Sunrise also launched the Apple flagship hardware iPhone 11, iPhone 11 Pro and iPhone 11 Pro Max, offered with a free promotional tariff upgrade. In addition, in 2019 Sunrise was the only HTC partner to launch the HTC Hub 5G, the first 5G multimedia hardware in Switzerland.

With its 5G for People strategy, in September 2019 Sunrise launched the world premiere Sunrise Internet Box 5G, the only solution that combines broadband Internet, TV and landline calling via 5G as a landline replacement. The Sunrise Internet Box 5G comes free of charge with Sunrise Home 5G and is provided on loan for the duration of the contract.

5.9 Innovative Services

Since April 2016, Sunrise has been offering its customers a direct carrier billing option called Sunrise Pay as a payment method for Google Play. Over the past few years, Sunrise has continued its efforts to onboard various partners and services to expand this innovative solution, including Apple Store, Microsoft Store and Huawei App Gallery.

Sunrise has two innovative and unique programs in Switzerland that meet the diverse needs of Apple hardware customers.

The Sunrise Smartphone Upgrade option allows customers with a subscription to trade in their previous iPhone after a one-year term. The new phone also comes with a 24-month hardware plan, and any unpaid installments for the previous iPhone are waived.

With the Smartphone Recycling Plan, Sunrise customers getting the latest iPhone can sign up for a hardware plan and pay for it in smaller monthly installments over 30 rather than 24 months. If the iPhone is returned after 24 months, the six outstanding monthly installments are waived and the customer can buy new hardware.

In order to ensure that Sunrise customers have access to the latest hardware as soon as they are launched, in November 2019 Sunrise launched the early hardware plan renewal program. This customer-friendly innovation allows customers to benefit from the latest hardware. Up to 6 months before the end of the current hardware plan, customers can sign up for a new hardware plan. They can use the phone immediately but the monthly installments for the new phone only start after the existing hardware plan is paid off.

In November 2019 Sunrise became the first provider worldwide to introduce the next generation of smartphone gaming, offering 4K gaming with 5G. Together with platform partner Gamestream, the Sunrise Game Cloud app offers 50 high-end console games, including popular games such as Tomb Raider, DiRT Rally (in 4K) or Roland Garros Tennis World Tour 2019 Edition, and is offered at a monthly flat rate of CHR 9.90 for smartphones.

5.10 Landline Voice, Internet and IPTV Offerings

Sunrise provides Internet access and landline voice and television services based on the Internet Protocol (IP) to both residential and business customers. As a leading challenger, Sunrise opts for the best solutions available with top-speed, fiber optic connections and 5G offerings.

5.10.1 Internet and TV

With Sunrise Home, customers can select the combination of Internet, digital TV and landline that best suits their needs and make changes to their package quickly and at no charge. They can also opt for Sunrise One.

In September 2019, Sunrise introduced the first worldwide 5G service combining Internet, TV and landline telephony for home and business via 5G, becoming the first and only provider to introduce 5G as a landline replacement. With this launch, Sunrise Home Internet offerings are available to private customers with 5G at the same prices as existing landline network plans. The Home 5G offering is a Plug&Surf solution. The customer simply connects the Sunrise Internet Box 5G to the power supply and starts surfing immediately.

Sunrise offers its customers the best possible Internet connections, meaning they don't have to worry which type of infrastructure (fiber optics, 5G or copper networks) is available. Sunrise automatically provides its customers with the best available high-broadband Internet connection at the corresponding location.

Continuously looking for ways to tailor the best in-home wireless experience to each person, home and hardware, as of November 2019 Sunrise offers Smart Home Services in partnership with Plume. The new service, called Smart Wi-Fi Powered by Plume® includes hallmark features such as Plume Adaptive WiFi™, HomePass®, and AI Security™.

Since launching Sunrise TV in 2012, Sunrise has transformed television into a completely new experience every year. One of the key elements of IPTV is the great choice of the best entertainment, and Sunrise is continuously expanding its partnerships with Europe's largest pay-TV providers such as Sky, Canal Plus and Netflix. In partnership with the Swiss pay TV provider Teleclub, Sunrise is also able to offer a wide range of the best sports content in Switzerland, including customer-friendly ways to purchase sporting events on a pay-per-view standalone basis.

In May 2019, Sunrise was the first telecommunications service provider in Switzerland to launch an OTT-TV solution called Sunrise TV neo which gives the customer freedom in terms of hardware, access and network including 5G. Sunrise TV neo can be used independently from other offers with any Swiss internet provider at any access point and if installed on the latest Samsung TV does not require a set-top box or a second remote control.

Sunrise TV neo also offers live or time-delayed TV streaming of 230+ TV channels (110+ in HD), cloud storage for up to 500 hours of recordings (TV neo max), seven days of ComeBack TV, and a download feature for mobile hardware. Sunrise TV neo is the only OTT TV app in Switzerland that supports UHD / 4K.

Sunrise TV neo is available with two subscription plans. For only CHF 5.00 per month, customers can use Sunrise TV neo for streaming to their smartphones and tablets or to a web browser on their PC or laptop. For CHF 20.00/month, customers can use Sunrise TV neo max additionally on Apple TV and, since November 2019, on Samsung Smart TVs and on up to six devices at the same time. With this innovative solution, Sunrise customers can enjoy the most advanced TV app in Switzerland on the latest Samsung TV without any additional hardware or remote control.

5.11 Sales Channels

Sunrise distributes its products and services through direct and indirect channels.

Direct distribution occurs through self-branded company shops, self-branded mobile centers, websites, web chats, mobile apps, direct mail and inbound and outbound phone sales via call centers. As of December 31, 2019, Sunrise had 95 self-branded points-of-sale.

The era of Sunrise as the pioneer of digital Switzerland is also reflected in a fresh new look in its shops, which began in 2017 and continued in 2018 and 2019. The modern and flexible design gives our brand a clear and distinct appearance that increases footfall. All Sunrise shops are slated for conversion to the new concept by the end of 2020.

Sunrise shops were recognized as “best shops” in the connect shop test, which evaluates telecommunication service provider shops in Germany, Austria and Switzerland, in both 2018 and 2019. The new shop concept makes the customer the focal point. Customers entering a Sunrise shop can move around freely and touch and try out products live. Sunrise no longer uses dummy products in its shops. Sunrise products also include a price tag app which enables customers to review prices and different tariffs while they try out products. Employees are also nearby to make recommendations to customers and to answer questions. Sunrise also focuses on digitalization in its shops. The Sunrise ID Checker lets shop employees identify subscription customers via an app. Sunrise now has modern electronic displays in its shops instead of printed posters.

In the last few years, Sunrise has developed its online shop into an effective and flexible sales channel. As a result of these enhancements and the improvement of the self-care section, digital transactions on the Sunrise website and online shop increased by approximately 23% in 2019. The Sunrise website is a powerful channel for providing information and services to customers.

Indirect channels range from nationwide chains such as Mobilezone (the largest independent telecommunications retailer in Switzerland), Swiss Post (for the yallo brand only), MediaMarkt, Interdiscount and Fust, to regional Sunrise Premium Partners and dealers. Sunrise maintains a close relationship with its Sunrise Premium Partners through continuous training programs. Sunrise Premium Partners (46 as of the end of 2019) sell Sunrise products exclusively and provide a similar customer experience to Sunrise shops.

356 shop checks, 137 test experts, 3 countries, 1 winner: Sunrise

Whether it is hardware, subscriptions or services, Sunrise shops offer the very best experience in all areas. Sunrise was the only company ranked “very good,” taking the top spot way ahead of the competition. connect sums it up: “Sunrise shows how a company can truly embody excellent service.”

5.12 Digital Experience

The Company’s digitalization strategy is an important element of this innovation and encompasses all brands. Not only did Sunrise improve its website, leading to a significant sales increase, especially in the mobile data segment, it also digitalized a great many processes and drove change within the Company. Extensive enhancements have been made to the digital platform, enabling new tools for deeper analytics, a full digital performance marketing experience (like artificial intelligence) as well as micro-segmentation for targeted campaigns.

Sunrise focuses on numerous digital initiatives aimed at simplifying and improving its customers’ online experience. In September 2019, Sunrise launched the new My Sunrise app with improved focus on the customer’s needs. The launch was a key milestone on the road to providing Sunrise customers with a best-in-class digital customer platform.

The digital strategy approach was also reflected internally with the introduction of the cross-functional work approach in the Sunrise Digital Hub with its so-called “squads”. Throughout 2019 Sunrise has experienced successful joint cooperation through this innovative concept.

5.13 yallo, Lebara and Ortel

5.13.1 Prepaid and Postpaid Offerings

Since the relaunch of yallo postpaid in March 2015, the yallo brand has been repositioned to better meet the needs of the growing budget market with a special focus on digital channels. Within the last two years, digital business has taken the number one place among yallo distribution channels. With another refresh of the online rate plan portfolio in September 2019, introducing the plus line of yallo price plans, yallo follows the strategy of increasing customer value in acquisition. With the Home Internet product launched in February 2018, yallo successfully positioned an alternative to the traditional landline connection in the market.

In February 2018, Lebara entered the field of mobile subscriptions for the first time with the launch of Lebara Europe. In 2019 Lebara expanded its postpaid portfolio with two new price plans: Lebara Europe plus, a high-value price plan featuring unlimited national data and roaming services at a price of CHF 69 per month, and Lebara Swiss, an option for customers who use OTT services for international communication or who do not use these services at all. In May 2019 Lebara Prepaid introduced the unlimited day flat for surfing and calling for CHF 1.50 per day. In addition, Lebara introduced the new Max options for Europe, Swiss and World, increasing the high speed data allowance while keeping the price unchanged.

yallo swype is the first Swiss mobile subscription that functions solely via an app. The product is built using cloud-based Amazon Web Services and offers a flat rate for calling and surfing within Switzerland. The customer can choose between a daily tariff of CHF 2 or CHF 39 per month. The app was launched in December 2019.

5.13.2 Sales Channels

The yallo and Lebara brands are offered through a wide range of indirect channels including nationwide chains such as Mobilezone (the largest independent telecommunications retailer in Switzerland), Swiss Post and Interdiscount.

yallo expanded the distribution of its brand to the mass market through its online and Telesales distribution. Through this milestone and with increased focus in 2019, yallo shifted its strategy toward digital channels. As a result, digital sales today represent a major share of total sales.

The Lebara brand has a comprehensive and targeted segment-specific distribution network with approximately 1,500 points of sale.

Following in yallo's steps, Lebara launched its own online shop in May 2018 and since then, has also been developing its digital business with a clear focus.

6 B2B

Sunrise is the leading challenger in the area of communications services for large and small businesses in Switzerland. Sunrise business customers can select from a comprehensive range of products and services, from mobile offers, landline voice, Internet and data solutions to systems integration and management of services.

With the possibilities opened up by its Unlimited Mobile Workplace solutions, Sunrise enables companies and their employees to work in a future-oriented, mobile and flexible manner. Sunrise meets the specific needs of its customers with a portfolio of standardized products for small businesses as well as customized, scalable and secure offers for large enterprises.

6.1 Portfolio

Sunrise offers a complete range of mobile, connectivity and Work Smart services that are tailored to small and medium-sized enterprises as well as large companies.

6.1.1 Mobile

Sunrise business mobile provides communications solutions for mobile calling and high-speed data needs. Its flat rates are tailored to the needs of a mobile workforce that requires 24/7 accessibility – both in Switzerland and during business travel abroad.

6.1.2 Mobile M2M/IoT

As the volume of interconnected hardware continues to rise, efficient machine-to-machine (M2M)/Internet of things (IoT) management is becoming increasingly important. Sunrise services are designed to facilitate communication between machinery and hardware – without direct human intervention. Sunrise helps small and medium-sized enterprises use their machines and construction vehicles more efficiently. Multiple features are integrated into the M2M management platform, allowing employees to view all hardware-related connection information in real time. This facilitates the optimization of business processes and increases efficiency.

6.1.3 Work Smart

Sunrise offers a wide range of scalable solutions for efficient communication and collaboration. It supports company-internal flexibility and productivity and simplifies employees' day-to-day lives. Unified communication offers all the features of traditional voice solutions plus messaging and presence technology, online meetings, telephony and video conferencing. It is valued for providing high levels of availability as well as flexibility and scalability for core business tasks.

6.1.4 Connectivity

With its connectivity services, Sunrise provides complete IP solutions for linking company locations and ensures that users have the fastest possible access to the Internet. It offers connectivity between locations throughout Switzerland and abroad.

6.2 Sales Channels

Sunrise has dedicated account management teams for its medium and large enterprise customers, while small business customers are mainly supported by sales partners (indirect channels), the Company's own retail stores as well as via an e-shop.

Sunrise voted best provider four times

According to the BILANZ Telekom Rating 2019, Sunrise is the "Best Universal Provider for SMEs," "Best Universal provider for Large-Scale Companies" and "Best Mobile Communications Provider for Business Customers." Sunrise was also the overall winner of the Computerworld Top 500 Satisfaction Survey 2019 and was rated the "Best telecom, network, and Internet provider."

6.3 References

Swiss International Air Lines

Switzerland's airline settles for nothing but the best. This is why around 1,500 SWISS employees make calls and surf the Internet on the best network in Switzerland.

Zurich Airport

Zurich Airport is Switzerland's aviation hub, and Sunrise – being the leading carrier – is their hub for mobile and landline voice and data communication.

Cornèr Bank

All mobile communications for Cornèr Bank's several hundred employees run over the Sunrise network.

P&G

Sunrise provides a fully convergent solution for mobile and landline telephony to P&G's 2,000 users.

Nestlé

The 6,500 end users at Nestlé benefit from a fully managed mobile phone service that includes a dedicated platform specifically designed to meet Nestlé's needs.

Calanda, a Heineken company

Easier, faster, and more efficient: Thanks to extra SIM surf & talk from Sunrise, Calanda employees can use up to five hardware devices with a single number.

Axpo

Axpo's approximately 4,500 employees make phone calls in Switzerland and abroad with tailor-made mobile subscriptions from Sunrise. Thanks to the practical self-management tool, Axpo can manage all settings relating to subscriptions independently.

DPD
At DPD Switzerland, up to 100,000 parcels are delivered daily. Every delivery is reported immediately to the DPD data centre – by hand scanner, via the secure VPN lines and the outstanding Sunrise network.

FCA – Fiat Chrysler Automobiles
FIAT Switzerland employees regularly work abroad. With global mobile subscriptions and the outstanding Sunrise network, they can stay connected to each other easily. Thanks to individual support, all their concerns are dealt with immediately.

Sympany
Sympany employees make phone calls with tailor-made mobile subscriptions from Sunrise. Sympany manages all settings related to subscriptions independently with a practical self-management Tool from Sunrise.

Tamedia
Numbering approx. 3,500, the employees of the Tamedia newsgroup are always available thanks to the best service and customer-specific in-house mobile coverage.

7 Network

In 2019, Sunrise continued its long-term strategy of providing a defect-free network and in doing so, globally-acclaimed, exceptional quality. After achieving great success in the internationally recognized quality benchmark test conducted by connect, Sunrise is now the only mobile communications provider to achieve the top overall mark of "outstanding" for the fourth time in a row. This is further confirmation of the success of the Company's strong focus on quality.

7.1 High-Quality Technologies

Sunrise provides mobile services over its own network using 2G / 3G / 4G / 4G+ and 5G technologies. In the landline sector, Sunrise leverages more than 630 points of presence in its fully-invested local loop unbundled network, covering over 85% of households in Switzerland. It benefits from a more than 12,400-km-long, state-of-the-art fiber optic network spanning the entire country. As a result of its agreement with Swisscom and a long-term strategic collaborative partnership with Swiss Fibre Net AG, a joint venture of Swiss energy providers and local utilities, the Company has access to the most advanced, next-generation copper- and fiber-based access technologies such as vectoring, g.fast, fiber-to-the-street, fiber-to-the-building, and fiber-to-the-home.

Sunrise 4G and 5G coverage

(as of December 2019)

With its strong focus on network expansion, Sunrise provides 5G in more than 384 cities and towns. It supplies 4G to more than 99% of Swiss residents with 4G mobile high-speed Internet, covering 96% of the country's territory.

7.2 Investment in the Network

Sunrise has continued to invest in the quality, availability and security of its network and has remained committed to its strategy of expanding 4G+ technology and driving network quality to a new record in terms of industrial standards. By the end of 2019, Sunrise reached a record-breaking level of 96% in 4G area coverage, while at the same time expanding its 4G+ population coverage to a level above 85%. Key drivers for this strategy continued to be the sustained rapid growth in data traffic, which currently doubles every 20 months, and the demand for mobile and landline broadband services. Futhermore, Sunrise is continuously implementing IoT capabilities, supporting several trials with partners.

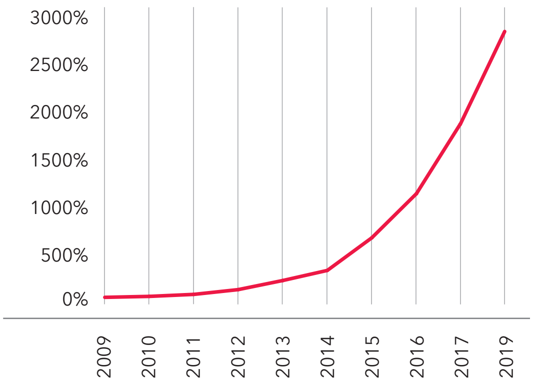
The success of this clear quality-driven strategy is paying off, not only in the continued growth of the residential customer base but also very visibly in the successful acquisition of well-known, quality-centric top brands such as Swiss International Airlines, Johnson&Johnson, UBS, Tesla and many more.

7.3 Sunrise is the 5G Pioneer

connect awarded Sunrise the 2019 Innovation Award for its fast 5G network expansion, declaring that "Sunrise takes off with 5G and brings fast Internet even to remote regions." As of the end of 2019, Sunrise is already providing more than 384 cities and towns with 5G, which by end of February 2020 has expanded to over 426, and successfully implementing "5G for People" as an alternative to DSL. A series of measurements in parallel to the connect mobile network test confirm that Sunrise has the best 5G network in Switzerland and the DACH region overall, with the widest coverage and fastest connections. A 5G analysis by RootMetrics by IHS Markit shows that Sunrise has the most extensive and fastest 5G network in Switzerland.

To meet the need for fast broadband Internet, Sunrise is currently building 5G in the 3.5 GHz range with speeds up to 2 Gbps. Sunrise is continuing its plan to secure Switzerland's leading digital infrastructure position within Europe with 5G, and is continually supplying new cities and towns with the technology. 5G roaming has been commercially launched with leading partner networks in 2019.

Data traffic in %



Massive increase in data traffic over the past ten years

7.4 Outstanding Network

In the connect test, Sunrise is the only network to have been rated "outstanding" four times in a row. The connect test, however, is not the only test that has confirmed the outstanding quality of the Sunrise mobile network: Various crowdsourcing platforms such as Ookla (speedtest.net) and OpenSignal have affirmed the unparalleled quality and speed of the Sunrise mobile network. With regard to 4G availability, Sunrise held onto its top ranking by Opensignal in this metric (Mobile Network Experience Report June 2019), increasing its score by over 3 percentage points since Opensignal's last report and raising its 4G availability to 92.6%.

7.5 Electromagnetic radiation and health

Sunrise aims to expand its 5G network to all regions as quickly as possible. To do this, Sunrise is maintaining a close, constructive dialog with the relevant authorities and focusing on cantons and municipalities looking to benefit quickly from technological advances.

The Expert Report by the Mobile Communications and Radiation Working Group, established by the Federal Department of the Environment, Transport, Energy and Communications (DETEC), published in November 2019 confirms that there are no health reasons standing in the way of the introduction of 5G. This creates transparency and signals the all-clear. The cantons and municipalities should now be ready to approve the implementation without delay, in line with the applicable regulation.

However, electromagnetic radiation from mobile phone antennas has been repeatedly associated with possible health impairments in 2019. Switzerland applies a so-called precautionary principle through the Ordinance on Protection against Non-Ionizing Radiation (NISV). In contrast to the EU, it introduced exposure limits for base stations that are ten times stricter. Public acceptance makes expanding the mobile network very difficult for Sunrise, especially the construction of new cellular antennas. Likewise, public concerns about the health effects of electromagnetic radiation increase the cost of building and operating cellular networks.

Areas that have moratoria and stricter procedural requirements in place as delay tactics must therefore expect slower progress compared to other cantons and municipalities.

2019 Innovation Award

With the fast expansion of its 5G network in Switzerland, Sunrise has ensured a top position for itself worldwide. connect granted Sunrise the 2019 Innovation Award for its fast 5G network expansion and confirmed: “Sunrise takes off with 5G and brings fast Internet even to remote regions.”

7.6 5G applications

In collaboration with its strategic partner Huawei, Sunrise opened the first 5G Joint Innovation Center in Europe, so that the two companies can work together to research and develop 5G applications for both the private and business sectors. The joint innovation center is helping to build a Swiss 5G ecosystem, with Sunrise and Huawei using Sunrise headquarters in Opfikon to introduce live 5G application scenarios that have already been launched or are about to be commercialized.

7.6.1 Saving resources and protecting the environment (Smart Farming)

Agriculture is faced with the demand of reducing the use of fertilizers and pesticides to the greatest possible extent, of placing even greater focus on animal welfare, and of increasing the efficiency of production. This is increasingly becoming a reality at Agroscope in Tänikon (Thurgau). Agroscope, Sunrise and Huawei are trying out the latest 5G technologies. By monitoring the eating behavior of cows using a sensor on the collar, the welfare of the animals can be meticulously monitored. Feeding behavior and illnesses should be detected early on to quickly provide the proper care. Healthy animals feel better and are more productive. Drones and robots in the field can be controlled and monitored in real time. They provide data on the growth of plants. The in-depth knowledge enables a more resource-sparing and environmentally friendly production of food.

7.6.2 Anticipatory production control (Smart Manufacturing)

The international industrial company GF Machining Solutions focuses on high-precision manufacturing technologies, to make machines with which other companies and then manufacture products or components. 5G supports the optimization of both the machinery and the production process. 5G enables the system to predict – virtually in real-time – when a machine needs maintenance and intervention. Unplanned downtime can be reduced, machine uptime is extended, and costs are cut.

7.6.3 Positive trend in tourism (Smart Tourism)

Tourism in the Graubünden Canton is once again experiencing an upswing. This is above all driven by Laax. Laax was the world's first ski resort to be connected to the 5G network. Whereas quick mobile Internet access is today taken for granted in modern society, 5G continues to push the digital guest experience forward. Innovations that can be used by guests even before they arrive are being developed, such as a virtual walking tour of the Crap Sogn Gion using live videos, virtual hotel visits, test runs of the slopes, and augmented reality mountain bike tours.

7.6.4 Redefining how we experience sports (Smart Stadion)

Up until now, there are only two options of attending a football match: either live in the stadium or in front of the TV. The 5G Smart Stadion, which is currently being developed by Sunrise together with FC Basel 1893, will change this. For the first time in Switzerland, it will become possible to watch key moments with "Instant Replay", virtually in real time. The match can be watched from various angles at all times with multi-camera perspectives. 5G will also redefine how we experience other sports.

7.6.5 Entertainment with e-sports and gaming

A third of people in Switzerland play a video game at least once a week. The smartphone is the preferred hardware of half of all Swiss gamers. The fast connections and short latencies of 5G now also enable mobile cloud gaming with 4K resolution, which was only possible in a stationary manner thus far, with PCs and gaming consoles (see chapter 5.9).

7.6.6 World of work, equal opportunity, economic success

High speeds and fast response times make it possible to carry out more and more work outside of the office environment. When combining 5G with virtual reality, the physical presence of employees will be required less and less, further reducing work-related travel. This is more sustainable and more people can work from anywhere. 5G not only ensures equal opportunities in accessing the job market, but also levels the playing field when it comes to access to knowledge, education, and healthcare. A study by asut, the Swiss Association of Telecommunications, has shown that 5G will allow for a growth in production of over CHF 44 billion per year by 2030, creating 137,000 jobs.

8 Regulatory Environment

Sunrise Communications Group AG (Sunrise) is listed on the SIX Swiss Exchange in Zurich and is therefore bound by Swiss stock corporation law. As a mobile and landline operator in Switzerland, Sunrise is subject to regulation and supervision by various Swiss government agencies, including the Federal Communications Commission (ComCom) and the Federal Office of Communications (OFCOM).

8.1 Regulatory Framework

The regulatory framework is based primarily on the Swiss Federal Telecommunications Act (TCA) and its associated regulations (such as the Swiss Federal Ordinance on Telecommunications Services), as well as the Swiss Cartel Act, the Swiss Federal Act on the Surveillance of Postal and Telecommunications Traffic (BÜPF), the Swiss Federal Radio and Television Act and related ordinances. There are some conceptual differences between Swiss and EU telecommunications regulations. The most important ones are: ex-post regulation in Switzerland as opposed to ex-ante regulation in the EU, the technology-based "last mile" system in Switzerland, which grants access at long-run incremental cost conditions only to the incumbent's copper infrastructure, and the lack of regulation on end-consumer pricing in international mobile roaming. The fact that EU regulations within the European Economic Area do not apply to Swiss carriers has led certain operators in the EU to increase the termination rates charged to Swiss carriers for voice traffic originating in Switzerland to price levels higher than those charged to operators located within the EU; this is the subject of ongoing negotiations. Although Sunrise believes that these EU operators are in violation of WTO rules on international free trade, European authorities seem to protect or at least tolerate their practices. Bilateral price negotiations have now largely succeeded in mitigating the situation.

8.2 Revision of the Swiss Telecommunications Act (TCA)

In December 2015, the Federal Council launched a public deliberation on the partial revision of the TCA. A large majority of the submissions received during the deliberation confirmed that a partial adaptation of the regulatory framework was required. The Federal Council therefore tasked the Federal Department of the Environment, Transport, Energy and Communications with the preparation of a draft revision of the TCA, which was submitted to the Parliament in September 2017.

The proposal called for the addition of youth and consumer protection measures, transparency requirements regarding network neutrality as well as the preservation of proven ex-post regulations regarding network access. The originally proposed ex-officio or ex-ante regulation was dropped. To prevent a new monopoly, especially in combined fiber-optic and copper network technologies (FTTC, FTTB, and FTTS broadband infrastructures based on the copper network without competitive access), Sunrise and almost all other important providers have proposed that the Federal Council be granted the right to extend regulations to fiber technologies. In the event of a market failure, that would guarantee a minimum level of fair competition and ensure investments in network expansion, especially in rural areas. Another objective is the proposed facilitation of the common use of mobile networks and frequencies. The more liberal provisions regarding network cooperation and frequency transfers may improve the efficiency of the handling of scarce resources. As a result, Switzerland would benefit from further investments in new technology and competition, and the improved supply would be particularly beneficial in remote areas.

During 2018 and in early 2019, the Parliament debated the TCA revision. In its considerations regarding the access regulation, the Parliament did not follow the recommendations of the Federal Council, ComCom, OFCOM, the price supervisor, consumer organizations, the vast majority of telecommunications providers, etc., and rejected the respective extension. This means that there is now no access regulation other than the outdated access regulation for copper technology. The Federal Council is only obliged to submit a report to the Parliament on the competition situation in the broadband Internet market every three years, which may lead to fiber regulation at a later date. A public consultation on the implementing regulations will take place by March 2020. The new legal framework is expected to take effect in 2021.

8.3 Allocation of new mobile radio frequencies

On behalf of ComCom, OFCOM launched deliberations in May 2016 regarding the allocation and use of the new mobile radio frequencies. The frequency bands in question are 700 MHz, 1400 MHz and 3500 to 3800 MHz and are planned for the introduction of 5G. In July 2018, ComCom decided that the new mobile radio frequencies would be awarded within the framework of an auction. The auction was held at the beginning of 2019, and on February 8, 2019, ComCom announced the results and the new license was legally awarded on June 7, 2019. The newly awarded frequencies can be used until 2034.

8.4 Copyright Protection

In December 2015, the Federal Council submitted the draft of a new copyright protection law for deliberation. It focuses on the carriers' responsibility to restrict access to websites illegally offering copyrighted content and to send warnings to customers sharing content through peer-to-peer services. In December 2016, the Federal Council announced the results of the deliberations regarding the partial revision of the Copyright Act. The Federal Council submitted the corresponding draft act to the Parliament in November 2017. The bill is based on a compromise agreed upon by various stakeholders in a working group that had been set up by the Federal Department of Justice and Police. It strengthens the rights and interests of creative artists and the culture industry by taking an appropriate approach to pirated online content without imposing obligations on access providers to block such content. At the same time, it upholds the principle that consumers who take advantage of such illegal offers should not be criminalized. The Legal Commission of the National Council held a discussion on replay TV. The majority of the commission members proposed a provision that would enable TV channels to prevent the skipping of advertisements. The National Council rejected the proposition in December 2018.

8.5 Telecommunications Surveillance

Telecommunications providers are subject to the BÜPF. They are required to maintain their own infrastructure for adequate surveillance and must be capable of running surveillance operations at any time. In the spring 2017, the Parliament approved a revision of the BÜPF aimed at extending surveillance. A referendum opposing a revision to the law was rejected. Providers will be subject to additional requirements as a result. The new BÜPF and its implementing regulations took effect on March 1, 2018, with a transitional period for implementation. A new revision is underway to create the legal basis for simplifying the fees and compensation system.

8.6 Revision of the Federal Act on Data Protection

The Federal Council approved a revision to the Federal Act on Data Protection (FADP) in the spring of 2015 and asked the Federal Department of Justice and Police (DFJP) to submit a preliminary draft of a revision of the FADP based on data protection reforms adopted in the EU and by the Council of Europe. The FDJP delivered a corresponding draft on December 21, 2016, for deliberation by the Federal Council. In September 2017, the Federal Council approved the draft of the revised law and sent it to the Parliament. The revision will tighten data protection substantially and align Swiss law with developments in the EU and in the Council of Europe. The Parliament divided the revision into two parts and passed the urgent adaptation to the Schengen treaty in September 2018. Discussions on the remaining part of the revision have progressed significantly and the additional changes are expected to take effect in 2021.

8.7 Environmental Protection from Radio Emissions

The Swiss Ordinance on Protection against Non-Ionizing Radiation (NIR) requires Swiss carriers to comply with ten times stricter safety limits than those of most carriers in the European Union. In February 2015, in response to two political initiatives, the Federal Council issued a report on options for expanding capacity in mobile communication networks. Three possible measures mentioned in the report were: an increase in limits, a change in the number of installations per carrier, and the simplification of processes. Despite support from the Swiss National Council and the Expert Committee of the Council of States for immediate implementation of these measures, the Council of States twice voted down a respective motion in December 2016 and March 2018 by a narrow margin. However, the Federal Council retains the power to adjust the ordinance. Mobile network operators have warned that without any changes in the NIR regulation, the country-wide introduction of the powerful new 5G standard will not be possible and will be greatly delayed and very expensive. As the Federal Council considers 5G to be a key element of its digitalization strategy, former Federal Councillor and Head of DETEC (Federal Departement of the Environment, Transport, Energy and Communications) Doris Leuthard launched a working group consisting of all stakeholders to analyze the short- and long-term risks of mobile radio and radiation exposure, especially those related to the introduction of 5G. Future plant limit values were also discussed in compliance with the precautionary principle. In autumn 2019 the working group presented a report with recommendations for further action. The report proposes five options for introducing 5G, including the cost and timeframe of each option. With regard to the further development of mobile communications, the report formulates concepts for the future provision of mobile broadband services to the population and the economy and how to deal with the burden on the population. Various accompanying measures for improving framework conditions are proposed, such as simplification and harmonisation of procedure. The report forms the basis for further decisions by the Federal Council. Notwithstanding this, the Federal Council made a small revision of the Ordinance on Protection against Non-Ionizing Radiation in spring of 2019 in order to address loopholes that could impede the development of 5G networks. In particular, these include the introduction of a monitoring system for non-ionizing radiation and the setting of an installation limit value for frequencies between 900 and 1800 MHz. Opponents of mobile communications are fighting the implementation of 5G through various political initiatives.

8.8 International Roaming

Unlike the EU, Switzerland has not yet regulated international roaming. As part of the current revision of the TCA, the Parliament delegated the definition of measures for increased transparency and more accurate billing to the Federal Council. The Federal Department of the Environment, Transport, Energy and Communications (DETEC) has opened a public consultation on the implementing regulations.

8.9 Network Neutrality

In its draft of the new Telecommunications Act, the Swiss Federal Council limits its proposal to the introduction of transparency requirements for differentiated services and the subsequent monitoring of market developments as needed, in order to evaluate future regulations. Based on a code of conduct signed by Sunrise, Swisscom, Salt, UPC and Suissedigital, the carriers established a conciliation body effective as of September 2015. Nevertheless the Parliament has tightened the rules on network neutrality: Network neutrality is stipulated as a principle by law, however, certain exemptions are intended. DETEC has started a public consultation on the implementing regulations.

8.10 Sports Broadcasting Rights

Due to the abuse of market dominance through exclusive sports broadcasting, the Competition Commission imposed a CHF 71.8 million fine on the Swisscom Group (including Cinetrade and Teleclub) in May 2016 without ordering any specific actions. According to the judges' decision, which was appealed by the parties before the Swiss Federal Administrative Court, the requirements for protective measures were not met. The decisions by the Competition Commission and the Federal Administrative Court show that competition laws in general (such as the Swiss Cartel Act) are not sufficient for creating or protecting competition. Although the Competition Commission has regularly found the former monopolist guilty of abuse of power and imposed heavy fines on it, the regulatory agencies and courts have failed to prevent this abuse from happening in the first place. Swisscom's appeal against the fine is still pending. In the meantime, the Competition Commission opened an investigation of UPC in regard to Swiss ice hockey broadcasting rights.

8.11 Access Price Regulation

Responding to requests from Sunrise, the ComCom reviewed the prices charged for the regulated network access services offered by Swisscom. On February 12, 2019, the authority issued its decision. In most cases, these prices have been substantially reduced with retroactive effect for the 2013–2016 period. The years from 2017 will follow. For the first time, prices are based on modern fiber-optic technology rather than conventional copper cabling, as in the past. The decision was challenged by both parties before the Federal Administrative Court and is still pending there.

9 Corporate Responsibility

To ensure credible sustainability management, Corporate Responsibility (CR) must be deeply entrenched in the organization's culture and main strategy. Its primary focus areas and strategies are also influenced by current challenges, such as digitalization.

9.1 Corporate Responsibility Strategy

The Corporate Responsibility strategy, which encompasses social and environmental aspects, is aligned with both the main corporate strategy (see section Sunrise Strategy) and global challenges driven by society to ensure state-of-the-art sustainability management.

In order to enhance the effectiveness of its corporate sustainability management, Sunrise links its main CR strategy focus, defined as highly relevant in the materiality analysis (see figure in chapter 9.3) to the Company's main corporate strategy, in terms of infrastructure, product and service differentiation and operational efficiency.

CR focus areas and strategies at Sunrise are also tailored to current global challenges, thus ensuring relevant sustainability management both now and in the future. The ongoing digitalization of society is an important driver, significantly impacting the focus of CR activities in the various sustainability dimensions.

Digitalization has had a number of positive effects on the environment, such as decreased resource consumption as a result of the virtualization of many aspects of daily life. As a 5G leader, Sunrise also promotes 5G applications which increase resource efficiency significantly, with a positive effect on the environment. See chapter 7.6. for applications such as smart farming in this field. As a leader in the digitalization movement, Sunrise must deal with the sharp rise in data consumption that is associated with rising Internet usage and the increasingly widespread linking of communication hardware. It is the Company's goal to make the high annual surge in network performance independent of from increased direct power consumption. As such the environmental strategy of Sunrise is clearly focused on boosting energy efficiency and therefore the ecological performance of its network (see section Environment).

Digitalization is also impacting the work environment. For example, flexible work hours and models are becoming increasingly important and are a deciding factor in a company's appeal as an employer. Sunrise offers its employees a modern work environment with flexible working hour models (see chapter 10.8).

9.2 Corporate Responsibility Governance and Principles

In addition to involving decision-makers, incorporating behavioral principles and guidelines is an important part of CR at Sunrise.

A CR Steering Committee that extends across business lines meets quarterly and is made up of both management and staff representatives. It ensures that the CR function receives the attention it deserves at the highest levels of the Company. The Committee's objective is to manage CR activities and focus while also broadening the support CR receives throughout the Company. In addition, the Steering Committee regularly evaluates CR activities on behalf of the Audit Committee, which consists of representatives from the Board of Directors.

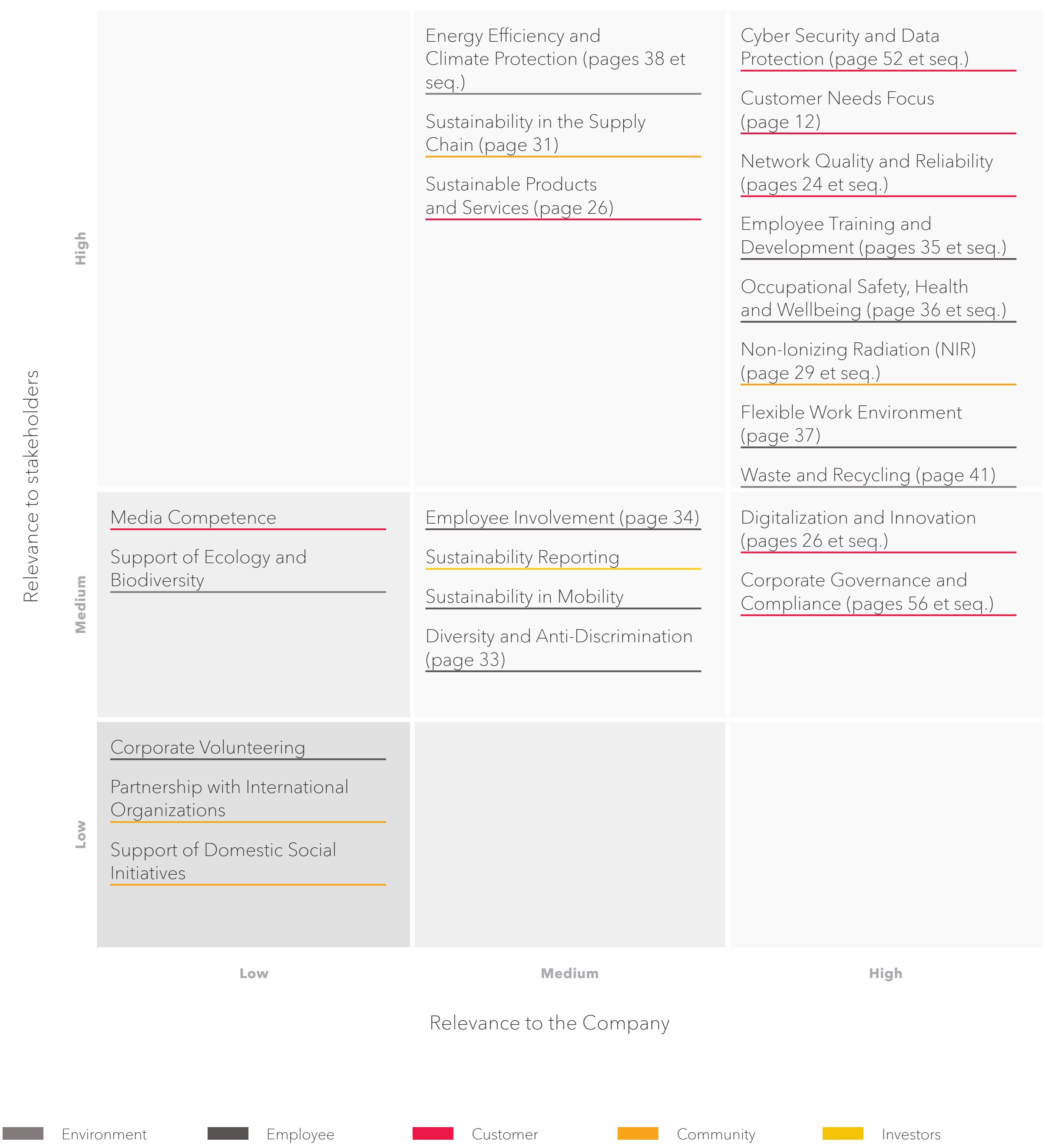
Sunrise has had company-wide environmental and social responsibility policies in place. These policies, in turn, form the basis for additional rules and standards, such as social and environmental requirements for its suppliers.

9.3 Stakeholder Exchange and Materiality Analysis

Sunrise maintains an open dialog with various internal and external stakeholders to ensure that their perspectives are aligned with the Company's current CR focus. This exchange serves as a driving force for future projects and activities and is an important channel for the external communication of the Sunrise perspective on individual CR aspects. As a result of this stakeholder exchange, Sunrise joined the Carbon Disclosure Project (CDP) in 2018 and takes part in the Ecovadis supplier assessment system.

Materiality analysis is a central CR management tool used to boost the impact of CR activities and promote a common understanding of CR topics. It also helps better determine improvement potential as well as risk areas. The Company conducted a comprehensive materiality analysis. The sustainability topics outlined in the analysis were selected by evaluating comparable materiality analyses and were then submitted to decision makers in the Company for approval. These sustainability topics were then assessed for internal relevance during workshops and in consultation with all hierarchy levels, business areas and the CR Steering Committee. The external relevance analysis was based on focus interviews with key stakeholders and an online survey that included responses from several hundred Sunrise customers.

Sunrise Materiality Analysis



10 Employees

Sunrise has adopted a set of values that not only promote but exemplify everything it does: bold, intuitive and positive. Bold because the Company believes in blazing new trails and winning with bold ideas, in rewriting the rules on behalf of the customer and making a difference every day. Intuitive alludes to the Company's firm belief in outstanding quality tailored to satisfy its customers' individual needs. Lastly, positive means that Sunrise believes optimists go further: that the Company aspires to create simple and engaging experiences that are beautifully engineered and fit to purpose. That it aims to make every day brighter, one sunrise at a time. Sunrise employees are encouraged to regularly examine these values and discuss their practical implementation both inside and outside the Company.

As of December 31, 2019, Sunrise had 1,798 employees (1,739 full-time equivalents) throughout Switzerland (an increase of 6.7% from the previous year). These positions are located at the Company's headquarters in Zurich, its offices in Prilly, Geneva, Bern, Basel and Lugano, and at some 95 points of sale across the country's different linguistic regions.

Women account for 28.1% of the Sunrise workforce and 16.1% of its leadership. Of the overall workforce, 61.1% work under the Collective Employment Contract. The employee-initiated attrition rate for the year averaged 13.1%. The average age of employees is 39 years, and they stay at Sunrise for an average of 7.4 years. The overall part-time quota is 11.8%, 66.4% of which are women.

Employee KPIs

In full-time equivalents (FTE) or headcount (heads) as indicated	2019	2018	2017
Total staff (FTE)	1,739	1,611	1,645
Total staff[2] (headcount)	1,798	1,671	1,713
Extended management[1] (headcount)	40	37	42
Women in extended management[1] (headcount)	7	10	12
Men in extended management[1] (headcount)	33	27	30
Women (headcount)	505	465	498
Men (headcount)	1,293	1,206	1,215
Apprentices (FTE)	137	140	122
Participants in employee engagement survey (headcount)[3]	76.0%	92.0%	82.5%
Personnel expenditures in CHFk[4]	225.5	213.9	214.6

[1] Executive Leadership Team and selected other Top Management.
[2] Including extended management.
[3] Of all employees with a permanent or a fixed-term employment contract.
[4] Wages and salaries, pension expenses and other social security costs.

10.1 Diversity and Anti-Discrimination

Employees from over 50 nations contribute to the knowledge, innovative thinking and extraordinary commitment that helps Sunrise succeed. Sunrise stands not just for Swissness but for an international, multi-cultural and open work environment as well. Sunrise firmly believes that it can better meet the varied needs of its customers by fostering an environment of diversity and inclusion. Mutual respect, tolerance towards other cultures and a discrimination-free workplace are part of everyday life at Sunrise. Sunrise protects its employees' mental and physical integrity and does not tolerate mobbing, sexual harassment or any other form of discrimination. Sunrise employees are expected to show respect for all colleagues, customers and vendors. They are encouraged to report observed misconduct according to the anti-discrimination policy.

10.2 Whistleblowing Process

Sunrise encourages all employees to report any violations of applicable laws or internal guidelines so that the Company can launch appropriate investigations into such claims. Individuals who report violations of this nature (referred to as whistleblowers) are protected against retaliatory measures of any kind. Sunrise maintains a whistleblowing portal for this purpose where employees can anonymously report violations or threats made towards them, their colleagues or the company, secure in the knowledge that any and all information disclosed through this channel will be kept confidential. Ten reports were received through the whistleblowing portal in 2019.

10.3 Employee Involvement

As a responsible employer, Sunrise cultivates an open, constructive dialog with the employee-elected representatives of the Staff Committee. The Executive Leadership Team and the Employee Relations Manager provide Staff Committee delegates with a monthly update on the Company's development, specifically with regard to any decisions that might impact the workforce. Other topics the Staff Committee addresses are issues such as the workplace environment and employee assistance in the event of bilateral conflicts. The Staff Committee collects information from employees and consults with the ELT accordingly. In the event of a reorganization, merger, acquisition or large-scale layoff, close collaboration between the Staff Committee and the ELT is essential. The nine members of the Staff Committee are elected for a three-year term, with the current term ending in December 2019. In connection with the planned integration of UPC, the Executive Leadership Team approved the Staff Committee's request in August 2019 to extend the term for one year. The current term now ends in December 2020.

10.4 Trade Union Relationship and Collective Employment Contract

Progressive employment terms are essential in ensuring employee satisfaction and employer appeal. Sunrise partners actively with the Swiss trade union syndicom, taking part in respectful and honest dialogs, negotiating terms and finding balanced solutions.

Our current Collective Employment Contract (CEC) with syndicom entered into force on January 1, 2018. It guarantees proper working conditions for Sunrise employees and is valid through 2022. The goal of the CEC is to establish a set of binding employment terms that will continue to meet the growing demands placed on present-day employers. The CEC strikes a balance between social security for the staff and flexibility for Sunrise. With syndicom, Sunrise employees will continue to have, in addition to the Staff Committee, a strong partner in all social policy issues. Guaranteeing health care and time off for employees is essential in any company today. Sunrise and syndicom have agreed that staff members have the explicit right to be inaccessible outside their contractual work hours. The CEC contains progressive and family-friendly employment terms. For example, it provides for a higher minimum wage and extends the length of both maternity and paternity leave.

10.5 Employee Survey

In 2019, HR introduced two new employee surveys: Great Place To Work and PulseCheck

10.5.1 Great Place To Work

The international research and consulting institute Great Place to Work® certified Sunrise as an outstanding employer in August 2019.

The Great Place to Work® certification is based on an anonymous survey of all employees as well as an analysis of the HR and management perspective. To receive the Great Place to Work certification, companies must achieve a score of at least 70% in the evaluation of criteria from both parts. Sunrise took part in the certification program for the first time and is the first Swiss telecommunications company to be awarded this title.

Sunrise staff gave their employer top ratings in all five related categories: trust, respect, fairness, pride, and team spirit. With an above-average 82% participation, Sunrise achieved a particularly impressive result in the category 'Pride': 88% of employees are proud to work for Sunrise. In total, 87% think that Sunrise is a Great Place to Work®. The survey also highlights areas that still need improvement, such as developing the potential and skills of Sunrise employees. Follow-up actions are in place in all business units to create an even more attractive workplace.

10.5.2 Sunrise Engagement Survey PulseCheck

Sunrise management is keen to collect employee feedback on a regular basis. To this end, Sunrise has carried out regular employee surveys since 2011. In 2019, Sunrise replaced the so-called Sunrise Spirit survey (hosted by Gallup) with the PulseCheck survey (hosted by honestly) in the second half of November. PulseCheck is an online survey with a short questionnaire covering questions that provide feedback about Sunrise as an employer, its management and Sunrise as a workplace.

Starting in 2020, to better match the fast pace of the industry and Sunrise in particular, the PulseCheck survey will take place on a quarterly basis.

Sunrise is a "Great Place to Work"

The international research and consulting institute Great Place to Work® has certified Sunrise as an outstanding employer. This title is awarded to companies that implement the practices of an attractive employer and are run in a trustworthy and employee-oriented manner. Sunrise took part in the certification program for the first time and is also the first Swiss telecommunications company to be awarded this title.

Great Place To Work® Certified 8.2019 - 7.2020 SWITZERLAND

10.6 Employee Training and Development

Sunrise promotes a culture of excellence and strives to continuously improve the services it offers to its customers. Its annual goal-setting and evaluation process is an essential results-oriented performance and development tool. Here, Sunrise focuses on business strategy, corporate values and clear management principles to provide guidance and to fulfill the Company's promise to its customers. As part of this, Sunrise encourages managers and employees to have a regular conversation about personal development.

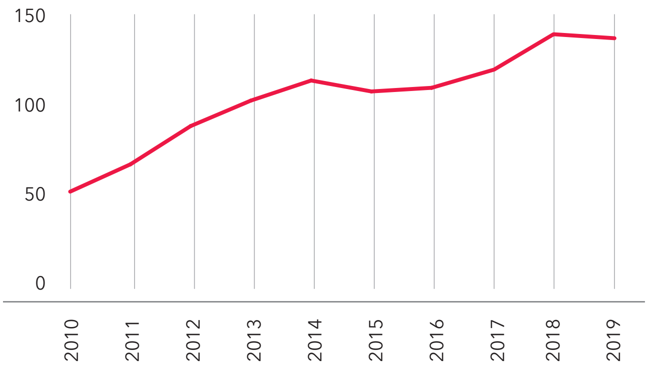
The Sunrise Personnel and Organizational Development program supports the continuous development of Sunrise leadership and employees and their continuously changing challenges and environment. For example, so-called team pit stops provide the manager and the team with valuable insight on how management and staff work with each other. The overall goal is to strengthen cooperation and improve the manager's leadership skills.

To better adapt to continuous change, in 2019 Sunrise made the decision to reduce its standard recurring training and development offerings and use the freed-up budget for customized personnel and team development measures. To further develop its internal workforce and identify employees with high potential (as leaders or experts), Sunrise reviewed the entire internal Sunrise workforce (covering all functions and levels) and 72 employees were identified as top talents. Together with the supervisor and HR, each top talent designed a customized development plan and future career track.

10.6.1 Highest percentage of apprentices among all major telecommunications providers

As a highly engaged and well-known participant in the Swiss apprenticeship market, Sunrise puts great effort into training up-and-coming professionals. With 137 apprentices on staff, equivalent to 8% of all full-time positions, a number well above the legal requirements and the industry benchmark, Sunrise holds the highest percentage of apprentices of all major telecommunications providers. Apprentices are trained in the areas of sales, customer relations, IT, mediamatics and retail. Sunrise considers this part of its responsibility to society while also understanding the importance of systematically developing its own young talent pool.

A growing number of apprentices at Sunrise



Sunrise invests in talent and has a long tradition of training apprentices in various positions.

All apprentices who completed their apprenticeship in 2019 passed without exception. Two of the 39 apprentices were among the best of their year due to their outstanding performance. In 2019, 72% of apprenticeship graduates went on to become permanent employees of the Company.

10.7 Occupational Safety, Health and Wellbeing

Sunrise is aware of its responsibility as an employer and aims to protect all employees against accidents at work. In 2019 it conducted a series of training sessions based on the company-wide occupational safety plan.

For example, Sunrise conducted a total of 48 first aid training sessions, 22 of them in the Network unit, for employees working at antenna sites. Safety-related aspects of network and antenna operations remain an important focus area due to its high risk. Occupational Safety officers from Sunrise and its network partners meet on a regular basis to evaluate the status of occupational safety at both network and antenna locations.

The basic 4-hour BLS AED course was attended by 42 employees, and 6 others attended continuing education courses for Step 1 and 2 First Reponders.

Due to the relocation of the company at the beginning of the year, some modifications to the safety program were required. The evacuation plan was adapted and the number of evacuation assistants was increased from 18 to 31. As part of the new emergency plan, about 35 staff members were internally trained in evacuation procedures. The emergency SMS notification system was expanded to cover events other than fires.

In the area of customer reception and security, 7 employees who work specifically in this area were given the opportunity to receive special training in relation to threat management.

In addition, Sunrise adopted the SWICO industry solution for occupational safety, which enables companies to deal effectively with occupational safety and health protection. It is certified by the Federal Coordination Commission for Occupational Safety and guarantees the optimal application of legal guidelines.

Furthermore, 22 employees received training for telecommunications company employees at BKW Energie AG in Bern. The objectives of the course included knowledge of statutory regulations and rules of conduct in electrical installations (pylons and substations) operated by Switzerland's various energy suppliers. This training is mandatory for Sunrise staff every five years.

Sunrise offers employment terms that are both progressive and competitive. This contributes to its positive image as an employer. To this end, it offers a wide range of benefits, such as a pension plan in excess of the mandatory requirements, unpaid leave and a flexible vacation policy, all of which make it easier for employees to enjoy a healthy work-life balance. Each employee, for instance, is entitled to up to two additional weeks of unpaid vacation. Sunrise employees also enjoy five weeks of vacation, or six weeks until the age of 20. Starting at the age of 50, employees have six weeks of vacation.

In order to promote the physical and mental health of its employees, in 2020 Sunrise will focus on health management and prevention. Concepts are currently being developed to ensure and further improve employee health. Sunrise is already promoting participation in sporting events (such as bike to work, the weekly boot camp and the annual New Year's Eve run). This not only strengthens the team spirit among the staff but it also promotes physical activity to compensate for the time spent in the office. Fresh apples from a farm are also delivered weekly to encourage employees to eat vitamin-rich fresh fruit. These are available to all employees and are free of charge. In addition, Sunrise offers a range of preventive training courses on resilience and stress management for employees and managers. Sunrise works closely with its insurance company and other health management providers to continually expand its range of services.

10.8 Flexible Work Environment

Flexible work arrangements help improve the health and wellbeing of employees and promote a better work-life balance by reducing stress while raising productivity. Flexible work hours and the option of working from home are only one aspect of the efforts Sunrise is making in this area. All office employees in Zurich moved into the newly refurbished Ambassador House in Glattpark/Opfikon in February 2019, where a new office concept was implemented. The new concept offers a wide range of flexible work settings, including shared desks combined with new work spaces such as focus rooms, offices for a day and project areas, all of which are equipped with modern technology and state of the art ergonomic office furniture. There is a modern fitness area, bicycle storage and changing rooms with showers and lockers. Additionally, an in-house childcare service is currently planned to complete an ideal environment for meeting the needs of the majority of Sunrise employees.

11 Environment

In the environmental sector, Sunrise focuses on the two most relevant topics of "Energy Efficiency and Climate Protection" and "Waste and Recycling," which are referenced in the materiality analysis in chapter 9.3.

Energy efficiency is essential to the Company's operations since electricity consumption has a large direct environmental impact on climate protection at Sunrise and is an important internal cost driver.

In 2019, we significantly improved our Greenhouse Gas (GHG) reporting, adopting the GHG protocol standard and extended our reporting with Scope 3 emissions.

Waste and Recycling is the other topic customers and other external stakeholders see as being significant in the context of the global environmental issue of e-waste and packaging. Product life cycle and business ecology aspects are addressed in greater detail in the following section called "Waste and Recycling."

Sunrise is currently participating in various sustainability initiatives and ratings. For example, Sunrise joined the Carbon Disclosure Project (CDP) and is also part of the supplier ratings conducted by EcoVadis. In addition, we strive to improve the Company's environment and sustainability performance rated by agencies assessing socially responsible investment (SRI), such as Vigeo Eiris, Inrate, zRating, ISS-oekom, J. Safra Sarasin, and Sustainalytics.

The impact Sunrise has on the environment and vice versa is constantly evaluated by the Corporate Responsibility Steering Committee that meets quarterly (see section Corporate Responsibility). This committee also assesses operational ecology and risk, and monitors the status quo.

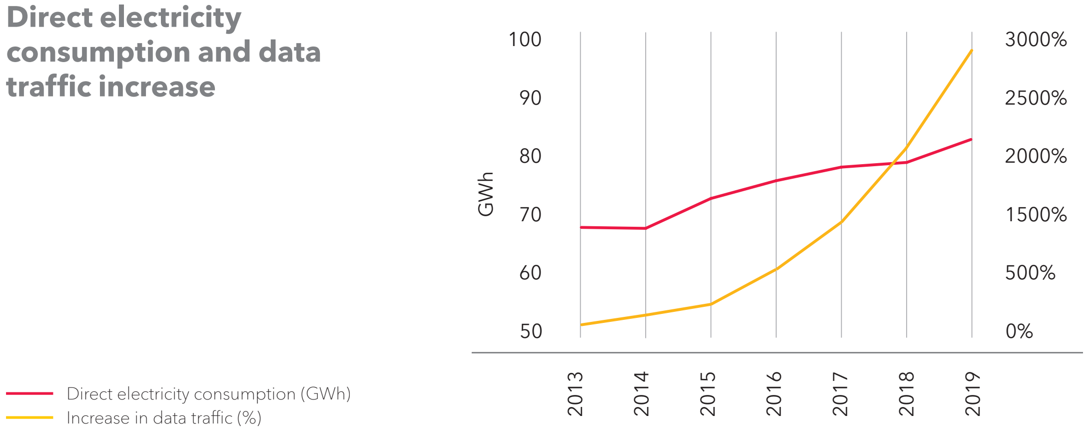
11.1 Energy Efficiency and Climate Protection

11.1.1 Energy Efficiency

As already pointed out in section Corporate Responsibility, one of the biggest challenges for Sunrise in the environmental area will be the separation of the rapid rise in data usage brought about by ongoing digitalization from the increased direct electricity consumption (see chart below). Energy efficiency plays a key role in driving sustainable development with the limited use of finite resources.

Sunrise assesses its energy efficiency as part of a voluntary energy efficiency target agreement with the Swiss Federal Government and launched several efforts in 2019 to improve its energy efficiency. The biggest source of harmful emissions Sunrise can directly influence is its direct electricity consumption, more than 80% of which is attributable to the network infrastructure. To this end, the Company installed more efficient air conditioning systems and upgraded power supply units at antenna locations to optimize power consumption. To date, these efforts have resulted in total savings of up to 431,361 kWh of electricity per year. On top of those network related measures, we expect to save up to 1,000,000 kWh of electricity per year with the move in to the new headquarters Ambassador House, which has a state of art energy management system in place. Despite the rapid growth in data usage and increased network performance, total direct electricity consumption at Sunrise has only risen slightly over the past five years.

Direct electricity consumption and data traffic increase



11.1.1.1 Environmental and Energy Efficiency Objectives

By defining energy efficiency objectives, Sunrise seeks to make its environmental protection efforts measurable and assessable. The goal is to increase energy efficiency by at least 13.5% (based on 2012 levels) by 2020 as part of the Company's voluntary efficiency agreement with the Swiss Federal Government. Sunrise has already increased its energy efficiency by 14% in 2019 and will therefore surpass the original target set in 2012.

In 2020, Sunrise will focus on setting short and long-term targets and will define reductions measures for reducing the carbon footprint for the different emission categories.

11.1.2 Climate Protection

A company's carbon footprint is an important measure that can help determine the impact of its business activities on the climate.

The Company's carbon footprint analysis was completely revised in 2019 and now includes Scope 1, 2 and 3 emissions in accordance with the GHG protocol standard (see table on following page). Scope 1 emissions include emissions from the car fleet and fugitive emissions from refrigerant refill covers cooling infrastructure (e.g. data centers). Those emissions have slightly decreased mainly due to less refrigerant refills. Scope 2 emissions contain in general heating and electricity consumption of Sunrise infrastructure. The location-based electricity emissions are considerably lower than 2018, mainly due to an updated emission factor from the International Energy Agency (IEA). Market-based electricity emissons are zero due to the fact that our electricity supply has stemmed from 100% renewable energy since 2016. In 2019, approximately 75% of the total renewable energy share was domestically sourced, and water power is the most used renewable energy source. Overall, we have seen a slight decrease in Scope 1 and 2 emissions.

Scope 3 emissions reflect all indirect GHG emissions. Purchased goods and services contribute most to this emission category. This includes all upstream (i.e., cradle-to-gate) emissions from the production of goods (tangible products) and services (intangible products). The emissions in this category were growing in 2019 due to increased outsourced (consultancy) services, larger purchasing volumes and updated emission factors on hardware footprints. As the suppliers are also constantly increasing their sustainability efforts, more footprints of the different hardware sizes were available for 2019. Therefore, averaged footprints were used per model and thus the footprints per mobile phone increased.

Use of sold products is the second largest emission category for Scope 3 emissions at Sunrise, which includes example, emissions related to the customers energy use for the TV box and the internet router.

The decrease in 2019 is mainly driven by the updated emissions factor of the IEA, which has also affected the location-based Scope 2 emissions.

Employee commuting includes emissions from the transportation of employees between their homes and their worksites and remained more or less stable in 2019.

Fuel and energy related activities includes emissions related to the production of fuels and energy purchased and consumed by Sunrise that are not included in Scope 1 or Scope 2.

Upstream transportation and distribution emissions remained stable and contain products purchased between a company's tier 1 suppliers and its own operations.

Business flights have increased in 2019 by 102t CO_2e, due to extraordinary business activities.

End of life emissions include emissions from waste disposal and treatment of products sold by Sunrise at the end of their life. This category includes the total expected end-of-life emissions from all products sold. Capital Goods includes all upstream (i.e., cradle-to-gate) emissions from the production of capital goods purchased or acquired by Sunrise.

The waste category contains emissions from third-party disposal of waste generated by Sunrise operations and in general, they have a low impact on the carbon footprint compared to other Scope 3 emissions.

Overview Emissions

tCO_2e	**2019**	2018
Direct emmisions (Scope 1)		
Mobile combustion	757	775
Refrigerants	172	277
Total Scope 1	**929**	**1052**
Indirect emmisions (Scope 2)		
Electricity (market-based)	0	0
Electricity (location-based)	2,412	15,889
Heating	626	626
Total Scope 2 (market-based)	**626**	**626**
Total Scope 1 and 2 (market-based)	**1555**	**1,678**
Indirect emmisions (Scope 3)		
Waste	8	7
Capital Goods	34	17
End-of-life Treatment of Sold Product	259	211
Business Travel	829	727
Upstream Transportation and Distribution	1,048	1,057
Fuel and Energy Related Activities	1,989	1,322
Employee Commuting	2,584	2,402
Use of Sold Product	4,781	6,969
Purchased Goods and Services	45,482	35,213
Total Scope 3	**57,014**	**47,925**

11.2 Waste and Recycling

Waste and recycling, a highly relevant topic, as described in the materiality analysis, is an important aspect for Sunrise to meet its customers' and other stakeholders' expectations of sound environmental management. A solid product life cycle view can enhance the attractiveness of products in the eyes of Sunrise customers.

In the area of product and business ecology, Sunrise has several initiatives in place to lower waste and improve the recycling of its own products. Since 2015, Sunrise has been offering a take-back program for mobile phones and tablets. The Company continued the program in 2019, taking back a large number of mobile phones and tablets for proper recycling or refurbishment. Sunrise also has in place a refurbishment program for Sunrise TV and Internet Boxes returned by customers. The goal of this program is to increase the use of these hardware while at the same time decreasing e-waste. Sunrise is also using FSC recycled paper for its office papers and envelopes.

A state-of-the-art approach to office ecology can help Sunrise improve its attractiveness as an employer. Digitalization is therefore an important driver toward sustainable office ecology. With the move to its new headquarters in 2019, Sunrise seeks to minimize paper consumption and waste by offering its employees a modern, paperless, digital work experience. As part of the new workplace, Sunrise also implemented a state-of-the-art recycling concept for the new headquarters in 2019.

12 Community

Sunrise demonstrates its social engagement by promoting talented athletes and collaborating with the Roger Federer Foundation.

12.1 Support for the Roger Federer Foundation

As part of its collaboration with Roger Federer as the Company's brand ambassador, Sunrise is also involved in the activities of the Roger Federer Foundation. The Roger Federer Foundation supports educational projects in the southern part of Africa and in Switzerland. Young athletes are the main beneficiaries of the support provided through the Stiftung Schweizer Sporthilfe (Swiss Sports Foundation). Sunrise makes an annual donation that benefits these young, up-and-coming athletes.

12.2 Promotion of Marginal Sports

In Switzerland, providing professional training conditions to young athletes engaging in marginal sports is often quite difficult. As a result, Sunrise is actively involved in the Swiss Sports Foundation sponsorship program through the support it provides to the Roger Federer Foundation. The foundation promotes talented young athletes pursuing careers in competitive sports in Switzerland, particularly in disciplines and age categories largely neglected by sponsorship arrangements.

Sunrise is currently supporting young athletes between the ages of 10 and 16 in marginal sports including rock climbing, fencing and chess. Wheelchair-bound athletes are usually somewhat older when they first enter competitive sports. Every year, around 500 talented young Swiss athletes receive individual or performance-based funding and are motivated through sponsorship arrangements or awards.

12.3 Premium Partner of Swiss Olympic

Sunrise entered a multi-year premium partnership with Swiss Olympic in 2018. By doing so, the Company makes a commitment to popular sports and supports the best Swiss male and female athletes with the best Swiss network.

13 Major Events

In January 2019, the Group sold 133 telecom towers to Swiss Towers AG for a consideration of CHF 29 million. The resulting gain on the transaction is treated as a non-recurring gain (CHF 25 million) and therefore has no impact on adjusted EBITDA.

At the 5G frequency auction, Sunrise acquired strategically important frequencies in the 3.5 GHz band for CHF 89 million (total amount incl. consultancy fees: CHF 91 million). With its existing and new frequencies, Sunrise will be able to secure its current 4G area coverage of above 96% and deliver a world-class 5G network in the future. The concessions are legally binding as of June 2019 and the payment of CHF 89 million was made in June 2019. The acquisition of these new frequencies is reflected in the increase in intangible assets.

On February 27, 2019, Sunrise announced that it had signed a binding agreement to acquire UPC Switzerland, a wholly-owned subsidiary of Liberty Global plc, for an enterprise value of CHF 6.3 billion, financed by raising CHF 4.1 billion new equity capital in form of a rights issue. The transaction was subject to receiving of regulatory clearance and approval of the rights issue by an extraordinary general meeting (EGM) of Sunrise. The Group agreed to pay a termination fee of CHF 50 million, which would become payable in case the Transaction is not completed, subject to certain exceptions.

The Group received the regulatory transaction approval from the Swiss Competition Commission (COMCO) without any conditions or stipulations on September 26, 2019. The transaction was expected to close by the fourth quarter of 2019.

On September 30, 2019, Sunrise announced the enhanced transaction structure with a significantly reduced rights issue of CHF 2.8 billion. Simultaneously the Group issued the invitation to the EGM of Shareholders of Sunrise Communications Group on behalf of the Board of Directors, which was to be held on October 23, 2019.

On October 14, 2019, Sunrise and Liberty Global entered into a conditional rights purchase agreement, pursuant to which Liberty Global would invest up to CHF 500 million in a combination of Sunrise tradable rights and a subsequent subscription of newly issued shares.

Based on clear indications received from shareholders that they would vote against the capital increase at the EGM, Sunrise cancelled the EGM with consent from Liberty Global on October 22, 2019, and entered into a further amendment to the share purchase agreement.

Subsequently, the Group cancelled the share purchase agreement as of November 12, 2019. The cancellation triggered the payment of the CHF 50 million penalty to Liberty Global. The total costs amount to CHF 112 million, including the penalty (CHF 50 million), underwriting fees (CHF 18 million), advisory and legal fees, as well as already incurred integration costs of about CHF 44 million. All costs are reflected in the consolidated financial statements as of December 31, 2019, thereof CHF 107 million in EBITDA as other operating expenses and other expenses. Of the total costs, 98% were already paid in 2019.

14 Financial Review

Financial Summary

Revenue and adjusted EBITDA (excl. IFRS 16) for 2019 amounted to CHF 1,887 million and CHF 624 million respectively. Revenue increased year-over-year by 0.5% or CHF 10 million. Revenue growth was mainly attributable to customer growth in mobile postpaid as well as landline Internet and TV, partly offset by decreased hardware and hubbing revenue, which both are low-margin. Adjusted EBITDA (excl. IFRS 16) for 2019 came in at CHF 23 million in year-over-year growth. This development is mainly attributable to the increase in gross profit, partly compensated by higher commercial expenses in order to support the commercial momentum as well as slightly increased network service fees following the sale of the 133 telecom towers to Swiss Towers AG in January 2019. The IFRS 16 impact on (adjusted) EBITDA for 2019 amounts to CHF 44 million and is described in detail below.

IFRS 16 Impact for 2019

IFRS 16 Leases is effective for annual reporting periods beginning on January 1, 2019, and replaces the existing standard IAS 17. The new standard requires lessees to treat all lease contracts as finance leases and does not allow the classification as "operating lease" as known under IAS 17. As part of the transition to IFRS 16, as of January 1, 2019, the Group has recognized right-of-use (RoU) assets and additional lease liabilities in the amount of CHF 275 million (total lease liabilities as of January 1, 2019: CHF 279 million). The first-time adoption of IFRS 16 did not have an impact on the Group's equity. The positive impact on EBITDA for the year 2019 of CHF 44 million (with a negligible effect on the cost of sales) is related to the shift in costs within the consolidated statement of income (from originally above EBITDA to depreciation and interest expenses). It was compensated by the increase in depreciation (CHF 37 million) and interest expenses (CHF 12 million). This led to a negative income before tax impact of CHF 4 million in 2019.

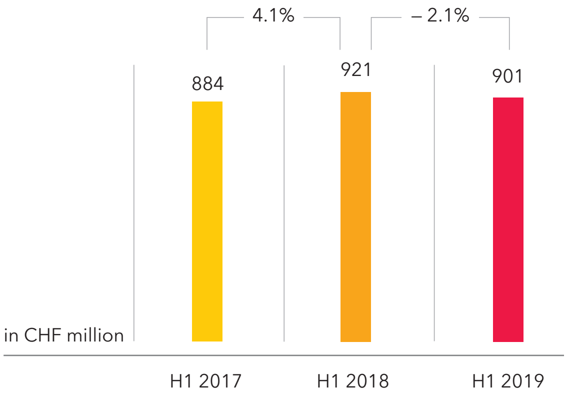
The table below summarizes the impact on the consolidated statement of income of applying IFRS 16 for Sunrise:

CHFk January 1 – December 31	TOTAL COMPANY 2019	2018[1]	Change (%)
Gross profit reported	**1,252,204**	**1,219,119**	**2.7**
IFRS 16 impact	203	–	
Gross profit excluding IFRS 16	1,252,001	1,219,119	2.7
EBITDA reported	**588,067**	**602,304**	**(2.4)**
IFRS 16 impact	44,487	–	
EBITDA excluding IFRS 16	543,580	602,304	(9.7)
Income before income taxes reported	**66,689**	**143,191**	**(53.4)**
IFRS 16 impact	(4,209)	–	
Income before income taxes excluding IFRS 16	70,898	143,191	(50.5)
Net income reported	**55,575**	**106,918**	**(48.0)**
IFRS 16 impact	(3,366)	–	
Net income excluding IFRS 16	58,941	106,918	(44.9)

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated.

14.1 Revenue

Total revenue at Sunrise increased by 0.5% in the 2019 financial year to CHF 1,887 million compared to 2018. Revenue growth was mainly driven by higher service revenue (3.3%) in mobile postpaid, landline Internet and TV, supported by strong customer growth. This development was partly offset by decreased hardware (–6.2%) and hubbing revenue (–22.5%), which both are low-margin.



Revenue by segment and service

Sunrise reports the segments Residential, Business, Wholesale and a reportable Head Office segment, which includes the finance, IT and technology functions of the Group. The organizational structure of Sunrise reflects these segments, as they represent the different customer groups to which the Group provides its services. The revenue development of the segments is shown in the table below:

	RESIDENTIAL		BUSINESS		WHOLESALE[1]		HEAD OFFICE ACTIVITIES		TOTAL	
CHFk January 1 – December 31	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	**1,346,637**	**1,351,929**	**324,771**	**285,326**	**175,059**	**198,747**	**40,197**	**40,462**	**1,886,664**	**1,876,464**

[1] Including hubbing revenue of CHF 74 million generated in the period ended December 31, 2019, and CHF 96 million in the period ended December 31, 2018.

Sunrise sells mobile services, landline services and Internet & TV services across its segments. Since this information could be sensitive from a competitive point of view, the Group refrains from reporting a breakdown of the segments by services and instead provides a breakdown of total revenue by services.

CHFk January 1 – December 31	**2019**	2018
Mobile services	1,270,993	1,270,891
– Thereof mobile postpaid	*835,296*	*802,204*
– Thereof mobile prepaid	*75,610*	*96,273*
– Thereof mobile hardware	*262,055*	*279,403*
– Thereof other	*98,032*	*93,011*
Landline services	306,934	325,331
– Thereof landline voice	*124,149*	*125,997*
– Thereof hubbing	*74,056*	*95,580*
– Thereof other	*108,729*	*103,754*
Landline Internet and TV	308,737	280,242
Total	**1,886,664**	**1,876,464**
Revenue excl. mobile hardware and hubbing	*1,550,553*	*1,501,481*

Mobile Services

The positive performance in mobile postpaid revenue, which showed an increase of 4.1% compared to the prior-year period, is attributable to an increased postpaid subscription base (9.4%). Year-over-year, this was offset by a decrease in mobile prepaid revenue (−21.5%) as well as lower mobile hardware revenue (−6.2%), which in total led to stable mobile services revenue performance (2019 and 2018: CHF 1,271 million).

The mobile postpaid subscription base increased by 9.4% year-over-year and led to a 4.1% increase in mobile postpaid revenue despite lower average revenue per user (ARPU). The year-over-year postpaid ARPU reduction of CHF −1.90 was mainly driven by promotional activities, secondary SIM dilution and roaming off.

The postpaid subscription base totaled 1,891 thousand subscribers as of December 31, 2019 (December 31, 2018: 1,729 thousand). The subscription base increase, recorded over all segments, was driven by high network quality, good customer experience, prepaid to postpaid migration, attractive promotions as well as a broad product offering. The continuous growth in mobile data traffic is reflected in the increase in secondary subscriptions (such as secondary SIM cards for data) used by customers in addition to their primary subscriptions. The secondary subscription base growth was mainly supported by increased B2B solutions demand (such as unlimited work space).

Mobile prepaid revenue declined year-over-year due to a decreased subscription base and lower ARPU (CHF −0.9). The prepaid subscription base shrank year-over-year by −10.3% to 563 thousand subscribers as of December 31, 2019, and is related to postpaid migration. As in previous years, increased (over-the-top) OTT usage as well as the migration of high-value prepaid customers to postpaid are factors that contributed to the ARPU reduction. Furthermore, the decline in the MTR intensifies negative revenue performance through a lower ARPU.

Mobile hardware revenue (low-margin) decreased year-over-year by −6.2% to CHF 262 million. While average hardware prices increased slightly on a year-over-year comparison, the decline in revenue is mainly attributable to lower hardware sales volumes caused by longer replacement cycles of handsets as a consequence of increased prices. Hardware revenue can also depend on handset innovation/launches and is volatile by nature.

Landline Services

Landline services revenue decreased by −5.7% or CHF −18 million to CHF 307 million in 2019, mainly driven by hubbing revenue. The revenue generated by hubbing (international trading business, which is low-margin) decreased by −22.5% or CHF 22 million to CHF 74 million (2018: CHF 96 million). This decline is due to lower volumes and an increased focus on profitability, which is also reflected in an increased hubbing gross margin.

Landline voice in 2019 showed a slight decline in revenue of −1.5% compared to 2018. Revenue performance was roughly stable, as the decline in the Residential segment was offset almost entirely by an increase in the Business segment.

Landline Internet and TV

Landline Internet and TV revenue increased by 10.2% to CHF 309 million in 2019.

The total Internet subscription base increased by 8.5% year-over-year to 496 thousand subscriptions. The TV product, which can be purchased along with Internet service, increased its customer base by 14.6% year-over-year to 279 thousand subscribers. Internet and TV customer growth was supported by convergent 2–4P bundle offers, attractive TV offerings, the newly launched TV OTT offering "TV Neo", enhanced TV content such as sports, focus on service excellence and dedicated promotions.

Both Internet and TV ARPU decreased compared to prior year by CHF −0.4 and CHF −1.1, respectively. The developments are mainly attributable to promotional activities as well as negative mix effects (e.g. TV OTT dilution). The redefinition of customer base (see below) also had a minor impact on the corresponding ARPUs.

As already highlighted in the Q1 2019 report, the total Internet and TV subscription base as well as the corresponding ARPUs as of January 2019 were impacted by a minor redefinition of customer base, which has no effect on revenue. The total increase in Q1 subscription base due to this redefinition was 5 thousand landline Internet and TV subscribers (thereof 5 thousand Internet, 3 thousand TV and 5 thousand landline voice).

14.2 Costs and Profitability

The following sections show the development of gross profit, EBITDA and net income.

14.2.1 Gross Profit

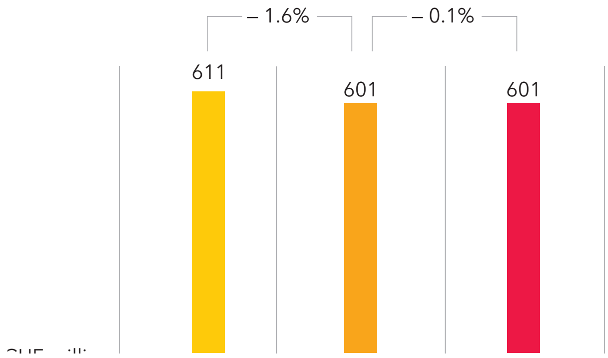
Gross profit rose by 2.7% to CHF 1,252 million with a negligible impact of IFRS 16. This increase was mainly driven by growth in service revenue. The gross margin increased from 65% to 66.4%, due to declining low-margin revenue in mobile hardware and hubbing.

Transmission Costs and Cost of Goods Sold

Transmission costs and the cost of goods sold totaled CHF 634 million for 2019. This represents a decrease of −3.5% year over year, which is in line with the reduced hardware and hubbing revenue.

14.2.2 Adjusted EBITDA

For 2019, adjusted EBITDA amounted to CHF 668 million, which reveals a year-over-year increase of 11.2% or CHF 67 million (excl. IFRS 16: CHF 624 million; year-over-year increase of 3.9% or CHF 23 million). This was supported by gross profit growth, partly offset by higher commercial expenses since cost savings have been reinvested to sustain business momentum.



The table below shows one-time adjustments from reported EBITDA to adjusted EBITDA in 2019, 2018 and 2017. Adjustments for events related to prior years amount to CHF −2 million. Adjustments for non-recurring, non-operating events total CHF 79 million and include the gain on the 133 telecom tower disposal to Swiss Towers AG (CHF 25 million) in January 2019 and the cost reduction from the IAS 19 pension plan adjustment (CHF 13 million). These positive effects were more than offset by various fees related to the cancelled acquisition of UPC Switzerland (CHF 107 million), extraordinary contract settlement (CHF 6 million), early employee contract terminations (CHF 2 million) and costs related to the move of the Group's headquarters. The adjustment for share-based payment expenses amounts to CHF 3 million.

Excluding the effects of IFRS 16 (CHF 44 million) in 2019, the adjusted EBITDA would amount to CHF 624 million, representing a year-over-year increase of CHF 23 million.

CHFk January 1 – December 31	**2019**	2018	2017
Reported EBITDA	**588,067**	**602,304**	**592,333**
Prior-year-related events	(1,765)	(2,694)	(5,616)
Non-recurring and / or non-operating events	79,283	(126)	12,568
Costs related to share-based payment	2,724	1,626	2,171
Adjusted EBITDA	**668,310**	**601,110**	**601,456**

14.2.3 Reported EBITDA

The Group generated an EBITDA of CHF 588 million in 2019. This is a year-over-year decrease of CHF 14 million or −2.4% from CHF 602 million in 2018 (excluding the IFRS 16 impact of CHF 44 million, the year-over-year decrease would have been CHF 59 million or −9.7%). The IFRS 16 effect is driven by the reduction of lease expenses as a consequence of the cost shift within the condensed consolidated interim statement of income.

The EBITDA decrease is mainly attributable to the costs related to the cancelled acquisition of UPC Switzerland of CHF 107 million (reflected in other operating expenses and other expenses). These costs were partly offset by the positive operational performance, which is reflected in an organic EBITDA growth year-over-year of CHF 23 million (adjusted EBITDA excl. IFRS 16). Hereto comes the realized gain on the disposal of property, plant and equipment related to the sale of 133 telecom towers to Swiss Towers AG in January 2019 (CHF 25 million) and the cost reduction from the IAS 19 pension plan adjustment (CHF 13 million).

Other Operating Expenses
Other operating expenses increased by CHF 4 million or 0.9% from CHF 425 million to CHF 429 million year-over-year. The initial application of IFRS 16 as of January 1, 2019, had a positive impact for 2019 of CHF 44 million on other operating expenses. Excluding the effects of IFRS 16, 2019 showed an increase in other operating expenses of CHF 48 million to CHF 473 million. This was mainly due to the costs related to the cancelled acquisition of UPC Switzerland of CHF 38 million, higher network service fees due to the sale of the 133 towers in January 2019, as well as higher marketing costs in relation to 5G introduction and higher onboarding costs for new customers. Furthermore the relocation of the Group's headquarters led to a one-time additional increase in other operating expenses of CHF 2 million.

Wages, Salaries and Pension Costs
Wages, salaries and pension costs totaled CHF 206 million in 2019. This represents a year-over-year decrease of 3.6% or CHF 8 million, driven by a one-time pension plan adjustment. This adjustment was in relation to a conversion rate reduction, which resulted in a CHF 13 million decrease in pension fund costs (past service income according to IAS 19), leading to a reduction of the pension liability in the same amount. This was partly compensated by an increased FTE base, primarily within Business segment and customer service in order to support the growth momentum.

Although the pension fund of Sunrise Communications AG is overfunded by 20% as of December 31, 2019, according to Swiss GAAP FER 26, the Group reports a net pension liability of CHF 82 million in its consolidated financial statements as of December 31, 2019. The different results are driven by differences in valuation methods; Swiss GAAP FER 26 prescribes a static valuation method, whereas IFRS (IAS 19) requires the use of a dynamic valuation method. Therefore, the IFRS pension liability should not be considered a current cash liability based on current facts and circumstances. Compared to 2018, the pension liability remained stable with fluctuations in value during the year (2018: CHF 85 million).

Other Income
Other income increased in 2019 compared to the prior year by CHF 18 million, which is mainly attributable to the gain on the 133 telecom tower disposal to Swiss Towers AG (CHF 25 million) in January 2019. In addition, CHF 7 million in income related to the sale of telecom towers based on the build-to-suit (BTS) agreements with Swiss Towers AG was recorded in 2019, representing an increase of CHF 2 million compared to 2018. In 2018 the reversal of asset retirement obligations due to a lower cost assumption led to an income of CHF 10 million. No such change was implemented in 2019, which explains the higher income on reversal of asset retirement obligations in 2018 compared to the current year.

Other Expenses
Other expenses amounted to CHF 73 million in 2019. This represents an increase of CHF 70 million compared to prior-year-period and relates primarily to expenses incurred in relation to the cancelled UPC deal of CHF 69 million. These expenses consist of a CHF 50 million contractual penalty paid to Liberty Global and underwriting fees of CHF 19 million paid to the Group's financing banks.

14.2.4 Net Income
The Group reported net income of CHF 56 million for the year ended December 31, 2019, a year-over-year decrease of CHF 51 million from CHF 107 million in 2018. 2019 net income was mainly impacted by costs related to the cancelled acquisition of UPC Switzerland of CHF 107 million. Excluding these costs, net income in 2019 would have exceeded the previous year by CHF 56 million (net income excl. UPC: CHF 163 million). In 2019, adjusted EBITDA (excl. IFRS 16), grew year-over-year by CHF 23 million. Additional contributions were the realized gain on the disposal of property, plant and equipment related

to the sale of 133 telecom towers to Swiss Towers AG in January 2019 (CHF 25 million), the lower tax expense due to the reduction in deferred tax rate, as well as the cost reduction from the IAS 19 pension plan adjustment (CHF 13 million), partly offset by various other minor effects. The negative IFRS 16 net income impact was CHF 3 million.

Depreciation and Amortization

For the year 2019, depreciation and amortization totaled CHF 475 million; compared to 2018 this represents an increase of CHF 49 million (2018: CHF 426 million). This is mainly attributable to the additional depreciation of the new right-of-use assets related to the implementation of IFRS 16, which totaled CHF 37 million in 2019, as well as continued investments in access deals and network rollout (incl. the amortization of the new 5G license). Of the total CHF 475 million, CHF 126 million related to the amortization of purchased intangibles (2018: CHF 126 million). Those intangibles, created in 2010 in the amount of CHF 1,477 million and amortized over a maximum of 11 years, are related to the acquisition of Sunrise by MCG in October 2010.

Net Financial Items

Net financial items for the year 2019 mainly consist of financial expenses in the amount of CHF 50 million (2018: CHF 51 million), and CHF 3 million in foreign currency gains (2018: CHF 2 million). Financial expenses remained stable compared to the prior year while the causing effects are different for the two periods. A comparison of 2019 to 2018, shows that the additional expenses of CHF 9 million caused by the refinancing transaction in June 2018 were more than offset by CHF 12 million in lease-related interest expenses in 2019 due to the introduction of IFRS 16. Eliminating both effects, financial expenses decreased year-over-year by CHF 4 million mainly relating to lower than average interest expenses.
The prior-year one-time financial income of CHF 15 million related to refinancing transactions in 2018 with regard to IFRS 9. IFRS 9 requires financial gains from debt modifications to be recognized at the time of the event; hence, the gain due to lower interest rates was recognized in June 2018.

Income Taxes

For the year 2019, net income tax expenses of CHF 11 million (2018: CHF 36 million) consist of a CHF 49 million (2018: CHF 53 million) tax expense related to current income taxes and a tax benefit of CHF 37 million (2018: CHF 17 million) related to the change in deferred taxes. Current income tax rate as of December 31, 2019 was 19.4% (December 31, 2018: 20.8%). The deferred tax rate used for calculating of the net deferred tax liabilities was lowered and led to a deferred tax liability reduction of CHF 17 million as of December 31, 2019 (in addition to the movement from the reduction of temporary differences). This is due to the reduction of income tax rates (Corporate Tax Reform) which was approved by some cantons in 2019 and will enter into force as of January 2020 and can be considered as enacted or substantively enacted.

14.3 Cash Flow, Balance Sheet and Dividend Policy

14.3.1 Cash Flow

Cash and cash equivalents totaled CHF 201 million as of December 31, 2019, a decrease of CHF 220 million compared to the cash position held as of December 31, 2018. Cash flow from operating activities of CHF 436 million was more than offset by cash flow used in investing (CHF 429 million) and financing activities (CHF 228 million). The application of IFRS 16 has led to several shifts within the cash flow statement. However, there is no net cash impact resulting from IFRS 16 (refer to Note 7 in the consolidated financial statements 2019).

Cash Flow from Operating Activities

The year-over-year decrease of CHF 28 million in 2019 includes a positive impact related to IFRS 16 of CHF 27 million (refer to Note 7 in the consolidated financial statements 2019). Excluding this effect, the decrease in cash flow from operating activities would amount to CHF 56 million. This development is mainly explained by the reduction in net income before income taxes (CHF −77 million), driven mostly by the costs related to the cancelled acquisition of UPC Switzerland, partly offset by the reduction of the change in net working capital of CHF 22 million.

Cash Flow Used in Investing Activities

Cash flow used in investing activities amounts to CHF 429 million in 2019 (excl. sale of property, plant and equipment of CHF 460 million), which is CHF 136 million higher than in prior-year period (2018 cash flow from investing activities: CHF 293 million). 2019 contained higher payments for the purchase of intangible assets (CHF 134 million higher compared to prior-year period), mainly stemming from the purchase of the new 5G mobile licenses (CHF 91 million incl. consultancy fees) as well as from higher payments for access deals. Hereto comes the higher cash payments for the purchase of property, plant and equipment, which increased by CHF 23 million compared to 2018, mainly related to network expansion (5G). In contrast, cash flow from investing activities for 2019 was positively impacted by net proceeds from asset disposals (2019: CHF 31 million; 2018: CHF 10 million), mainly related to the sale of 133 telecom towers to Swiss Towers AG in January 2019.

Cash Flow Used in Financing Activities

Cash flow used in financing activities increased by CHF 204 million in 2019 compared to the same period in the prior year. The main reason for this development was the refinancing transaction in 2018, which generated a prior-year cash inflow of CHF 185 million (net after related costs). Cash flow used in financing activities for 2019 was negatively impacted by IFRS 16, as reflected in the CHF 27 million increase in repayments of lease liabilities (refer to Note 7 in the 2019 consolidated financial statements). Excluding the IFRS 16 effect in 2019 and the refinancing effect in 2018, cash flow used in financing activities would amount to CHF 200 million in 2019 and CHF 209 million in 2018, representing a decrease year-over-year of CHF 9 million. This decrease is mainly explained by the lower financing payments for older access deals in 2019, partly offset by the higher dividend payment.

14.3.2 Net Debt

The Group's debt position as of December 31 2019 – consisting of the term loan B3 facility, senior secured notes and lease liabilities – amounted to CHF 1,873 million, of which CHF 35 million is expected to be paid within 12 months. Net debt consists of the term loan B3 facility, senior secured notes at a total nominal value of CHF 1,610 million (December 31, 2018: CHF 1,610 million) and the discounted lease liabilities of CHF 263 million (December 31, 2018: CHF 5 million) reduced by cash and cash equivalents in the amount of CHF 201 million (December 31, 2018: CHF 421 million). This leads to a net debt position as of December 31, 2019, of CHF 1,673 million (December 31, 2018: CHF 1,194 million), resulting in a net debt to adjusted EBITDA leverage ratio of 2.5× (December 31, 2018: 2.0×). The increase compared to December 31, 2018, is mainly related to the Group's implementation of IFRS 16 as of January 1, 2019, and to the cash-out related to the dividend, the mobile license payment and the payments made in relation to the cancelled acquisition of UPC Switzerland. Excluding the effects of IFRS 16, the net debt to adjusted EBITDA ratio as of December 31, 2019 was 2.3×.

As part of the Senior Facilities Agreement the Group benefits from a multi-currency revolving credit facility (RCF) with a total commitment equal to CHF 200 million, which is currently undrawn.

14.3.3 Net Working Capital

Net working capital represents short-term assets reduced by short-term liabilities. Net working capital includes current assets and liabilities as well as non-current prepaid expenses, trade receivables, trade payables and deferred income. Changes in trade and other payables related to mobile license and non-cash capital expenditures related to Indefeasible Rights of Use (IRU) are excluded.

For 2019, the change in net working capital resulted in a negative change of CHF 27 million. This is mainly driven by the negative changes in contract assets, contract liabilities and contract costs, which amounted to a total of CHF 24 million, as well as by changes in trade and other payables (CHF 4 million) caused by transmission cost payables. In addition, handset inventory increased by CHF 8 million. These effects were partly offset by the reduction of trade and other receivables in CHF 7 million.

Compared to 2018, the change in net working capital had a positive impact of CHF 22 million. This is mainly due to the positive change in trade and other payables, partly offset by the negative change in inventory, both relating to the handset purchasing activities. The remaining change comes from positions related to contract assets, contract costs and contract liabilities.

14.3.4 Dividend Proposal and Distribution Policy

The Board of Directors proposes allocating approximating CHF 198.3 million from the reserves from foreign capital contributions to the dividend reserve to pay a dividend of CHF 4.40 per share in 2020.

For details regarding the long-term dividend policy of Sunrise, please refer to Section 17.2.

14.3.5 Shareholder Return

The Sunrise stock price decreased by −12% in 2019 and increased by +12% since the IPO in February 2015. The table below shows the total shareholder return. The figures in this table take both stock price performance and dividend payments into account. The total shareholder return on Sunrise stock amounted to −7% in 2019.

Total shareholder return (in%)	**2019**	2018	IPO 2015
Sunrise	−7%	2%	37%
STOXX Europe 600 Telecom Index	6%	−8%	−13%
Swiss Performance Index (SPI)	31%	−9%	52%

Source: Bloomberg; IPO was on February 6, 2015; Telecom Index performance in EUR

As of the end of 2019, the sell-side brokers who cover Sunrise stock and publish regular research are: Barclays, Berenberg, Citi, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, HSBC, Jefferies, J.P. Morgan, Kepler Cheuvreux, MainFirst, Morgan Stanley, New Street, Redburn, UBS and Vontobel.

Further information, as well as a comprehensive fact sheet about the Company's financials and KPIs, can be found on the Sunrise investor relations website www.sunrise.ch/ir under Reports and Presentations.

15 Risks

15.1 Overview

To protect the Company's value, Sunrise operates a centralized risk management system that differentiates between strategic and operational risks. The Company's risk management plan includes risks from all business functions. Competition, uncertainty regarding the regulatory framework, impairment of supply relationships, and the security of and interruptions to network performance are the main risks and uncertainties the Company is facing. All identified risks are quantified (according to their probability of occurrence and impact) and tracked on a risk schedule. This risk schedule is subject to an annual discussion among the Sunrise Group's Board of Directors; the most recent meeting took place on February 6, 2020.

15.2 Risk Management Process

The Sunrise risk management system adheres to a comprehensive process that starts at the Executive Leadership Team level. The members of the Executive Leadership Team then work together with the leaders of their subunits to perform an analysis of the internal and external environment as well as any changes that could potentially occur or have already taken place, while also taking into account the risks from previous years. During the subsequent consolidation performed by the central risk management unit, these risks are assigned to one of the following ten risk categories: competition, regulatory framework, business continuity operations, security, supply chain, financial, governance/legal compliance, market consolidation, employees and innovation/business development. The ensuing discussions with the risk owners result in a detailed description and quantification of each individual risk and the determination of mitigation activities to be implemented, with the objective of preventing the risk from materializing or of limiting the risk exposure to a level that is acceptable to the Company. Risk management and the resulting risk clusters are discussed among the Executive Leadership Team, while the Audit Committee and the Sunrise Board of Directors are informed annually.

15.3 Main Risk Clusters

The following risk clusters are focus areas for Sunrise.

15.3.1 Market Dynamics

Very high promotional intensity by all operators, offering low domestic and roaming flat rates, and competition in the landline and TV market put pressure on almost all market segments. Continued price erosion and a growing customer preference for bundle plans that tend to offer more value for the same or even lower price might lead to a decrease in revenue. Sunrise actively monitors market developments and offers attractive bundles with flat rate components and promotional activities to meet customers' needs comprehensively.

15.3.2 Regulatory Framework

Under the current regulations on non-ionizing radiation, the activation of new frequencies often requires a reduction in transmission power and thus leads to less coverage and lower capacity, which is at odds with the increase in data traffic and the digitalization needs of customers (see chapter 8.7). As a result, the spectrum acquired in the 2019 frequency auction cannot be utilized to its fullest potential. With the goal of bringing about a more favorable regulation, Sunrise is conducting intensified lobbying activities directly and indirectly through the industry association with the aim of educating all stakeholders about the impact of the restrictive regulatory framework on network evolution, especially 5G. In addition, ongoing revisions to Swiss telecommunication ordinances bears the risk of new regulations that could result in higher costs and/or lower revenues.

15.3.3 Cyber Security and Data Protection

Continuous technological innovation and digitalization open up new business opportunities and services for Sunrise customers. At the same time, the rising technological complexity of the solutions requested by customers and the growing volume of available data combined with shorter and shorter innovation cycles increase the complexity of technical implementations. They also bring about a broader range of vulnerabilities to attacks on these systems and solutions. Additionally, the power of cybercriminals and the number of cyber-attacks committed are increasing year after year. The Company's mature internal information security framework ensures that Sunrise services meet the standards customers demand and that threats are recognized early enough to allow the implementation of appropriate preventive actions. Sunrise is certified to the ISO 27001 standard, which covers all personnel, operations processes and technology infrastructure used for the processing, storage and transmission of customer information and communication. The recently established Sunrise Security Operations Center (SOC) additionally strengthens the safety and protection of the Company's IT infrastructure and customer data.

15.3.4 Business Continuity Management

Telecom services are becoming more and more complex and are thus heavily dependent on highly sophisticated technological infrastructures. Software or hardware failures, human error, viruses or hacking can decrease service quality or, in the worst-case scenario, lead to system outages that can have an impact on the reputation and financial performance of the Company. In addition to the ISO 27001 information security management system, measures such as system and geographical redundancy, business continuity plans, the deliberate selection of suppliers and continuous improvements in network operations management and controls ensure that Sunrise is able to deliver the service quality and availability expected by its customers.

15.3.5 Sourcing Dependency

Sunrise, like the entire ICT industry, is highly dependent on the global supply chain. Supply chain disruptions, such as shortfalls in supply due to natural disasters, political instability, pandemics, trade conflicts, etc., could affect the availability of certain components. Sunrise is monitoring these aspects and will respond appropriately if necessary. In addition, it is in the interest of the Company's suppliers to reduce potential risks to business continuity by implementing a multi-sourcing strategy and a comprehensive supply and business continuity management system. Sunrise is monitoring the ongoing trade conflict between the United States and China and the effects on Huawei very closely. Changes to IT and network structures are being made to reduce the Company's exposure to possible trade restrictions, and Huawei has confirmed to Sunrise that they have a comprehensive set-up in place to guarantee continuous operations.

15.3.6 Financial Risks

The Company is exposed to a variety of financial risks, specifically market, credit and liquidity risks.
A detailed description of the financial risks is provided in Note 24 to the Consolidated Financial Statements.

16 Additional Disclosures

16.1 Material Affiliate Transactions

16.1.1 Changes in the Board of Directors

At the ordinary Annual General Meeting on April 10, 2019, Ingo Arnold was elected to the Board of Directors as a new member by the General Meeting for a term of one year. All other Board members were re-elected for an additional one-year term.

16.1.2 Changes in the Executive Leadership Team

Marcel Huber was appointed the new Chief Administrative Officer and Member of the Executive Leadership Team and took office on February 11, 2019, taking over from Patrick Alain Meier, Director Legal, who had been leading the Administrative Office in the interim.

Giuseppe Bonina was appointed the new Chief YOL Officer and Member of the Executive Leadership Team and took office on November 18, 2019.

16.1.3 Dividend Payment

At the Annual General Meeting on April 10, 2019, the payment of an ordinary dividend from statutory reserves from capital contributions in the total amount of CHF 189.3 million (CHF 4.20 per share) in respect to the 2018 financial year was approved. The dividend payment was made on April 16, 2019.

16.2 Material Contractual Arrangements

At the 5G frequency auction, Sunrise acquired strategically important frequencies in the 3.5 GHz band for CHF 89 million (incl. consultancy fees of CHF 91 million). With its existing and new frequencies, Sunrise will be able to secure its current 96% 4G area coverage and deliver a world-class 5G network in the future. The concessions are legally binding as of Q2 2019 and the payment of CHF 89 million was made in June 2019. The acquisition of these new frequencies is reflected in an increase in intangible assets.

On February 27, 2019, Sunrise has entered into an agreement to acquire UPC Switzerland, a subsidiary of Liberty Global plc. As of November 12, 2019, the Group has cancelled the share purchase agreement, which triggered a payment of the penalty of CHF 50 million to Liberty Global. Further details are described in Section 13 Major Events.

16.3 Certain other Contractual Commitments

Total contractual and purchase commitments as of December 31, 2019, amounted to CHF 299 million (2018: CHF 462 million) and comprised future investments in property, plant and equipment and intangible assets.

16.4 Credit Ratings

As of December 31, 2019, the corporate family ratings for Sunrise Communications Holding S.A., 100% indirectly owned by Sunrise Communications Group AG, were BBB- (outlook stable) by S&P Global Ratings ("S&P") and BB+ (outlook stable) by Fitch Ratings. The Swiss domestic senior secured notes, the term loan B facility and the revolving credit facility are all rated BBB- by Fitch Ratings and S&P.

16.5 Acquisitions, Disposals and Recapitalization

In January 2019, Sunrise sold 133 telecom towers to Swiss Towers AG for a consideration of CHF 29 million.

16.6 Research and Development

Sunrise is not currently investing in research and development directly but is partnering with its suppliers in order to benefit from their experience and know-how.

17 Outlook

17.1 2020 Guidance

2020 revenue and adjusted EBITDA are expected between CHF 1,875 million to CHF 1,915 million and from CHF 675 million to CHF 690 million, respectively. This guidance includes the effects of IFRS 16, which are expected to be roughly stable year-over-year.

The 2020 Capex is expected to be in the range of CHF 410 million to CHF 450 million. This includes investments of CHF 130 million to CHF 150 million in an accelerated rollout of 4G+ and 5G, which will drive network excellence and customer momentum and provide fixed wireless access in selected areas without fiber. The guidance also includes slightly elevated upfront payments for landline access due to higher than expected customer demand for fiber.

Upon meeting its 2020 guidance, Sunrise expects to propose a dividend in the range of CHF 4.55 to CHF 4.65 per share for 2020 to be paid out of foreign capital contribution reserves in 2021.

17.2 Dividend Policy

Sunrise confirms its long-term dividend policy of paying out at least 65% of eFCF and continues to target 85% if net debt/adjusted EBITDA leverage is below 2.3× (previously 2.0×, now adjusted for the IFRS 16 accounting change). For 2018–2020, Sunrise reiterates its annual 4–6% dividend progression guidance and is extending this by one year to 2021.

The 2018–2020 guidance specification was introduced to protect investors from near-term cash flow volatility due to landline access and spectrum payments.

The guidance specification for 2021 is based on the expectation that Capex levels will normalize to between CHF 250 million and CHF 290 million (including utility- excluding Swisscom upfront payments for landline access) after reaching CHF 410 million to CHF 450 million in 2020. This reduction will materially improve eFCF in 2021, which is expected to fully cover the dividend guidance specification, in line with the long-term dividend policy.

Corporate Governance

Corporate governance at Sunrise Communications Group AG is ensured through the activities of the Board of Directors, the Chief Executive Officer and the Executive Leadership Team in accordance with the Articles of Incorporation and the Organizational Regulations of Sunrise Communications Group AG. Sunrise Communications Group AG complies with all applicable legal requirements and discloses its corporate governance pursuant to the Directive on Information Relating to Corporate Governance of June 20, 2019, issued by SIX Swiss Exchange. In 2019 Sunrise was awarded with the best corporate governance and was the winner of the zRating Study 2019 by Inrate.

Corporate Governance

1 Group Structure and Shareholders

1.1 Group Structure

Sunrise Communications Group AG is organized as a stock corporation with limited liability under Swiss corporate law. It was founded on January 13, 2015, and was registered on January 14, 2015, with the commercial register of the Canton of Zurich under company registration number CHE–343.774.206. The registered offices of Sunrise Communications Group AG are located at Thurgauerstrasse 101B, 8152 Glattpark (Opfikon), Switzerland. Business operations are conducted through the Sunrise group of companies listed in Note 3 to the consolidated financial statements.

The operational structure of the Sunrise Group follows the segment reporting and reflects the different customer groups to which the Sunrise Group provides its telecommunications products and services: Residential, Business, Wholesale and a reportable Head Office segment that includes the finance, IT and technology functions of the Sunrise Group. For further details, see Note 9 to the consolidated financial statements.

Share capital and voting rights of all Group companies are listed in Note 3.4 to the statutory financial statements. Sunrise Communications Group AG is the Group's holding company and directly or indirectly owns all Sunrise Group companies. Sunrise Communications AG, based in Opfikon, Switzerland, is the main operating entity of the Group.

Sunrise Communications Group AG is the only listed Group company within the Sunrise Group. On December 30, 2019, Sunrise Communications Group AG had a market capitalization of CHF 3,427 million. For further information on the shares and the listing, see chapter 2.5.

1.2 Significant Shareholders

As of December 31, 2019, Sunrise Communications Group AG was notified of the following shareholdings totaling 3% or more of the total share capital of Sunrise Communications Group AG:

Name of shareholder	% of total share capital
freenet AG, Büdelsdorf	24.52%
BlackRock, Inc., New York	5.70%[1]
Canada Pension Plan Investment Board, Toronto	4.86%

% of total share capital as registered with the commercial register of the Canton of Zurich as of December 31, 2019.
[1] of which 0.44% held due to securities lending or comparable transaction and 1.22% related to voting rights delegated by third party

Disclosure notifications of significant shareholdings in Sunrise Communications Group AG that were filed in 2019 with Sunrise Communications Group AG and SIX Swiss Exchange are available from the online publication platform of SIX Swiss Exchange through the following database search page:
www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Sunrise Communications Group AG is not aware of any other person or institution which, as of December 31, 2019, directly or indirectly, on its own account or in concert with third parties, may have held 3% or more of the Sunrise Communications Group AG share capital.

1.3 Cross Shareholdings

As of December 31, 2019, Sunrise Communications Group AG had no cross shareholdings with any other company exceeding 5% of the capital shareholdings or voting rights.

2 Capital Structure

2.1 Capital

As of December 31, 2019, the share capital of Sunrise Communications Group AG amounted to CHF 45,069,028 divided into 45,069,028 fully paid-in, registered shares with a nominal value of CHF 1.00 per share.

2.2 Authorized Share Capital

Sunrise Communications Group AG has authorized share capital in a total amount of CHF 280,972, representing 0.62% of the issued share capital of Sunrise Communications Group AG, under which the Board of Directors is authorized to increase the share capital as follows:

- According to Article 3b of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), the Board of Directors is authorized to increase the share capital of Sunrise Communications Group AG in an amount not to exceed CHF 280,972 through the issue of up to 280,972 fully paid-in, registered shares with a nominal value of CHF 1.00 each, at any time until April 12, 2021, whereby such authorized share capital represents 0.62% of the issued share capital of Sunrise Communications Group AG. The registered shares stemming from registered share capital are reserved exclusively for the purpose of the participation of employees as well as members of the Board of Directors and the executive management of Sunrise Communications Group AG or its subsidiaries pursuant to one or more regulations adopted by the Board of Directors. The shareholders' preemptive right is excluded. Increases in partial amounts are permitted. Further, an increase through initial subscription of the new shares by Sunrise Communications Group AG is permitted in accordance with Article 659 et seq. of the Swiss Code of Obligations. The Board of Directors determines the date of issue of new shares, their issue price, which may be below the market price, the type of contribution and the time of dividend entitlement. Any newly registered shares are subject to registration restrictions under Article 5 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) following their acquisition.
- According to Article 3a of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), the Board of Directors was authorized to increase the share capital in an amount not to exceed CHF 4,500,000 through the issuance of up to 4,500,000 fully paid-in, registered shares with a nominal value of CHF 1.00 each, at any time until April 12, 2019, such authorized share capital representing 9.98% of the issued share capital of Sunrise Communications Group AG. At the annual general meeting on April 20, 2019, the shareholders voted against an extension of the two year time limit. As a consequence, Article 3a of the Articles of Incorporation was formally deleted by resolution of the Board of Directors of May 14, 2019.

2.3 Conditional Share Capital

As of December 31, 2019, Sunrise Communications Group AG had no conditional share capital.

2.4 Changes in Share Capital

Sunrise Communications Group AG was founded on January 13, 2015, with an initial issued share capital of CHF 100,000 divided into 100,000 fully paid-in, registered shares with a nominal value of CHF 1.00 per share. On January 23, 2015, the share capital of Sunrise Communications Group AG was increased from CHF 100,000 to CHF 25,000,000.

In the capital increase, Sunrise Communications Group AG received by way of a contribution in kind and by way of a contribution to the reserves from capital contributions all 134,553,661 A ordinary shares in Mobile Challenger Intermediate Group S.A., Luxembourg, Luxembourg, with a nominal value of CHF 0.01 each pursuant to a contribution agreement dated January 23, 2015, against issue of 24,900,000 registered shares of Sunrise Communications Group AG with a nominal value of CHF 1.00 per share. On February 5, 2015, the share capital of Sunrise Communications Group AG was increased from CHF 25,000,000 to CHF 45,000,000 in an ordinary capital increase of 20,000,000 registered shares of Sunrise Communications Group AG with a nominal value of CHF 1.00 per share against cash contributions in connection with the initial public offering of Sunrise Communications Group AG on February 6, 2015.

On February 12, 2018, the share capital of Sunrise Communications Group AG was increased from CHF 45,000,000 to CHF 45,069,028. The capital increase of 69,028 registered shares of Sunrise Communications Group AG with a nominal value of CHF 1.00 per share was made against cash contributions from authorized capital for the purpose of employee participation (Article 3b of the Articles of Incorporation). Shareholders' subscription rights were excluded in accordance with Article 3b (1) of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles).

2.5 Shares

The shares of Sunrise Communications Group AG are registered shares with a nominal value of CHF 1.00 per share and are fully paid-in. All registered shares, with the exception of treasury shares held by Sunrise Communications Group AG, are eligible for a dividend. There are no preferential rights. The shares are listed and traded in accordance with the Standard for Equity Securities, Sub-standard International Reporting, of SIX Swiss Exchange (Valor No. 26729122, ISIN CH0267291224, symbol: SRCG). The shares are issued as uncertificated securities (German: Wertrechte) within the meaning of Article 973c of the Swiss Code of Obligations and registered as intermediated securities (German: Bucheffekten) within the meaning of the Swiss Federal Intermediated Securities Act. Shareholders have no right to request the printing and delivery of share certificates or the conversion of the form in which shares are issued into another form. Shareholders may, however, at any time request from Sunrise Communications Group AG the delivery of an attestation certifying their current shareholdings.

2.6 Participation Certificates

As of December 31, 2019, Sunrise Communications Group AG had no participation certificates outstanding.

2.7 Profit-Sharing Certificates

As of December 31, 2019, Sunrise Communications Group AG had no profit-sharing certificates outstanding.

2.8 Limitations on Transferability and Nominee Registrations

For as long as the shares are in uncertificated form (German: Wertrechte) and registered as intermediated securities (German: Bucheffekten), any transfer and collateralization of shares must be made in accordance with the Swiss Federal Intermediated Securities Act. If uncertificated shares are transferred by assignment, Sunrise Communications Group AG must be notified of the transfer in order for it to be considered valid. Voting rights may be exercised only after a shareholder has been registered in the share register of Sunrise Communications Group AG (German: Aktienbuch) as a shareholder with voting rights. For further information on voting rights, see chapter 6.1. According to Article 5 (3) of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) as well as Articles 4 and 5 of the Share Register Regulations (see chapter 6.1), a nominee shall, to the extent permitted by law, be registered in the share register as a shareholder with voting rights up to a maximum of 3% of the Company's total share capital outstanding at the time. Nominees are persons who, in their registration request, do not explicitly declare that they hold the shares for their own account. Above this limit of 3%, the Board of Directors shall, to the extent permitted by law, register shares of nominees in the share register as shares with voting rights provided the relevant nominees declare in writing that they will disclose the names, addresses, nationality (or, in case of legal entities, the registered offices) and shareholdings of the persons for whose account such nominees hold 0.5% or more of the total share capital outstanding at the time. According to Article 10 (5) of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), changes to the rules regarding limitations on transferability of shares are subject to a quorum of two-thirds of the votes represented at the meeting. For further information on statutory quorum requirements, see chapter 6.4.

As of December 31, 2019, no nominees were registered in the share register of Sunrise Communications Group AG as shareholders with voting rights in excess of 3% of the total share capital outstanding at the time.

2.9 Convertible Bonds and Options

As of December 31, 2019, Sunrise Communications Group AG had no convertible bonds or options on its shares outstanding. For information on share-based compensation (including the right to receive a portion of the short-term incentive in the form of shares and the right to receive performance shares), please consult the Compensation Report (see section 5 Executive Leadership Team Compensation).

3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors currently consists of eight non-executive members. No board member is or was a member of the management of Sunrise Communications Group AG or any of its subsidiaries over the last three financial years ending December 31, 2019. There are no significant business relationships between any of the members of the Board of Directors and Sunrise Communications Group AG or any of its subsidiaries. The Board of Directors aims to nominate non-executive and independent members within the meaning of the Swiss Code of Best Practice for Corporate Governance to be elected by the Annual General Meeting as members of the Nomination and Compensation Committee. All members of the Board of Directors in 2019 qualify as non-executive and independent members in accordance with these rules. The Board of Directors may nominate members to be elected as members of the Nomination and Compensation Committee who are or represent significant shareholders of Sunrise Communications Group AG. Christoph Vilanek and Ingo Arnold represent freenet AG, which holds 24.52% of the total share capital outstanding of Sunrise Communications Group AG. According to Article 23 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), a member of the Board of Directors may hold no more than four additional mandates in listed companies and no more than six mandates in unlisted companies. For the purposes of this provision, the following mandates are considered to be outside outside the Sunrise Group:

- mandates held by a member of the Board of Directors in legal entities outside the Sunrise Group under common control

- mandates held by a member of the Board of Directors in his or her capacity as a member of the supreme governing body or the group management of a legal entity outside the Sunrise Group
- mandates held by a member of the Board of Directors upon instruction and on behalf of a legal entity outside the Sunrise Group or legal entities controlled by it.

The following mandates are not subject to these limitations:
- mandates in companies controlled by Sunrise Communications Group AG or which control Sunrise Communications Group AG
- mandates held at the request of Sunrise Communications Group AG or companies controlled by it, whereby no member of the Board of Directors may hold more than ten such mandates
- mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Board of Directors may hold more than six such mandates.

"Mandates" within the meaning of Article 23 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) are mandates in the supreme governing body of any legal entity that is required to be listed in the commercial register or corresponding foreign register of companies.

No member of the Board of Directors exceeds any limits for additional mandates.

The composition of the Board of Directors of Sunrise Communications Group AG is designed to ensure effectiveness. The Board of Directors' main task of supervising, challenging and supporting the CEO and the Executive Leadership Team is best assured when members of the Board of Directors collectively possess extensive leadership experience as well as knowledge of all relevant areas necessary for leading a public company in the area of telecommunications and the broader Swiss business environment, both of which are challenging. The most important skills sought for the Board of Directors of Sunrise Communications Group AG are industry knowledge and experience as well as general management background. Most of the members of the Board of Directors held, or still hold, important positions in the telecommunications industry in different countries or were involved in this industry as analysts or advisors. All the members of the Board of Directors held positions in executive management or board positions including in the telecommunications, finance, IT, sports, publishing or advertising industry. Required expertise encompasses a variety of different fields including financial literacy, banking and finance, financial and other communication, HR, legal and compliance, government and regulatory affairs, corporate responsibility and governance; members should also be well integrated into the Swiss business environment (see detailed Skill Matrix of the Board of Directors on page 66). In order to foster diversity in opinion and business judgement, members of the Board of Directors should be recruited from different cultural, national and gender backgrounds. Also, members of the Board of Directors should be independent in thinking and willing to work in a team focusing exclusively on the interest of the Company and its principal stakeholders. The Board of Directors considers gender diversity an important governance aspect and will continue to take actions both at the executive and board level to foster gender diversity.

The composition of the Board of Directors during 2019 is set out on the following pages. For the composition over the last five years see Annual Report 2018 on pages 53 et seq., Annual Report 2017 on pages 44 et seq., Annual Report 2016 on pages 42 et seq., Annual Report 2015 on pages 40 et seq. (www.sunrise.ch/reports).

Peter Kurer

Title and function
Chair of the Board of Directors

Member of the Nomination and Compensation Committee

Member of the Audit Committee

Non-Executive Member

Year of birth
1949

Nationality
Swiss

Education
1980: Attorney at Law, admitted to the Zurich bar, Switzerland

1978: Dr. iur., University of Zurich, Switzerland

1976: LLM Law, University of Chicago, USA

1974: lic. iur., University of Zurich, Switzerland

Professional background
Since 2013: BLR & Partners AG, Thalwil, Switzerland (not listed), Partner and Executive Member of the Board of Directors

2001 – 2009: UBS, Zurich, Switzerland, Non-Executive Chair of the Board of Directors; Group General Counsel and Member of the Group Executive Board

1987 – 2002: Non-Executive Member of the Board of Directors of various companies in Switzerland (Unisys Switzerland, Kraft Foods Switzerland Holding, Holcim, Netstal-Machinery, Danzas Holding among others)

1991 – 2001: Homburger, Zurich, Switzerland, Partner and Head of Corporate Transaction Group

1980 – 1990: Baker & McKenzie, Zurich, Switzerland, Partner; Associate

1977 – 1979: District Court of Zurich, Switzerland, Clerkship

Material other activities and functions
Since 2013: SoftwareONE Holding AG, Stans, Switzerland (listed since October 25, 2019), Non-Executive Member of the Board of Directors and Lead Independent Director

Non-material other activities and functions
Since 2014: Kein & Aber AG, Zurich, Switzerland (not listed), Non-Executive Chair of the Board of Directors

Since 2012: Accenture AG, Zurich, Switzerland, Member of the Advisory Board (not a supreme governing body)

Peter Schöpfer

Title and function
Vice-Chair of the Board of Directors

Chair of the Nomination and Compensation Committee

Non-Executive Member

Year of birth
1957

Nationality
Swiss

Education
2002: International MBA, University of Freiburg, Switzerland

Degree in Engineering and Information Technology, Bern University of Applied Sciences, Switzerland

Professional background
2006 – 2015: Avaloq Group AG, Freienbach, Switzerland, Group Chief Advisory Officer; Chief Marketing Officer

2000 – 2006: T-Systems, CEO and Country Manager, Brazil; CEO and Country Manager, Switzerland; CEO Multilink

1986 – 2000: Swisscom AG, Bern, Switzerland, Head of Operations, Swisscom International; several other positions

Other activities and functions
Since 2017: Netrics AG, Biel, Switzerland (not listed), Non-Executive Member of the Board of Directors

Since 2011: Avaloq Group AG, Freienbach, Switzerland (not listed), Executive Member of the Board of Directors

Ingo Arnold

Title and function
Member of the Board of Directors (since April 10, 2019)

Member of the Audit Committee (since April 10, 2019)

Non-Executive Member

Year of birth
1965

Nationality
German

Education
1987 – 1990: Study of Economics, Mannheim, Germany

Professional background
Since 2019: freenet AG, Büdelsdorf, Germany (listed), Chief Financial Officer (CFO)

2013 – 2018: freenet AG, Büdelsdorf, Germany, Head of Controlling, Treasury, Bad Dept Management, Internal Audit and Investor Relations

2008 – 2013: freenet AG, Büdelsdorf, Germany, Head of Controlling & Treasury

2001 – 2008: debitel AG, Stuttgart, Germany, Head of Controlling & Treasury

1998 – 2001: Veba Oil & Gas GmbH, Essen, Germany, Head of Treausury

1987 – 1998: Henkel AG & Co. KGaA, Düsseldorf, Germany, various financial functions

Other activities and functions
Since 2019: Media Broadcast, Cologne, Germany (not listed), Chair of the Supervisory Board

2018 – 2019: Media Broadcast, Cologne, Germany (not listed), Member of the Supervisory Board

Since 2012: mobilcom-debitel GmbH, Büdelsdorf, Germany (not listed), Managing Director

Robin Bienenstock

Title and function
Member of the Board of Directors

Member of the Audit Committee

Non-Executive Member

Year of birth
1968

Nationality
British, Canadian

Education
1998: MA International Relations, University of Toronto, Canada

1992: MA International Economics and Management, SDA Bocconi, Milan, Italy

1991: BA Politics, Philosophy, Economics, Trinity College, University of Oxford, UK

Professional background
Since 2016: RBMP Capital LLP, London, United Kingdom (not listed), Partner

2014 – 2016: Marlin Sams Fund, New York, USA, Partner

2007 – 2014: Sanford C. Bernstein Ltd, London, UK, Senior Analyst European and Latin American Telecommunications

2004 – 2006: O.S. Consulting, Italy, UK, Management Consultant

1999 – 2004: McKinsey & Co., Canada, France, UK, Associate Principal

1995 – 1996: European Union Administration of Mostar (Bosnia and Herzegovina), Loan Fund Manager

1993 – 1994: Bunting Warburg Inc., Canada, UK, Analyst

Other activities and functions
Since 2018: Pretium Resources Inc., Vancouver, Canada (listed), Member of the Board of Directors

Ingrid Deltenre

Title and function
Member of the Board of Directors

Member of the Nomination and Compensation Committee

Non-Executive Member

Year of birth
1960

Nationality
Dutch, Swiss

Education
1982–1989: MA, Journalism and Educational Sciences, University of Zurich, Switzerland

Professional background
Since 2017: Focus on Board Mandates

2010–2017: European Broadcasting Union, Geneva, Switzerland, Director General

2004–2009: Swiss Television, Zurich, Switzerland, CEO

1999–2004: publisuisse SA, Berne, Switzerland, CEO

1998–1999: Swisscard AECS GmbH, Horgen, Switzerland, Chief Marketing Officer and Member of the Executive Committee

1991–1998: Ringier AG, Zurich, Switzerland, Managing Director, Cash, Head of Marketing, Cash, Project Manager Business Development

1989–1991: Swiss Association of Newspapers and Magazines, Zurich, Switzerland, Project Manager Market Research & Electronic Media

Other activities and functions
Since 2017: Agence France Press, Paris, France (not listed), Non-Executive Member of the Board of Directors

Since 2016: Deutsche Post AG, Bonn, Germany (listed), Non-Executive Member of the Supervisory Board, Member of the Executive and Nomination Committees

Since 2015: Givaudan SA, Vernier, Switzerland (listed), Non-Executive Member of the Board of Directors and of the Compensation Committee and the Nomination and Governance Committee

Since 2014: Banque Cantonale Vaudoise, Lausanne, Switzerland (listed), Non-Executive Member of the Board of Directors and Member of the Nomination and Compensation Committee

Michael Krammer

Title and function
Member of the Board of Directors

Member of the Nomination and Compensation Committee

Non-Executive Member

Year of birth
1960

Nationality
Austrian

Education
1983: Master of Military Leadership, Theresian Military Academy, Vienna, Austria

Professional background
Since 2013: Ventocom GmbH, Vienna, Austria (not listed), Founder and Managing Partner

2007–2013: ONE GmbH / Orange Austria Telecommunication GmbH, Vienna, Austria, CEO

2009–2011: Invitel Holdings A/S, Budaörs, Hungary, Non-Executive Member of the Board of Directors

2006–2007: E-Plus Mobilfunk GmbH, Düsseldorf, Germany, CEO

2002–2006: tele.ring Telekom Service GmbH, Vienna, Austria, CEO; CCO (Marketing, Sales, Customer Service)

1998–2002: max.mobil Telekommunikation Service GmbH, Vienna, Austria, Executive Director Business Customers, Member of the Management Board; Director Customer Care

1991–1997: Austrian Automobile Association (ÖAMTC), Vienna, Austria, Director Emergency and Information Services

1983–1990: Austrian Army, Officer

Other activities and functions
Since 2016: techbold technology group AG, Vienna, Austria (not listed), Non-Executive Member of the Board

2013–2019: Sportklub Rapid Wien, Vienna, Austria (not listed), President and Chair of the Board of Directors

Jesper Ovesen

Title and function
Member of the Board of Directors

Chair of the Audit Committee

Non-Executive Member

Year of birth
1957

Nationality
Danish

Education
1989: State Authorized Public Accountant, Denmark

1985: MSc in Finance, Copenhagen Business School, Denmark

Professional background
2011 – 2014: Nokia Siemens Network Group, Finland/Germany, Executive Chair

2008 – 2011: TDC Group, Denmark, CFO

2007 – 2008: Kirkbi Group, Investment Company and Owner of the Lego Group, Denmark/Switzerland, CEO

2004 – 2007: Lego Group, Denmark/ Switzerland, CFO

1998 – 2004: Danske Bank Group, Denmark, CFO

1993 – 1998: Novo Nordisk Group, Denmark, Finance Director

1992 – 1993: Baltica Bank (under restructuring), Denmark, CEO

1988 – 1992: Baltica Holding, Insurance & Finance Group, Denmark, Finance Director

1982 – 1988: PwC, Denmark, Auditor

Other activities and functions
Since 2004: Scandinavian Enskilda Bank, Sweden (listed), Non-Executive Vice-Chair of the Board of Directors, Chair of the Risk & Capital Committee and member of the Audit and Compliance Committee

Christoph Vilanek

Title and function
Member of the Board of Directors

Member of the Nomination and Compensation Committee

Non-Executive Member

Year of birth
1968

Nationality
Austrian

Education
1991: Magister Business Administration, University of Innsbruck, Austria

Professional background
Since 2009: freenet AG, Büdelsdorf, Germany (listed), CEO

2005 – 2008: debitel AG, Stuttgart, Germany, Vice President Customer Care, Customer Management

2004 – 2005: iPUBLISH GmbH, Munich, Germany, interim Managing Director

2001 – 2004: McKinsey & Co., Munich, Germany, Zagreb, Croatia, Engagement Manager

2000 – 2001: Ravensburger Interactive Media GmbH, Ravensburg, Germany, Managing Director

1999 – 2000: boo.com GmbH, Munich, Germany, Managing Director

1997 – 1998: Meister Verlag, Munich, Germany, Marketing Director

1995 – 1997: Gräfe und Unzer Verlag, Munich, Germany, Head of Electronic Publishing

1991 – 1995: Time-Life International GmbH, Munich, Germany, and London, UK, Director Business Development

Other activities and functions
Since 2019: CECONOMY AG, Düsseldorf, Germany (listed), Non-Executive Member of the Supervisory Board

Since 2019: gamigo AG, VNR Verlag für die Deutsche Wirtschaft AG, Bonn, Germany (not listed), Non-Executive Member of the Supervisory Board

Since 2013: Ströer SE & Co. KGaA, Cologne, Germany (listed), Non-Executive Chair of the Supervisory Board

Skill Matrix of the Board of Directors

	Peter Kurer (Chair) Since 2016 	**Peter Schöpfer (Vice-Chair)** Since 2015 	**Robin Bienenstock** Since 2016 	**Ingrid Deltenre** Since 2018 	**Michael Krammer** Since 2016 	**Jesper Ovesen** Since 2015 	**Christoph Vilanek** Since 2016 	**Ingo Arnold** Since 2019 
Memberships								
Chair	•							
Nomination and compensation committee	•	•		•	•		•	
Audit committee	•		•			•		•
Professional criteria (at least one member experienced in each dimension)								
Banking/ asset management/ insurance	•		•			•		
Industry		•	•	•	•	•	•	•
Financial expert	•		•			•		•
Strategic management	•	•	•	•	•	•	•	
Law and regulation, corporate governance	•					•		•
Human Resources	•	•		•	•		•	
Risk Management	•	•	•	•	•	•	•	•
Cyber Security		•		•		•		
Corporate Social Responsibility	•							

3.2 Election and Term of Office

	Year of first election	Year of most recent election	AGM year of end of term
Peter Kurer	2016	2019	2020
Peter Schöpfer	2015	2019	2020
Ingo Arnold[1]	2019	2019	2020
Robin Bienenstock	2016	2019	2020
Ingrid Deltenre	2018	2019	2020
Michael Krammer	2016	2019	2020
Jesper Ovesen	2015	2019	2020
Christoph Vilanek	2016	2019	2020

[1] Ingo Arnold was elected as a member of the Board of Directors as of April 10, 2019.

Article 12 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) provides for the Board of Directors to comprise at least four and no more than nine members, including the Chair of the Board of Directors, and for the Nomination and Compensation Committee to comprise at least three members of the Board of Directors (Article 17 of the Articles of Incorporation). All members of the Board of Directors, the Chair of the Board of Directors as well as the Chair and all members of the Nomination and Compensation Committee are elected annually and individually by the Annual General Meeting (AGM) for a term of office of one year until the end of the next Annual General Meeting. Re-election is possible. If the post of Chair of the Board of Directors or Chair of the Nomination and Compensation Committee is vacant, the Board of Directors shall appoint a new Chair of the Board of Directors or Chair of the Nomination and Compensation Committee for the remaining term of office. The terms of office of the members of the Board of Directors are set out above.

3.3 Internal Organizational Structure

3.3.1 Allocation of Tasks within the Board of Directors

The Board of Directors has established a Nomination and Compensation Committee and an Audit Committee through the enactment of Organizational Regulations for the Board of Directors as well as Organizational Regulations for both the Nomination and Compensation Committee and the Audit Committee (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles). In their respective areas, the committees are responsible for establishing policies, periodically reviewing their implementation, supervising business activities and preparing and executing resolutions brought forth by the Board of Directors. Except for the election of the Chair of the Board of Directors and the Chair and members of the Nomination and Compensation Committee by the shareholders' meeting, the Board of Directors organizes itself. Following the Annual General Meeting, it appoints a Vice-Chair of the Board of Directors, the Secretary and a Chair as well as members of the Audit Committee for a term of office of one year until the end of the next Annual General Meeting. Reappointment is possible. Each committee appoints a secretary who needs not to be a member of the Board of Directors. If not determined otherwise by a committee, the Secretary of the Board of Directors acts as the secretary of a committee. The Audit Committee is composed of at least three members of the Board of Directors.

The Chair of the Board of Directors chairs the shareholders' meetings and presides over the Board of Directors. The Chair has the following duties and powers: calling meetings of the Board of Directors and setting the agenda; supervising, complying with and implementing the resolutions of the Board of Directors; immediately informing all members of the Board of Directors in case of extraordinary events; handling information requests from other members of the Board of Directors; ensuring that, in urgent business matters where a regular board resolution cannot be reasonably passed within the required time frame, all measures are taken to safeguard the interests of the Sunrise Group; interacting with the CEO and other members of the Executive Leadership Team outside of board meetings; monitoring the implementation of measures decided by the Board of Directors; and representing the Board of Directors internally and externally. The Vice-Chair assumes the powers and duties of the Chair in the absence of the Chair. The Chair of the Nomination and Compensation Committee and the Chair of the Audit Committee chair their respective committees. The Chairs and the composition of the committees of the Board of Directors during 2019 were as follows:

Chair and Vice-Chair	Nomination and Compensation Committee	Audit Committee
Peter Kurer (Chair)	Peter Schöpfer (Chair)	Jesper Ovesen (Chair)
Peter Schöpfer (Vice-Chair)	Ingrid Deltenre (Member)	Robin Bienenstock (Member)
	Michael Krammer (Member)	Peter Kurer (Member)
	Peter Kurer (Member)	Ingo Arnold (Member since April 10, 2019)
	Christoph Vilanek (Member)	

3.3.2 Tasks and Areas of Responsibility of each Committee of the Board of Directors

Nomination and Compensation Committee (NCC)

The Nomination and Compensation Committee combines the functions of a nomination committee and a compensation committee and supports the Board of Directors in the fulfillment of its powers and duties as set forth by law, the Articles of Incorporation and the Organizational Regulations (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) with regard to the compensation and personnel policies of the Sunrise Group. The tasks within the Nomination and Compensation Committee are delegated; each member has his or her field of specialization, either in the area of nomination or compensation. The Nomination and Compensation Committee prepares all relevant decisions made by the Board of Directors related to the nomination and compensation of and contracts for the members of the Board of Directors, the CEO and other members of the Executive Leadership Team and defines the compensation and personnel policies of the Sunrise Group. In particular, the Nomination and Compensation Committee has the following powers and duties:

– succession planning, including planning and training for unforeseen and emergency situations
– determining the criteria for the selection of candidates for appointment to the Board of Directors, as Chair of the Board of Directors or as Chair or members of the Nomination and Compensation Committee by the shareholders' meeting, considering the criteria for the composition of the Board of Directors as set forth in the Swiss Code of Best Practice for Corporate Governance
– preparing the nomination of new members for the Board of Directors to be proposed to the shareholders' meeting for appointment, considering each proposed member's experience, independence, compatibility with other members, culture and other commitments in line with the policies for skill and diversity setting (see chapter 3.1)
– preparing the appointment of a Vice-Chair of the Board of Directors, the Secretary and a Chair as well as members of the Audit Committee by the Board of Directors following the Annual General Meeting
– evaluating candidates for the position of CEO and, together with the CEO, evaluating candidates for the Executive Leadership Team other than the CEO
– reviewing mandates held by members of the Board of Directors and the Executive Leadership Team outside the Sunrise Group

- annually reviewing the independence of the members of the Board of Directors and its committees
- annually reviewing and evaluating the corporate governance and performance of the Board of Directors
- submitting proposals, in line with the maximum aggregate compensation limits approved by the shareholders' meeting, for the individual compensation of the members of the Board of Directors based on their responsibilities and functions, of the CEO and, based on the CEO's proposal, of the other members of the Executive Leadership Team along with respective performance metrics for the CEO, to the Board of Directors for approval
- on an annual basis, reviewing the performance of the CEO and assessing the performance of the other members of the Executive Leadership Team as proposed by the CEO and, based on the evaluation, submitting proposals for respective individual compensation to the Board of Directors for approval
- proposing, on an annual basis, the maximum aggregate compensation amount for each of the members of the Board of Directors and the Executive Leadership Team to be proposed to the Annual General Meeting for approval
- establishing the Sunrise Group's compensation and personnel policies and performance criteria related to compensation with the goal of finding, encouraging and retaining employees of the Sunrise Group and, by so doing, ensuring the competitiveness and long-term success of the Sunrise Group
- periodically reviewing the implementation of compensation and personnel policies
- assessing the effectiveness, attractiveness and competitiveness of variable compensation, share compensation and pension plans and evaluating appropriate insurance plans for the members of the Board of Directors and the Executive Leadership Team at least every two years
- submitting compensation proposals for the Head of Internal Audit to the Board of Directors for approval
- reviewing the draft of the annual compensation report submitted by the Executive Leadership Team

Audit Committee (AC)

The Audit Committee supports the Board of Directors and the Nomination and Compensation Committee in the fulfillment of its powers and duties as set forth by law, the Articles of Incorporation and the Organizational Regulations (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) with regard to financial controls (monitoring of financial reporting, supervision of internal and external auditing), as well as supervision of persons entrusted with the management of the Sunrise Group (internal control system). The Audit Committee has the following powers and duties in particular:
- assessing and proposing to the Board of Directors the consolidated financial statements, statutory financial statements and management report of Sunrise Communications Group AG to be presented to the Annual General Meeting for approval
- reviewing the integrity of the financial reporting processes
- reviewing significant financial risk exposures and measures taken by management to monitor, control and report such exposures
- determining the audit plan for a period of several years as well as the scope of internal and external audits
- discussing audit reports with internal and external auditors and management and monitoring the implementation of the auditors' findings
- assessing the performance and collaboration of internal and external auditors
- preparing the nomination of external auditors to be proposed to the Annual General Meeting for election
- annually reviewing the fees and independence of external auditors
- reviewing the independence of the Internal Audit department from the Executive Leadership Team and the units to be audited
- reviewing and approving the guidelines, activities, budget, organizational structure and qualifications of the Internal Audit organization
- submitting proposals concerning the appointment, replacement and dismissal of the Head of Internal Audit to the Board of Directors for approval

– reviewing processes implemented by management to monitor significant risks and the respective reports on risk assessment and risk management submitted by management
– assessing and further developing the internal control system and compliance functions
– regularly evaluate CR activities

Working Methods of the Board of Directors and its Committees
According to the Organizational Regulations (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), the Board of Directors convenes upon invitation by the Chair or, in his/her absence, by the Vice-Chair as required, ordinarily six times per year. Meetings may also be called at the request of a member of the Board of Directors, the CEO or another member of the Executive Leadership Team accompanied by an explanation of the reason(s) for the request. The Board of Directors may pass resolutions if the majority of its members are in attendance. Attendance may also take place by telephone, video conference or other electronic media. No quorum is required if only resolutions regarding the implementation of a capital increase and subsequent amendments to the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) are to be passed. Except as provided by the Organizational Regulations, the Board of Directors passes resolutions by majority vote. In the event of a tie, the Chair of the meeting casts the deciding vote. Resolutions may also be passed by circular resolution, whether in writing, by facsimile or by e-mail, provided that no member requests deliberations in a meeting. Members of the Board of Directors abstain from voting on matters or transactions that affect their own interests or the interests of individuals or entities connected with or close to them. In order to foster open and diverse discussion and decision-making, the Board of Directors has agreed on internal guidelines assuring factors such as proper presentations by executive management, clear and meaningful documentation, a culture of open debate, crisp and swift decision-making and committee work that is both effective and transparent to all members of the Board of Directors.

The Board of Directors met and passed written resolutions in 2019 with the participation of individual board members as set out below.

The Nomination and Compensation Committee meets as required, but at least three times per year. The Nomination and Compensation Committee met and passed written resolutions in 2019 with the participation of individual Board members as set out on the following page.

The Audit Committee meets as required, but at least four times per year. The Audit Committee met and passed written resolutions in 2019 with the participation of individual Board members as set out on the following page.

Meeting Attendance – Board and Board Committees

	Board of Directors (BoD)[1]	Nominations and Compensation Committee (NCC)[2]	Audit Committee (AC)[3]
Total hours of meetings held	47.45	11.3	16.0
Total number of meetings held	14	5	5
Member never missed a meeting	7	4	5
Member missed one meeting	–	–	–
Member missed two or more meetings	1	–	–
Meeting attendance	96%	100%	100%

[1] 7 members on January 1, 2019; 8 members on December 31, 2019. Election of Ingo Arnold on April 10, 2019. In 2019, the Executive Leadership Team has been represented in all Board Meetings by the CEO and/or the CFO. In addition each of the other Members of the Executive Leadership Team did participate at least in one Meeting.
[2] In 2019, the Executive Leadership Team has been represented in all NCC Meetings by the CEO, the CFO and/or the CHRO.
[3] 3 members on January 1, 2019; 4 members on December 31, 2019. Election of Ingo Arnold on April 10, 2019. In 2019, the Chair of the Board of Directors, the CEO, the CFO, the Senior Vice President Corporate Finance & Accounting, the Head Accounting & Tax as well as the internal and external auditors did participate in all AC Meetings.

Meeting Attendance – Individual Board Members

Board Member	<75%	75–84%	85–94%	95–100%
Peter Kurer, Chair				•
Peter Schöpfer, Vice Chair				•
Ingo Arnold [1]				•
Robin Bienenstock				•
Ingrid Deltenre				•
Michael Krammer				•
Jesper Ovesen				•
Christoph Vilanek		•		

[1] since April 10, 2019

The meetings of the Nomination and Compensation Committee and the Audit Committee are called by the Chair of the respective committee or, in his/her absence, by the most senior member of the committee. Meetings may also be called at the request of a member of the committee with an explanation of the reason(s) for the request. A committee may pass resolutions if the majority of its members are in attendance. Attendance may also take place by telephone, videoconferencing or other electronic media. Resolutions are passed by a majority vote. In the event of a tie, the Chair of the meeting casts the deciding vote. Resolutions may also be passed by circular resolution, whether in writing, by facsimile or by e-mail, provided that no member requests deliberations in a meeting. The CEO, the CFO and, depending on the agenda items to be discussed, other members of the Executive Leadership Team as well as the Company's auditors, etc., may be invited by the respective Chair to participate in meetings of the Board of Directors, the Nomination and Compensation Committee and the Audit Committee on a consultative basis (see notes to the table Meeting Attendace – Board and Board Committees on page 70). However, the CEO and other members of the Executive Leadership Team may not be present when the Nomination and Compensation Committee reviews the compensation or other aspects of the employment of the respective person. Likewise, the Chair of the Board of Directors and the Chair of the Nomination and Compensation Committee may also not be present when the Nomination and Compensation Committee reviews the compensation of the respective person. The Audit Committee may hold meetings with representatives of internal and external auditors.

The Nomination and Compensation Committee reports to the Board on its activities on a regular basis and submits the necessary proposals and recommendations to the Board of Directors. It assists the Board of Directors in conducting an annual review and evaluation of the performance of the Board of Directors and its committees. The Audit Committee reports to the Board of Directors at each meeting of the Board of Directors on its activities and on matters that are within its area of responsibility and submits the necessary proposals and recommendations to the Board of Directors.

The Nomination and Compensation Committee reports to the Board of Directors at least once per year on succession planning, including planning and training for unforeseen and emergency situations, and on management development for members of the Executive Leadership Team.

Newly elected members of the Board of Directors receive orientation training appropriate to their functions. Existing members of the Board of Directors receive regular training with respect to their responsibilities as members of the Board of Directors and its committees.

3.4 Definition of Areas of Responsibility between the Board of Directors and Executive Management

The Board of Directors has delegated the executive management of the Company, unless otherwise provided by law, the Articles of Incorporation and the Organizational Regulations (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), to the CEO. As part of the executive management duties delegated to the CEO pursuant to the Organizational Regulations, the CEO is responsible for the overall business and affairs of Sunrise Communications Group AG and has final authority in all management matters not reserved for the Board of Directors by law, the Articles of Incorporation and the Organizational Regulations. The CEO is responsible for implementing all resolutions of the Board of Directors and supervising all management levels in the Company. The CEO must ensure the successful long-term market- and value-oriented management and development of the Sunrise Group. The CEO acts as the head of the other members of the Executive Leadership Team, who are appointed and removed by the Board of Directors at the recommendation of the CEO and the Nomination and Compensation Committee. Within the Executive Leadership Team, the CEO is the contact person for the Chair and the other members of the Board of Directors. He represents and coordinates the positions of the Executive Leadership Team vis-à-vis the Board of Directors. In matters requiring approval by the Board of Directors, the CEO submits corresponding proposals to the Board and ensures the implementation of the resolutions passed. The CEO provides information to the other members of the Executive Leadership Team concerning the resolutions, suggestions and wishes of the Board of Directors. The CEO represents the Sunrise Group, both internally and externally. A table listing the allocation of powers and duties between the Board of Directors, the committees and the CEO is set out in Article 4 of the Organizational Regulations of the Board of Directors (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles).

3.5 Information and Control Instruments vis-à-vis the Executive Management

The Board of Directors ensures the continued contact with the CEO and the other members of the Executive Leadership Team in accordance with the Organizational Regulations (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) in order to be informed at all times about all important developments of the business and affairs of Sunrise Communications Group AG and its subsidiaries. In each meeting of the Board of Directors, the Board of Directors is informed by the CEO, the CFO and other members of the Executive Leadership Team of the current state of the business, financial results, material developments and important business transactions affecting the Company. This includes, but is not limited to, consolidated annual budgets, quarterly reports with budget comparison, profit and loss forecasts, quarterly financial projections, monthly key performance index reports and strategic risk management and compliance assessment reports (annually with quarterly updates to the Audit Committee). The risks registered in the risk management system and measures taken to mitigate such risks are described in section 15 Risks of the Operational and Financial Review. The Audit Committee receives, and the Board of Directors approves, the quarterly financial results. The Audit Committee receives quarterly compliance (including whistleblowing), legal, regulatory, information security and data privacy reports. Once a year, the Nomination and Compensation Committee receives information on the implementation of compensation and personnel policies by the Executive Leadership Team as well as information on personnel development and corresponding measures at management levels below the Executive Leadership Team. The Audit Committee has direct access to the Internal Audit department and may obtain information required by it within the Sunrise Group and question the responsible employees. The board carries out an annual review of the principles of compliance applicable to the Board of Directors, its committees, the Executive Leadership Team and the Sunrise Group to determine whether such principles are sufficiently well known and consistently followed.

3.6 Internal Audit

The Internal Audit department provides the Audit Committee, in particular, as well as the Board of Directors and Executive Leadership Team of Sunrise Communications Group AG, in general, with an independent review of the business processes and controls necessary to manage the risks of Sunrise Communications Group AG. It is an independent assurance function that examines and evaluates the adequacy and effectiveness of internal controls in line with the Internal Audit Charter approved by the Board of Directors. To ensure its independence, the Head of Internal Audit reported administratively to the Chief Financial Officer and functionally to the Chair of the Audit Committee during the year under review. As of January 1, 2020 the Head of Internal Audit reports administratively to the Chief Administrative Officer and functionally to the Chair of the Audit Committee.

Internal Audit provides an objective and effective value-added internal audit service through a systematic and disciplined approach by assisting management in controlling risks, monitoring compliance and improving the efficiency and effectiveness of internal control systems and governance processes. As part of its duties, it prepares an annual plan approved by the Audit Committee, carries out all the necessary activities to ensure that audits are conducted in an effective and professional manner, documents audit findings and monitors the implementation of corrective measures. Regular reports highlighting significant audit findings and recommendations as well as summarizing internal audit activities are provided to the management teams and Audit Committee meetings at least on a quarterly basis.

To achieve maximum assurance and avoid duplication of audit efforts, Internal Audit coordinates its annual audit plan and activities with those of the external auditors. External auditors have unrestricted access to the audit reports of the Internal Audit.

The Internal Audit adheres to standards of best professional practice such as the International Standards for the Professional Practice of Internal Auditing.

4 Executive Leadership Team

The Executive Leadership Team conducts weekly meetings to decide on selling, general and administrative expenses as well as other operating expenses, to review and manage sales, product marketing, customer service and network as well as financial performance. The Executive Leadership Team further reviews projects, the work force, compliance, risk as well as regulatory- and communication-related topics and decides on capital expenditures and updates the strategy on a regular basis. The CEO and the CFO, together with the responsible members of the Executive Leadership Team, conduct additional weekly reviews of customer service and product roadmaps as well as further bi-weekly and monthly reviews of infrastructure operations, key business segments and partnerships. On a quarterly basis, the performance development of each unit is reviewed by the CEO and CFO as part of financial planning. A bi-weekly investment committee chaired by the CFO decides on the prioritization of projects for capital expenditures.

No member of the Executive Leadership Team carried out any tasks for Sunrise Communications Group AG or any of its subsidiaries before having been appointed as a member of the Executive Leadership Team, except for the previous employment of individual members of the Executive Leadership Team as set out in the respective curricula vitae.

According to Article 23 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), no member of the Executive Leadership Team may hold more than one additional mandate in a listed company and more than five mandates in non-listed companies.

For the purposes of this provision, the following mandates are considered to be outside the Sunrise Group:
- mandates held by a member of the Executive Leadership Team in legal entities outside of the Sunrise Group under common control
- mandates held by a member of the Executive Leadership Team in his or her capacity as a member of the supreme governing body or the group management of a legal entity outside the Sunrise Group
- mandates held by a member of Executive Leadership Team upon instruction and on behalf of a legal entity outside the Sunrise Group or legal entities controlled by it.

The following mandates are not subject to these limitations:
- mandates in companies controlled by Sunrise Communications Group AG or which control Sunrise Communications Group AG
- mandates held at the request of Sunrise Communications Group AG or companies controlled by it, whereby no member of the Executive Leadership Team may hold more than ten such mandates
- mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Executive Leadership Team may hold more than six such mandates.

"Mandates" within the meaning of Article 23 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) are mandates in the supreme governing body of any legal entity that is required to be listed in the commercial register or corresponding foreign register of companies. Any mandate held by a member of the Executive Leadership Team in a legal entity outside the Sunrise Group is subject to prior approval by the Board of Directors of Sunrise Communications Group AG, or, if delegated to it, the Nomination and Compensation Committee.

No member of the Executive Leadership Team of Sunrise Communications Group AG exceeds any limits for additional mandates.

As of December 31, 2019, Sunrise Communications Group AG had not entered into any management contracts with companies (or natural persons) not belonging to the Sunrise Group.

The composition of the Executive Leadership Team during 2019 is set out on the following pages. For the composition over the last five years see Annual Report 2018 on pages 66 et seq., Annual Report 2017 on pages 57 et seq., Annual Report 2016 on pages 55 et seq., Annual Report 2015 on pages 48 et seq. (www.sunrise.ch/reports).

Olaf Swantee

Title and function
Chief Executive Officer (CEO)
from 2016 until January 3, 2020

Year of birth
1966

Nationality
Dutch, Swiss

Education
1990: European MBA, European School of Management, Paris, France

1987: 2 years of Economics, University of Amsterdam (UvA), Netherlands

Professional background
2011–2016: EE Limited, Hatfield, UK, CEO

2010–2011: Orange-FT, Paris, France, Executive Vice President Europe and Purchasing WW, Member of the Global Management Committee

2007–2010: Orange-FT, Paris, France, Executive Vice President Europe and Mobile WW, Member of the Global Management Committee

2002–2007: Hewlett-Packard (Schweiz) GmbH, Dübendorf, Switzerland, Senior Vice President Technology Solutions Group Sales and Software EMEA; Managing Director General Western Europe; Vice President Enterprise Sales Group EMEA, Vice President Network Storage Solutions EMEA

1998–2002: Compaq Computer (Schweiz) AG, Dübendorf, Switzerland, Vice President Enterprise Storage Group EMEA; Director Sales and Marketing

1994–1998: Digital Equipment, Boston, USA, and Geneva, Switzerland, Executive Assistant to the Chair and CEO of Digital Equipment; Marketing Director PC Business Europe; Manager Desktop Business Line

1990–1993: Compaq Computer EMA, Munich, Germany, District Sales Manager Export Markets; Product Manager Export Markets

Other activities and functions
2018–2019: T-Mobile US, Inc. (listed), Director, Member of the Compensation Committee

Since 2016: TeliaSonera AB, Stockholm, Sweden (listed), Non-Executive Member of the Board of Directors

André Krause

Title and function
Chief Financial Officer (CFO)
from 2011 until January 6, 2020

Chief Executive Officer (CEO)
since January 3, 2020

Year of birth
1970

Nationality
German

Education
1996: BA in Economics, Bielefeld University, Germany

1992: Follmann GmbH & Co. KG, Minden, Germany, Industrial Management Training, SAP Implementation Project

Professional background
2011–2020: Sunrise Communications AG, Zurich, Switzerland, CFO

2006–2011: O_2 Germany GmbH, Munich, Germany, CFO

2004–2006: O_2 Germany GmbH, Munich, Germany, Vice President, Strategy & Consulting

1999–2004: McKinsey & Company, Inc., Düsseldorf, Germany, Associate Principal and member of the TIMe (Telecom, IT, Media) practice

1997–1999: Arthur Andersen, Düsseldorf, Germany, Assistant, Computer Risk Management and Auditing

Other activities and functions
Since 2014: Tele Columbus, Berlin, Germany (listed), Member of the Board of Directors and Chair of the Audit Committee

Françoise Clemes

Title and function
Chief Services Officer (CSO)
since 2016

Year of birth
1967

Nationality
French

Education
1992: MA in Ergonomics and Human Factors Engineering, Paris Descartes University, France

1991: MA in Experimental Psychology/Information Systems, Paris Descartes University

Professional background
2013–2016: EE Limited, Hatfield, UK, Chief Customer Services

2011–2013: EE Limited, Hatfield, UK, Chief of HR

2007–2011: Orange-FT, Paris, France, VP HR Orange Europe

1997–2007: Orange-FT, Paris, France, Deputy HR Director Orange Business Services; Deputy HR Director Paris/East; Recruitment Business Division

1992–1997: Orange-FT, Paris, France, Corporate Sales, Network Security

Robert Wigger

Title and function
Chief Business Officer (CBO)
since 2017

Year of birth
1967

Nationality
Swiss

Education
2008: Executive Leadership & Management, St. Gallen Management Institute, St. Gallen, Switzerland

2000: Advanced Marketing and Sales, INSEAD, Singapore

1990: Swiss Marketing & Management Diploma, Furrer Marketing and Management Institute, Zurich, Switzerland

Professional background
2012–2017: Hewlett-Packard Enterprise, Dübendorf, Switzerland, Vice President Service Provider Business for Europe, Middle East and Africa (EMEA)

2009–2012: Hewlett-Packard (Schweiz) GmbH, Dübendorf, Switzerland, Country Manager for the Enterprise Servers, Storage & Networking Business in Switzerland

2003–2009: Hewlett-Packard (Schweiz) GmbH, Dübendorf, Switzerland, Business Unit Manager Storage Division Switzerland

2002–2003: Hewlett-Packard International Sàrl, Dübendorf, Switzerland, Enterprise Marketing Manager, Storage and Server for Europe, Middle East and Africa (EMEA)

1998–2002: Compaq Schweiz AG, Dübendorf, Switzerland, Business Unit Manager Deskbound Computing

1995–1997: Macrotron (Ingram) Switzerland AG, Rotkreuz, Switzerland, Business Unit Manager Software

Bruno Duarte

Title and function
Chief Consumer Officer (CCO) from 2017 until January 6, 2020[1]

Year of birth
1966

Nationality
French

Education
1995: MBA, INSEAD, Fontainebleau, France

1990: Bachelor's Degree (Diplôme d'Ingénieur), Supélec, Gif-sur-Yvette, France

Professional background
2016–2017: EE Limited, Hatfield, UK, Managing Director, Operations, Pricing & Strategy

2014–2016: EE Limited, Hatfield, UK, VP Consumer-Pay Monthly

2010–2014: EE Limited, Hatfield, UK, VP Fixed & Mobile Broadband

2007–2010: EE Limited, Hatfield, UK, VP Strategy

2005–2006: Hutchison 3G UK Limited, Maidenhead, UK, UK Strategy Director

2000–2005: Arthur D. Little, Paris, France, Partner, TMT Practice

1997–2000: Arthur D. Little, Paris, France, Manager/Senior Manager, TMT Practice

1995–1997: Arthur D. Little, Cambridge, MA, USA, Consultant

1993–1994: Arthur D. Little, Paris, France, Analyst

1992–1993: Andersen Consulting, Paris, France, Consultant

1990–1992: Schlumberger Industries, Farnborough, UK, Marketing and Sales Manager

Giuseppe Bonina

Title and function
Chief YOL Officer (CYO) since November 18, 2019

Year of birth
1962

Nationality
Swiss, Italian

Education
1988: Master in Economics and Business Administration, University of Basel, Switzerland

Professional background
2013–2019: Sunrise Communications AG, Zurich, Switzerland, Managing Director YOL Communications

2013–2013: Ortel Mobile, Berne, Switzerland, CEO and co-owner

2012–2012: Lebara GmbH, Zurich, Switzerland, Managing Director Switzerland

2011–2012: Lebara GmbH, Düsseldorf, Berlin, Frankfurt, Munich, Hamburg, Germany, Managing Director Germany

1999–2006: Director Marketing Communications, Brand and Content Member of the Operational Management Board, Orange Communications SA, Zurich, Lausanne, Switzerland

1995–1999: UBS Card Center, UBS AG, Zurich, Switzerland, Head of Marketing

1995–1995: UBS Card Center, UBS AG, Zurich, Switzerland, Head of Credit Management

1994–1995: UBS Card Center, UBS AG, Zurich, Switzerland, Assistant to the CEO & Executive Board and Manager Total Quality Management

1991–1994: Swiss Bank Corp., Basel, Switzerland, Head of Organizational Consultancy

1989–1991: Swiss Bank Corp., Basel, Switzerland, Manager Organizational Consultancy

Elmar Grasser

Title and function
Chief Technology Officer (CTO) since 2013

Year of birth
1965

Nationality
Italian

Education
1992: Graduate degree (Dipl. Ing.) in Computer Science, Vienna University of Technology, Austria

Professional background

2008–2013: Orange Austria Telecommunication GmbH, CTO

2006–2007: E-Plus Mobilfunk GmbH & Co. KG, Düsseldorf, Germany, KPN Mobile International, Brussels, Belgium, CTO

2004–2006: tele.ring Telekom Service GmbH, Vienna, Austria, CTO

2000–2004: O_2 Limited London/ O_2 Germany, Munich, Germany, Vice President, Product Development

1996–2000: Iridium Communications Germany, GmbH, Düsseldorf, Germany; Iridium Services Europe GmbH & Co. KG, Executive Director, Engineering

1995: European Telecommunication Standardization Institute, Sophia Antipolis, France, Technical Expert, ETSI GSM Standardization, Project Team 12

1993–1994: Siemens Stromberg Carlsson, Boca Raton, FL, USA, Siemens representative in the TIA (Telecommunications Industry Association) and ANSI (American National Standards Institute)

1992–1993: Siemens AG, Vienna, Austria, Program and Systems Engineering, GSM Mobile Division

Marcel Huber

Title and function
Chief Administrative Officer (CAO) since February 11, 2019

Secretary of the Board of Directors since February 11, 2019

Year of birth
1970

Nationality
Swiss

Education
1995–2001: University of Zurich, lic. jur./Master of Law

Professional background

2015–2019: Salt Mobile SA, Chief of Corporate Affairs & General Counsel

2007–2015: Orange Communications SA, Director Legal & Regulatory, General Counsel

2003–2007: Cablecom GmbH, Senior Legal Counsel

2001–2002: Energis (Switzerland) AG, Legal Counsel

Tobias Foster

Title and function
Chief Human Resources Officer (CHRO) since 2019

Year of birth
1975

Nationality
Swiss

Education
2007: MAS Corporate Finance, Lucernre University of Applied Sciences and Arts

2001: Business Economist FH; Zurich University of Applied Sciences (Financial and Management Accounting)

Professional background
2001–2018: Sunrise Communications AG, several positions

1996–1997: Winterthur Versicherungen AG, Winterthur, Switzerland, Assistant business customer consultants "Winterthur-Leben"

1995–1996: Winterthur Versicherungen AG, Lausanne, Switzerland, Assistant business customer consultants "Winterthur-Vie"

Patrick Alain Meier

Title and function
Director Legal until July 31, 2019[1]

a.i. Chief Administrative Officer (CAO) until February 10, 2019

a.i. Secretary of the Board of Directors until February 10, 2019

Year of birth
1982

Nationality
Swiss, Egyptian

Education
2011: Attorney at law, admitted to the Swiss bar, Switzerland

2007: Master of Law, University of Fribourg, Switzerland

2005: Bachelor of Law, University of Fribourg, Switzerland

Professional background
2015–2019: Sunrise Communications AG, Zurich, Switzerland, Head of Legal

2014–2015: Sunrise Communications AG, Zurich, Switzerland, Deputy Head of Legal & Senior Legal Counsel

2011–2014: Sunrise Communications AG, Zurich, Switzerland, Legal Counsel

2008–2010: FBT Attorneys-at-Law, Lausanne, Switzerland, Junior Associate

2006–2008: Basel Institute of Governance (University of Basel), Switzerland, Research Assistant

2007–2008: Novartis Pharma AG, Basel Switzerland, Contract Management

[1] Patrick Alain Meier left Sunrise on July 31, 2019.

5 Compensation, Shareholdings and Loans

For information regarding compensation, shareholdings and loans relating to members of the Board of Directors and the Executive Leadership Team, please consult the Compensation Report.

6 Shareholders' Participation Rights

6.1 Voting Rights

Each share of Sunrise Communications Group AG carries one vote at a shareholders' meeting. Voting rights may be exercised only after a shareholder has been registered in the share register of Sunrise Communications Group AG (German: Aktienbuch) as a shareholder with voting rights. Acquirers of shares are, upon request and presentation of evidence of the transfer, registered as shareholders with voting rights in the share register only if they explicitly declare that they hold the shares in their own name and for their own account. For this purpose, Article 5 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) requires that Sunrise Communications Group AG maintain a share register listing the owners, usufructuaries and nominees of registered shares, including name, address and nationality (in the case of companies with registered offices). The Board of Directors has adopted Share Register Regulations (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) concerning the registration of shareholders and maintenance of the share register of Sunrise Communications Group AG in accordance with Article 5 of the Articles of Incorporation. The regulations explain in detail the rules governing the recognition and registration of acquirers of shares and nominees as shareholders with voting rights, the powers and duties in relation to and the maintenance of the share register as well as the monitoring of the shareholdings registered in the share register. The persons listed in the share register are deemed to be shareholders, usufructuaries or nominees in relation to Sunrise Communications Group AG. Sunrise Communications Group AG recognizes only one proxy per share. The Board of Directors has the power to delete entries in the share register retroactively as of the date of the entry if the entry was made on the basis of false information. Before deleting an entry, it may give the shareholder or nominee in question the opportunity to argue against the deletion. The shareholder or nominee in question will be informed of the deletion without delay. As a rule, the share register is closed three trading days before the date of the Annual General Meeting, up to and including the day of the meeting. Nonetheless, deletions from the share register may be made during the period that the share register is closed. The Board of Directors shall, under certain circumstances, register nominees as shareholders with voting rights in the share register. For further information regarding the registration of nominees, see chapter 2.8.

6.2 Convocation of the Meeting of Shareholders

Shareholders' meetings of Sunrise Communications Group AG are announced by the Board of Directors through official publication in the Swiss Official Gazette of Commerce (German: Schweizerisches Handelsamtsblatt) no less than twenty days prior to the date of the meeting. Notices may also be mailed to the shareholders listed in the share register. One or more shareholders of Sunrise Communications Group AG, together representing at least 3% of the total share capital outstanding at the time, may request an extraordinary shareholders' meeting in writing to the Board of Directors including indication of the agenda items and associated motions. Shareholders representing at least 1% of the total share capital outstanding at the time may request that items be included in the agenda. Such requests must be made at least 30 days prior to the meeting in writing and include a list of the items to be added to the agenda and the associated motions. The invitation to the shareholders' meeting states the day, time and place of the meeting, the agenda items as well as the motions made by the Board of Directors and the shareholders who requested the shareholders' meeting or the inclusion of an item on the agenda.

6.3 Representation at the Meeting of Shareholders

At shareholders' meetings of Sunrise Communications Group AG, shareholders may only be represented by their statutory proxy, another shareholder with voting rights or the independent proxy elected by the Annual General Meeting. Shareholders may grant proxies electronically and instruct the independent proxy on both:

- agenda items included in the invitation to the shareholders' meeting and
- new motions not disclosed in the invitation to the shareholders' meeting.

The independent proxy may only exercise the voting rights granted by the shareholder in accordance with the shareholder's instructions. Absent voting instructions, the independent proxy is required to abstain from voting. The independent proxy is elected annually by the Annual General Meeting for a term of office of one year until the end of the next Annual General Meeting.

6.4 Statutory Quorum Requirements

The shareholders' meeting passes resolutions and carries out elections by absolute majority of the votes cast, excluding any abstentions, blank or invalid votes. However, in accordance with the specific quorum requirements of the Swiss Code of Obligations and Article 10 (5) of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), the following actions require the approval of shareholders holding at least two thirds of the votes represented at such meetings:

- changes to the Company's purpose
- creation of shares with privileged voting rights
- restriction of the transferability of registered shares
- authorized or conditional capital increases
- capital increase from equity (German: Kapitalerhöhung aus Eigenkapital), against contributions in kind (German: Sacheinlage) or for the purpose of acquiring assets (German: Sachübernahme) and granting special benefits (German: Gewährung besonderer Vorteile)
- limitation or withdrawal of preemptive rights
- a change of registered offices of the Company
- the delisting of the shares of the Company from the SIX Swiss Exchange or its successor and
- dissolution of the Company

The Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) do not provide for stronger majority requirements than envisioned by law.

6.5 Entries in the Share Register

The deadline for the entry of registered shareholders in the share register of Sunrise Communications Group AG is the third working day prior to the Annual General Meeting.

7 Change of Control Provision

7.1 No Opting Out, No Opting Up

Pursuant to the applicable provisions of the Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), if a person acquires shares of a company listed on the SIX Swiss Exchange, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of one third of the voting rights (whether exercisable or not) of such company, that person must make a bid to acquire all of the listed shares of such company. A company's articles of incorporation may either eliminate this provision of the SESTA/FMIA or may raise the relevant threshold to 49% ("opting out" or "opting up", respectively). The Articles of Incorporation of Sunrise Communications Group AG (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) do not contain opting-out or opting-up provisions.

7.2 Change of Control

There are no change-of-control clauses benefiting members of the Board of Directors, members of the Executive Leadership Team or other members of the management of Sunrise Communications Group AG. Employment contracts given to members of the Executive Leadership Team do not provide notice periods exceeding 12 months, commissions for the acquisition or transfer of enterprises or severance payments.

8 Auditor

8.1 Duration of the Mandate and Term of Office of the Lead Auditor

Sunrise Group's financial statements for the fiscal year ended December 31, 2019, were audited by Ernst & Young AG, Zurich and have been since the incorporation of Sunrise Communications Group AG in 2015. The auditor is elected annually by the Annual General Meeting of Sunrise Communications Group AG. The lead auditor has been Willy Hofstetter since 2016. The lead auditor is rotated every seven years in accordance with Swiss law.

8.2 Audit Fees

The total audit fees for the fiscal year 2019 amount to CHF 639,000 (2018: CHF 684,900).

8.3 Additional Fees

The additional fees for audit-related services totaling CHF 541,400 for the fiscal year 2019 (2018: CHF 191,500) are primarily related to the preparation of the cancelled acquisition of UPC Switzerland and furthermore comprise services in connection with the implementation of new IFRS standards. Additional fees for non-audit services totaling CHF 17,000 (2018: CHF 88,600) are related to tax and advisory services for compliance and regulatory purposes. In 2018, the Audit Committee decided to implement a policy to limit the non-audit fees to 70% of the yearly audit and audit-related fees over a three-year period.

8.4 Supervisory and Control Instruments Pertaining to Audits

The Board of Directors of Sunrise Communications Group AG meets with the auditor on a regular basis (at least four times a year) during the Audit Committee meetings. Once a year, the auditor presents to the Audit Committee a detailed report on the financial statement audit, including findings of significant financial accounting, reporting and internal control system issues. The auditor also confirms its independence from the Sunrise Group in that report. Each year, the Audit Committee reviews the appropriateness of retaining Ernst & Young as the Sunrise Group's auditor prior to proposing the reappointment of Ernst & Young to the Annual General Meeting. Audit fees are ultimately approved by the Audit Committee. To ensure independence throughout the year, any additional and audit-related services provided by the auditor require the approval of the Audit Committee. The Audit Committee assesses the performance of the auditor and the fees paid for audit services in accordance with Swiss law and based on its understanding of the Group's business, control environment, accounting and reporting issues as well as the way in which matters significant at the Group level or in the statutory accounts are identified and resolved.

9 Information Policy

Sunrise Communications Group AG engages in transparent, open and regular communication with its shareholders, the capital market and the general public. Throughout the year, Sunrise Communications Group AG publishes its annual results and interim reports (semi-annually and quarterly) on the dates listed in the financial calendar published on the Sunrise Investor Relations website at www.sunrise.ch/ir. Press releases and ad-hoc publications containing potentially price-sensitive information are published regularly and in accordance with the rules of SIX Swiss Exchange. All interim reports (www.sunrise.ch/reports), company press releases (www.sunrise.ch/en/corporate-communications/medien/press-releases) and ad-hoc publications (https://www.sunrise.ch/en/corporate-communications/investor-relations/ad-hoc-announcements0)are also available on the Sunrise website, as are push subscription services for all such publications (www.sunrise.ch/en/corporate-communications/investor-relations/contact-subscribe). Ad-hoc publications are distributed electronically to at least two electronic information systems widely used by professional market participants (Bloomberg, Reuters, etc.) and to at least two relevant Swiss newspapers of national importance (Neue Zürcher Zeitung, Le Temps, etc.). Official publications by Sunrise Communications Group AG are made in the Swiss Official Gazette of Commerce (German: Schweizerisches Handelsamtsblatt). Notices to shareholders may also be sent in writing to the addresses of the shareholders recorded in the share register. Printed annual reports are available upon request. For further information, please contact the Investor Relations department by calling +41 58 777 96 86 or by e-mail to investor.relations@sunrise.net. For media enquiries, please contact Corporate Communications by calling 0800 333 000 (+41 58 777 76 66 from outside of Switzerland) or by e-mail to media@sunrise.net. The registered offices of Sunrise Communications Group AG are located at Thurgauerstrasse 101B, 8152 Glattpark (Opfikon), Switzerland.

10 Subsequent Events after December 31, 2019

10.1 Changes in the Composition of the Board of Directors and the Executive Leadership Team

- Following the termination of the UPC transaction, Olaf Swantee has informed about his intention to step down as CEO. The Board of Directors has appointed André Krause as new CEO who has taken over with immediate effect on January 3, 2020.
- On January 3, 2020, Sunrise annouced that Peter Kurer (Chair) and Peter Schöpfer (Vice-Chair) have decided not to stand for re-election at the 2020 Annual General Meeting.
- On January 6, 2020, Sunrise annouced the appointment of Uwe Schiller as new CFO and successor of André Krause with immediate effect.
- On January 6, 2020, Sunrise annouced that Bruno Duarte, Chief Consumer Officer, will leave the company. Until a successor for Bruno Duarte has been found, André Krause will take responsibility for the consumer unit.
- On January 15, 2020, Sunrise annouced that Jesper Ovesen (Board Member and Chair of the Audit Committee) has decided not to stand for re-election at the 2020 Annual General Meeting.
- On February 7, 2020, Sunrise annouced that Robin Bienenstock (Board Member and Member of the Audit Committee) has decided not to stand for re-election at the 2020 Annual General Meeting.

10.2 Significant Shareholders

- On January 7, 2020, Sunrise Communications Group AG notified SIX Swiss Exchange that Norges Bank (the Central Bank of Norway), Oslo, Norway, had increased its shareholding to 3.08% of the total share capital, with 0.67% thereof held as collateral via securities lending.
- On January 8, 2020, Sunrise Communications Group AG notified SIX Swiss Exchange that Norges Bank (the Central Bank of Norway), Oslo, Norway, had reduced its shareholding to 2.79% of the total share capital.

- On January 30, 2020, Sunrise Communications Group AG notified SIX Swiss Exchange that Canada Pension Plan Investment Board, Toronto, Canada, had reduced its shareholding to 2.94% of the total share capital.
- On February 14, 2020, Sunrise Communications Group AG notified SIX Swiss Exchange that Norges Bank (the Central Bank of Norway), Oslo, Norway, had increased its shareholding to 3.25% of the total share capital, with 0.88% thereof held as collateral via securities lending.

10.3 Annual General Meeting

On February 27, 2020, Sunrise Communications Group AG announced that the Board of Directors will propose to the Annual General Meeting on April 8, 2020, among other things the following items:

- Re-election of Ingo Arnold, Ingrid Deltenre, Michael Krammer and Christoph Vilanek as Members of the Board of Directors.
- Election of Thomas Karlovits, Thomas Meyer, Sonja Stirnimann and Henriette Wendt as Members of the Board of Directors.
- Election of Thomas Meyer as Chair of the Board of Directors.
- Re-election of Ingrid Deltenre, Michael Krammer and Christoph Vilanek as Members of the Nomination and Compensation Committee.
- Election of Ingrid Deltenre as Chair of the Nomination and Compensation Committee.
- Election of Thomas Meyer as Member of the Nomination and Compensation Committee.

Compensation Report

The Sunrise compensation framework is aligned with the Company's strategy and financial goals and encourages employees to focus on the Sunrise Company values of bold, intuitive and positive. The Compensation Report is compliant with the Directive on Information Relating to Corporate Governance issued by SIX Swiss Exchange along with the Ordinance against Excessive Compensation in Listed Companies and the Swiss Code of Best Practice for Corporate Governance.

Compensation Report

1 Introduction by the Chair of the Nomination and Compensation Committee

To the Shareholders:

On behalf of the Board of Directors and the Nomination and Compensation Committee of Sunrise, I am pleased to present the 2019 Compensation Report.

The Sunrise compensation framework rewards short- and long-term success, both in terms of the performance of the Company as a whole as well as the individual's contributions to the business, thus fostering a culture of high performance. Compensation is subject to a formal annual performance management process designed to align organizational, team and individual targets.

The Sunrise key financials 2019, which are relevant for the determination of the Short-Tem Incentive award, showed continuous year-on-year growth: increased revenue +0.5%, gross profit +2.7% and adjusted EBITDA +3.9% (incl. IFRS15, excl. IFRS16 effects). Sunrise outperformed its competitors and is gaining market share in mobile postpaid, internet and TV. The key quality KPI Net Promoter Score (NPS) reached all time high values. The combination of the described trends resulted in an overall target achievement of 132%. Within this target achievement, adjusted EBITDA and Gross Profit account for 40% each, while NPS accounts for 20%. Overall target achievement was 127% for the CEO and between 122% and 133% for the Executive Leadership Team members.

As mentioned in the outlook of the 2018 Compensation Report, the Board of Directors decided to introduce a new long-term incentive (LTI) plan for members of the Executive Leadership Team and selected Other Top Management members. The LTI represents a stand-alone compensation component which incentivizes long-term target achievement. In March 2019, the newly implemented LTI was granted to eight members of the Executive Leadership Team as well as to 34 selected Other Top Management members. The selected performance metrics, adjusted EBITDA and equity-free cash flow, support the business strategy by driving long-term performance. EBITDA is the most important short and long-term measure of success for operational performance in the telecommunications sector, whereas equity free cash flow is the basis for supporting the Sunrise long-term dividend strategy. To further strenghten the alignment of shareholders' interests with those of the Executive Leadership Team, the Board of Directors introduced minimum shareholding ownership guidelines (SOG), which define the obligations of the members of the Executive Leadership Team to hold Sunrise shares.

For 2020, the Board of Directors will provide all employees with a one-time opportunity to participate in the future business performance and success of Sunrise by enabling them to either receive a predefined number of shares free of charge or to purchase shares at a discounted price. The purpose of the Employee Share Participation Plan (ESPP) is to enhance employees' relationships with and commitment to the Company and strenghten their sense of ownership. The members of the Board of Directors and the Executive Leadership Team are not eligible to participate in the ESPP.

Sunrise is committed to providing shareholders with a genuine Say on Pay. This means shareholders will determine compensation budgets for future years and can retrospectively voice their opinions on the use of these budgets in an advisory capacity every year. At the Annual General Meeting on April 8, 2020, the 2019 Compensation Report will be submitted for an advisory vote by the shareholders. At the 2020 Annual General Meeting, shareholders will also be asked to approve the future compensation of the members of the Board of Directors for the period until the 2021 Annual General Meeting as well as the maximum compensation amount for the Executive Leadership Team members for the financial year ending December 31, 2021.

On behalf of the Board of Directors and the Nomination and Compensation Committee, I would like to thank all our shareholders for their support and valuable feedback.

Sincerely,

Peter Schöpfer
Chair of the Nomination and Compensation Committee

2 Compensation Governance

2.1 Rules Regarding Compensation in the Articles of Incorporation

The Sunrise Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) contain provisions regarding the approval of compensation by the Annual General Meeting (Article 8), the powers and duties of the Nomination and Compensation Committee (Article 17), general principles of compensation (Article 20), approval of maximum compensation for the members of the Board of Directors and the Executive Leadership Team (Article 21), additional amounts for new members of the Executive Leadership Team (Article 22), agreements with members of the Board of Directors and the Executive Leadership Team (Article 24) and loans and credits to members of the Board of Directors and the Executive Leadership Team (Article 25).

2.2 Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) is entrusted with the supervision and governance of the Sunrise compensation programs and policies as well as the compensation and the performance evaluation of the members of the Executive Leadership Team.

The NCC consists of at least three members of the Board of Directors. The members of the NCC and the Chair of the NCC are elected individually each year by the respective Annual General Meeting in accordance with Swiss law and the Articles of Incorporation. The powers and duties of the NCC related to compensation are outlined in the Organizational Regulations of the Board of Directors and the Organizational Regulations of the NCC and are defined therein in accordance with the Article 17 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles). In compliance with the Organizational Regulations of the Board of Directors, decision-making powers regarding the compensation of the members of the Board of Directors and the Executive Leadership Team are outlined in the table below.

Subject	Nomination and Compensation Committee	Board of Directors	General Meeting
Compensation Report	A	D	D (advisory)
Compensation of the Board of Directors	A	A	D
Compensation of the Executive Leadership Team	A	A	D
Additional amounts for new members of the Executive Leadership Team	A	D	
Decision on individual compensation of the members of the Board of Directors (subject to approval of the total compensation amount by the General Meeting)	A	D	
Decision on individual compensation of the CEO and other members of the Executive Leadership Team (subject to approval of the total compensation amount by the General Meeting)	A	D	

Legend: A = Applicant, D = Decision

At the 2019 Annual General Meeting, Peter Schöpfer was re-elected as Chair of the NCC while Peter Kurer, Christoph Vilanek, Michael Krammer and Ingrid Deltenre were re-elected as members of the NCC.

2.3 Process for Determining Compensation

In general, the NCC evaluates and prepares the compensation guidelines and applicable performance criteria for compensation and submits corresponding proposals to the Board of Directors. The NCC also regularly informs the Board of Directors of its activities. The NCC assesses the effectiveness, attractiveness and competitiveness of the compensation framework at least every two years.

In accordance with these compensation guidelines, the NCC recommends remuneration for the Board of Directors for the period until the following year's Annual General Meeting and for the Executive Leadership Team for the following business year, in line with the maximum aggregate compensation and subject to approval by the Annual General Meeting. Article 22 of the Articles of Incorporation (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles) provides additional compensation for members of the Executive Leadership Team who are appointed after the maximum aggregate compensation is approved by the Annual General Meeting.

Discussions and decisions by the Board of Directors or the NCC regarding the compensation of Executive Leadership Team members are held in the presence of the CEO and the Chief HR Officer, who do not have voting rights. However, the CEO and the Chief HR Officer may not be present when the Board of Directors or the NCC reviews their respective compensation. Likewise, the Chair of the Board of Directors and the Chair of the NCC are not present when the NCC reviews their compensation. The Chair of the Board of Directors abstains from voting on his base compensation when the Board of Directors makes resolutions concerning the compensation of its members.

2.4 NCC Meetings

The NCC held five meetings in 2019. Besides the agenda items that are annually reviewed by the NCC and submitted for approval to the Board of Directors (see following table), the NCC addressed the potential impact of the UPC acquisition on the organizational structure of Sunrise and various compensation-related topics in connection with the transaction. By hiring external consultants, the NCC took precautions to ensure that sensitive competitive information would not be exchanged before the transaction was completed. The external consultants' key areas of focus included organizational design and synergies, culture alignment, executive compensation, equity plans as well as retention of key talents. The NCC was regularly informed by the external consultants of the status and development of this project.

NCC Meetings	January 21, 2019	June 5, 2019	August 7, 2019	October 31, 2019	November 15, 2019
Sunrise compensation system and governance					
NCC roadmap		•		•	
Recommendations of proxy advisors		•			
Overall compensation framework	•			•	•
Annual salary increase					•
Personnel policy (including pension fund)				•	
Company target achievement	•		•		•
Company target setting	•				•
Compensation report	•				
Compensation of the Head of Internal Audit	•				
Human Resources KPI	•				
Board of Directors					
Constitution	•				
Independence review				•	
Maximum aggregate compensation	•				
Performance assessment				•	
Executive Leadership Team (including CEO)					
Independence review				•	
Individual target achievement	•		•		
Individual target setting	•				
Base salary compensation	•				
Maximum aggregate compensation	•				
Succession planning	•				•
Compensation benchmark (every 2 years)					
Corporate governance practices					
Corporate governance KPI			•		
Organizational regulations and Articles of Incorporation				•	
Extraordinary topics					
UPC acquisition		•	•		

2.5 Say on Pay votes at the Annual General Meeting

In line with Swiss law and the Ordinance against Excessive Compensation in Listed Companies, shareholders were asked to approve the future compensation for the members of the Board of Directors for the period prior to the 2020 Annual General Meeting as well as the maximum compensation amount for the Executive Leadership Team members for the financial year ending December 31, 2020. Due to the introduction of the new LTI plan as of 2019, the shareholders were additionally asked to approve the increased maximum compensation amount for the members of the Executive Leadership Team for the financial year 2019. Furthermore, the 2018 Compensation Report was submitted for an advisory vote by the shareholders. By giving shareholders both a binding vote on the maximum aggregate compensation of the members of the Board of Directors and the Executive Leadership Team as well as an advisory vote on the Compensation Report, Sunrise is fulfilling its commitment to providing shareholders with appropriate Say on Pay. The following table illustrates 2019 Annual General Meeting (AGM) shareholder votes related to compensation. In addition to the annual recurring votes, the Board of Directors proposed to approve the increased maximum aggregate compensation for the members of the Executive Leadership Team for the financial year 2019 due to the introduction of the LTI plan as of 2019.

Voting schemes	2019 AGM actual shareholder votes	Shareholder votes for
Advisory vote	The shareholders acceped the 2018 Compensation Report in an advisory vote.	97.12%
Binding vote	The shareholders approved a maximum aggregate compensation of CHF 1.49 million for the members of the Board of Directors for the period until the 2020 AGM.	97.85%
Binding vote	The shareholders approved a maximum aggregate compensation of CHF 13.50 million for the members of the Executive Leadership Team for the financial year 2020.	77.74%
Binding vote	The shareholders approved an increased maximum aggregate compensation of CHF 13.50 million for the members of the Executive Leadership Team for the financial year 2019.	77.71%

The total compensation paid to the members of the Board of Directors (mid April – December 2019) plus the amounts yet to be paid in 2020 (January – mid April 2020) as well as the total compensation paid to the members of the Executive Leadership Team for the financial year 2019 are within the maximum aggregate compensation approved at the 2019 Annual General Meeting (see section 4 and 5).

3 Compensation System

3.1 Principles

Sunrise benchmarks compensation levels and structures on a regular basis against the median compensation of relevant comparison groups.

In general, the compensation of the Board of Directors and Executive Leadership Team is reviewed every second year by an external consultant. To this end, Sunrise obtained advice and benchmark data from Willis Towers Watson on companies on the SMIM Swiss market index in 2018. A subset of particularly relevant companies was selected from the SMIM (excluding financial services and pharmaceutical companies). This subset of SMIM companies is considered most comparable to Sunrise in terms of size, complexity and labor market.[1]

[1] AMS; Aryzta; Barry Callebaut; Clariant; DKSH; Dormakaba; Dufry; Ems-Chemie; Zurich Airport; Georg Fischer; Kuehne&Nagel; Lindt&Sprüngli; Logitech; OC Oerlikon; PSP Swiss Property; Schindler; Sonova; Strauman Group; Swatch Group; Swiss Prime Site; Temenos.

Sunrise is mindful of the fact that pay level comparisons must take into account differences in compensation structure. While SMIM companies generally differ in terms of their compensation structures, Sunrise considered their pay levels similar enough to allow for meaningful pay level benchmarking.

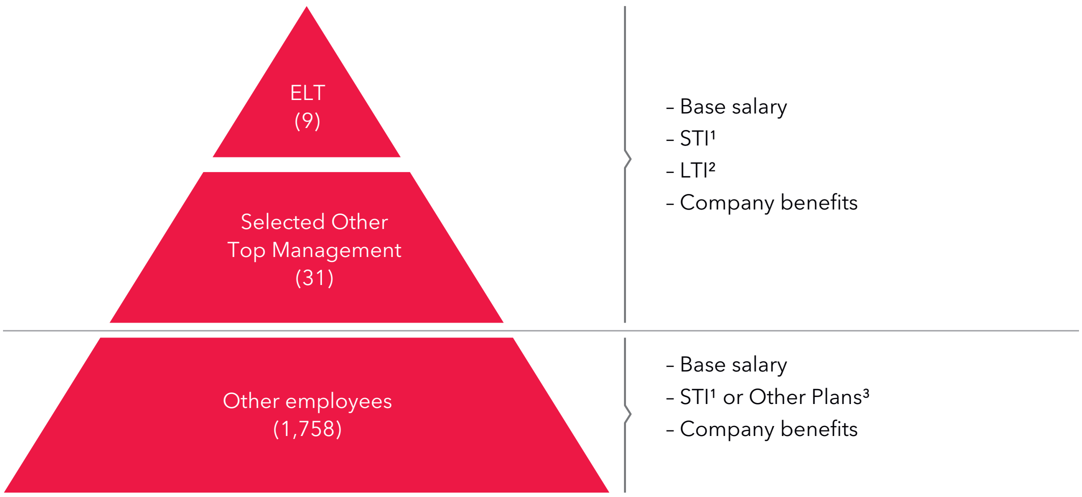
3.2 Elements

The general principles governing compensation for the Board of Directors and the Executive Leadership Team of Sunrise are described in the Articles of Incorporation (Article 20) (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles).

As shown in the Compensation Framework chart below, total compensation at Sunrise is based on:
– Fixed compensation – base salary
– Variable compensation – short- and long-term incentive plans
– Company benefit programs (company pension plans, insured benefits and other fringe benefits)

Compensation Framework 2019

As of December 31, 2019



[1] Short-term incentive: annually, rewarding past performance
[2] Long-term incentive: annual grant, vesting after three-years, rewarding future performance
[3] Plans for selected employee groups: Sales Plan and Customer Service Frontline Incentive Plan

3.2.1 Total Compensation Overview 2019

	Chair of the Board	Members of the Board	Executive Leadership Team (ELT)	Selected Other Top Management (OTM)	All regular employees	Remarks
Fixed compensation						
Fixed compensation	•	•	•	•	•	
Board of Directors Share Plan	•	•				
Variable compensation						
Short-Term Incentive (Company Bonus Plan)			•	•	•	Based on the achievement of company targets and individual targets
Long-Term Incentive (Peformance Share Unit Plan)			•	•		Based on the achievement of two performance metrics (adjusted EBITDA and equity-free cash flow)
Sales Plan				•	•	Only for sales employees, based on financial KPIs and sales targets
Customer Service Frontline Incentive Plan					•	Only for Customer Service employees with customer advisory duties
Company benefits						
(Base plus additional pension plan, base plus additional accident insurance, sick pay insurance, etc.)			•	•	•	Bel-Etage Pension Plan for ELT members

3.2.2 Fixed Compensation

Generally, fixed compensation is paid in cash on a monthly basis and takes into account the size and scope of the position as well as external market data. Potential increases in base pay are evaluated on an annual basis. The fixed compensation of the Board of Directors is described in section 4.

3.2.3 Variable Compensation

Variable compensation is based on annually defined objectives that are linked to the key drivers behind the Sunrise strategy.

3.2.3.1 Annual Short-Term Incentive (Company Bonus Plan)

The Short-Term Incentive arrangement aims at rewarding all employees on an annual basis for their contribution to reaching Company targets that foster the success of Sunrise as well as for meeting the achievement of individual targets. The Company targets include financial KPIs (adjusted EBITDA and company gross profit) as well as a qualitative KPI (NPS, which takes the customers interest into considera-tion). To integrate an ESG (Enviromental, Social and Governance) criterion into the Short-Term Incentive award underlines the commitment of Sunrise to sustainability and customer quality.

Sunrise has a defined target-setting and performance management process in place. Company targets and the individual targets of the Executive Leadership Team are subject to approval by the Board of Directors. Individual targets for each employee are defined using a top-down approach to ensure alignment with the Sunrise corporate strategy as well as across the departments. To support the process and ensure transparency in line with the Sunrise values, employees are informed on a quarterly basis of the status of Company target achievement in an indicative way. Financial company target achievement is assessed at the end of the year against the audited financial results.

The key features of the Company Bonus Plan are outlined in the table below.

Company Bonus Plan	Employees	Upper Management and Selected Other Top Management	Executive Leadership Team	CEO
Target STI as % of the base salary	5 – 15%	20 – 50%	50%	50%
Maximum overachievement / cap	200%	200%	200%	200%
Weighting of company target	10 – 30%	50%	75%	90%
Weighting of individual target	70 – 90%	50%	25%	10%
Number of individual targets	3 – 4	3 – 4	2	1
Weighting within company target – adjusted EBITDA – company gross profit – Net Promoter Score (NPS)	 40% 40% 20%	 40% 40% 20%	 40% 40% 20%	 40% 40% 20%

In principle, payout of the short-term cash bonus takes place in March of the year following the performance period and is subject to final sign-off by the Board of Directors for Executive Leadership Team members and by the CEO for all other employees. Variable compensation is paid in cash to all employees in the Company Bonus Plan.

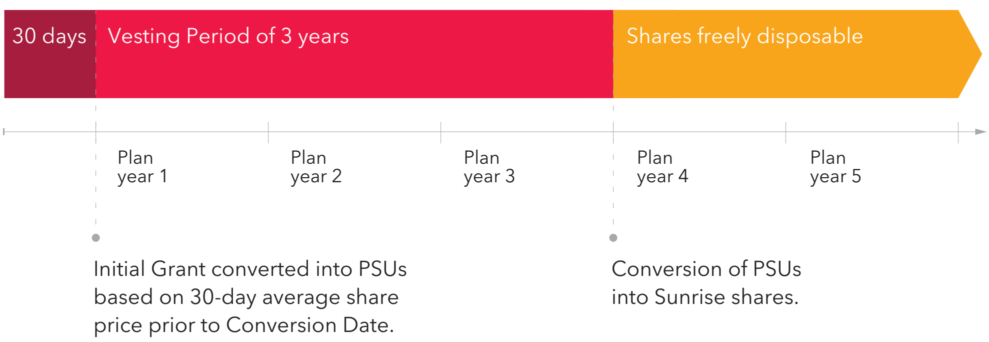
3.2.3.2 Long-term incentive (Performance Share Unit Plan)

In 2019, the Board of Directors introduced a new Performance Share Unit Plan (hereinafter referred to as LTI plan) and discontinued all other equity plans to simplify the compensation framework. The LTI plan enhances the link between pay and long-term performance, therefore supporting the long-term success of Sunrise.

Under the new LTI plan, Participants (Executive Leadership Team members and selected Other Top Management members) receive an annual monetary amount (the Grant) defined as a fixed percentage of the annual base salary. As shown in the graph bellow, the Performance Share Units (PSUs) are blocked for a Vesting Period of three years.

LTI – Vesting Period

The conversion of the Grant into PSUs is based on the average Sunrise share price of the 30 trading days before the Conversion Date. The Vesting Period starts on the Conversion Date and lasts for three years. At the end of the Vesting Period, depending on the achieved performance, the PSUs are converted into Sunrise shares.



The Performance Measurement Period is defined as the financial year of the Company preceding the expiry of the Vesting Period of the PSUs, i.e. the financial year before any Sunrise shares are awarded. Two performance metrics determine how many of the granted PSUs will actually vest: 50% of the PSUs are determined based on achievement of the target adjusted EBITDA during the Performance Measurement Period and 50% are determined on achievement of the target equity free cash flow during the Performance Measurement Period. If both targets are fully met, the Participants receive the initial granted amount of PSUs in Sunrise shares. For both performance metrics, a threshold defines the minimum target achievement for share entitlement. In this scheme the Participants' awards are tied to the performance or lack thereof. Hence, in order to receive awards in form of shares the following two performance thresholds need to be achieved:

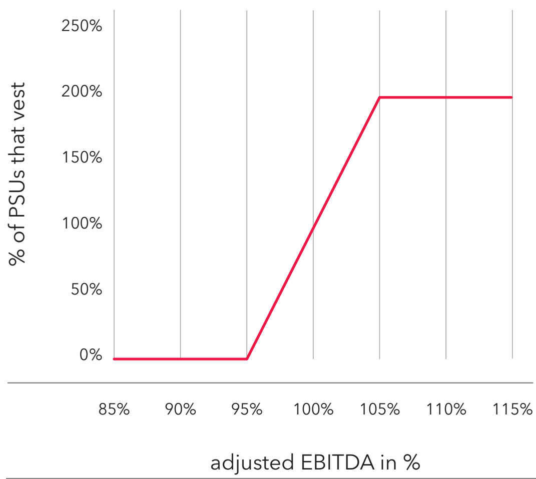
- 95% of the set adjusted EBITDA target
- 90% of the set equity free cash flow target

If these performance thresholds are not reached, no payout under this LTI plan will be made. Hence, awards in form of shares can range from zero to above target allocation, depending on achievement of the two mentioned metrics, with the number of shares capped at 200% of granted PSUs. Between these limits, target achievement is interpolated as shown in the graph below.

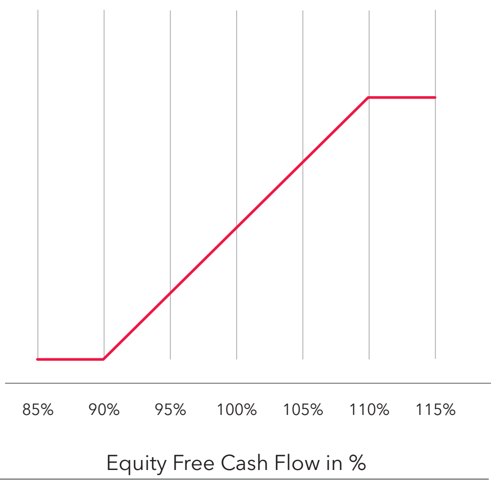
The company has no formal clawback policy. The Board of Directors, however, is of the opinion that given that (a) target achievement is not measured over time but only once at the end of the three year period, (b) there are tight floors of 95% and 90% percent respectively, and (c) the board has the right to analyze the impact of special events on the Plan and to adjust the Plan accordingly to the best market practice, a solid protection against the risk of misallocation of shares due to events which are not directly measured in the targets and their achievement (e.g. compliance issues), is existing. The board is of the opinion that this is equivalent to a formal clawback policy, especially given the nature of the company's business.

LTI – Performance Metrics – Threshold / Target / Maximum

50% PSUs are determined based on the adjusted **EBITDA** during the Performance Measurement Period



50% PSUs are determined based on the **Equity Free Cash Flow** during the Performance Measurement Period



With the introduction of the new LTI plan in 2019, all former equity plans were discontinued as of 2019 and will vest after the regular blocking period. The key features of the former equity plans and the new LTI plan are outlined in the table below.

Plan	Participants	Amount converted into Investment Shares	Performance metric	Performance factor range	Vesting period	Performance factor – target achievement
IPO MLTIP[1]	ELT and OTM	personal investment (MEP or cash amount)	TSR	0 – 1.5	Feb.18	1.18
MLTIP[2]	ELT and OTM	personal investment (25 – 50% of STI)	TSR	0 – 1.5	Mar. 18; Mar. 19	0.87; 0.95
MLTIPE[3]	ELT	personal investment	TSR	0 – 1.5	Apr. 19; Jun. 19; Jun. 20; Jul. 20	0.97, 0.98 N/A
MLTIP Revised[4]	ELT and OTM	personal investment (25 – 50% of STI)	EFCF	0 – 1.2	Mar. 20; Jun. 20; Mar. 21; Apr. 21	N/A
LTI plan[5]	ELT and OTM	annual monetary grant	adj. EBITDA EFCF	0 – 2.0	Mar. 22	N/A

Footnotes referring to the table

MLTIP: Management Long-Term Investment Program, MLTIPE: Management Long-Term Investment Program Executive Management

1–4 Under the Management Long-Term Investment Programs, the Investment Shares are blocked for a period of three years. After the blocking period, subject to continued employment and satisfying the performance targets of the plans, participants are eligible to obtain, if any, an additional number of Performance Shares (see performance factor range) free of charge for every Investment Share the participant holds during the blocking period. Under the MLTIP Revised[4], selected Other Top Management members (OTM) will be allocated Matching Shares subject to continued employment. OTM are eligible to obtain one Matching Share free of charge for each Investment Share the participant holds during the blocking period.

3 One-time opportunity for newly appointed members of the Executive Leadership Team (ELT) to invest in the plan at the time of the execution of the contract. Minimum and maximum amounts were determined by the Board of Directors on a case-by-case basis. MLTIPE Revised: For the 2018 financial year, Sunrise amended the MLTIPE by aligning the plan with the performance criteria of the MLTIP Revised. The plan was never applied in 2018 because if the period between the public announcement of the appointment of the participant to the Executive Leadership Team and the start of employment exceeds three months, the Board of Directors has the right to define exceptional rules.

1–3 TSR: Sunrise total shareholder return (TSR) as compared to two peer groups (for more details see Compensation Reports of previous years).

4 EFCF: cumulative equity free cash flow. The measurement period is the period of three consecutive financial years starting on January 1 of the year of the grant date. Dividend Equivalents are credited during the three-years vesting period equal to any cash dividends distributed by the Company on shares to other shareholders during such period. Dividend Equivalents will vest in accordance with the vesting schedule applicable to the underlying Performance or Matching Shares and will be paid out in cash.

5 Both performance metrics adjusted EBITDA and equity free cash flow are measured during the Performance Measurement Period as shown in the graph above. Dividend Equivalents are credited during the three-years vesting period equal to any cash dividends distributed by the Company on shares to other shareholders during such period. Dividend Equivalents will vest in accordance with the vesting schedule applicable to the underlying Performance Share Units and will be paid out in cash.

The relevant share price

1 for the allocation of Investment Shares is the IPO offer price.

2, 4 for the allocation of Investment Shares is the average closing price of the shares on the SIX Swiss Exchange in the ten trading days immediately preceding the payout date (as a rule, March 25) of the corresponding short-term incentive.

3 for the allocation of Investment Shares is the average closing price of the shares on the SIX Swiss Exchange in the ten trading days starting after ten trading days following the public announcement of the appointment of the participant to the Executive Leadership Team.

5 The conversion of the grant value into PSUs is based on the average closing price of the shares on the SIX Swiss Exchange in the 30 trading days before the Conversion Date.

Termination of employment

1, 2 Upon termination of employment for any reason, the blocking period on Investment Shares and the right to receive Performance Shares under this plan lapsed with immediate effect on the effective date of termination.

3 Upon termination of employment for any reason, the blocking period on the Investment Shares will lapse with immediate effect on the effective date of termination. As a general rule, the right to receive Performance Shares lapses with immediate effect on the termination date. The good leaver provision is only applicable to the CEO.

4 Upon termination of employment for any reason, the blocking period on Investment Shares remains in effect until the end of the regular blocking period. As a general rule, the right to receive Performance Shares and Matching Shares lapses with immediate effect on the termination date. In the event that the good leaver provision applies, awards in the form of Performance Shares and Matching Shares vest immediately pro rata for the duration of employment until termination date, however, awards in the form of Performance Shares are only allocated at the end of the performance period, whereas Matching Shares are immediately allocated.

3–4 The participant is considered a good leaver if he or she (i) ceases to be employed as a result of his or her death, (ii) becomes permanently disabled for health reasons, (iii) is dismissed or removed from office without good cause or (iv) resigns for good cause.

5 If a Participant terminates his employment or if the Company terminates the employment contract for cause with immediate effect (Article 337 of the Swiss Code of Obligations, CO), all blocked PSUs are forfeited with immediate effect. If the Participant's employment is terminated by the Company, the Participant receives a pro-rata payout of any blocked PSUs converted into Sunrise shares at target, for the time between the Conversion Date and the termination date. The shares are fully disposable by the Participant.

3.2.4 Benefits

Sunrise offers a competitive benefits package including health management, retirement plans, disability and life insurance and other fringe benefits in line with market practices in the industry. Executive Leadership Team members receive a monthly flat-rate expense allowance as well as a Bel-Etage Pension Plan. Contributions are fully paid by Sunrise. Members of the Executive Leadership Team also receive either a company car or a monthly cash allowance for vehicle use.

3.2.5 Employee Share Participation Plan 2020

For 2020, the Board of Directors will provide all employees with a one-time opportunity to participate in the future business performance and success of Sunrise by enabling them to either receive a predefined number of shares free of charge or to purchase shares at a discounted price. The purpose of the Employee Share Participation Plan (ESPP) is to enhance employees' relationships with and commitment to the Company and strenghten their sense of ownership. The members of the Board of Directors and the Executive Leadership Team are not eligible to participate in the ESPP. The 2020 Compensation Report will include a detailed description of the ESPP.

4 Board of Directors Compensation

4.1 General

Compensation for members of the Board of Directors includes a fixed component for membership as well as additional amounts based on individual roles as shown in the table below. In order to ensure the independence of the Board of Directors in its supervisory role over the Executive Leadership Team, the members of the Board of Directors do not receive variable compensation linked to the performance of the Company.

Base compensation consists of a cash component plus a payment in the form of Sunrise shares (targeted at ⅓ of base compensation for the Chair and ½ of base compensation for all other members of the Board of Directors). These shares are subject to a blocking period of three years to ensure long-term interest. To avoid conflicts of interest, no Performance Shares will be granted in addition to these blocked Sunrise shares. Any additional amounts for the committee chairperson position or committee membership are paid solely in cash. The amounts below are gross values before deduction of employee social security and taxes. Board fees for the 2019 financial year were paid out in cash in quarterly installments (payment months: April 2019, July 2019, October 2019 and January 2020) as well as in the form of shares (share allocation date: April 11, 2019).

Role	Amount in cash CHFk	Amount in shares CHFk
Annual base compensation		
Chair of the Board	200	100
Member of the Board	50	50
Annual committee membership fees		
Chair of the AC	60	
Chair of the NCC	50	
Member of committee	30	

The members of the Board of Directors are reimbursed for travel and other related expenses associated with their responsibilities as members of the Sunrise Board of Directors.

4.2 Board of Directors Compensation in 2019

The compensation paid to individual members of the Board of Directors for the 2018 and 2019 financial years is shown at the end of this section.

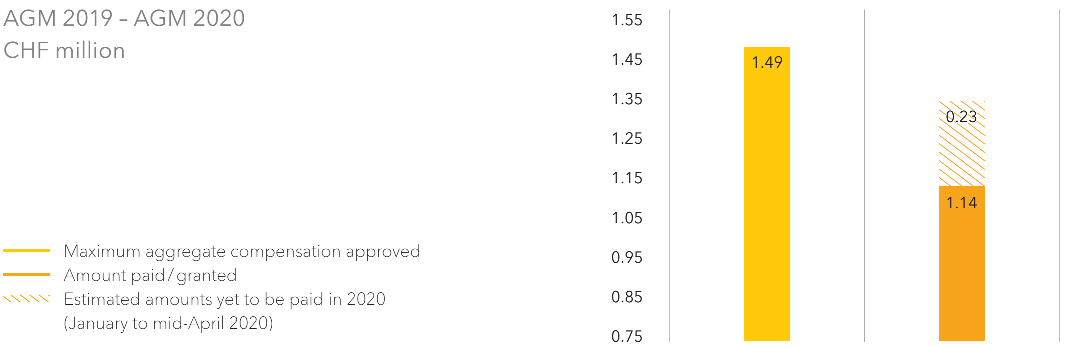
For the 2019 financial year, members of the Board of Directors received total compensation of CHF 1.352 million in the form of cash and shares plus employer-paid social security contributions. The level of base compensation and committee membership fees did not change in 2019. The slight increase in total compensation from CHF 1.345 million in 2018 to CHF 1.352 million in 2019 is due to changes in the constitution of the Board of Directors and the corresponding amounts of employer social security contributions.

4.2.1 Maximum Overall Compensation for the 2019/2020 Term of Office

The Annual General Meeting approves the maximum aggregate compensation of the Board of Directors for its term of office, i.e., from the Annual General Meeting in April until the next Annual General Meeting the following April. The present Compensation Report refers to the financial year and therefore takes December 31, 2019, as its cut-off date for all compensation information disclosed. The 2019 Annual General Meeting approved a maximum aggregate compensation of CHF 1.49 million for the members of the Board of Directors for the period until the next Annual General Meeting in 2020. The total compensation paid to the members of the Board of Directors (mid-April to December 2019) plus amounts yet to be paid in 2020 (January to mid-April 2020) are within the maximum aggregate compensation approved by the 2019 Annual General Meeting.

Board of Directors

AGM 2019 – AGM 2020
CHF million



Total Board of Directors compensation 2019 / 2018

CHFk	Base compensation/ committee membership fees in cash	Base compen-sation in shares	Employer-paid social security	Total 2019	Total 2018
Peter Kurer, Chair[1, 3]	260	100	21	381	381
Peter Schöpfer, Vice-Chair[2]	100	50	11	161	161
Ingo Arnold, Board Member[3]	60	50	0	110	–
Robin Bienenstock, Board Member[3]	80	50	10	140	139
Ingrid Deltenre, Board Member[1]	80	50	10	140	118
Michael Krammer, Board Member[1]	80	50	0	130	130
Jesper Ovesen, Board Member[4]	110	50	0	160	163
Christoph Vilanek, Board Member[1]	80	50	0	130	130
Joachim Preisig, Board Member[3, 5]	0	0	0	0	123
Total Compensation paid to members of the Board of Directors	**850**	**450**	**52**	**1,352**	**1,345**

– All base compensation, committee membership fees and shares are gross values before the deduction of applicable tax and employee social security. Sunrise cost for social security contributions is stated separately.
– Sunrise share purchase price as of April 11, 2019: CHF 74.12 per share.
– For some members of the Board of Directors there is no employer social security to be paid.
– Members of the Board of Directors are not on a Sunrise pension plan.

As per the Articles of Incorporation (Art. 25) (www.sunrise.ch/en/corporate-communications/company/corporate-governance/principles), no loans or credits are granted to the Board of Directors.

[1] Member of the Nomination and Compensation Committee.
[2] Chair of the Nomination and Compensation Committee.
[3] Member of the Audit Committee.
[4] Chair of the Audit Committee.
[5] Joachim Preisig resigned from the Board of Directors as of December 31, 2018.

5 Executive Leadership Team Compensation

As of 2019, the Board of Directors implemented a new compensation structure for members of the Executive Leadership Team to better meet the requirements for supporting the Sunrise growth and income strategy. The main changes consist of separating the short-term incentive (STI) from the long-term incentive (LTI) and establishing two independent compensation components. Members of the Executive Leadership Team are no longer asked to invest part of their STI in shares. Instead, the STI is a stand-alone compensation component rewarding members of the Executive Leadership Team for achieving the Sunrise short-term strategy. The design of the STI plan was slightly adapted by exchanging the performance measures and their weightings. In addition, the target STI of the CEO was reduced from 60% to 50% of his base salary. The STI payout is capped at 200% of the target STI so that the payout cannot exceed the base salary. Furthermore, a new LTI plan was implemented (see section 3.2.3.2), whereas the target LTI is defined between 40–55% of the base salary for members of the Executive Leadership Team and 62% of the base salary for the CEO. The implementation of the new LTI plan was accompanied by the introduction of Share Ownership Guidelines (SOG) defining the obligation of Executive Leadership Team members to hold Sunrise shares (see section 6).

The general principles and elements of Executive Leadership Team compensation are described in the preceding sections of the Compensation Report.

5.1 Achievement of 2019 Company Targets and Short-Term Incentive Payout

In 2018, Sunrise obtained advice and benchmark data for executive compensation from Willis Towers Watson on companies on the SMIM Swiss market index. Based on the conducted benchmark and in line with market practice, the Board of Directors increased the weighting of the Company target for the CEO in order to strenghten the focus on the business strategy and financial metrics driving shareholder value. Both business and individual performance impact the actual variable compensation paid to all employees including the members of the Executive Leadership Team. The weightings of the company and individual targets for the CEO and the members of the Executive Leadership Team are shown in the following table.

	CEO	Executive Leadership Team
Company targets	**90%**	**75%**
Adjusted EBITDA	36%	30%
Company gross profit	36%	30%
NPS	18%	15%
Individual targets	**10%**	**25%**
Own business unit KPIs based on Sunrise Performance Scorecard		15%
Leadership targets based on Sunrise leadership principles	10%	10%
Total	**100%**	**100%**

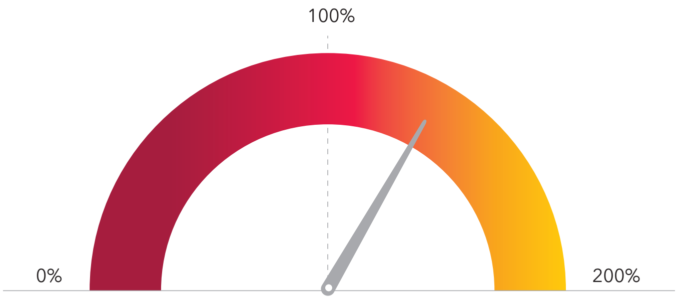
The NCC assesses the performance of the CEO and reviews the performance assessments of the members of the Executive Leadership Team conducted by the CEO before submitting them for approval by the Board of Directors.

The Sunrise key financials 2019 showed continuous year-on-year growth: increased revenue +0.5%, gross profit +2.7% and adjusted EBITDA +3.9% (incl. IFRS15, excl. IFRS16 effects). Sunrise outperformed its competitors and is gaining market share in mobile postpaid, internet and TV. The key quality KPI Net Promoter Score (NPS) reached all time high values. The combination of the described trends resulted in an overall target achievement of 132%. Within this target achievement, adjusted EBITDA and Gross Profit account for 40% each, while NPS accounts for 20%. Overall target achievement was 127% for the CEO and between 122% and 133% for the Executive Leadership Team members.

The variable compensation scheme did not include any specific targets related to the UPC transaction, and hence no payments were made for additional work performed in connection with the deal.

Company Target Achievement 2019

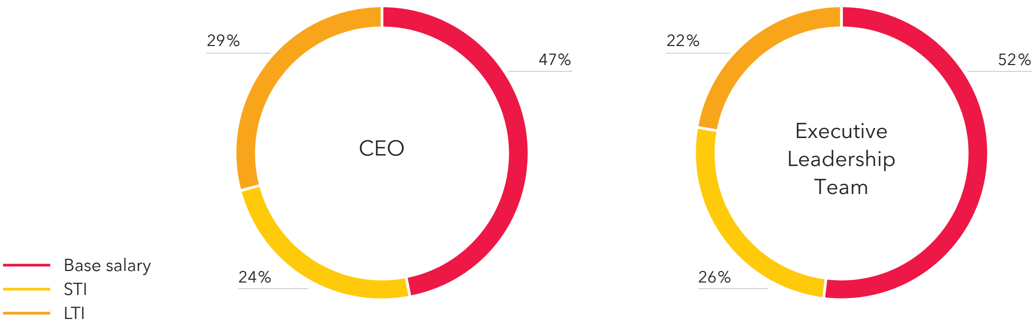
- Adjusted EBITDA (40% weight)
- Company gross profit (40% weight)
- NPS (20% weight)



Total Compensation
The pay mix of the Sunrise Executive Leadership Team is aligned with market practice, putting a strong weighting on variable compensation and with that, fostering a high performance culture.

Target Compensation Mix

2019



The table Total Executive Leadership Team compensation 2019/2018 on page 103 shows the total compensation paid to the Executive Leadership Team for the 2019 and 2018 financial years, broken down into individual compensation elements, including the highest amount paid to one individual. The footnotes contain explanatory information on the amounts indicated.

5.1.1 Compensation in 2019 Compared to 2018

In 2019, the total compensation paid to members of the Executive Leadership Team increased from CHF 8.367 million to CHF 9.664 million (including compensation paid to individuals stepping down from the Executive Leadership Team).

Base Salary: The total base salary for all members of the Executive Leadership Team amounted to CHF 3.758 million (2018: CHF 3.321 million). The main reasons for this increase were:

- in 2018, two vacant positions were managed on interim basis by members of the Executive Leadership Team and Top Management until the successors were appointed and the positions were filled in 2019
- the Executive Leadership Team was expanded by one additional member, the Chief YOL Officer

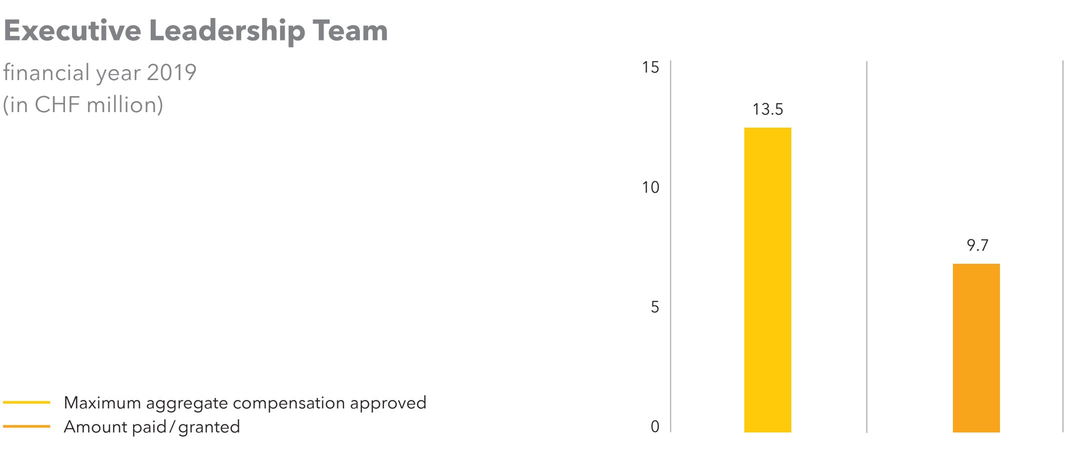
as part of the annual performance management process and based on a corresponding salary review, the individual base salaries for some of the Executive Leadership Team members have been increased by CHF 0.17 million (of which CHF 0.1 million was for the CEO).

Short-term incentive (STI): The total STI amounted to CHF 2.332 million (2018: CHF 2.368 million). Due to the lower average target achievement and the fact that as of 2019, the target STI of the CEO decreased from 60% to 50% of his base salary, the STI decreased slightly.

LTI plan: In 2019, a new LTI plan was implemented (see section 3.2.3.1), whereas the target LTI was defined between 40–55% of the base salary for members of the Executive Leadership Team and 62% of the base salary for the CEO. PSUs were granted under the LTI plan at a target value of CHF 1.592 million for the Executive Leadership Team (of which CHF 0.541 million was for the CEO). Awards in form of shares can range from zero to above target allocation, depending on achievement of two performance metrics (adjusted EBITDA and equity free cash flow during 2021), with the number of shares capped at 200% of granted PSUs.

Maximum Overall Compensation for the 2019 Financial Year

The 2019 Annual General Meeting approved an increased maximum aggregate compensation of CHF 13.5 million for the Executive Leadership Team. The total compensation of CHF 9.664 million paid to the members of the Executive Leadership Team for the 2019 financial year is within the maximum aggregate compensation approved at the Annual General Meeting on April 10, 2019.



5.1.2 Additional Information

No loans or credits are granted to the members of the Executive Leadership Team, and their maximum notice period is six months.

Total Executive Leadership Team compensation 2019/2018[1]

CHFk	2019 Total Executive Leadership Team[2]	2019 Thereof Olaf Swantee (CEO)	2018 Total Executive Leadership Team[3]	2018 Thereof Olaf Swantee (CEO)
Base salary	3,758	950	3,321	850
Short-Term Incentive (STI) to be paid in March of the following year	2,332	603	2,368	704
MLTIP Revised: Performance Shares (relating to STI of the prior year)			749	301
LTI plan: Performance Share Units	1,592	541		
Other benefits/cash allowances	470	37	542	37
Social security	610	155	532	139
Retirement benefits	902	161	855	160
Total compensation to members of the Executive Leadership Team	**9,664**	**2,447**	**8,367**	**2,191**

Footnotes refer to 2019 and 2018 unless otherwise indicated
– All base salary, Short-Term Incentive and Performance Share Units amounts are gross values before deduction of applicable tax, employee social security and other statutory charges.
– Sunrise cost for social security and retirement benefit contributions is stated separately.
– For the MLTIP Revised and the LTI plan, the figures are based on 100% target achievement.
– Performance Share valuation method for MLTIP Revised and LTI plan: fair value at grant date.
– Fair value per share on grant date, in CHF for MLTIP Rev March 2018 PSU: 80.75
– Fair value per share on grant date, in CHF for MLTIP Rev April 2018 PSU: 77.75
– Fair value per share on grant date, in CHF for LTI plan March 2019 PSU: 74.40

[1] Compared to the 2018 Compensation Report, the following table represents a simplified structure, adding up the compensation of active Executive Leadership Team members and those, who have stepped down from the Executive Leadership Team in the current and previous year.
[2] The amounts include the compensation paid to
– the nine Executive Leadership Team (ELT) members active on December 31, 2019
– the a.i. CAO for the period between January 1 and February 10, 2019
– one ELT member stepping down in 2018.
[3] The amounts include the compensation paid to
– the six Executive Leadership Team (ELT) members active on December 31, 2018
– the a.i. CAO for the period between September 1 and December 31, 2018
– two ELT member stepping down in 2018.

5.2 Retrospective Disclosure for LTI Target Achievement

Sunrise is committed to disclosing the target achievement of long-term incentive plans at the end of the three-year performance period. This allows shareholders to assess the link between Company performance and compensation of the Executive Leadership Team members. The retrospective approach is the most reasonable since disclosing future targets before the end of the relevant performance period would give substantial insight into the confidential future strategies of Sunrise and could lead to a competitive disadvantage.

The Management Long-Term Investment Programs (MLTIP) 2016 and the first two Management Long-Term Investment Program Executive Management (MLTIPEs) vested in 2019.

Overall, the characteristics and mechanisms of the MLTIP₀, the MLTIP and the MLTIPE were similar, requiring participants to purchase shares (Investment Shares) which were locked for trading over a blocking period of three years. Up to 1.5 Performance Shares were allocated to each Investment Share based on Sunrise total shareholder return over the three-year performance period relative to two peer groups. Up to 0.75 Performance Shares were based on Sunrise TSR relative to the constituents of the SMIM over the three-year performance period. The remaining up to 0.75 Performance Shares were based on Sunrise TSR relative to a peer group of international telecom companies. This peer group included Swisscom, O2 Germany, Elisa and Tele2 Sweden.

For members of the Executive Leadership Team, Performance Shares under the MLTIP$_0$, the MLTIP and the MLTIPE vested in accordance with the table below. The performance achievement relative to target of the MLTIP$_{2016}$ and the two MLTIPE$_{2016}$ differ due to different share price appreciation over the respective periods. Participants leaving the Company before the performance period expired lost their entitlement to Performance Shares.

Vehicle	Allocation date	Number of Investment Shares [1]	Vesting date	Performance achievement relative to target	Number of Investment Shares[2]	Number of Performance Shares[3]	CHFk value of Performance Shares[4]
MLTIP$_0$	Feb. 06, 2015	107,676	Feb. 06, 2018	1.18	32,941	38,871	3,341
MLTIP$_{2015}$	Mar. 27, 2015	6,497	Mar. 27, 2018	0.87	2,453	2,136	175
MLTIP$_{2016}$	Mar. 24, 2016	3,713	Mar. 24, 2019	0.95	768	731	53
MLTIPE$_{2016}$	Apr. 12, 2016	22,960	Apr. 12, 2019	0.97	22,920	22,255	1,567
MLTIPE$_{2016}$	Jun. 13, 2016	13,044	Jun. 13, 2019	0.98	6,522	6,365	455

1 Number of Investment Shares entitled to receive Performance Shares at allocation date
2 Number of Investment Shares entitled to receive Performance Shares at vesting date. Since participants leaving the Company before the performance period expired lost their entitlement to Performance Shares, the number of Investment Shares entitled to receive Performance Shares is lower at vesting than at allocation date.
3 Number of Performance Shares awarded at vesting date
4 CHFk value at vesting date subject to deduction of applicable tax, employee social security and other statutory charges.

6 Shareholdings of the Board of Directors and Executive Leadership Team

As of December 31, 2019, the members of the Board of Directors held the shares listed in the table below. No related parties held any shares.

Number of shares held by the members of the Board of Directors

	2019	2018
Peter Kurer, Chair	11,099	7,723
Peter Schöpfer, Vice-Chair	4,049	2,061
Ingo Arnold, Board Member	688	–
Robin Bienenstock, Board Member	2,749	2,061
Ingrid Deltenre, Board Member	1,316	628
Michael Krammer, Board Member	2,749	2,061
Jesper Ovesen, Board Member	7,579	6,891
Christoph Vilanek, Board Member	2,749	2,061
Total	**32,978**	**23,486**

As of December 31, 2019, the members of the Executive Leadership Team held the shares listed in the table below. No related parties held any shares.

Number of shares held by the members of the Executive Leadership Team

	2019	2018
Olaf Swantee, CEO	51,565	29,310
André Krause, CFO	19,371	27,421
Giuseppe Bonina, CYO	1,502	–
Françoise Clemes, CSO	15,039	8,674
Bruno Duarte, CCO	4,950	4,950
Tobias Foster, CHRO	4,639	–
Marcel Huber, CAO	2,100	–
Elmar Grasser, CTO	4,531	3,932
Robert Wigger, CBO	5,066	5,066
Total	**108,763**	**79,353**

6.2.1 Share Ownership Guidelines

In 2019, Sunrise implemented Share Ownership Guidelines (SOG) which ensure the alignment of interests of the members of the Executive Leadership Team with those of the shareholders. The SOG define the obligations of the members of the Executive Leadership Team to hold Sunrise shares, specifying the minimum monetary value of shares to be held by each member of the Executive Leadership Team. The Ownership Targets are defined in relation to the base salaries (see graph below). The

SOG establish procedures that come into effect when share Ownership Targets are not met and define how and when conformity checks will take place after the initial setup.

SOG	Ownership Target in relation to base salary[1]	Initial Measurement Date[2]
CEO	200%	December 31, 2021
Members of the Executive Leadership Team	100%	December 31, 2021

[1] The final determination of the Ownership Target to be met on the Initial Measurement Date is made in January 2021, based on each Participant's annual base salary as of January 1, 2021 and the average opening Sunrise share price on the Swiss Stock Exchange during the fourth quarter of 2020 (October 1 to December 31).
[2] Newly promoted and newly hired members of the Executive Leadership Team (including the CEO) are required to meet their Ownership Target within 3.5 years of promotion or hire.

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To the General Meeting of
Sunrise Communications Group AG, Opfikon

Zurich, February 26, 2020

Report of the statutory auditor on the compensation report

We have audited the compensation report of Sunrise Communications Group AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 4 Board of Directors Compensation and section 5 Executive Leadership Team Compensation on pages 97 to 104 of the compensation report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles

14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the compensation report for the year ended 31 December 2019 of Sunrise Communications Group AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Willy Hofstetter	Tobias Meyer
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Consolidated Financial Statements

Sunrise Communications Group AG

Consolidated Statements of Income

CHFk January 1 – December 31	Note	2019	2018[1]
Revenue	**9,10**	**1,886,664**	**1,876,464**
Transmission costs and cost of goods sold		(634,460)	(657,345)
Other operating expenses		(429,133)	(425,471)
Wages, salaries and pension costs	13	(206,091)	(213,880)
Other income	16	43,667	25,493
Other expenses	16	(72,580)	(2,957)
Income before depreciation and amortization, net financial items and income taxes		**588,067**	**602,304**
Amortization	22	(270,130)	(256,184)
Depreciation and impairment losses	23, 30	(204,662)	(169,508)
Operating income		**113,275**	**176,612**
Foreign currency gains, net		2,839	2,265
Financial income		183	15,071
Financial expenses		(49,608)	(50,757)
Net financial items	**19**	**(46,586)**	**(33,421)**
Income before income taxes		**66,689**	**143,191**
Income taxes	29	(11,114)	(36,273)
Net income		**55,575**	**106,918**
Net income attributable to equity holders of the parent company		**55,575**	**106,918**
Basic earnings per share (in CHF)	**27**	**1.23**	**2.37**
Diluted earnings per share (in CHF)	**27**	**1.23**	**2.37**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
The accompanying Notes form an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

CHFk January 1 – December 31	2019	2018[1]
Net income	**55,575**	**106,918**
Actuarial (loss) / gain related to defined benefit pension plans	(5,861)	4,772
Income tax effect	144	(969)
Net other comprehensive (loss) / income not to be reclassified to profit and loss in subsequent periods	**(5,717)**	**3,803**
Other comprehensive (loss) / income, net of taxes	**(5,717)**	**3,803**
Total comprehensive income	**49,858**	**110,721**
Comprehensive income attributable to equity holders of the parent company	**49,858**	**110,721**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
The accompanying Notes form an integral part of the consolidated financial statements.

Consolidated Statements of Financial Position

Assets

CHFk December 31	Note	2019	2018[1]
Non-current assets			
Intangible assets	22	2,119,967	2,088,238
Property, plant and equipment	23	846,642	823,763
Right-of-use assets	30	282,736	–
Non-current portion of trade and other receivables	11	65,294	56,813
Non-current portion of contract assets	10,11	5,922	4,067
Non-current portion of prepaid expenses	17	–	631
Contract costs	10	54,801	45,933
Total non-current assets		**3,375,362**	**3,019,445**
Current assets			
Inventories	24	54,734	46,329
Current portion of trade and other receivables	11	309,223	325,960
Current portion of contract assets	10,11	112,345	99,682
Current portion of prepaid expenses	17	9,713	8,886
Cash and cash equivalents	25	200,611	420,919
Total current assets		**686,626**	**901,776**
Total assets		**4,061,988**	**3,921,221**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
The accompanying Notes form an integral part of the consolidated financial statements.

Equity and liabilities

CHFk	Note	2019	2018[1]
Equity			
Common shares		45,069	45,069
Share premium		1,972,737	2,162,727
Other reserves		(776,143)	(776,143)
Accumulated profit		99,382	49,524
Total equity	**26**	**1,341,045**	**1,481,177**
Non-current liabilities			
Non-current portion of loans and notes	20	1,577,485	1,568,262
Non-current portion of lease liabilities	20	228,439	2,774
Non-current portion of trade and other payables	18	20,454	368
Deferred tax liabilities	29	118,195	155,744
Non-current portion of provisions	28	62,077	54,372
Employee benefit obligations	15	81,746	84,881
Non-current portion of contract liabilities	10,12	7,800	5,958
Total non-current liabilities		**2,096,196**	**1,872,359**
Current liabilities			
Current portion of lease liabilities	20	34,777	1,973
Current portion of trade and other payables	18	529,204	501,016
Income tax payable	29	28,982	26,735
Current portion of provisions	28	1,898	6,005
Current portion of contract liabilities	10,12	28,371	31,510
Other current liabilities		1,515	446
Total current liabilities		**624,747**	**567,685**
Total liabilities		**2,720,943**	**2,440,044**
Total equity and liabilities		**4,061,988**	**3,921,221**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
The accompanying Notes form an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flow

CHFk January 1 – December 31	Note	2019	2018[1]
Income before income taxes		**66,689**	**143,191**
Amortization	22	270,130	256,184
Depreciation and impairment losses	23	204,662	169,508
Gain on disposal of property, plant and equipment		(26,336)	(766)
Movement in pension	15	(9,650)	4,197
Movement in provisions	28	(4,724)	(12,617)
Change in net working capital	31	(26,562)	(48,939)
Cash flow from operating activities before net financial items and taxes		**474,209**	**510,758**
Financial income	19	(183)	(15,071)
Financial expense	19	49,608	50,757
Foreign currency gains, net	19	(2,839)	(2,265)
Interest received		182	16
Interest paid		(39,640)	(30,237)
Corporate income and withholding tax paid		(45,736)	(50,052)
Total cash flow from operating activities		**435,601**	**463,906**
Purchase of property, plant and equipment	23	(204,814)	(181,756)
Purchase of intangible assets	22	(255,209)	(121,257)
Sale of property, plant and equipment		31,068	9,568
Total cash flow used in investing activities		**(428,955)**	**(293,445)**
Proceeds from long-term loans and notes	20	–	690,201
Repayments of long-term loans and notes	20	–	(500,000)
Cost of early debt redemption		–	(5,315)
Costs relating to capital increase		–	(73)
Repayments of lease liabilities	20	(32,145)	(6,966)
Dividend payment		(189,290)	(180,276)
Other financing activities		(6,128)	(21,479)
Total cash flow used in financing activities		**(227,563)**	**(23,908)**
Total cash flow		**(220,917)**	**146,553**
Cash and cash equivalents as of January 1		420,919	272,486
Foreign currency impact on cash	19	609	1,880
Cash and cash equivalents as of December 31		**200,611**	**420,919**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
The accompanying Notes form an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

CHFk	Common shares	Share premium	Other reserves	Accumulated (deficit)/profit	Total
Equity as of January 1, 2018[1]	**45,000**	**2,342,653**	**(776,143)**	**(101,229)**	**1,510,281**
Impact of change in accounting policies[1]	–	–	–	40,032	40,032
Adjusted equity as of January 1, 2018	**45,000**	**2,342,653**	**(776,143)**	**(61,197)**	**1,550,313**
Net income for the period	–	–	–	106,918	106,918
Other comprehensive income	–	–	–	3,803	3,803
Total comprehensive income	**-**	**-**	**-**	**110,721**	**110,721**
Share-based payment	–	(4,201)	–	–	(4,201)
Dividend payment	–	(180,276)	–	–	(180,276)
Capital increase	69	4,551	–	–	4,620
Equity as of December 31, 2018[1]	**45,069**	**2,162,727**	**(776,143)**	**49,524**	**1,481,177**
Equity as of January 1, 2019	**45,069**	**2,162,727**	**(776,143)**	**49,524**	**1,481,177**
Net income for the period	–	–	–	55,575	55,575
Other comprehensive income	–	–	–	(5,717)	(5,717)
Total comprehensive income	**-**	**-**	**-**	**49,858**	**49,858**
Share-based payment	–	(700)	–	–	(700)
Dividend payment	–	(189,290)	–	–	(189,290)
Equity as of December 31, 2019	**45,069**	**1,972,737**	**(776,143)**	**99,382**	**1,341,045**

[1] The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018.
The accompanying Notes form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

NOTE

NOTE 1

General information

Sunrise Communications Group AG (SCG or the Company) was incorporated in Switzerland on January 13, 2015. The registered offices of the Company are located at Thurgauerstrasse 101B, 8152 Glattpark (Opfikon), Switzerland.

The consolidated financial statements for the year ended December 31, 2019, comprise SCG and its subsidiaries (together referred to as the Group or Sunrise). The Group's principal operating company, Sunrise Communications AG, is the second-largest full-range telecommunications provider in Switzerland and offers mobile voice and data, landline services (retail and wholesale voice, business and integration services) and landline Internet including Internet Protocol Television (IPTV) services to both Residential and Business customers as well as to other operators. Sunrise has its own national backbone landline and IP network as well as its own mobile network based on GSM / GPRS / EDGE / UMTS / HSPA, 4G / 4G+ and 5G technologies. In connection with the services it provides, Sunrise also resells handsets manufactured by third party suppliers.

These consolidated financial statements were authorized for issue by the Group's Board of Directors on February 26, 2020, and are subject to shareholder approval at the Annual General Meeting to be held on April 8, 2020.

NOTE 2

Basis of preparation

The consolidated financial statements of the Group as of and for the year ended December 31, 2019, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures at the reporting date. The accounting estimates and judgments considered material to the preparation of the financial statements are summarized in Note 5.

This is the first year in which IFRS 16 was applied to the Sunrise financial statements. Changes to the significant accounting policies are described in Note 7.

Except where otherwise indicated, numbers are shown in CHF thousand in all tables and in CHF million in the text.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the precise underlying amount rather than the presented rounded amount.

NOTE 3

Overview of Group companies

Company name	Operating purpose	Registered office	Currency	Share capital in thousands	Voting rights	Consolidation method
Switzerland						
Sunrise Communications Group AG	Holding	Opfikon	CHF	45,069		
Sunrise Communications AG	Telecommunications services	Opfikon	CHF	50,000	100	Full
TelCommunication Services AG	Telecommunications services	Opfikon	CHF	2,000	100	Full
YOL Services AG	Telecommunications services	Opfikon	CHF	105	100	Full
Luxembourg						
Mobile Challenger Intermediate Group S.A.	Subholding	Luxembourg	CHF	1,346	100	Full
Sunrise Communications Holdings S.A.	Subholding	Luxembourg	CHF	1,000	100	Full
Sunrise Communications International S.A.	Subholding	Luxembourg	CHF	1,000	100	Full
Skylight S.à r.l.	Subholding	Luxembourg	CHF	1,500	100	Full

NOTE 4

Related parties

The related parties of the Group include the pension fund (Pensionskasse Sunrise, Opfikon), the members of the Board of Directors, and the member of the Executive Leadership Team.

Related party transactions in 2019 are limited to the payment of salaries and bonuses. As described in Note 14 certain managers and employees of Sunrise Communications AG participate in a management equity program and an employee participation program involving Sunrise Communications Group AG.

Following the intended UPC transaction, André Krause, former CFO, replaced Olaf Swantee as CEO on January 3, 2020 with immediate effect. On January 6, 2020 Uwe Schiller was appointed as new CFO. It was also announced that Bruno Duarte the Chief Consumer Officer will leave Sunrise. Until a successor is found for Bruno Duarte, André Krause takes over the responsibility for the Consumer Unit.

NOTE 5

Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates and judgments.

The following estimates and judgments are considered important when portraying the Group's financial position:

– Useful life of intangible assets and property, plant and equipment as shown in Note 6 is assigned based on periodic studies of the actual useful life and intended use of those assets. Such studies are completed or updated whenever new events occur with the potential to impact the way the useful life of the asset is determined, such as events or circumstances that indicate that the carrying value of the asset may not be recoverable and should therefore be tested for impairment. Any change in the estimated useful life of these assets is recognized in the financial statements as soon as any such change is determined. For details, see Note 22 and Note 23.
– Intangible assets comprise a significant portion of the Group's total assets. Impairment tests on goodwill are performed at least annually and, if necessary, whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recovera-

ble. The measurement of intangibles is a complex process that requires significant management judgment in determining various assumptions, such as cash flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions, combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges. For details, see Note 22.

- Right-of-use assets and lease liabilities amount to a significant portion of the Group's balance sheet (see Note 30). The valuation is based on several judgments, starting with the assessment of whether a contract contains a lease. Other material judgments made by the group include assumptions concerning the lease terms and the probability that an extension option will be exercised.
- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rate and future salary increases. As shown in Note 15, the assumed discount rate reflects changes in market conditions. The Group believes these assumptions illustrate current market conditions.
- Estimates of deferred taxes and significant items giving rise to deferred assets and liabilities are shown in Note 29. These reflect the assessment of future taxes to be paid on items in the financial statements, giving consideration to both the timing and probability of these estimates. In addition, such estimates reflect expectations about the amount of future taxable income and, where applicable, tax planning strategies. Actual income taxes and income for the period may vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or the final review of tax returns by tax authorities.
- Provisions for asset retirement obligations are made for costs incurred in connection with the future dismantling of mobile stations and restoration of property owned by third parties. These provisions are primarily based on estimates of future costs for dismantling and restoration and the timing of the dismantling. See Note 28.
- Costs to obtain a contract consist of costs directly related to the acquisition and retention of contracts with customers (e.g., commission paid to vendors or retailers). Management judgment is required to determine whether costs are directly attributable and incremental and to define the appropriate amortization period consistent with the type of underlying service contract (mobile pre- or postpaid, fixnet). See also Note 10.
- As part of the sale of one subsidiary to a third party in 2017 (see annual report 2017; Note 11) Sunrise entered into a service level agreement and a transitional service agreement for the use of the towers sold to the third party. Management concluded that the transaction qualifies as a service agreement, as the criteria for a lease agreement are not fulfilled.

NOTE 6

Significant accounting policies

Principles of consolidation

Subsidiaries

Subsidiaries are all companies over which the Group has control. Control is achieved when the Group is exposed or has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Gains and losses related to divestment of subsidiaries are recognized as the difference between the fair value of the proceeds (less divestment expenses) and the carrying value of net assets (including goodwill).

The balance sheet date for all consolidated subsidiaries is December 31, 2019.

Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit and loss.

Foreign currency translation

The financial statements are presented in Swiss francs, which is the functional currency of the parent company and each of its subsidiaries. The functional currency is the currency applied in the primary economic environment of each enterprise's operations. Transactions in currencies other than the functional currency are transactions in foreign currencies.

Such transactions are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between transaction-date and settlement-date rates are recognized as net financial items in the statement of income. Cash, loans and other amounts receivable or payable in foreign currencies (monetary assets and liabilities), if any, are translated into the functional currency at the official exchange rates as quoted at the reporting date.

The following table summarizes the principal exchange rates used by the Group (shown against CHF):

CURRENCY	BALANCE SHEET		INCOME STATEMENT AND CASH FLOW	
CHF	**December 31, 2019**	December 31, 2018	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Euro	1.0856	1.1255	1.1276	1.1709
US Dollar	0.9666	0.9821	1.0044	0.9873

Revenue recognition
Revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when the customer obtains control of the promised goods or services.

Significant sources of revenue are recognized in the statement of income as follows:
– Revenue from telephony is recognized at the time the call is made
– Revenue from the sale of prepaid services is deferred and revenue is recognized at the time of use
– Wholesale revenue from voice carrier services is recognized at the time of use
– Revenue from leased lines is recognized over the rental period
– Revenue from subscription and flat-rate service fees is recognized over the subscription period
– Revenue from non-refundable up-front connection fees is deferred and amortized over the agreed minimum contract term
– Revenue from the sale of handsets is recognized upon delivery
– Revenue from the maintenance of equipment is recognized over the contract period

The revenue related to each element is recorded in accordance with the accounting policies stated below.

Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales. For multi-component contracts (mobile subscription with subsidized mobile hardware), the transaction price is generally allocated to each separate performance obligation (including undelivered elements) in proportion to the stand-alone selling prices, and the revenue is recognized when the customer obtains control of the separate components.

In the balance sheet, this leads to the recognition of a contract asset, i.e., a legally not yet entitled right to consideration from a contract with a customer. In contrast, activation fees lead to the recognition of a contract liability, i.e., the obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. Contract assets and liabilities are determined at the contract level and not at the performance obligation level. Each performance obligation within a contract is aggregated into a single contract asset or liability and recorded net in the statement of financial position.

Accrued income and deferred discounts will be classified as part of contract assets. Payments for services to be rendered in subsequent periods (e.g., deferred sales related to prepaid services and leased lines) will be classified as a contract liability.

Revenue is recognized gross when the Group acts as a principal in a transaction. For content-based services and the resale of services from content providers where the Group acts as an agent, revenue is recognized net of direct costs.

Other income and other expenses

Other income and other expenses primarily include significant amounts that cannot be attributed to the normal course of operations, such as net collectible fees earned from early termination of contracts, revenue from subleases, cost and revenue from the sale of network-related assets, disposal of property, plant and equipment as well as any reversals of provisions and accruals.

Intangible assets

Goodwill is recognized at cost less accumulated impairment losses. Goodwill is allocated from the acquisition date to cash-generating units for the purpose of impairment testing. The carrying value of goodwill is tested for impairment annually in the fourth quarter. If there is any indication during the year that goodwill may be impaired, the cash-generating unit is tested for impairment at that time. Goodwill is subsequently written down to the recoverable amount through the statement of income if the recoverable amount is exceeded by the carrying value. Impairment losses on goodwill are not reversed.

Brands, subscriber base, licenses, proprietary rights, patents, etc., are measured at cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over their estimated useful lives.

Development projects, including costs of computer software purchased or developed for internal use, are recognized as intangible assets if the costs can be calculated reliably and if they are expected to generate future economic benefits. Costs of development projects include wages and external charges. Development projects that do not meet the criteria for recognition in the statement of financial position are expensed as incurred in the statement of income.

The main amortization periods are as follows:

UMTS and spectrum licenses	6–16 years
Subscriber base	5–11 years
Brands	4–10 years
Other rights	2–10 years
Development projects/software	3 years

Development projects in process are tested for impairment at least annually and written down to their recoverable amount in the statement of income if their recoverable amount is exceeded by their carrying value.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated write-down for impairment.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and write-down for impairment.

Costs comprise purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use, as well as the estimated costs of dismantling and restoring the site. The costs of self-constructed assets include directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers during the construction period. Costs also include estimated asset retirement costs on a discounted basis if the related obligation meets the conditions for recognition as a provision.

The depreciation base is measured at cost less residual value and any write-downs. Depreciation is provided on a straight-line basis over the estimated useful life of the assets as follows:

Cable installations	20	years
Exchange installations and base stations	10–15	years
Leasehold improvements	10	years[1]
Other telecommunications installations	3–7	years
Computer equipment	3–5	years
Other installations	5–7	years
Customer premises equipment	3	years[1]

[1] Or shorter if the contract period is shorter.

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated costs and accumulated depreciation. Gains and losses arising from the sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying value at the time of sale. The resulting gain or loss is recognized in the statement of income under other income and expenses.

Software that is an integral part of a tangible asset (e.g., telephone exchange installations) is presented together with the related tangible assets.

If indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the higher of the fair value less costs to sell and the value in use, is less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Contract cost

Incremental costs of obtaining a contract are capitalized if they are directly related to obtaining a contract with a customer and if the costs are expected to be recovered. Such commissions paid to retailers or employees (contract costs) are capitalized and recognized in Other operating expenses or Wages, salaries and pension costs over the initial contractual term or over a longer period if management anticipates a customer will renew a contract and the costs also relate to goods and services that are expected to be transferred during renewal periods.

Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of merchandise include purchase price and delivery costs. The costs of work in progress comprise direct costs of merchandise, direct labor, other direct costs and related production overheads. The costs of inventories are determined using the standard costing method. The difference between standard costs and the sale price of handsets sold as part of a subscriber arrangement is recognized as subscriber acquisition or retention costs and shown in Other operating expenses upon completion of the sale.

Trade receivables and other receivables

Receivables are measured at amortized cost net of an allowance for uncollectible amounts. The allowance for trade receivables and contract assets is always measured at an amount equal to lifetime expected credit loss (ECL). When determining whether the credit risk of a financial asset has increased significantly, the Group considers both quantitative and qualitative information and analysis based on its historical experience, internal credit assessment and forward-looking information. Allowances for anticipated uncollectible amounts are based on individual assessments of major receivables and historically experienced losses on uniform groups of other receivables. This allowance is equal to the difference between the carrying amount and the present value of the amounts expected to be recovered. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The loss is recognized in the statement of income within Other operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against Other operating expenses in the statement of income.

Income taxes

Income taxes include all current and deferred taxes based on the taxable profits of the Group. Other taxes not based on income such as property or capital taxes are recorded as other operating expenses.

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date, except for temporary differences arising from the initial recognition of goodwill and other items in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit. Deferred tax assets and liabilities are measured on the basis of tax rates enacted or substantively enacted at the end of the reporting period. The change in deferred tax assets and liabilities results in a corresponding deferred tax expense or income for the period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available, against which temporary differences or unused tax losses can be utilized. Deferred tax is charged or credited in the statement of income, except when it relates to items recognized in other comprehensive income, in which case the deferred tax is treated accordingly.

Current and deferred tax assets and liabilities are offset only if they relate to the same taxing authority and taxable entity.

Provisions

Provisions are recognized when – as a consequence of an event occurring before or on the reporting date – the Group has a present obligation (legal or constructive), it is probable that economic benefits will be sacrificed to settle the obligation, and the amount of the obligation can be estimated reliably.

Restructuring provisions are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected and a detailed estimate of the associated costs, and an appropriate timeline has been established. Furthermore, the affected employees must have been notified of the plan's main features.

An asset retirement obligation (ARO) is recognized when the Group has a legal or constructive obligation to remove the asset and restore the site where the asset was used at the end of the lease term. The Group has estimated and capitalized the net present value of the obligations and increased the carrying amount of the asset by the respective amount. The estimated cash flows are discounted using a risk-adjusted interest rate and recognized as a provision. Subsequently, the unwinding of the discount is expensed in Net financial items. The capitalized amount is amortized over the expected lease period, including the potential extension option if it is expected to be exercised. Provisions are measured at management's best estimate of the amount at which the liability is expected to be settled. If the timing of the settlement has a significant impact on the measurement of the liability, such liability is discounted.

Pensions

The Group's pension plans comprise defined benefit plans established under Swiss pension legislation. Obligations are determined quarterly by independent qualified actuaries using the Projected Unit Credit Method assuming that each year of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligations. The Group recognizes in the statement of income a gain or loss on curtailment when a commitment is made to significantly reduce the number of employees, generally as a result of a restructuring or disposal/discontinuation of part of the business or the outsourcing of business activities. Gains or losses on curtailment or settlement of pension benefits are recognized in the statement of income when the curtailment or settlement occurs.

Differences between projected and realized changes in pension assets and pension obligations are referred to as actuarial gains and losses and are recognized in other comprehensive income when such gains and losses occur.

In case of changes in benefits relating to employees' previous service periods, a change in the estimated present value of the pension obligations will be immediately recognized.

The present value of the pension obligation is measured using a discount rate based on the interest rate on high quality corporate bonds where the currency and terms of the corporate bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Financial liabilities

Interest-bearing loans issued by Sunrise are recognized initially at the proceeds received net of debt issuance expenses incurred. In subsequent periods, loans are measured at amortized cost using the effective interest method. Other financial liabilities are measured at amortized cost.

Leases

The Group assesses whether a contract contains a lease at the inception of the contract. The Group concludes that a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. During assessment about whether a contract contains a lease, the Group considers following criteria in order to meet the definition of a lease:

- The contract specifies the right to use an identified asset (e.g., specified space on a rooftop to place a mobile site)
- The Group has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use (e.g., generate revenue by allowing the Group to provide services to customers); and
- The Group has the right to direct the use of the asset (e.g., decide which type of equipment is placed on the leased space).

The Group recognizes a RoU (Right-of-use) asset and a lease liability at the lease commencement date. The RoU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Furthermore the RoU asset is adjusted for an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located (Asset Retirement Obligation, ARO). The RoU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the RoU asset or the end of the lease term. In addition, RoU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The RoU assets and the lease liabilities are presented separately in the consolidated financial statements.

The lease liabilities are initially measured at the present value of the future lease payments (including extension options reasonably certain to be exercised), discounted using the Group's incremental borrowing rate as the discount rate. The lease payments include fixed payments, less any lease incentives receivables, variable lease payments, if any, that depend on an index or rate. Variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. Remeasurements of the lease liability occur whenever:

- Lease payments have changed due to a change in index or rate (discounted using the initial discount rate)
- The lease term has changed or there is a change in the assessment of an extension option (discounted using the revised discount rate)
- The lease contract is modified and the modification is not accounted for as a separate lease (discounted using the revised discount rate).

The Group applies the short-term lease recognition exemption to its short-term leases. Lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

For the Group, Lessor accounting is immaterial.

Statements of cash flow, cash and cash equivalents

Cash flow from operating activities is presented under the indirect method and is based on income before income taxes and adjusted for amortization, depreciation, non-cash operating items, cash-flow-related changes in net working capital, financial income and expenses, interest received and paid as well as income taxes paid.

Cash flow from investing activities comprises acquisition and divestment of subsidiaries; purchase and sale of intangible assets, property, plant and equipment as well as other non-current assets; and purchase and sale of securities that are not recognized as cash and cash equivalents. Cash flows from acquired subsidiaries are recognized from the time of acquisition, while cash flows from subsidiaries divested are recognized up to the time of divestment.

Cash flow from financing activities comprises repayments and proceeds from loans and notes, settlement of derivative instruments including related costs such as early redemption costs, repayments of capital leases and issuance and/or redemption of share capital.

Cash and cash equivalents are readily convertible into a known amount of cash within original maturities of three months or less. For the purpose of the statement of cash flow, cash and cash equivalents comprise cash at banks and in hand, deposits held on call with banks and other short-term highly liquid investments, net of bank overdrafts.

Share capital

Ordinary shares are classified as equity. The share premium consists of additional paid-in capital net of transaction costs that are incremental and directly attributable to the issuance of new shares and share-based payment.

NOTE 7

New accounting standards

The Group has initially adopted IFRS 16 Leases from January 1, 2019. A number of other amendments to existing standards are effective from January 1, 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a Lease. The Group has applied IFRS 16 using the modified retrospective transition method and therefore the comparative information has not been restated.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation for lease payments. Lessor accounting remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases. For the Group, Lessor accounting remains immaterial.

Restatement of equity due to accounting policy changes

The initial application of IFRS 16 did not have any impact on equity as of January 1, 2019.

Impact on the financial statements

As part of the transition to IFRS 16, as of January 1, 2019 the Group has recognized additional right-of-use assets (RoU assets) and lease liabilities in the amount of CHF 275 million. For the initial recognition of the right-of-use assets (RoU), the Group values the RoU assets to be equal to the lease liabilities (subject to certain adjustments). The detailed impact on the Group's consolidated statements of income and cash flow for the year 2019 and on its consolidated statements of financial position as of December 31, 2019, is summarized in the tables below.

Consolidated Statements of Income

CHFk **January 1 – December 31, 2019**	**As reported**	Adjustments	Balances without adoption of new accounting policies
	IMPACT OF CHANGES IN ACCOUNTING POLICIES		
Income Statement			
Transmission costs and cost of goods sold	(634,460)	(203)	(634,663)
Other operating expenses	(429,133)	(44,284)	(473,417)
Depreciation and impairment losses	(204,662)	36,670	(167,992)
Financial expenses	(49,608)	12,025	(37,583)
Income taxes	(11,114)	(842)	(11,956)
Other[1]	1,384,552	–	1,384,552
Net income	**55,575**	**3,366**	**58,941**
Basic and diluted earnings per share (in CHF)	1.23	0.07	1.31

[1] Includes all other line items not affected by the change in accounting policies.

Consolidated Statements of Cash Flow

CHFk **January 1 – December 31, 2019**	**As reported**	Adjustments	Balances without adoption of new accounting policies
	IMPACT OF CHANGES IN ACCOUNTING POLICIES		
Cashflow			
Income before income taxes	66,689	4,208	70,897
Depreciation and impairment losses	204,662	(36,670)	167,992
Change in net working capital	(26,562)	5,182	(21,380)
Financial expense	49,608	(12,025)	37,583
Interest paid	(39,640)	12,025	(27,615)
Other[1]	180,844	–	180,844
Total cash flow from operating activities	**435,601**	**(27,280)**	**408,321**
Total cash flow used in investing activities	**(428,955)**	**-**	**(428,955)**
Repayments of lease liabilities	(32,145)	27,280	(4,865)
Other[1]	(195,418)	–	(195,418)
Total cash flow used in financing activities	**(227,563)**	**27,280**	**(200,283)**

[1] Includes all other line items not affected by the change in accounting policies.

Consolidated Statements of Financial Position

CHFk **December 31, 2019**	**IMPACT OF CHANGES IN ACCOUNTING POLICIES** **As reported**	Adjustments	Balances without adoption of new accounting policies
Assets			
Property, plant and equipment	846,642	(38,157)	884,799
Right-of-use assets	282,736	282,736	–
Current portion of prepaid expenses	9,713	(1,748)	11,461
Other[1]	2,922,897	–	2,922,897
Total assets	**4,061,988**	**242,831**	**3,819,157**
Liabilities			
Non-current portion of lease liabilities	228,439	223,417	5,022
Current portion of lease liabilities	34,777	30,552	4,225
Current portion of trade and other payables	529,204	(6,930)	536,134
Income tax payable	28,982	(842)	29,824
Other[1]	1,899,541	–	1,899,541
Total liabilities	**2,720,943**	**246,197**	**2,474,746**
Total Equity			
Accumulated profit	99,382	(3,366)	102,748
Other[1]	1,241,663	–	1,241,663
Total equity	**1,341,045**	**(3,366)**	**1,344,411**

[1] Includes all other line items not affected by the change in accounting policies.

During the assessment the Group has identified lease contracts for mobile sites, transmission equipment such as leased lines, shops & offices and cars.

The lease liabilities are initially measured at the present value of the future lease payments (including extension options reasonably certain to be exercised), discounted using the Group's incremental borrowing rate as the discount rate. The weighted average discount rate used to measure the lease liabilities at the date of initial application was 4.7%.

As permitted by the standard, the Group has elected not to recognize RoU assets and lease liabilities for short term leases that have a lease term of 12 months or less. Lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The costs associated with these leases amounted to CHF 6.4 million in 2019 and are part of Other operating expenses.

Based on operating lease obligations as of December 31, 2018, the following reconciliation resulted to the opening value of the lease liabilities as of January 1, 2019.

CHFk **January 1, 2019**	**As reported**
Operating lease commitment as of December 31, 2018	**203,352**
Discounted effect using the incremental borrowing rate as of January 1, 2019	(39,681)
Discounted operating lease commitment as of January 1, 2019	**163,671**
Financial lease liabilities as of December 31, 2018	4,747
Recognition exemption for short-term leases	(7,176)
Extension options reasonably certain to be exercised	118,031
Lease liabilities as of January 1, 2019	**279,273**

NOTE 8

Standards issued but not yet effective

None of the interpretations and new or amended standards to existing International Financial Reporting Standards (IFRS) effective January 1, 2020, or later, is of material relevance to the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards, effective January 1, 2020
- Definition of a Business (Amendments to IFRS 3), effective January 1, 2020
- Definition of Material (Amendments to IAS 1 and IAS 8), effective January 1, 2020
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), effective January 1, 2020
- IFRS 17 Insurance Contracts, effective January 1, 2021
- Classification of debt and other liabilities as current or non-current (Amendments to IAS 1), effective January 1, 2022.

NOTE 9

Segment reporting

Operating segments have been determined based on management reports reviewed by the Board of Directors. The Group's organizational structure reflects the different customer groups to which the Group provides its telecommunications products and services: Residential, Business, Wholesale, and a reportable Head Office segment that includes the finance, IT and technology functions of the Group.

Residential provides fixed-line and mobile services to residential end customers as well as sales of handsets. Through its investments in local loop unbundling and IPTV as well as its contractual arrangements with Swiss Fibre Net AG, a joint venture of local energy providers in Switzerland, and Swisscom, Sunrise focuses on selling its products in the Swiss telecommunications market by marketing bundled offers in Fixnet/Internet, mobile and IPTV.

Business provides a full range of products and services, from fixed-line and mobile communications to Internet and data services as well as integration services to different business areas: small office and home office, small and medium-size managed enterprises and large corporate clients.

The Wholesale product portfolio covers voice, data, Internet and infrastructure services such as carrier and roaming services, which are marketed to national and international telecom service providers as well as mobile virtual network operators.

Head Office activities comprise support units such as Network, IT and Operations (customer care) as well as staff functions like Finance, Human Resources and Strategy. Furthermore, certain fees, sundry revenue and reminder fee payments are allocated to this operating segment.

Performance is measured based on EBITDA as included in the internal financial reports reviewed by the Board of Directors. EBITDA is defined as operating income before depreciation and amortization, net financial result items and income tax expenses. The EBITDA earned by each segment is considered an adequate measure of the operating performance of the segments reported to the Board of Directors for the purposes of resource allocation and performance assessment. Assets and liabilities are not allocated to operating segments in the management reports reviewed by the Board of Directors, as the review focuses on changes in net working capital on a Group level.

Activities

CHFk January 1 – December 31	RESIDENTIAL 2019	RESIDENTIAL 2018[2]	BUSINESS 2019	BUSINESS 2018[2]	WHOLESALE[1] 2019	WHOLESALE[1] 2018[2]	HEAD OFFICE ACTIVITIES 2019	HEAD OFFICE ACTIVITIES 2018[2]	TOTAL 2019	TOTAL 2018[2]
Revenue										
External customers	1,346,637	1,351,929	324,771	285,326	175,059	198,747	40,197	40,462	1,886,664	1,876,464
Total	**1,346,637**	**1,351,929**	**324,771**	**285,326**	**175,059**	**198,747**	**40,197**	**40,462**	**1,886,664**	**1,876,464**
Transmission costs and cost of goods sold										
External customers	(429,796)	(444,152)	(114,873)	(97,222)	(89,705)	(115,862)	(86)	(109)	(634,460)	(657,345)
Total	**(429,796)**	**(444,152)**	**(114,873)**	**(97,222)**	**(89,705)**	**(115,862)**	**(86)**	**(109)**	**(634,460)**	**(657,345)**
Other operating expenses	(130,951)	(137,466)	(23,261)	(21,614)	(4,180)	(4,117)	(270,741)	(262,274)	(429,133)	(425,471)
Wages, salaries and pension costs	(58,041)	(58,135)	(43,325)	(41,734)	(4,735)	(4,651)	(99,990)	(109,360)	(206,091)	(213,880)
Other income	–	–	–	–	–	–	43,667	25,493	43,667	25,493
Other expenses	(11)	(32)	–	–	–	–	(72,569)	(2,925)	(72,580)	(2,957)
EBITDA[2]	**727,838**	**712,144**	**143,312**	**124,756**	**76,439**	**74,117**	**(359,522)**	**(308,713)**	**588,067**	**602,304**

[1] Including hubbing revenue of CHF 74.1 million for 2019, and CHF 95.6 million for 2018.
[2] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA)

CHFk January 1 – December 31	2019	2018[1]
EBITDA from reportable segments	**588,067**	**602,304**
Unallocated:		
– Amortization	(270,130)	(256,184)
– Depreciation	(204,662)	(169,508)
– Net financial items	(46,586)	(33,421)
Income before income taxes	**66,689**	**143,191**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

NOTE 10

Revenue from contracts with customers

CHFk January 1 – December 31	2019	2018
Sales of goods	269,802	281,165
Sales of services	1,616,862	1,595,299
Total	**1,886,664**	**1,876,464**

CHFk January 1 – December 31	2019	2018
Mobile services	1,270,993	1,270,891
– Thereof mobile postpaid	*835,296*	*802,204*
– Thereof mobile prepaid	*75,610*	*96,273*
– Thereof mobile hardware	*262,055*	*279,403*
– Thereof other	*98,032*	*93,011*
Landline services	306,934	325,331
– Thereof landline voice	*124,149*	*125,997*
– Thereof hubbing	*74,056*	*95,580*
– Thereof other	*108,729*	*103,754*
Landline Internet and TV	308,737	280,242
Total	**1,886,664**	**1,876,464**

Mobile services include revenue from voice and data traffic, subscription and connection fees for mobile devices and interconnection traffic as well as roaming revenue from group subscribers traveling abroad.

Landline services include revenue from traffic, subscription, voice connection and other revenue from services, which primarily relate to business services.

Internet services comprise revenue from subscription fees for xDSL, related traffic charges for Internet traffic and IPTV services.

Sales of goods include sales of mobile and landline hardware and distribution and sales of ICT and telecommunications products in the e-business sector as well as installation, operation and maintenance services for these products.

The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue. For more detailed information about reportable segments, see Note 9.

The Residential segment generates revenue from mobile voice and data, landline, Internet and TV services from a single source. Mobile voice and data services are provided on both a postpaid and prepaid basis. Contracts for mobile subscriptions have no contract term, whereas home products have a minimum contract term of 12 months. The majority of these contracts do not contain a bundle arrangement of hardware and service. For this segment, the Group recognizes revenue on a contract-by-contract basis.

The Business segment generates revenue from products and services ranging from mobile offers and landline voice, Internet and data solutions to systems integration and management of services. The specific needs of customers are met with a portfolio of standardized products for small businesses, as well as customized, scalable and secure solutions for large enterprises. For part of this segment, a portfolio approach was applied in which the most significant adjustments reallocate a portion of the revenue to be received over the contract term related to mobile hardware delivered at contract inception.

The Wholesale segment generates revenue from mobile voice and data as well as Internet services to other national and international carriers.

Contract balances
The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

CHFk December 31	**2019**	2018
Trade receivables	374,517	382,773
Contract assets	118,267	103,749
Contract liabilities	(36,171)	(37,468)

Contract assets primarily relate to the Group's rights to consideration for hardware sold within a bundle arrangement but not yet billed. Contract liabilities primarily relate to the advance consideration received from customers for prepaid cards, dark fiber services and activation fees for which revenue is recognized over the term of the service contract (see Note 12).

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020	2021	2022	**Total**
Telecommunications services (mobile and landline)	54,218	17,682	1,509	73,409

Contract costs

According to IFRS 15, commission fees directly attributable to a contract are capitalized and recognized as expenses over the estimated contract duration. This means that capitalized commission fees are amortized when the related revenues are recognized. The capitalized costs are amortized over other operating expenses or wages, salaries and pension costs, depending on whether the costs are paid to external retailers or own employees.

in CHFk	**2019**	2018
Balance as of January 1	45,933	39,821
Additional capitalized contract cost	38,889	35,267
Amortized contract cost	(30,021)	(29,155)
Balance as of December 31	**54,801**	**45,933**

NOTE 11

Trade and other receivables

CHFk December 31	**2019**	2018
Trade and other receivables	374,517	382,773
Contract assets	118,267	103,749
Total	**492,784**	**486,522**
Thereof non-current portion of trade and other receivables	*65,294*	*56,813*
Thereof non-current portion of contract assets	*5,922*	*4,067*
Thereof current portion of trade and other receivables	*309,223*	*325,960*
Thereof current portion of contract assets	*112,345*	*99,682*

CHFk December 31	**2019**	2018
Allowances for uncollectible amounts as of January 1	(110,152)	(93,193)
Increase in allowances for uncollectible amounts, net	(11,762)	(16,959)
Total allowances for uncollectible amounts	**(121,914)**	**(110,152)**

CHFk December 31, 2019	Not due	1–36 days	37–67 days	68–98 days	>99 days	Trade and other receivables	Not due	Contract assets
Gross amount	325,614	29,187	6,075	3,573	131,196	495,645	119,053	119,053
Expected credit loss	(3,707)	(4,116)	(1,393)	(1,342)	(110,570)	(121,128)	(786)	(786)
Net amount	**321,907**	**25,071**	**4,682**	**2,231**	**20,626**	**374,517**	**118,267**	**118,267**

CHFk December 31, 2018	Not due	1–36 days	37–67 days	68–98 days	>99 days	Trade and other receivables	Not due	Contract assets
Gross amount	328,232	32,092	13,328	7,297	111,410	492,359	104,315	104,315
Expected credit loss	(5,520)	(2,268)	(2,359)	(2,606)	(96,833)	(109,586)	(566)	(566)
Net amount	**322,712**	**29,824**	**10,969**	**4,691**	**14,577**	**382,773**	**103,749**	**103,749**

The total net amount of trade receivables past due as of December 31, 2019 was CHF 52.6 million (2018: CHF 60.1 million). The carrying value of receivables was not pledged as of December 31, 2019, or as of December 31, 2018.

NOTE 12

Contract liability

CHFk December 31	2019	2018
Contract liabilities from prepaid cards	20,614	25,527
Contract liabilities from dark fiber	8,456	7,434
Contract liabilities from other telecommunications services	7,101	4,508
Total	**36,171**	**37,468**
Thereof non-current portion of contract liabilities	*7,800*	*5,958*
Thereof current portion contract liabilities	*28,371*	*31,510*

NOTE 13

Wages, salaries and pension costs

CHFk January 1 – December 31	2019	2018
Wages and salaries	(201,021)	(193,975)
Pension expenses	(7,830)	(20,953)
Other social security costs	(18,272)	(18,268)
Total	**(227,123)**	**(233,196)**
Thereof capitalized as non-current assets	*21,032*	*19,316*
Total	**(206,091)**	**(213,880)**

Remuneration of the Executive Leadership Team and the Board of Directors is shown below:

Remuneration of the Executive Leadership Team and the Board of Directors

CHFk January 1 – December 31	EXECUTIVE LEADERSHIP TEAM 2019	2018	BOARD OF DIRECTORS 2019	2018
Wages and salaries	(6,953)	(6,305)	(1,228)	(1,203)
Pension expenses	(900)	(808)	–	–
Other social security costs	(508)	(450)	(53)	(49)
Total	**(8,361)**	**(7,563)**	**(1,281)**	**(1,252)**

NOTE 14

Share-based payment

CHFk January 1 – December 31	2019	2018
Equity-settled share-based payment	1,922	1,610
Thereof MLTIPZero	*–*	*141*
Thereof MLTIP	*12*	*27*
Thereof MLTIP Revised	*730*	*655*
Thereof MLTIPE	*450*	*787*
Thereof PSUP	*730*	*–*
Total expenses for share-based payment	**1,922**	**1,610**

The Company allocated shares to employees in the following employee equity plans:

Management Long-Term Investment Programs (MLTIP, MLTIP Revised and MLTIPE) and Performance Share Unit Plan
Certain members of the Executive Leadership Team and selected Other Top Management were eligible to participate in the Company's equity plan. The Management Long-Term Investment Programs granted a certain number of shares (Performance Shares or Matching Shares) for each held Investment Share. As a general rule, Performance Shares and Matching Shares do not vest until the participant has completed a three-year period of service. As of 2019, all equity plans (MLTIP, MLTIP Revised and MLTIPE) were discontinued and will vest after the regular blocking period. Instead, a new long-term incentive plan (Performance Share Unit Plan) was introduced, granting a certain number of Performance Share Units, which will be awarded after a three-year vesting period (subject to continued employment and the achievement of the performance targets). The related expense is recognized over the service period and adjusted by the expected number of employees eligible for shares.

MLTIP
Under this plan, eligible participants were allowed to elect to receive a portion of their annual short-term incentive, capped at a maximum of 50% of said short-term incentive, in the form of shares (Investment Shares), which were then blocked for a three-year period. There were no minimum service requirements for participants for Investment Shares; however, the matching number of Performance Shares awarded at the end of the blocking period was subject to continued employment and satisfaction of certain performance targets. In March 2019, the blocking period for this plan ended and 1,917 MLTIP Performance Shares were awarded with an exercise price of CHF 73.56 per share.

MLTIP Revised

The rules of this plan are similar to the MLTIP. For members of the Executive Leadership Team, shares, if any, will be allocated as Performance Shares subject to continued employment and satisfying the performance target of the plan. In the event that the good leaver provision applies, awards in the form of Performance Shares vest immediately pro-rata of the expired performance period. However, the shares to be allocated for such vesting of Performance Shares will only be allocated at the end of the performance period. For selected Other Top Management members shares will be allocated in form of Matching Shares subject to continued employment. In the event that the good leaver provision applies, Matching Shares are immediately allocated on a pro-rata basis for the duration of employment until the relevant termination date. As of December 31, 2019, 6,067 MLTIP Revised Investment Shares (2018: 6,067) out of the 2016 short-term incentive are eligible for Performance Shares with a value at grant date of CHF 64.02 per share. 5,985 MLTIP Revised Investment Shares (2018: 8,120) out of the 2016 short-term incentive are eligible for Matching Shares with a value at grant date of CHF 62.72 per share for shares granted in March 2017 and CHF 64.02 per share for shares granted in June 2017. As of December 31, 2019, 9,544 MLTIP Revised Investment Shares (2018: 9,544) out of the 2017 short-term incentive were eligible for Performance Shares with a value at grant date of CHF 80.75 per share for shares granted in March 2018 and CHF 77.75 per share for shares granted in April 2018. 5,639 MLTIP Revised Investment Shares (2018: 7,651) out of the 2017 short-term incentive are eligible for Matching Shares with a value at grant date of CHF 80.75 per share for shares granted in March 2018 and CHF 77.75 per share for shares granted in April 2018. As of December 31, 2019, 808 MLTIP Revised Investment Shares (2018: 808) are eligible for Performance Shares with a value at grant date of CHF 81.40.

MLTIPE

Newly appointed members of the Executive Leadership Team could purchase a certain number of Sunrise shares (Investment Shares). The same rules as for the MLTIP apply, and the CEO benefits from the good leaver clause as in the MLTIP Revised plan. As of December 31, 2019, 8,322 MLTIPE Investment Shares (2018: 40,249) were eligible for Performance Shares with a value at grant date of CHF 85.35 per share for shares granted in June 2017 and CHF 77.35 per share for shares granted in July 2017. In April and June 2019, 31,006 MLTIPE Performance Shares were awarded with a weighted average exercise price of CHF 70.64 per share.

Performance Share Unit Plan

Under this plan, eligible participants will receive an annual monetary grant which will be converted into Performance Share Units (PSUs), with 1 PSU conferring an entitlement to receive between 0 and 2 Sunrise Shares. The conversion to Sunrise Shares at the end of the three-year vesting period is subject to continued employment and satisfaction of certain performance targets. In the event that the employment contract is terminated by the Company, the Performance Share Units are immediately converted to Sunrise Shares at target achievement (100% of set targets) on a pro-rata basis for the duration of the employment until the relevant termination date. As of December 31, 2019, 34,657 PSUs are eligible for Sunrise Shares with a value at grant of CHF 74.4 (2018: nil).

In 2019 and 2018, the allocation and cost of share-based payments to the members of the Board of Directors and the Executive Leadership Team were as follows:

CHFk January 1 – December 31	2019	2018
Members of the Board of Directors	457	389
Members of the Executive Leadership Team	1,287	1,329
Total	**1,744**	**1,718**

NOTE 15

Employee benefit obligations

The Group provides retirement benefits to its employees as required by Swiss law by means of a pension fund that is a separate legal entity. The Sunrise Pension Fund is a separate, semi-autonomous foundation governed by the Occupational Pensions and Foundations Office of the Canton of Zurich. Disability and death risks are reinsured by Swiss Life. The fixed assets of the Sunrise Pension Fund are managed by Credit Suisse Asset Management in Zurich in accordance with organizational guidelines and investment regulations. The Board of Trustees consists of an equal number of employer and employee representatives and is responsible for managing the Foundation in accordance with Swiss law. Per the Occupational Pensions Act, a temporary funding shortfall is permitted. The Board of Trustees must take appropriate measures to solve the shortfall within a reasonable timeframe. If those measures do not lead to the desired results, the Pension Fund may temporarily charge remedial contributions to employers, insured persons and pensioners. The employer contribution must at least equal the aggregate contributions levied from the insured persons.

The pension fund operates a basic pension plan for all staff and a supplemental plan for employees having an insured annual salary of more than CHF 150,000. All Swiss plans qualify as defined benefit plans under IAS 19. The pension fund of Sunrise Communications AG is overfunded by 20% as of December 31, 2019 (December 31, 2018: 16%). Future pension benefits are based primarily on years of credited service and on contributions made by the employee and employer over the service period, which vary according to age as a percentage of insured salary. The rate of annual interest credited to employee accounts on the balance representing the minimum amount required under pension law is defined by the Swiss government. In addition, the conversion factor used to convert the accumulated capital upon retirement into an annual pension is also defined by the Swiss government. In the case of overfunding it may be possible to a limited extent to reduce the level of contributions from both employer and employee. Distribution of excess funds from the pension fund to the Group is not possible. These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk and market (investment) risk.

Pension costs resulting from defined benefit plans

CHFk January 1 – December 31	2019	2018
Current service costs excluding interest costs	(20,763)	(20,953)
Net interest costs on defined benefit obligation and service costs	(653)	(687)
Past service income	12,901	–
Pension costs recognized in the statement of income	**(8,515)**	**(21,640)**

Assets and obligations

CHFk December 31	2019	2018
Fair value of plan assets	(379,810)	(316,915)
Defined benefit obligation	461,556	401,796
Employee benefit obligations recognized in the statement of financial position	**81,746**	**84,881**

Movement in defined benefit obligations

CHFk	2019	2018
Balance as of January 1	401,796	398,445
Included in the statement of income		
– Current service costs	20,948	21,155
– Past service income [1]	(12,901)	–
– Interest costs on defined benefit obligation	2,532	2,611
Included in other comprehensive income		
Actuarial (gain)/loss arising from:		
– Demographic assumptions	(32,698)	–
– Financial assumptions	50,422	(13,460)
– Experience adjustment	21,832	(3,562)
Other		
Employee contributions	11,014	10,519
Benefits paid/transferred	(1,389)	(13,912)
Total defined benefit obligations as of December 31	**461,556**	**401,796**

[1] Past service income due to conversion rate reduction.

Movement in fair value of plan assets

CHFk	2019	2018
Balance as of January 1	(316,915)	(313,676)
Included in the statement of income		
Interest income	(2,064)	(2,126)
Included in other comprehensive income		
Return on plan assets excluding interest income	(33,695)	12,250
Other		
Company contributions	(17,511)	(16,756)
Employee contributions	(11,014)	(10,519)
Benefits paid	1,389	13,912
Total fair value of plan assets as of December 31	**(379,810)**	**(316,915)**

Asset allocation of plan assets

	DECEMBER 31, 2019		DECEMBER 31, 2018	
CHFk	Quoted prices	Unquoted prices	Quoted prices	Unquoted prices
Cash and cash equivalents	608	–	(5,229)	–
Equity securities	–	142,049	–	111,015
Debt securities	–	175,206	–	151,961
Real estate	38	47,172	32	46,396
Other	–	14,737	–	12,740
Total	**646**	**379,164**	**(5,197)**	**322,112**

Plan assets do not include any property used by Group companies as of December 31, 2019. Furthermore, the defined benefit plans do not hold any shares of Sunrise Communications Group AG.

Periodically, an asset-liability matching study is performed by the pension fund's asset manager, in which the consequences of the strategic investment policies are analyzed (the latest study was conducted in 2017). The strategic investment policy of the pension fund can be summarized as follows: a strategic asset mix comprising 27.5% to 42.5% equity securities, 40.5% to 49.5% government bonds, 11% to 19% real estate, 0.0% to 2.0% cash in banks and 0.8% to 7.2% other investments.

Principal actuarial assumptions

%	2019	2018
Discount rate	0.24	0.85
Future salary increases	2.00	2.00

As of December 31, 2019, the weighted average duration of the defined benefit obligation was 17.6 years (2018: 18.2 years). For 2020, the Group's projected contributions to its pension funds total CHF 16.6 million.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Sensitivity analysis

CHFk	Increase	Decrease
Effect on defined benefit obligation on December 31, 2019:		
– Discount rate (0.5 ppt movement)	(38,153)	43,156
– Future salary increases (1 ppt movement)	13,782	(12,454)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

NOTE 16

Other income and expenses

CHFk January 1 – December 31	2019	2018
Other income		
Gain on disposal of property, plant and equipment[1]	26,980	1,853
Build-to-Suit (BTS)	7,139	4,837
Early termination fees	4,994	4,252
Reversal of provision and accruals	1,475	2,321
Reversal of asset retirement obligations[2]	1,001	10,243
Lump sum payment related to shop transfer	929	–
Sub-leases	880	1,917
Other	269	70
Total	**43,667**	**25,493**

[1] Mainly related to the telecom towers sold to Swiss Towers AG in Januar 2019.
[2] For further information, see Note 28.

CHFk January 1 – December 31	2019	2018
Other expenses		
Transaction and breakage fees[1]	(69,150)	–
Cost related to Build-to-Suit (BTS)	(3,233)	(2,654)
Other	(197)	(303)
Total	**(72,580)**	**(2,957)**

[1] Related to the cancelled acquisition of UPC Switzerland.

NOTE 17

Prepaid expenses

CHFk December 31	2019	2018
Prepaid commissions	1,054	2,050
Deferred cost of sales	4,048	1,411
Other prepaid expenses	4,611	6,056
Total	**9,713**	**9,517**

NOTE 18

Trade and other payables

CHFk December 31	2019	2018
Trade payables	489,493	457,794
Interest payable	1,892	2,271
Other payables and accruals	58,273	41,319
Total	**549,658**	**501,384**
Thereof non-current	*20,454*	*368*
Thereof current	*529,204*	*501,016*

NOTE 19 Net financial items

CHFk **January 1 – December 31, 2019**	Debt modification adjustment	Debt redemption costs	Interest	**Total financial income/ (expenses) before foreign currency**	Net foreign currency gains/(losses)	**Total**
Income						
Cash and cash equivalents	–	–	1	1	609	610
Other	–	–	182	182	2,230	2,412
Total	**-**	**-**	**183**	**183**	**2,839**	**3,022**
Expenses						
Cash and cash equivalents	–	–	–	–	–	–
Financial liabilities measured at amortized cost	–	–	(32,677)	(32,677)	–	(32,677)
Lease liabilities	–	–	(12,934)	(12,934)	–	(12,934)
Other	–	–	(3,997)	(3,997)	–	(3,997)
Total	**-**	**-**	**(49,608)**	**(49,608)**	**-**	**(49,608)**
Net financial items	**-**	**-**	**(49,425)**	**(49,425)**	**2,839**	**(46,586)**

CHFk January 1 – December 31, 2018[1]	Debt modification adjustment	Debt redemption costs	Interest	**Total financial income/ (expenses) before foreign currency**	Net foreign currency gains/(losses)	**Total**
Income						
Cash and cash equivalents	–	–	–	–	1,880	1,880
Financial liabilities measured at amortized cost	15,051	–	–	15,051	–	15,051
Other	–	–	20	20	385	405
Total	**15,051**	**-**	**20**	**15,071**	**2,265**	**17,336**
Expenses						
Cash and cash equivalents	–	–	(3)	(3)	–	(3)
Financial liabilities measured at amortized cost	–	(5,315)	(39,457)	(44,772)	–	(44,772)
Lease liabilities	–	–	(646)	(646)	–	(646)
Other	–	–	(5,336)	(5,336)	–	(5,336)
Total	**-**	**(5,315)**	**(45,442)**	**(50,757)**	**-**	**(50,757)**
Net financial items	**15,051**	**(5,315)**	**(45,422)**	**(35,686)**	**2,265**	**(33,421)**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

NOTE 20

Borrowings

CHFk December 31	Nominal value at inception	Capitalized debt issuance cost [1]	Debt modification revaluation[2]	Debt repayments	**2019**	2018[3]
Floating rate						
Term loan B – CHF[4]	1,410,000	(14,503)	(17,217)	–	1,378,280	1,369,221
Fixed rate						
Senior secured notes – CHF[5]	200,000	(794)	–	–	199,206	199,041
Total loans and notes	**1,610,000**	**(15,297)**	**(17,217)**	**-**	**1,577,485**	**1,568,262**
Other						
Debt relating to lease liabilities	–	–	–	(32,145)	263,216	4,747
Total borrowings					**1,840,701**	**1,573,009**
Thereof non-current					*1,805,924*	*1,571,036*
Thereof current					*34,777*	*1,973*

[1] At issuance of the borrowings or at the debt modification date.
[2] Related to refinancing in 2018.
[3] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
[4] Issued February 13, 2015 (CHF 1,000.0 million), February 18, 2015 (CHF 360.0 million); partially repaid on August 4, 2017 (CHF 450.0 million) and issued June 19, 2018 (CHF 500.0 million).
[5] Issued June 27, 2018.

The Group's financial indebtedness is governed by financial covenants specified in the senior facilities agreement dated February 9, 2015, and as amended and restated from time to time, most recently on June 15, 2018. The sole financial covenant is the leverage ratio. The Group performs such covenant testing biannually on June 30 and December 31. The last covenant test, performed as of December 31, 2019, showed that the Group was in compliance with the applicable financial covenant.

Lease liabilities are primarily related to lease agreements on mobile sites, shops & offices, fiber networks and cars.

The CHF 1,410.0 million term loan B3 has a maturity of 5 years, the CHF 200.0 million inaugural Swiss domestic senior secured notes are due 2024 with a coupon of 1.5%. The issue price was set at 100.2% of the nominal amount and redemption will be at par.

All financial liabilities are measured at amortized costs.

NOTE 21

Financial instruments

CHFk **December 31, 2019**	Financial assets at amortized cost	Financial liabilities measured at amortized cost	**Total**
Non-current financial assets			
Non-current portion of trade and other receivables	65,294	–	65,294
Total non-current financial assets	**65,294**	**-**	**65,294**
Current financial assets			
Current portion of trade and other receivables	309,223	–	309,223
Cash and cash equivalents	200,611	–	200,611
Total current financial assets	**509,834**	**-**	**509,834**
Total financial assets	**575,128**	**-**	**575,128**
Non-current financial liabilities			
Non-current portion of loans and notes	–	(1,577,485)	(1,577,485)
Non-current portion of lease liabilities	–	(228,439)	(228,439)
Non-current portion of trade and other payables	–	(20,454)	(20,454)
Total non-current financial liabilities	**-**	**(1,826,378)**	**(1,826,378)**
Current financial liabilities			
Current portion of lease liabilities	–	(34,777)	(34,777)
Current portion of trade and other payables	–	(521,925)	(521,925)
Other current liabilities	–	(1,515)	(1,515)
Total current financial liabilities	**-**	**(558,217)**	**(558,217)**
Total financial liabilities	**-**	**(2,384,595)**	**(2,384,595)**
Total	**575,128**	**(2,384,595)**	**(1,809,467)**

CHFk December 31, 2018 [1]	Financial assets at amortized cost	Financial liabilities measured at amortized cost	**Total**
Non-current financial assets			
Non-current portion of trade and other receivables	56,813	–	56,813
Total non-current financial assets	**56,813**	**-**	**56,813**
Current financial assets			
Current portion of trade and other receivables	325,424	–	325,424
Cash and cash equivalents	420,919	–	420,919
Total current financial assets	**746,343**	**-**	**746,343**
Total financial assets	**803,156**	**-**	**803,156**
Non-current financial liabilities			
Non-current portion of loans and notes	–	(1,568,262)	(1,568,262)
Non-current portion of lease liabilities	–	(2,774)	(2,774)
Non-current portion of trade and other payables	–	(368)	(368)
Total non-current financial liabilities	**-**	**(1,571,404)**	**(1,571,404)**
Current financial liabilities			
Current portion of lease liabilities	–	(1,973)	(1,973)
Current portion of trade and other payables	–	(494,450)	(494,450)
Other current liabilities	–	(446)	(446)
Total current financial liabilities	**-**	**(496,869)**	**(496,869)**
Total financial liabilities	**-**	**(2,068,273)**	**(2,068,273)**
Total	**803,156**	**(2,068,273)**	**(1,265,117)**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

The Group operates a centralized risk management system that distinguishes between strategic and operating risks. The Group's overall risk management program focuses on the unpredictability of financial market risks and seeks to minimize potential adverse effects on the Group's financial condition or performance. All identified risks are quantified (according to their realization probability and impact) and noted on a risk schedule. This risk schedule is subject to an annual detailed review and discussion process by the Board of Directors.

The Group is exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. Financial risk management is governed by policies approved by key management personnel. These policies provide guidelines for overall risk management as well as specific areas such as interest rate risk.

A: Foreign currency exposures

The Group is predominantly active in the domestic market. All outstanding financial debt continues to be denominated in CHF.

The following table shows the impact of a possible change in the euro and the US dollar against the Swiss franc, all other variables held constant. The impact on the Group's profit before tax is mainly driven by foreign exchange gains/losses of euro- and US-dollar-denominated cash and cash equivalents, trade and other receivables as well as trade and other payables. As of December 31, 2019, and December 31, 2018, the Group has no other material exposure to foreign currencies.

Foreign currency sensitivity

	NET EXPOSURE			EFFECT ON PROFIT BEFORE TAX	
CHFk	**December 31, 2019**	December 31, 2018	Change in %	**December 31, 2019**	December 31, 2018
EUR/CHF	4,599	5,548	+/−10%	+/−460	+/−564
USD/CHF	125	784	+/−10%	+/−13	+/−78

B: Interest rate risk
The Group's interest rate risk mainly arises from third party borrowings. As at the balance sheet date, interest-bearing liabilities consisted of senior secured notes bearing a fixed coupon and a term loan with a variable interest rate (CHFLIBOR plus margin with ratchets depending on leverage ratio).

The following table shows the impact of a possible change in interest rates on the Group's borrowings as of December 31, 2019, and December 31, 2018, all other variables held constant. The interest rate of the Group's floating rate borrowings consists of a base rate, being the higher of LIBOR or 0%, plus a variable margin. With the relevant LIBOR in Swiss francs being negative throughout the year, the Group would not benefit from a lower interest rate level.

Interest rate sensitivity

	INCREASE/DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX	
CHFk December 31		**2019**	2018
CHF interest rates	+10bps	(1,703)	(1,451)
CHF interest rates	−10bps	–	–

Cash flow forecasting is performed by the Group treasury. Rolling forecasts of the Group's liquidity requirements are established on a regular basis to ensure sufficient cash is available to meet operational needs and to honor the Group's obligations under its financing arrangements, including the maintenance of borrowing limits and covenant compliance.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows. All interest payments and repayments of financial liabilities are based on contractual agreements. Interest payments are determined using zero-coupon rates. For floating rate instruments, the calculation is computed using the base rate and applicable margin prevailing as of December 31, 2019.

C: Maturity profiles

CHFk **December 31, 2019**	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	**Total**
Trade payables and other payables	(521,925)	(20,454)	–	–	(542,379)
Borrowings – notional	–	–	(1,577,485)	–	(1,577,485)
Borrowings – interest	(22,190)	(22,137)	(35,566)	–	(79,893)
Lease liabilities (undiscounted)	(48,371)	(41,678)	(108,437)	(132,266)	(330,752)
Other current liabilities	(1,515)	–	–	–	(1,515)

CHFk December 31, 2018[1]	< 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	**Total**
Trade payables and other payables	(494,450)	(368)	–	–	(494,818)
Borrowings – notional	–	–	(1,369,221)	(199,041)	(1,568,262)
Borrowings – interest	(24,444)	(24,503)	(61,934)	(3,000)	(113,881)
Lease liabilities (undiscounted)	(1,973)	(488)	(808)	(1,478)	(4,747)
Other current liabilities	(446)	–	–	–	(446)

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

D: Undrawn credit lines

The Group had the following undrawn borrowing facilities:

CHFk December 31	**2019**	2018
Revolving Credit Facility (RCF)	200,000	200,000
Thereof ancillary facility	*25,000*	*25,000*
Total RCF	**200,000**	**200,000**

As part of the Senior Facilities Agreement the Group benefits from a multi-currency revolving credit facility (RCF) with a total commitment equal to CHF 200 million. Of this amount CHF 25.0 million (2018: CHF 25.0 million) is available as an ancillary facility.

As at the balance sheet date, any amounts drawn under the RCF would bear a margin of CHFLIBOR (capped at zero percent) +1.20%. For any committed and undrawn amounts, a commitment fee of 35% of the corresponding margin applies, i.e., 0.42% per annum as at the balance sheet date. No utilization has been made under the revolving credit facility during financial year 2019.

The ancillary facility of CHF 25.0 million (December 31, 2018: CHF 25.0 million) is currently undrawn and bears a facility fee of 0.12% per annum. As of the balance sheet date, the Group has CHF 23.4 million (2018: CHF 23.9 million) in guarantees outstanding under the ancillary facility, on which a fee of currently 0.72% per annum is charged.

E: Credit risk

Credit risk arises when a customer or counterparty may fail to perform its contractual obligations. The maximum exposure to credit risk is represented in the consolidated statement of financial position by the carrying value of each financial asset, including derivative financial instruments.

Credit risk arising from supplying telecommunications services is managed by assessing the credit quality of the customer, taking into account its financial position, past experience, payment history and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The Group periodically assesses the financial reliability of its customers and their credit limits.

Concentrations of credit risk with respect to trade receivables and contract assets are limited due to the nature of the Group's business with very low customer concentration (see Note 11 for detailed information on receivables).

F: Capital management

The Group's objectives in managing capital are to secure its ongoing financial needs, to continue as a going concern, to meet its financial targets, to provide returns to its shareholders and to maintain a cost-efficient and risk-optimized capital structure.

The Group's managed capital structure consists of equity (as disclosed in Note 26), current and non-current borrowings (see Note 20) less cash and cash equivalents.

In order to maintain this capital structure, the Group manages its liquidity to ensure its ability to service its borrowings.

G: Fair value estimation

The fair value of current financial assets and liabilities at amortized cost is assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Techniques that use inputs with a significant effect on the recorded fair value and that are not based on observable market data

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to calculate the fair value of an instrument are observable, the instrument is included in Level 2.

There were no transfers between the different hierarchy levels in 2019 and 2018.

The table below shows a comparison by class of the carrying amounts and fair values of the Group's financial instruments carried in the consolidated financial statements:

CHFk **December 31, 2019**	**CARRYING AMOUNT (BY MEASUREMENT BASIS)** Amortized cost	 **Total**	Comparison Fair value[1]
Financial assets			
Cash	200,611	200,611	
Trade and other receivables	374,517	374,517	
Financial liabilities			
Trade payables and other payables	(542,379)	(542,379)	
Loans and notes	(1,577,485)	(1,577,485)	1,620,800
Lease liabilities	(263,216)	(263,216)	
Other current liabilities	(1,515)	(1,515)	

[1] The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities.

CHFk December 31, 2018[1]	**CARRYING AMOUNT (BY MEASUREMENT BASIS)** Amortized cost	 **Total**	Comparison Fair value[2]
Financial assets			
Cash	420,919	420,919	
Trade and other receivables	382,237	382,237	
Financial liabilities			
Trade payables and other payables	(494,818)	(494,818)	
Loans and notes	(1,568,262)	(1,568,262)	(1,611,900)
Lease liabilities	(4,747)	(4,747)	
Other current liabilities	(446)	(446)	

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
[2] The fair value of borrowings for disclosure purposes is based on quoted prices in an active market for identical liabilities.

Changes in liabilities arising from financing activities

CHFk	Loans and notes	Lease liabilities	Trade and other payables	Total
Balance as of January 1, 2019	**1,568,262**	**4,747**	**501,384**	**2,074,393**
Impact of change in accounting policies[1]	–	274,526	–	274,526
Repayment of lease liabilities	–	(32,145)	–	(32,145)
Other financing activities	–	–	(6,128)	(6,128)
Total changes from financing cash flows	**–**	**242,381**	**(6,128)**	**236,253**
Other movements not relating to financing activities	9,223	16,088	54,402	79,713
Balance as of December 31, 2019	**1,577,485**	**263,216**	**549,658**	**2,390,359**

[1] Additions from change in accounting policies (see Note 7).

CHFk	Loans and notes	Financial lease liabilities	Trade and other payables	Total
Balance as of January 1, 2018[1]	**1,389,956**	**9,496**	**546,297**	**1,945,749**
Proceeds from long-term loans and notes	690,201	–	–	690,201
Repayment of long-term loans and notes	(500,000)	–	–	(500,000)
Addition to lease liabilities	–	2,217	–	2,217
Repayment of lease liabilities	–	(6,966)	–	(6,966)
Other financing activities	–	–	(21,479)	(21,479)
Total changes from financing cash flows	**190,201**	**(4,749)**	**(21,479)**	**163,973**
Other movements not relating to financing activities	(11,895)	–	(23,434)	(35,329)
Balance as of December 31, 2018	**1,568,262**	**4,747**	**501,384**	**2,074,393**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

NOTE 22

Intangible assets

CHFk **2019**	Goodwill	Subscriber base	Other rights, software, licenses and brands	Intangibles under development	**Total**
Costs as of January 1	1,147,769	1,218,683	1,301,831	104,762	3,773,045
Additions[1]	–	–	245,899	56,069	301,968
Transferred to / (from) other items	–	–	40,663	(40,663)	–
Assets disposed of or fully amortized during the period	–	–	(3,303)	–	(3,303)
Costs as of December 31	**1,147,769**	**1,218,683**	**1,585,090**	**120,168**	**4,071,710**
Accumulated amortization and write-downs as of January 1	–	(913,456)	(771,351)	–	(1,684,807)
Amortization for the period	–	(107,727)	(162,403)	–	(270,130)
Assets disposed of or fully amortized during the period	–	–	3,194	–	3,194
Accumulated amortization and write-downs as of December 31	**–**	**(1,021,183)**	**(930,560)**	**–**	**(1,951,743)**
Net carrying value as of December 31	**1,147,769**	**197,500**	**654,530**	**120,168**	**2,119,967**

[1] Thereof cash additions CHF 255.2 million.

CHFk 2018	Goodwill	Subscriber base	Other rights, software, licenses and brands	Intangibles under development	**Total**
Costs as of January 1	1,147,769	1,218,683	1,234,531	41,680	3,642,663
Additions[1]	–	–	42,909	91,154	134,063
Transferred to / (from) other items	–	–	28,072	(28,072)	–
Assets disposed of or fully amortized during the period	–	–	(3,681)	–	(3,681)
Costs as of December 31	**1,147,769**	**1,218,683**	**1,301,831**	**104,762**	**3,773,045**
Accumulated amortization and write-downs as of January 1	–	(805,729)	(626,575)	–	(1,432,304)
Amortization for the period	–	(107,727)	(148,457)	–	(256,184)
Assets disposed of or fully amortized during the period	–	–	3,681	–	3,681
Accumulated amortization and write-downs as of December 31	**–**	**(913,456)**	**(771,351)**	**–**	**(1,684,807)**
Net carrying value as of December 31	**1,147,769**	**305,227**	**530,480**	**104,762**	**2,088,238**

[1] Thereof cash additions CHF 121.3 million.

Subscriber base, which comprises both residential and business customers, is defined as total Sunrise business excluding prepaid mobile. Its useful life corresponds to the weighted average useful life of the different subscriber types of the Company.

Licenses, software, brands and other rights represent the various equipment required to operate the business, software developed or customized by Sunrise as well as the brands under which the Company markets its mobile voice and data services. Other rights include primarily Indefeasible Rights of Use (IRU) to transfer capacity from one point to another.

In 2019 and 2018 no write-downs for impairment of other rights, software, licenses and brands were recognized. In the year ended December 31, 2019, internal costs capitalized totaled CHF 12.4 million (2018: CHF 11.6 million). No interest was capitalized during the years ended December 31, 2019, and December 31, 2018.

Additions from third parties in 2019 and 2018 include software licenses, IRU, product development as well as investments in process digitalization.

The carrying value of intangible assets not yet amortized is CHF 120.2 million for the year ended December 31, 2019, and mainly comprises assets under construction and not yet used IRUs (2018: CHF 104.8 million).

As of December 31, 2019, and December 31, 2018, the carrying value of intangible assets is not pledged.

Impairment tests for goodwill

Goodwill is allocated as of the acquisition date to the Group's cash-generating units (CGUs). The Group's CGUs consist of the Residential, Business and Wholesale operating segments, and the impairment test was carried out on these CGUs in the fourth quarter of 2019. An operating-segment-level summary of goodwill allocation is presented below:

Goodwill allocation

CHFk December 31	**2019**	2018
Residential	905,319	905,319
Business	190,029	190,029
Wholesale	52,421	52,421
Total	**1,147,769**	**1,147,769**

Goodwill has an indefinite useful life and is therefore analyzed for impairment on an annual basis. In 2019, there are no other recorded intangible assets with indefinite useful lives (2018: CHF nil). The recoverable amount of all CGUs has been determined based on its value-in-use using a discounted cash flow (DCF) method. The key assumptions used are listed below:

Key assumptions used for goodwill testing

CHFk December 31	**2019**	2018
Long-term growth rate	0.0 %	0.1 %
WACC (pre-tax)	4.9 %	5.3 %

The calculation basis for the DCF model is the Group's business plan as approved by the Board of Directors. The detailed planning horizon of the business plan covers three years. The free cash flows beyond the three-year planning period were extrapolated using a long-term growth rate. The discount rate is the weighted average cost of capital (WACC) before tax of the Group. Budgeted gross margin and growth rates are based on past performance and management's expectations of market development. As of the impairment test date, the recoverable amount for all CGUs was higher than the carrying amount.

Sensitivity analysis

Management performed sensitivity analyses, which

– increased the discount rate to 10.1% by stable other key assumptions
– set the long-term growth rate to −2.5% by stable other key assumptions
– combined the discount rate of 7.3% with a growth rate of 0%

The results of the sensitivity analyses demonstrated that the above changes in the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount for any of the three CGUs as of December 31, 2019.

NOTE 23

Property, plant and equipment

CHFk **2019**	Telecommunica-tions installations	Other installations	Property, plant and equipment under construction	**Total**
Costs as of December 31, 2018	1,783,432	121,016	107,908	2,012,356
Reclass due to change in accounting policies[2]	(70,922)	–	–	(70,922)
Adjusted costs as of January 1, 2019	**1,712,510**	**121,016**	**107,908**	**1,941,434**
Additions[1]	65,481	16,797	133,987	216,265
Transferred to/(from) other items	56,830	15,400	(72,230)	-
Assets disposed of during the period	(49,977)	(14,246)	–	(64,223)
Costs as of December 31, 2019	**1,784,844**	**138,967**	**169,665**	**2,093,476**
Accumulated depreciation and write-downs as of December 31, 2018	(1,090,689)	(97,904)	–	(1,188,593)
Reclass due to change in accounting policies[2]	42,838	–	–	42,838
Adjusted accumulated depreciation and write-downs as of January 1, 2019	**(1,047,851)**	**(97,904)**	**-**	**(1,145,755)**
Depreciation for the period	(150,913)	(9,790)	–	(160,703)
Assets disposed of during the period	45,631	13,993	–	59,624
Accumulated depreciation and write-downs as of December 31, 2019	**(1,153,133)**	**(93,701)**	**-**	**(1,246,834)**
Net carrying value as of December 31, 2019	**631,711**	**45,266**	**169,665**	**846,642**

[1] Thereof cash additions CHF 204.8 million.
[2] Reclass to Right-of-use assets; for further details see Note 30.

CHFk 2018[2]	Telecommunica- tions installations	Other installations	Property, plant and equipment under construction	Total
Costs as of January 1	1,617,940	109,163	111,327	1,838,430
Additions[1]	108,068	4,257	87,313	199,638
Transferred to / (from) other items	83,116	7,616	(90,732)	–
Assets disposed of during the period	(25,692)	(20)	–	(25,712)
Costs as of December 31	**1,783,432**	**121,016**	**107,908**	**2,012,356**
Accumulated depreciation and write-downs as of January 1	(956,761)	(86,093)	–	(1,042,854)
Depreciation for the period	(157,677)	(11,831)	–	(169,508)
Assets disposed of during the period	23,749	20	–	23,769
Accumulated depreciation and write-downs as of December 31	**(1,090,689)**	**(97,904)**	**–**	**(1,188,593)**
Net carrying value as of December 31	**692,743**	**23,112**	**107,908**	**823,763**

[1] Thereof cash additions CHF 181.8 million.
[2] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

In 2019, the Group recognized CHF 1.8 million in write-downs (2018: CHF 2.6 million). These were primarily attributable to network equipment.

In the period ended December 31, 2019, capitalized internal costs totaled CHF 8.6 million (2018: CHF 7.7 million). In 2019 and 2018 no interest was capitalized. Additions from third parties in 2019 did not include any changes in asset retirement obligations (2018: decrease of CHF 2.1 million due to lower cost assumption without cash effect).

The implementation of IFRS 16 as of January 1, 2019, led to a reclass in 2019 of costs and accumulated depreciations from property, plant and equipment to right-of-use assets. The reclass relates to under IAS 17 recognized finance lease assets and ARO assets.

NOTE 24

Inventories

CHFk December 31	2019	2018
Finished goods and merchandise	48,473	43,412
Work in progress	6,261	2,917
Total	**54,734**	**46,329**

Write-downs of inventories to the net realizable value totaled CHF 4.2 million in 2019 (2018: CHF 3.6 million). The carrying amount of inventories recognized as an expense in Transmission costs and cost of goods sold and Other operating expenses totaled CHF 240.6 million (2018: CHF 240.6 million). No inventories were expected to be sold after more than one year.

NOTE 25

Cash and cash equivalents

CHFk December 31	2019	2018
Cash and cash equivalents	200,611	420,919
Total	**200,611**	**420,919**

Cash and cash equivalents comprise primarily short-term bank deposits with mainly Swiss banks with a high credit rating. The Group does not hold any outstanding term deposits as of December 31, 2019 (December 31, 2018: CHF nil).

As of December 31, 2019, the Group had no pledged cash and cash equivalents (December 31, 2018: CHF nil).

NOTE 26

Equity

CHFk December 31	2019	2018[1]
Common shares	45,069	45,069
Share premium[2]	1,972,737	2,162,727
Other reserve	(776,143)	(776,143)
Accumulated profit	99,382	49,524
Total equity	**1,341,045**	**1,481,177**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
[2] Share premium includes reserves which are partly freely available for distribution of dividends.

Share capital

As of December 31, 2019, the total number of authorized and issued ordinary shares comprised 45,069,028 shares with a nominal value of CHF 1 each. Holders of these shares are entitled to dividends and one vote per share at General Meetings of the Company. During the year 2019, there was no change in share capital.

Other reserve

Other reserve represents the difference in the fair value of the contribution in kind and the book value of assets and liabilities as part of the business restructuring in 2015. Please see the 2015 financial report for more information.

Accumulated profit

Actuarial gains and losses, net of taxes, the impact of the business restructuring, the results for the current period and earnings or losses carried forward are recognized in accumulated profit.

Dividend

CHFk	2019	2018
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2018: CHF 4.20 per share (2017: CHF 4.00)	189,290	180,276
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2019: CHF 4.40 per share (2018: CHF 4.20)	198,304	189,290

At the Annual General Meeting on April 10, 2019, the payment of an ordinary dividend from statutory reserves from capital contributions in the amount of CHF 189.3 million (CHF 4.20 per share) in respect of the 2018 financial year was approved. The dividend payment was made on April 16, 2019.

The Board of Directors will propose a payment of an ordinary dividend of CHF 4.40 per share at the Annual General Meeting in respect of the 2019 financial year. This equates to a total dividend distribution of CHF 198.3 million. The dividend payment is planned for April 16, 2020. Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognized as a liability as of December 31, 2019.

NOTE 27

Earnings per Share

Basic Earnings per Share is calculated by dividing net profit for the period attributable to ordinary equity holders of the parent company by the weighted number of ordinary shares outstanding during the period.

January 1 – December 31	2019	2018[1]
Basic earnings per share		
Net income attributable to equity holders of SCG (CHFk)	55,575	106,918
Weighted average number of shares outstanding	45,069,028	45,062,317
Basic earnings per share (in CHF)[1]	**1.23**	**2.37**
Diluted earnings per share		
Net income attributable to equity holders of SCG (CHFk)	55,575	106,918
Weighted average number of shares outstanding	45,153,548	45,153,679
Diluted earnings per share (in CHF)	**1.23**	**2.37**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

If the vesting conditions were fully met as of December 31, 2019, a maximum of 119,995 shares (December 31, 2018: 98,870) would have a dilutive effect.

NOTE 28

Provisions

CHFk	Asset retirement obligations[1]	Restructuring obligations	Other provisions	Total
Provisions as of January 1, 2019	59,112	490	775	60,377
Provisions made during the period	7,870	–	(7)	7,863
Change in present value	469	–	–	469
Provisions used during the period	(3,611)	(75)	1	(3,685)
Unused provisions reversed during the period	(1,001)	(37)	(11)	(1,049)
Provisions as of December 31, 2019	**62,839**	**378**	**758**	**63,975**
Thereof non-current	*62,077*	*–*	*–*	*62,077*
Thereof current	*762*	*378*	*758*	*1,898*
Provisions as of January 1, 2018	71,939	1,288	1,239	74,466
Provisions made during the period	(2,144)	–	41	(2,103)
Change in present value	1,136	–	–	1,136
Provisions used during the period	(567)	(203)	–	(770)
Unused provisions reversed during the period	(11,252)	(595)	(505)	(12,352)
Provisions as of December 31, 2018	**59,112**	**490**	**775**	**60,377**
Thereof non-current	*54,372*	*–*	*–*	*54,372*
Thereof current	*4,740*	*490*	*775*	*6,005*

[1] In 2019, the increase in ARO provision is mainly related to a decrease in the discount rate used for the calculation of the liability, while in 2018, an updated cost estimate led to a reversal of ARO provisions. The increase in provisions used during 2019 is mainly attributable to the Group's headquarter move.

Provisions for asset retirement obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. Those leases generally contain provisions that require the Group to remove the asset and restore the sites to their original condition at the end of the lease term. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow within a year.

Other provisions are related to warranties, litigations and legal claims.

NOTE 29

Income taxes

Analysis of income taxes

CHFk January 1 – December 31	2019	2018[1]
Current income tax expense	(49,679)	(52,913)
Adjustments recognized for current tax of prior periods	1,160	34
Deferred tax income	37,404	16,606
Total income tax expense recognized in statement of income	**(11,114)**	**(36,273)**
Income before income taxes	66,689	143,191
Expected tax expense at applicable tax rate of 19.4 % (2018: 20.8 %)[2]	(12,938)	(29,784)
Effect of income taxed at differing tax rates than 19.4 % (2018: 20.8 %)	(7,899)	(102)
Non-deductible items	(8,422)	(3,629)
Additional tax deductions	9	26
Tax effects of unrecognized tax losses	79	(2,818)
Adjustments to deferred tax balances arising from tax rate changes[3]	16,893	–
Adjustments recognized for current tax of prior periods	1,160	34
Other effects	4	–
Total income tax expense recognized in statement of income	**(11,114)**	**(36,273)**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
[2] The applicable income tax rate of 19.4 % corresponds to the applicable tax rate of the main operating company Sunrise Communications AG in the current period.
[3] The deferred tax rate used for the calculation of the net deferred tax liabilities have been lowered and led to a deferred tax liability reduction. This is due to the reduction of income tax rates (Corporate Tax Reform) which were approved by some cantons during 2019 and which will enter into force as of January 2020 and can be considered as enacted or substantively enacted.

As of December 31, 2019, tax liabilities for income taxes totaling CHF 29.0 million (December 31, 2018: CHF 26.7 million) are recorded as Income tax payable. Income tax receivables are recorded within the Current portion of trade and other receivables (December 31, 2019: nil; December 31, 2018: CHF 0.5 million).

Deferred tax assets and liabilities

Deferred tax liabilities are recognized in the statement of financial position in non-current liabilities. The Group offsets tax assets and liabilities only if it has a legally enforceable right to offset current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Analysis of deferred tax assets and liabilities

CHFk **December 31, 2019**	Assets	Liabilities	**Net amount**
Intangible assets[1]	–	(118,235)	(118,235)
Property, plant and equipment	–	(1,368)	(1,368)
Customer acquisition costs	–	(8,102)	(8,102)
IFRS 15 net contract assets	–	(647)	(647)
Deferred income	1,300	(370)	930
Employee benefit obligations	14,633	–	14,633
Transaction fees	–	(2,300)	(2,300)
Revaluation of loans and notes	–	(3,082)	(3,082)
Other	–	(24)	(24)
Total	**15,933**	**(134,128)**	**(118,195)**
Thereof deferred tax assets			–
Thereof deferred tax liabilities			*(118,195)*

CHFk December 31, 2018	Assets	Liabilities	**Net amount**
Intangible assets[1]	–	(157,660)	(157,660)
Property, plant and equipment	–	(1,683)	(1,683)
Customer acquisition costs	–	(4,713)	(4,713)
Tax loss carryforwards	–	(2,284)	(2,284)
Deferred income	1,753	(497)	1,256
Employee benefit obligations	17,231	–	17,231
Transaction fees	–	(3,336)	(3,336)
Revaluation of loans and notes	–	(4,485)	(4,485)
Other	–	(70)	(70)
Total	**18,984**	**(174,728)**	**(155,744)**
Thereof deferred tax assets			–
Thereof deferred tax liabilities			*(155,744)*

[1] This deferred tax liability arises primarily from intangible assets recognized during the purchase price allocation (PPA) of Sunrise Communications AG, such as customer base and brands.

As of December 31, 2019, and 2018, no (net) deferred tax assets were recognized for Group companies that incurred a loss in the current period.

Unrecognized deferred tax assets

Deferred tax assets relating to tax loss carryforwards or deductible temporary differences are recognized when it is probable that such tax deductions can be utilized in the future. As of December 31, 2019, the Group has the following unused tax loss carryforwards and deductible temporary differences for which no deferred tax assets are recognized.

Unrecognized tax loss carryforwards/temporary differences

CHFk December 31	**2019**	2018
Due to expire within 1 year	–	4,578
Due to expire within 2 to 5 years	239	1,694
Due to expire within 6 to 10 years	220	126
Due to expire within 10 to 20 years	26,369	33,813
Amount not due to expire	725,830	726,716
Total	**752,658**	**766,927**

Of these amounts, CHF 0.5 million relate to operating companies (2018: CHF 4.9 million) and CHF 752.2 million relate to holding and financing companies (2018: CHF 762.0 million).

Specification of deferred taxes

CHFk **2019**	**Deferred tax assets/ (liabilities) net, January 1**	Deferred tax (expense)/ income	Deferred tax through OCI	Impact of change in accounting policy[2]	**Deferred tax assets/ (liabilities) net, December 31**
Intangible assets[1]	(157,660)	39,425	–	–	(118,235)
Property, plant and equipment	(1,683)	315	–	–	(1,368)
Customer acquisition costs	(4,713)	(3,389)	–	–	(8,102)
IFRS 15 net contract assets	(2,284)	1,637	–	–	(647)
Deferred income	1,256	(326)	–	–	930
Employee benefit obligations	17,231	(2,742)	144	–	14,633
Transaction fees	(3,336)	1,036	–	–	(2,300)
Revaluation of loans and notes	(4,485)	1,403	–	–	(3,082)
Other	(70)	46	–	–	(24)
Total	**(155,744)**	**37,405**	**144**	**-**	**(118,195)**

[1] This deferred tax liability arises primarily from intangible assets recognized during the purchase price allocation (PPA) of Sunrise Communications AG, such as customer base and brands.
[2] The Group has initially applied IFRS 16 as of January 1, 2019 (see Note 7). This does not have an impact on deferred taxes due to identical treatment for tax purposes.

CHFk 2018[1]	Deferred tax assets/ (liabilities) net, January 1	Deferred tax (expense)/ income	Deferred tax through OCI	Impact of change in accounting policy[2]	Deferred tax assets/ (liabilities) net, December 31
Intangible assets[1]	(183,515)	25,855	–	–	(157,660)
Property, plant and equipment	(1,814)	131	–	–	(1,683)
Customer acquisition costs	9,263	(5,892)	–	(8,084)	(4,713)
IFRS 15 net contract assets	–	(1,844)	–	(440)	(2,284)
Tax loss carryforwards	921	(921)	–	–	–
Deferred income	1,457	(201)	–	–	1,256
Employee benefit obligations	17,209	991	(969)	–	17,231
Transaction fees	(4,102)	766	–	–	(3,336)
Revaluation of loans and notes	–	(2,319)	–	(2,166)	(4,485)
Other	(110)	40	–	–	(70)
Total	**(160,691)**	**16,606**	**(969)**	**(10,690)**	**(155,744)**

[1] This deferred tax liability arises primarily from intangible assets recognized during the PPA of Sunrise Communications AG, such as customer base and brands.

[2] The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018.

NOTE 30

Leasing

The Group leases assets in the categories telecommunications installations like mobile sites and transmission equipment such as leased lines, shops and offices as well as cars, reflected in category “other”. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

The Right-of-use (RoU) asset is measured at cost, which comprises the initial amount of the lease liability, with subject to some adjustments. Furthermore the RoU asset is adjusted for an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located (Asset Retirement Obligation, ARO). Due to the initial application of IFRS 16 as of January 1, 2019, the ARO assets as well as under IAS 17 recognized finance lease assets have been reclassed from property, plant and equipment (see Note 23) to RoU assets.

The following table shows the movements in RoU assets for the year 2019:

CHFk 2019	Telecommunica- tions installations	Shops and Offices	Other	Total
Costs as of December 31, 2018[1]	–	–	–	–
Reclass due to change in accounting policies[2]	61,800	9,122	–	70,922
Impact of change in accounting policies[3]	148,124	124,574	1,828	274,526
Adjusted costs as of January 1, 2019	**209,924**	**133,696**	**1,828**	**345,448**
Additions	17,777	5,688	695	24,160
Assets disposed of during the period	(912)	(3,616)	–	(4,528)
Costs as of December 31, 2019	**226,789**	**135,768**	**2,523**	**365,080**
Accumulated depreciation and write-downs as of December 31, 2018	–	–	–	–
Reclass due to change in accounting policies[2]	(37,251)	(5,587)	–	(42,838)
Impact of change in accounting policies[3]	–	–	–	–
Adjusted accumulated depreciation and write-downs as of January 1, 2019	**(37,251)**	**(5,587)**	**–**	**(42,838)**
Depreciation for the period	(27,064)	(15,774)	(1,122)	(43,960)
Assets disposed of or fully amortized during the period	838	3,616	–	4,454
Accumulated depreciation and write-downs as of December 31, 2019	**(63,477)**	**(17,745)**	**(1,122)**	**(82,344)**
Net carrying value as of December 31, 2019	**163,312**	**118,023**	**1,401**	**282,736**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).
[2] Reclass from property, plant and equipment (see Note 23).
[3] Additions from change in accounting policies (see Note 7).

Amounts recognized in the consolidated statements of income

CHFk December 31	2019	2018[1]
Income from sub-leasing right-of-use assets	880	1,917
Expense relating to short-term leases	(6,355)	–
Depreciation expense of right-of-use assets	(36,670)	(3,760)
Interest expense on lease liabilities	(12,025)	(646)

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

NOTE 31

Change in net working capital

CHFk December 31	2019	2018[1]
Change in inventories	(8,405)	11,145
Change in trade and other receivables	6,940	10,368
Change in trade and other payables	(4,126)	(54,736)
Change in contract assets	(14,003)	(9,241)
Change in contract liabilities	(1,297)	26
Change in contract costs	(8,867)	(6,112)
Change in other items, net	3,196	(389)
Total	**(26,562)**	**(48,939)**

[1] The Group has initially applied IFRS 16 as of January 1, 2019. Under the transition method chosen, comparative information is not restated (see Note 7).

Net working capital represents short-term assets reduced by short-term liabilities. Net working capital includes current assets and liabilities as well as non-current prepaid expenses, trade receivables, trade payables and deferred income. Changes in trade and other payables related to mobile license and non-cash capital expenditures related to Indefeasible Rights of Use (IRU) are excluded.

For 2019, the change in net working capital resulted in a negative change of CHF 26.6 million. This is mainly driven by the negative changes in contract assets, contract liabilities and contract costs which amounted to a total of CHF 24.2 million as well as by changes in trade and other payables (CHF 4.1 million) caused by transmission cost payable. In addition, handset inventory increased by CHF 8.4 million. These effects were partly offset by the reduction of trade and other receivables of CHF 6.9 million.

Compared to 2018, the change in net working capital had a positive impact of CHF 22.4 million. This is mainly due to the positive change in trade and other payables, partly offset by the negative change in inventory, both relating to the handset purchasing activities. The remaining change comes from positions related to contract assets, contract costs and contract liabilities.

NOTE 32

Other financial commitments

The total contractual and purchase commitments as of December 31, 2019, amounted to CHF 298.6 million (December 31, 2018: CHF 461.8 million) consisting of future investments in property, plant and equipment and intangible assets, of which CHF 106.9 million relate to access deals (December 31, 2018: CHF 132.4 million).

NOTE 33

Contingencies

The Sunrise Group is party to certain pending lawsuits and cases with public authorities and complaint boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, management is of the opinion that these will have no significant adverse effect on the Sunrise Group's financial position.

Under the terms of the financing documents, certain entities of the Group are guarantors. For the financial years ending December 31, 2019, and December 31, 2018, the maximum guarantee totals the value of shares, preferred equity certificates and intercompany receivables.

NOTE 34

Events after the balance sheet date

There are no significant events to report after the balance sheet date.

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To the General Meeting of
Sunrise Communications Group AG, Zurich

Zurich, February 26, 2020

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sunrise Communications Group AG and its subsidiaries (the Group), which comprise the Consolidated Statements of Financial Position as of 31 December 2019 and the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Cash Flow, the Consolidated Statements of Changes in Equity for the year then ended and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 109 to 165) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Revenue Recognition

Area of focus	The Group's revenues amounted to CHF 1,887 million for the year ended 31 December 2019. Revenue is predominantly derived from services including mobile voice and data, landline voice and internet, and IPTV. Corresponding accounting policies are discussed in Note 6 to the consolidated financial statements. Disclosures regarding sales and disaggregation of revenues are included in Notes 9 and 10 to the consolidated financial statements. There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of the frequent changes in product and service options to revenue recognition (tariff structures, incentive arrangements, discounts etc.). Therefore, we identified the occurrence and completeness of revenue as key focus areas of our audit.
Our audit response	We evaluated the Company's internal controls over revenue recognition. As part of our procedures, we assessed the timing of revenue recognition, the accounting for transactions involving multiple elements and the accounting judgments associated with dealer and agency relationships (including the presentation of revenue on a net or gross basis and the treatment of discounts, incentives and commissions). We performed data analytics procedures and analyzed trends per revenue segment and product category month over month as well as year over year. Furthermore, we tested individual transactions, accruals and contracts on a sample basis. Our audit procedures did not lead to any reservations concerning the occurrence, completeness and measurement of revenue disclosed by the Group for the year ended 31 December 2019.

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Recoverability of Goodwill

Area of focus	Goodwill represents 28% of the Group's total assets and 86% of the Group's total equity as at 31 December 2019. As stated in Note 5 to the consolidated financial statements, the carrying value of goodwill is tested annually for impairment. The Company performed its annual impairment test of goodwill in the fourth quarter of 2019 and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in Note 22 to the consolidated financial statements. In determining the value in use of cash-generating units, the Company must apply judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Due to the significance of the carrying amount of goodwill and the judgment involved in performing the impairment test, this matter was considered significant to our audit.
Our audit response	We assessed the Company's internal controls over its annual impairment test and key assumptions applied. We involved valuation specialists to assist in examining the Company's valuation model and in analyzing the underlying key assumptions, including future long-term growth and discount rates. We assessed the assumptions regarding future revenues and margins, historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to market data, including analyst reports and data from competitors. We found that the key assumptions used (e.g., long-term growth and discount rates) lie within a range that is customary in the industry. We did not have any reservations concerning the recoverability of goodwill.

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Capitalization of Property, Plant and Equipment

Area of focus	The Group's investments to property, plant and equipment amounted to CHF 216 million during the year ended 31 December 2019. Corresponding accounting policies are discussed in Note 6 and amounts capitalized during the period in Note 23 to the consolidated financial statements. There is a risk that items which are not eligible for capitalization are treated as additions to property, plant and equipment, therefore the capitalization process was significant to our audit.
Our audit response	We tested the effectiveness of the Company's internal controls over capitalization of fixed assets. As part of our procedures, we performed data analytics procedures on the capitalization process, evaluated the Company's guidelines for capitalization and tested additions to property, plant and equipment on a sample basis. Our audit procedures did not lead to any reservations concerning the existence of property, plant and equipment disclosed by the Group for the year ended 31 December 2019.

Internal Controls – Information Technology

Area of focus	For business continuity, the Company is dependent on a functioning IT infrastructure as its business and finance processes are highly automated. The general IT and automated controls are part of the Company's internal control systems and support the main business and finance processes. As the Company is strongly relying on its IT applications and related controls for the preparation of its consolidated financial statements, we defined the reliability of general IT and automated controls as an area of focus for our audit.
Our audit response	With the assistance of our IT audit specialists, we tested controls around change management, access management and the continuity of the IT systems as well as automated controls which are relevant for the preparation of the consolidated financial statements. We did not have any reservations concerning the reliability of the general IT and automated controls for the preparation of the consolidated financial statements.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

Statutory Financial Statements

Sunrise Communications Group AG

Income Statement

CHFk January 1 – December 31	Note	2019	2018
Dividend income	3.1	260,700	185,000
Interest income from investments		15	68
Other operating expenses		(3,701)	(3,951)
Net operating income		**257,014**	**181,117**
Extraordinary, non-recurring or prior period expenses	3.2	(74,376)	–
Income for the period before tax		**182,638**	**181,117**
Direct taxes	3.3	(727)	(735)
Net income for the period		**181,911**	**180,382**

Balance Sheet

Assets

CHFk	Note	December 31, 2019	December 31, 2018
Cash and cash equivalents		6,167	994
Other receivables			
due from third parties		*1,188*	*282*
due from investments		*79*	*6,771*
Prepayments and accrued income		45	88
Total current assets		**7,479**	**8,135**
Investments	3.4	2,593,630	2,593,630
Total non-current assets		**2,593,630**	**2,593,630**
Total assets		**2,601,109**	**2,601,765**

Liabilities and shareholders' equity

CHFk	Note	December 31, 2019	December 31, 2018
Other current liabilities		1,120	5
Accruals and deferred income			
due from third parties		*1,285*	*142*
due from investments		*7,123*	*2,659*
Total short-term liabilities		**9,528**	**2,806**
Share capital	3.5	45,069	45,069
Legal capital reserves			
– Reserves from capital contributions	3.6	685,635	2,199,925
– Reserves from foreign capital contributions	3.6	1,325,000	-
– Other capital reserves		5,817	5,817
Legal retained earnings			
– General legal retained earnings		9,014	9,000
– Available earnings			
– Results carried forward		*339,134*	*158,766*
– Income for the period		*181,911*	*180,382*
Total shareholders' equity		**2,591,580**	**2,598,959**
Total liabilities and shareholders' equity		**2,601,109**	**2,601,765**

Notes to the Statutory Financial Statements

NOTE

NOTE 1

General

Sunrise Communications Group AG (SCG or the Company) was incorporated on January 13, 2015. The registered offices of the Company are located at Thurgauerstrasse 101B, CH–8152 Glattpark (Opfikon), Switzerland.

NOTE 2

Principles

NOTE 2.1

General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the precise underlying amount rather than the presented rounded amount.

NOTE 2.2

Share-based payment

The Company allocated shares to employees in the following employee equity plans:

Management Long-Term Investment Programs (MLTIP, MLTIP Revised, MLTIPE) and Performance Share Unit Plan

Certain members of the Executive Leadership Team and selected Other Top Management were eligible to participate in the Company's equity plan. The Management Long-Term Investment Program granted a certain number of share units (Performance or Matching Shares) for each held Investment Share. As a general rule, Performance and Matching Shares do not vest until the participant has completed a three-year period of service.
As of 2019, all equity plans (MLTIP, MLTIP Revised and MLTIPE) were discontinued and will vest after the regular blocking period. Instead, a new long-term incentive plan (Performance Share Unit Plan) was introduced, granting a certain number of Performance Share Units, which will be awarded after a three-year vesting period (subject to continued employment and the achievement of the performance targets). The related expense is recognized over the service period and adjusted by the expected number of employees eligible for shares.

MLTIP

Under this plan, eligible participants were allowed to elect to receive a portion of their annual short-term incentive, capped at a maximum of 50% of said short-term incentive, in the form of shares (Investment Shares), which were then blocked for a three-year period. There were no minimum service requirements for participants for Investment Shares; however, the matching number of Performance Shares awarded at the end of the blocking period was subject to continued employment and satisfaction of certain performance targets. In March 2019, the blocking period for this plan ended and 1,917 MLTIP Performance Shares were awarded with an exercise price of CHF 73.56 per share.

MLTIP Revised

The rules of this plan are similar to the MLTIP. For members of the Executive Leadership Team, shares, if any, will be allocated as Performance Shares subject to continued employment and satisfying the performance target of the plan. In the event that the good leaver provision applies, awards in the form of Performance Shares vest immediately pro-rata of the expired performance period. However, the shares to be allocated for such vesting of Performance Shares will only be allocated at the end of the performance period. For selected Other Top Management members shares will be allocated in form of Matching Shares subject to continued employment. In the event that the good leaver provision applies, Matching Shares are immediately allocated on a pro-rata basis for the duration of employment until the relevant termination date. As of December 31, 2019, 6,067 MLTIP Revised Investment Shares (2018: 6,067) out of the 2016 short-term incentive are eligible for Performance Shares with a value at grant date of CHF 64.02 per share. 5,985 MLTIP Revised Investment Shares (2018: 8,120) out of the 2016 short-term incentive are eligible for Matching Shares with a value at grant date of CHF 62.72 per share for shares granted in March 2017 and CHF 64.02 per share for shares granted in June 2017. As of December 31, 2019, 9,544 MLTIP Revised Investment Shares (2018: 9,544) out of the 2017 short-term incentive were eligible for Performance Shares with a value at grant date of CHF 80.75 per share for shares granted in March 2018 and CHF 77.75 per share for shares granted in April 2018. 5,639 MLTIP Revised Investment Shares (2018: 7,651) out of the 2017 short-term incentive are eligible for Matching Shares with a value at grant date of CHF 80.75 per share for shares granted in March 2018 and CHF 77.75 per share for shares granted in April 2018. As of December 31, 2019, 808 MLTIP Revised Investment Shares (2018: 808) are eligible for Performance Shares with a value at grant date of CHF 81.40.

MLTIPE

Newly appointed members of the Executive Leadership Team could purchase a certain number of Sunrise shares (Investment Shares). The same rules as for the MLTIP apply, and the CEO benefits from the good leaver clause as in the MLTIP Revised plan. As of December 31, 2019, 8,322 MLTIPE Investment Shares (2018: 40,249) were eligible for Performance Shares with a value at grant date of CHF 85.35 per share for shares granted in June 2017 and CHF 77.35 per share for shares granted in July 2017. In April and June 2019, 31,006 MLTIPE Performance Shares were awarded with a weighted average exercise price of CHF 70.64 per share.

Performance Share Unit Plan

Under this plan, eligible participants will receive an annual monetary grant which will be converted into Performance Share Units (PSUs), with 1 PSU conferring an entitlement to receive between 0 and 2 Sunrise Shares. The conversion to Sunrise Shares at the end of the three-year vesting period is subject to continued employment and satisfaction of certain performance targets. In the event that the employment contract is terminated by the Company, the Performance Share Units are immediately converted to Sunrise Shares at target achievement (100% of set targets) on a pro-rata basis for the duration of the employment until the relevant termination date. As of December 31, 2019, 34,657 PSUs are eligible for Sunrise Shares with a value at grant of CHF 74.4 (2018: nil).

As SCG itself does not have any employees, a possible expense related to the buyback of shares at the market price will be charged to Sunrise Communications AG, the operative company indirectly held by SCG.

NOTE 2.3

Foregoing a cash flow statement and additional disclosure in the Notes

As Sunrise Communications Group AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the Notes as well as a cash flow statement in accordance with the law (Art. 961d Para. 1 CO).

NOTE 3

Information on balance sheet and income statement items

NOTE 3.1

Dividend income from investment

In the reporting year, SCG recorded a dividend income of CHF 260.7 million (2018: CHF 185.0 million). The dividend payments from its directly held investment, Mobile Challenger Intermediate Group S.A., were paid in cash on April 16, 2019 and November 20, 2019.

NOTE 3.2

Extraordinary, non-recurring or prior period expenses

The extraordinary, non-recurring expenses of CHF 74.4 million (2018: nil) are related to the costs for the cancelled share purchase agreement with Liberty Global plc.

NOTE 3.3

Direct taxes

Direct taxes of CHF 0.7 million (2018: 0.7 million) are related to capital taxes. As the main income of the Company is related to generally exempt dividend income, there are no expenses related to income taxes.

NOTE 3.4

Investments

Company	Domicile	CAPITAL IN CHFK December 31, 2019	December 31, 2018	SHARE IN CAPITAL AND VOTING RIGHTS December 31, 2019	December 31, 2018
Mobile Challenger Intermediate Group S.A.	Luxembourg	1,346	1,346	100%[1]	100%[1]
Sunrise Communications Holdings S.A.	Luxembourg	1,000	1,000	100%[2]	100%[2]
Sunrise Communications International S.A.	Luxembourg	1,000	1,000	100%[2]	100%[2]
Skylight S.à.r.l.	Luxembourg	1,500	1,500	100%[2]	100%[2]
Sunrise Communications AG	Opfikon	50,000	50,000	100%[2]	100%[2]
YOL Services AG	Opfikon	105	105	100%[2]	100%[2]
TelCommunication Services AG	Opfikon	2,000	2,000	100%[2]	100%[2]

[1] Directly held
[2] Indirectly held

NOTE 3.5

Share capital

Share capital in the amount of CHF 45.1 million consists of 45,069,028 registered shares at a par value of CHF 1.00 each.

NOTE 3.6

Reserves from capital contributions

At the Annual General Meeting on April 10, 2019, the payment of an ordinary dividend from reserves from capital contributions in the total amount of CHF 189.3 million (CHF 4.20 per share) in respect of the 2018 financial year was approved. The dividend payment was made on April 16, 2019.

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration has confirmed that it will recognize disclosed reserves from capital contributions as a capital contribution as per Art. 5 Para. 1bis Withholding Tax Act. Due to the Federal Act on Tax Reform and AHV Financing the reserves from capital contributions were split into foreign and non-foreign capital contributions as of December 31, 2019. The comparative period was not restated.

NOTE 4

Other information

NOTE 4.1

Full-time equivalents

Sunrise Communications Group AG does not have any employees, as in the prior year.

NOTE 4.2

Significant shareholders

The following shareholders held more than 3% of voting rights as of December 31, 2019, and December 31, 2018:

Shareholder	**Voting rights, December 31, 2019**[1]	Voting rights, December 31, 2018
freenet AG, Büdelsdorf	24.52 %	24.52 %
BlackRock, Inc., New York	5.70 %	3.19 %
Canada Pension Plan Investment Board, Toronto	4.86 %	5.03 %

[1] In % of total share capital as registered with the commercial register of the Canton Zurich as of December 31, 2019

NOTE 4.3

Shares held by the Executive Leadership Team and the Board of Directors, including any related parties

In 2019 and 2018, the allocation of shares held by the Board of Directors is as follows:

Board of Directors	**Numbers of shares, December 31, 2019**	Numbers of shares, December 31, 2018
Peter Kurer	11,099	7,723
Peter Schöpfer	4,049	2,061
Ingo Arnold[1]	688	–
Robin Bienenstock	2,749	2,061
Ingrid Deltenre	1,316	628
Michael Krammer	2,749	2,061
Jesper Ovesen	7,579	6,891
Christoph Vilanek	2,749	2,061

[1] Not a member of the Board of Directors as of December 31, 2018, therefore no shares disclosed.

As of December 31, 2019, and 2018, the members of the Executive Leadership Team held the shares listed in the following table, all of which were acquired under the Long-Term Investment Programs and/or the Employee Share Purchase Program issued by Sunrise Communications Group AG at the time of the IPO. Investment Shares acquired under the Long-Term Investment Programs are subject to a blocking period of three years from the allocation date.

Executive Leadership Team	**Numbers of shares, December 31, 2019**	Numbers of shares, December 31, 2018
Olaf Swantee, CEO[1]	51,565	29,310
André Krause, CFO[1]	19,371	27,421
Giuseppe Bonina, CYO[2]	1,502	–
Françoise Clemes, CSO	15,039	8,674
Bruno Duarte, CCO[3]	4,950	4,950
Tobias Foster, CHRO[2]	4,639	–
Elmar Grasser, CTO	4,531	3,932
Marcel Huber, CAO[2]	2,100	–
Robert Wigger, CBO	5,066	5,066

[1] Following the intended UPC transaction, André Krause, former CFO, replaced Olaf Swantee as CEO on January 3, 2020 with immediate effect. On January 6, 2020 Uwe Schiller was appointed as new CFO.
[2] Not a member of the Executive Leadership Team as of December 31, 2018, therefore no shares disclosed.
[3] It was announced in January 2020 that Bruno Duarte the Chief Consumer Officer will leave Sunrise. Until a successor is found for Bruno Duarte, André Krause takes over the responsibility for the Consumer Unit.

None of the members of the Board of Directors or the Executive Leadership Team hold conversion or option rights.

NOTE 4.4

Events after the balance sheet date

There are no significant events to report after the balance sheet date.

Appropriation of Available Earnings and Capital Reserves

The Board of Directors proposes to:
- carry forward the accumulated earnings
- allocate CHF 198.3 million from the reserves from foreign capital contributions to the dividend reserves
- pay a dividend of CHF 4.40 per share (total of CHF 198.3 million) from the dividend reserves:

CHFk	2019
Appropriation of available earnings	
Balance brought forward from previous years	339,134
Income of the year	181,911
Total available earnings	**521,045**
Allocation to general reserves	-
Accumulated earnings to be carried forward	**521,045**
Reserves from foreign capital contributions	
Reserves from foreign capital contributions	1,325,000
Allocation to dividend reserves	(198,304)
Balance to be carried forward	**1,126,696**
Appropriation of dividend reserves	
Dividend reserves at the end of the year	-
Allocation of reserves from capital contributions	198,304
Distribution proposed by the Board of Directors	(198,304)
Dividend reserves to be carried forward	**-**

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To the General Meeting of
Sunrise Communications Group AG, Opfikon

Zurich, February 26, 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sunrise Communications Group AG, which comprise the Income Statement, Balance Sheet and Notes to the Statutory Financial Statements (pages 172 to 182), for the year ended 31 December 2019.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter Licensed audit expert (Auditor in charge)	Tobias Meyer Licensed audit expert

Legal Notice

Important dates 2020

April 08, 2020
Annual General Meeting

May 14, 2020
2020 first-quarter results

August 27, 2020
2020 second-quarter results and 2020 half-year report

November 05, 2020
2020 third-quarter results

Further information

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